

# Gaza Reconstruction: Risks, Opportunities, and Israel's Role

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As part of the Trump administration's "20-Point Plan," the international community is preparing for a large-scale reconstruction of the Gaza Strip. For Israel, this process presents a multidimensional strategic opportunity: pushing Hamas out of power in favor of more moderate forces, promoting processes of moderation within the population, and deepening Israel's integration into the regional axis (with the backing of the United States and Gulf states). Even if a moderate alternative to Hamas does not emerge, successful reconstruction could serve as a temporary incentive for stability in the Strip. At the same time, the process carries a significant risk: the diversion of reconstruction resources toward Hamas's renewed military buildup. To realize the opportunity while mitigating the risk, Israel must employ a diverse toolbox that includes monitoring, the threat of halting reconstruction, and partnership. Monitoring prevents rearmament; the threat of halting aid provides internal Gazan legitimacy for excluding Hamas; and partnership serves as a driver of moderation. While each of these tools is critical, their combination creates internal tensions. This paper focuses on the early years and recommends emphasizing different tools across different sectors. In the construction sector, which involves large volumes of resources that may be diverted to Hamas, the paper recommends a strict version of monitoring policy. In sectors traditionally managed by civil society organizations, such as education, it recommends partnership. After several years—particularly if a moderate government gains public legitimacy in Gaza—the focus can shift toward trust-building and partnership within state institutions as part of a broader political process.

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## A. Introduction

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The war imposed on Israel following the October 7 massacre has left Gaza in a state of unprecedented destruction. UN reports indicate that 70–90 percent of residential buildings and 77 percent of roads have been destroyed. Critical infrastructure (water, electricity, sewage, healthcare, and education) has almost completely collapsed. The UN and the European Union estimate reconstruction costs at \$50–70 billion. The most expensive component is housing reconstruction (approximately \$15 billion), followed by healthcare systems, commerce, and production. This is a long-term project expected to last at least 15 years and consists of three main phases:

1. **Immediate response phase:** humanitarian assistance, debris removal, establishment of critical infrastructure such as water and electricity, and provision of temporary housing solutions. Estimated cost for the first three years: \$20 billion .
2. **Reconstruction phase:** building permanent physical and institutional infrastructure, including permanent housing .
3. **Growth phase:** restoring and developing productive capacity, governance institutions, strategic infrastructure such as a port, and integrating Gaza's economy into the regional system .

The Trump administration's 20-Point Plan provides broad American and international backing for Gaza's reconstruction. As part of the plan, a "Peace Council" was established, including Israel, regional states (such as Saudi Arabia, the UAE, Egypt, Qatar, and Turkey), and additional countries. Under this framework, a Palestinian technocratic government headed by Dr. Ali Shaath was formed, and veteran diplomat Nikolay Mladenov was appointed as the High Representative to coordinate between the Peace Council and the technocratic government.

Implementing the plan requires cooperation among multiple actors with differing—and sometimes conflicting—interests. Hamas and the Palestinian Authority compete for political power; Egypt has security and economic interests related to reconstruction; Qatar and Turkey seek Hamas's survival; and Arab states and the international community aim to create a political horizon for a two-state solution. In Israel, there is broad consensus regarding security objectives and the need to weaken Hamas, but deep disagreement over the necessity and desired nature of reconstruction. As a result, the government avoids discussing the "day after." Without active Israeli involvement, the chances of reconstruction failing are high; without strategic planning, Israel will struggle to choose a path that maximizes opportunities while minimizing risks.

This paper discusses possible scenarios, outlines Israeli interests in Gaza's reconstruction, and proposes a path for gradual Israeli engagement in the reconstruction process.

## B. Possible Scenarios and Israeli Interests

During the war, civil society demonstrated significant power. Civil society in Western countries played a major role in pressuring their governments to change policies and intensify efforts to end the war. Global civil society also supported, funded, and implemented humanitarian efforts. Israeli and Palestinian civil societies also played important roles.

Israeli civil society played a decisive role in shaping public discourse. Civil society organizations highlighted the humanitarian crisis in Gaza, helped place humanitarian issues at the center of public debate, defended the work of international aid organizations, emphasized their importance, promoted the idea that agreements save lives and enhance security, and placed the issue of hostage return and the value of life at the center of Israeli consensus.

Reconstruction may fail for various reasons—lack of funding, Hamas takeover attempts, or an Israeli veto. Without meaningful reconstruction, the population will remain under prolonged humanitarian pressure, living in poor housing and sanitation conditions, creating incentives for violence and terrorism and undermining Israel's legitimacy regionally and globally. Another troubling scenario is Hamas taking control of reconstruction resources, gaining funding, prestige, and ultimately military strength.

A third scenario involves successful physical reconstruction under a technocratic government, but failure to transition toward a moderate political leadership. A technocratic government has high political feasibility—it may be perceived by Palestinians as a unity government, and some elements of the Israeli right may prefer a government without a public mandate to initiate a political process. However, such a government would not drive deep moderation; it would merely convince Hamas to postpone the next round of conflict until reconstruction is complete. Another scenario—explicitly envisioned in the 20-Point Plan—is governance by a reformed Palestinian Authority in Gaza, committed to moderation and coexistence.

Scenario	Description	Implications for Israel
A: Reconstruction failure	Gaza remains destroyed and hopeless	Negative: lack of security, persistent terror hub, regional instability (West Bank, Egypt, Jordan), and severe damage to Israel's international legitimacy
B: Reconstruction under Hamas	Hamas controls reconstruction resources and process	Dangerous: military buildup, erosion of Israeli deterrence, high risk of future war

C: Technocratic rule	Pragmatic, non-political governance	Complex: return to “conflict management”; temporary calm enabling growth but allowing Hamas to rebuild covertly
D: De-radicalization and political settlement	Gradual transition to a reformed Palestinian Authority under Arab and Western supervision	Positive: Hamas weakened and disarmed, effective institutions built, education system reformed, stable political horizon

Failure of reconstruction could worsen further if a future U.S. administration less committed to Israel imposes reconstruction under unfavorable conditions. Conversely, reconstruction under Hamas could lead to the worst-case scenario: another violent war ending in renewed destruction of Gaza.

Israel thus faces a dilemma: cooperation with reconstruction will facilitate recovery but may also empower Hamas. A second dilemma concerns whether Israel should accept long-term technocratic governance or strive for a moderate government linked to the Palestinian Authority. The latter is strategically preferable but difficult to implement due to complex coordination requirements and political resistance both in Gaza and Israel.

### C. Israel's Policy Toolbox

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#### ***Monitoring***

A massive quantity of goods, raw materials, and experts will enter the Strip during reconstruction. Monitoring is first and foremost the scanning of incoming trucks to detect concealed weapons. In addition, “dual-use” equipment—civilian equipment that can be used for combat—is approved only in certain cases. An important extension of the concept of monitoring includes stopping projects that Hamas has taken over.

Israeli monitoring is not only a technical barrier to smuggling; it is a powerful tool in the battle over consciousness and in eroding the “resistance vision.” Continuous and effective monitoring conveys a clear message to the population - Hamas has lost the ability to arm itself. When a terrorist organization cannot provide its primary “product,” its relevance erodes and its attractiveness in the eyes of the public declines.

Beyond the ability to monitor goods, the mechanism also allows Israel to increase its bargaining power. For example, Israel can condition the approval of a specific dual-use item on a personnel change in the governing structure. This is a useful strategy in the short term; however, in the long term it may prove counterproductive, as Israel will be labeled a “spoiler.” By contrast, a transparent and consistent policy will

facilitate the creation of effective cooperation with Egypt and the European Union Border Assistance Mission (EUBAM) responsible for the Philadelphi Corridor.

### ***Threat of Halting Reconstruction***

Israel has the ability to threaten to freeze or halt reconstruction by blocking the crossings or by persuading the partners that reconstruction is strengthening Hamas in contradiction to what was agreed in the 20-Point Plan. In this way, Israel gains a powerful bargaining tool that it can use to stop initiatives that endanger its security.

The Israeli threat to halt reconstruction strengthens the legitimacy of the technocratic government. Since Hamas's strengthening would cause Israel to stop the reconstruction of the Strip, public backing is created for excluding Hamas from centers of power—not as cooperation with Israel, but as a vital necessity to ensure the future of the population.

The threat of halting reconstruction is by nature a tool that creates ambiguity—this has advantages: for example, creating uncertainty for Hamas will make it harder for Hamas to exploit the rules and take over reconstruction resources. In addition, ambiguity allows Israel future flexibility.

However, uncertainty also has disadvantages. For example, forming coalitions with donor states and aid organizations requires creating an environment with a high level of certainty. In addition, flexibility may prove to be a double-edged sword if Israel is tempted to use the threat as a tool for domestic politics. The challenge is to find the golden mean that allows Israel to create uncertainty for Hamas and the ability to use the veto tool rationally, while at the same time creating a sufficiently certain environment for partner states and investors, and avoiding overuse of the threat.

### ***“Enabling”: Building a Logistical Backbone***

An important tool in Israel's toolbox is its role as an “enabler” of Gaza reconstruction efforts. For example:

- **Supporting infrastructure:** For the success of reconstruction efforts, there is a need to develop physical and logistical infrastructure. For example, it is necessary to expand the roads from Ashdod Port and improve the crossings in order to enable the transport of millions of tons of construction materials per year .
- **The private sector:** For the success of reconstruction efforts, there is an opportunity, and sometimes even a necessity, to integrate Israeli logistics and technology companies that know how to work with international construction firms with high efficiency .

These are only illustrative examples. Israel's integration into the reconstruction process has practical advantages without which it will be difficult to advance it. It also includes economic advantages for Israel, and some partners may see Israeli

assistance as evidence that Israel is a positive actor. By contrast, other actors may see this as a “continuation of the occupation by other means”.

### ***Partnership and Building Moderate Actors in Gaza***

Israel also has capabilities and a possible role in strengthening civil society actors and moderate actors in Gaza. Such a process will advance Israel's most important interest: creating a civilian, life-oriented alternative that abandons the path of terrorism. The range of partnership tools is broad and includes, among other things: professional partnerships between Palestinian and Israeli organizations, support for infrastructure, connections with international organizations, or with civil society organizations in the West Bank, and more.

## **D. Implementation Strategy in the Early Stages of the Reconstruction Process**

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In order to use the toolbox optimally, Israel must act according to a logic that differentiates between different stages and different sectors. The early stages of reconstruction are characterized by a massive inflow of raw materials on the one hand and a low level of trust on the other, and therefore the relative importance of the “monitoring” tool increases. In addition, for different sectors, different tools should be emphasized: while in knowledge-intensive sectors, such as education, a strategy of partnership will yield the best results, in material-intensive sectors, such as construction, a strict version of the monitoring strategy should be used.

### ***Infrastructure Reconstruction and Construction Projects: The Outsourcing Model***

Even effective monitoring does not reach 100 percent, both due to the success of smugglers and due to diversion of resources. For example: Hamas can force contractors to employ its people at higher wages. Since some construction projects will reach values of billions, even the leakage of a few percent of resources can provide Hamas with many tens of millions of dollars per year.

To prevent diversion of resources, we recommend that the largest projects be controlled and executed by external companies, with experience and good communication with Israel. These companies will be able to isolate work areas and filter the entry of the population into construction zones. In this way, the risk of diversion of resources to Hamas will be reduced, as well as the danger that infrastructure projects will be used to rebuild terror tunnels. In this model, operational control lies with the external company, which must be balanced with partnership in planning and oversight both by the transitional government and by the local population.

This model also has other advantages: the companies' experience and the Israeli logistical backbone will ensure a higher pace of work and an international quality standard. This method also reduces safety risks arising from intensive construction in a dense area and in an environment with many unexploded ordnance. In addition, outsourcing makes it possible to build large-scale projects as a single unit, while bypassing bureaucratic obstacles that could cause the entire project to fail. An example of such obstacles could be ownership claims by several residents over a small piece of land—which would delay the construction of a large complex. The external companies model also has disadvantages: it slows the development of self-governance and a construction sector, and it removes a certain dimension of sovereignty from the local population, but its advantages outweigh its disadvantages—especially if a combination and partnership is built between the moderate Palestinian leadership and the contracting companies. Issuing tenders by the Palestinian leadership, and directing a percentage of profits to a fund for financing Gaza's reconstruction, are additional mechanisms that can be considered.

### ***Health and Civil Society: A Partnership Model***

Encouraging civil society actors, in areas traditionally operated by NGOs—such as early childhood education, excellence education, arts, sports, religious services, and welfare—is essential for the growth of a moderation process. Such NGOs will serve as an alternative to Hamas's welfare arms—both for Gaza's residents and for external donors. More importantly, these NGOs will constitute a nucleus that can foster a strong and dynamic civil society, which is important for Gaza's development.

Another type of cooperation, more professional in nature, can be found in budget-intensive sectors such as healthcare and environmental protection. Cooperation in these sectors is multi-lateral and includes local organizations and international organizations. Extensive use of monitoring tools on the healthcare sector will slow development and partnership, and will not significantly affect Hamas's ability to arm itself. Medical equipment is expensive, and the number of rockets Hamas can build by dismantling an MRI machine is low.

## **E. Later Stages of Reconstruction: From Limited Partnership to State-Building**

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In the later stages of reconstruction, Israel and others will already have a higher level of certainty, there will be familiarity with the mechanisms that take shape, and a process of trust-building will have begun. In addition, the Gazan market will begin to rely on trade rather than incoming concrete, and therefore the volume and importance of monitoring are expected to decline.

In the most positive scenario, reconstruction will be led by moderate and moderating forces with internal legitimacy. In this scenario, Israel's interest is to enable the construction of functioning state institutions in the Strip, including financial institutions

(supervised to prevent terror financing), life-sustaining infrastructure (desalination facilities, fishing zones), and pollution-preventing systems (advanced wastewater treatment).

In a future political process, issues of linking Gaza to the West Bank and building a port in Gaza will arise—steps that are important in order to strengthen moderate governance in Gaza, even though these steps will reduce Israel's monitoring capacity. A discussion of this tension is beyond the scope of this document; however, it should be said that the more Israel expands its toolbox in the present, including advanced technological monitoring tools, partnership with Egypt, partnership with the European Union, and an understanding of the Gazan economy, the easier it will be for Israel in the future to find solutions that allow political boldness alongside security responsibility.

## F. Summary and Recommendations

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Gaza reconstruction is a process full of strategic dilemmas, moving between the aspiration for regional stability and the security need to prevent Hamas's strengthening. The process constitutes a historic opportunity to reshape relations with Gaza's population, donor states, and the international community, but its success depends on transparent, determined, and differentiated Israeli management.

**In the initial stages**, priority should be given to monitoring. Monitoring should be carried out in an effective and transparent manner that will enable the mobilization of additional partners in Trump's Peace Council, provide assurances for Israel's security concerns, alongside the ability to advance the reconstruction process.

- Alongside physical supervision, monitoring should be used as a cognitive tool that erodes the relevance of Hamas as a "resistance" organization .
- Large construction projects will be managed by external actors with an Israeli logistical backbone, with the involvement and legitimacy of the moderate Palestinian leadership, all in order to prevent Hamas takeover and to improve efficiency .
- The creation of "islands of partnership" should be promoted. It is possible and desirable to begin with controlled Israeli-Palestinian partnerships in low-risk sectors with high humanitarian value, as a basis for building trust and de-radicalization .
- In the early stages, leverage tools should also be maintained, including presenting the threat of halting reconstruction. This threat will give legitimacy to the technocratic government to exclude Hamas from centers of power, in the name of the Gazan public interest in continuing reconstruction .

**In the advanced stages**, and in accordance with progress in demilitarization and the 20-Point Plan, it will be possible to move toward a broader political arrangement, combining Gazan economic autonomy with infrastructural and political linkage to the West Bank, and the construction of ports and trade zones that will connect Gaza to the region and the world.