

Financing Sustainable Reconstruction of Gaza

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Insight Paper²

This paper argues that the reconstruction of Gaza will depend not only on the amount of funding mobilized, but on how financing is structured, governed, and anchored within a broader political context. In a setting shaped by movement restrictions and weak institutions, financial design is not neutral but shapes priorities, distributes power, and determines what can be implemented on the ground. The paper examines the key challenges that have limited the translation of financial commitments into actual projects, alongside emerging approaches that seek to address these barriers, and argues for a financial architecture that strengthens local capacity, ensures transparency, and supports long term recovery rather than reinforcing dependency and fragmentation. It contends that such an approach can only be effective if it is accompanied by a clear political horizon, including the lifting of the blockade, which will support the well-being of the local population and create the conditions to reduce risk and attract private investment.

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² This paper was written following a session that brought together experts in macro-finance, development practice, and digital governance. It was opened with presentations of Dr Hafez Ghanem who focused on the institutional and macroeconomic conditions for sustainable reconstruction finance, and Aharon Porath who examined proposals to use blockchain and digital assets in Gaza and unpacked both their technical potential and the serious political and social risks they carry. Other speakers added perspectives on private sector incentives, regional trade, and the central question of local ownership.

A. Introduction

Gaza's reconstruction will not be determined only by the volume of funds pledged, but by how financing is structured, allocated, governed and mainly anchored within a broader political horizon. In a context shaped by blockade, fragmented authority, and deep social and institutional strain, financing cannot be a neutral or technical matter. It sets priorities, distributes power, and shapes who can act and decide.

Financing is not separate from reconstruction. It is embedded in it. Its design influences planning, institutions, markets, and the extent to which communities can participate in shaping their recovery. The question is not only whether funding exists, but whether it supports a process grounded in rights and local agency or reinforces power relations and externally driven models. Financing should be understood as a central arena of reconstruction. Its design will shape not only what is rebuilt, but also how power, resources, and opportunities are distributed over time .

The paper examines the main challenges that have limited the translation of financial commitments into actual projects, alongside emerging approaches that seek to address these barriers. Key constraints include limited donor capacity and a high dependence on external aid, which restrict both the scale and sustainability of reconstruction efforts. These challenges are compounded by widespread poverty, high unemployment, large scale displacement, and high population density, alongside a lack of available land and designated areas for development. Together, these factors make it difficult to move from short term relief to long term recovery. The paper therefore argues for a financial architecture that strengthens local capacity, ensures transparency, and supports long term recovery rather than reinforcing dependency and fragmentation.

Past experience shows that even substantial funding can lead to fragmented and short lived outcomes when financial mechanisms are disconnected from local realities. In Gaza, previous rounds of reconstruction did not lead to sustainable results, as repeated cycles of destruction and continuous political fragmentation undermined what had been built. These risks are further amplified by ongoing political uncertainty, movement restrictions, and weakened institutional capacity, which together limit both implementation and long term impact. Gaza's reconstruction requires not only financial resources, but a credible political horizon leading to sustainable peace, reformed institutions, and a financing architecture that places Gazans themselves at the center of decision making .

Thus, a clear commitment to ending the blockade must be stated from the outset, alongside a broader political settlement between Israelis and Palestinians, granting the authoritative power of local institutions. Without these conditions, investment will remain constrained, as the risk of renewed violence will continue to shape the calculations of both public and private actors.

B. The Problem: A High-Risk Environment with Weak Frameworks

Despite the establishment of a World Bank fund and repeated references to reconstruction needs of around seventy-one billion dollars, Gaza remains one of the most difficult places in the world to turn commitments into projects on the ground.

From an operational point of view, movement restrictions, dual-use regulations, and damaged infrastructure mean that what would take two years to implement in a normal situation can easily require a decade in Gaza. Each delay increases costs, reduces impact, and erodes trust among both donors and population.

Politically, there is no clear horizon. Gaza has historically been a trading node whose economy depended on commerce with Israel, the West Bank, and the wider region. Under ongoing blockade, the threat of a resumption of violence, and uncertainty over governance, reconstruction risks becoming a patchwork of disconnected projects rather than a coherent recovery strategy. At the same time, Palestinian institutions face a severe legitimacy crisis. Surveys show that a very large majority of Palestinians perceive the Palestinian Authority as corrupt, and a similarly large majority say the same about Hamas. Without institutional reform, transparency, and eventually renewed elections, both donors and investors will remain cautious.

Financially, donor capacity is limited. Among the states that joined early high-level initiatives such as the Board of Peace, only the United States and several Gulf countries possess the fiscal space for sizeable contributions (which are now questionable after the last war in Iran). But, public funds alone will not be enough to rebuild the economy, ensure prosperity, or create meaningful employment for Gaza's young population. Furthermore, it may depend in difficult bureaucracy, slow distribution and potential corruption .

Thus, private investment is essential, yet investor confidence has been shattered by repeated cycles of destruction. Much of what was built in earlier phases has been damaged or destroyed, which means that new investors will only return if they see strong guarantees, clear rules, and some form of risk sharing or insurance.

Legal and Institutional status further complicate access to finance. Gaza is not recognized as a state and thus its access to international financial instruments is limited. As a result, funds are transferred through intermediaries, which add frictions, delays and external interests. These problems may be resolved by the creation of the World Bank's special trust Fund but still remained to be proven.

Finally, the labor market and education system are not aligned. Gaza has relatively high formal education levels, yet one of the highest unemployment rates in the world. The economy was already contracting even before the latest war. Being educated and excluded is a strong risk factor for radicalization. If reconstruction does not address this mismatch and create pathways for young people to use their skills, frustration is likely to deepen.

C. Digital Architecture: Promise and Danger

Digital finance has been presented by several external actors as a way to bypass institutional bottlenecks and improve transparency. Crypto solutions have been explicitly proposed as infrastructure for Gaza's future economy, including Gaza specific stablecoins, tokenized land markets such as those in the GREAT plan, and biometric linked digital wallets funded by Gulf based initiatives.

However, Palestinians are largely excluded from designing these systems. This knowledge gap between designers and users creates fertile ground for manipulation and abuse. In a fragile environment, crypto and blockchain are used primarily for speculation and extraction, not for community empowerment.

The risks are serious. Programmable money can be used for intrusive surveillance and tight control over residents' expenditure behavior. Tokenized land markets can accelerate dispossession and forced sales under economic pressure. Biometric linked wallets and digital identity systems can create permanent structures of monitoring and coercion. Without strong protections, digital finance can entrench new forms of domination rather than offer new freedoms. Therefore there is a need for a set of design principles that any digital architecture in Gaza should follow:

- protection of privacy and economic sovereignty
- prevention of coercion to sell land or key assets
- use of open-source infrastructure to allow scrutiny and collective learning
- community governance of digital systems and not only external oversight
- a balance between legitimate security concerns, privacy and the inclusion of local population.

If these principles are respected, digital tools can still offer advantages such as lower transaction costs, better traceability, protection of property records, and access to global digital labor markets. The central question is who owns and governs the system.

D. Macroeconomic and Institutional Conditions

The future economy of Gaza, as a part of the greater Palestinian economy, will depend on its ability to attract external funds. Whether through aid, financial instruments or public and private investments, the economy will depend on its ability to attract resources .

Thus, financing cannot be separated from politics. Economic negotiations that ignore the political track will be fragile and high risk. For Gazans and potential investors to

buy into any economic program, they must see a long-term settlement that offers a credible future. There are several core points in this regard:

- Long-term investments will not come to Gaza without some assurance that the cycle of violence and destruction will end. Hence, credible steps towards sustainable peace between Israelis and Palestinians are necessary for a successful reconstruction.
- Reconstruction under blockade is structurally constrained. There is no way to achieve sustainable development without lifting restrictions and reestablishing Gaza's role in regional trade.
- Donors and investors will only commit meaningful resources if there are clear and reformed institutions. This means transparent procurement, independent oversight, functioning civil administration, and systems of accountability that include local voices.
- Over time there must be renewed elections in Palestine to rebuild legitimacy. Without such renewal, any large-scale reconstruction program will rest on weak political foundations.

There is a need to distinguish between what public and private finance should cover. Public funds need to focus on what is not profitable but socially essential: like the removal of rubble, water and sanitation, main roads, health and education, and basic social services. Within this, the principle of circular economy with a focus on local labor can harness public expenditure in expanding the labor force generating income³

Private capital should be mobilized for areas where there is potential for returns, such as energy, telecommunications, ports, logistics, and certain types of housing and industrial infrastructure, while ensuring the stability of such projects, within a long term settlement.

Much of the potential capital is likely to come in hybrid forms. Gulf based actors often combine public mandates with commercial expectations. Public private partnerships supported by the international community, such as the Queen Alia airport model in Jordan, offer concrete precedents for large infrastructure in difficult contexts. In all such arrangements, partial risk guarantees and other derisking instruments are crucial.

E. Local Agency, Planning, and the Role of International Actors

Gaza does not lack human resources or entrepreneurial energy. Historically, the territory was integrated into regional trade and has a large pool of educated young people. What is missing are the framework conditions that allow this capacity to be used. These conditions include:

³ See for example the work of Adi Mager on construction waste in Gaza at Mitvim's website.

- a regulatory authority that can make sense of planning and building priorities
- mechanisms to coordinate local initiatives with international projects
- safeguards to prevent a situation where foreign funded projects create enclaves of wealth while locals are left as low paid workers

Within this, regional connectivity and derisking are imperative. For Gaza to become viable, it must be reconnected economically with the West Bank and able to trade with the wider region. Projects such as IMEC might hold potential if they are designed to include Palestinian interests rather than bypass them. At the same time, investors need clarity on derisking tools, including guarantees and insurance for preventing future cycles of violence.

Visions of a Gaza riviera that fails to empower the local population should be treated cautiously. Without mechanisms that channel funds to residents who want to repair and rebuild their communities, reconstruction risks reproducing old patterns in new forms. Gazans should be the agents of reconstruction, not only receivers. This requires a concrete mechanism for allocating resources to people on the ground, for example through transparent grant windows or community funds. The experience and capacity of international agencies that previously worked in Gaza are valuable assets. These institutions have built knowledge and systems over years, yet many are currently locked out. Any new architecture should build on this existing capacity rather than ignore it.

F. Opportunities for New Financial Architecture

Despite the many constraints, there are several concrete opportunities:

First, a World Bank managed trust fund with a special status for Gaza can serve as a central channel for public and blended finance. If led by professionals rather than dominated by political agendas, it can coordinate donors, reduce duplication, and provide a credible framework for project selection and supervision. This can also make it easier to design risk sharing arrangements that crowd in private capital.⁴

Second, there is scope for responsible private investment in key infrastructure. With appropriate guarantees and clear regulation, private actors can help develop energy systems, telecommunications, ports, logistics, and industrial areas. The idea of designating all or part of Gaza as a special economic zone with predictable rules, simplified procedures, and possibly reduced taxes could be a way to attract

⁴ For a more detailed analysis by the co-author of this article, see Hafez Ghanem, “*Financing Gaza’s Reconstruction and Recovery: Dealing with Risk and Uncertainty*,” Development Front, <https://dev-front.org/financing-gazas-reconstruction-and-recovery-dealing-with-risk-and-uncertainty/>

investment and create jobs, provided that this is tied to local benefits and not only to external profits.

Third, small and medium enterprises and youth entrepreneurship are a central pillar of any realistic recovery. Access to credit, training, infrastructure, and land can allow young people to create their own businesses rather than depend only on public employment. Combined with targeted social protection and cash for work schemes, this can address both immediate needs and longer-term resilience.

Fourth, digital innovation remains a potential asset if governed correctly. A community directed digital architecture that is open source, privacy protecting, and anchored in local decision making can improve transparency and access to finance while avoiding the dangers of surveillance and speculative tokenization.

G. Recommendations and Immediate Next Steps

- **Align political and economic tracks.** Reconstruction must be linked to political efforts to ease movement, reestablish trade, and clarify Gaza's governance arrangements and the long-term political horizon for peace and stability. Without this, financial commitments will remain fragile and at risk.
- **Rebuild institutional legitimacy.** Support reforms that strengthen transparency, accountability, and community participation, including preparation for renewed elections. External funding should be conditioned on progress in these areas.
- **Use public finance for essential services.** Channel public and grant based resources to rubble removal, water and sanitation, health, education, core infrastructure, and social protection, rather than to recurrent salary support with no productive outcome.
- **Prioritize Gazan Well Being.** Prioritize allocation to social protection programs, such as cash for work or targeted cash transfers, given the context of high poverty, unemployment and post traumatic impact. Special attention also needs to be given to education and vocational training, health services, public services and ensuring local representation in order to support the population at the center of the economy.
- **Mobilize responsible private investment.** Develop partial risk guarantees and blended finance instruments that encourage private investment in energy, telecommunications, logistics, and productive sectors, while ensuring that regulation protects the public interest.
- **Develop special economic arrangements that serve Gazans.** Explore special economic zones and trade corridors that reconnect Gaza with the West Bank, Israel, and the region, with clear rules on labor, taxation, and local benefit sharing.

- **Prioritize SMEs and youth employment.** Create dedicated windows for SME finance, entrepreneurship programs, and skills development that match the needs of a future Gaza economy. Link social protection to cash for work and cash for assignments that contribute to reconstruction.
- **Design digital systems with strong safeguards.** Any use of blockchain or digital assets should follow principles of privacy, open infrastructure, community governance, and protection against coercive land sales and speculative capture.
- **Strengthen the World Bank fund as an anchor of the system.** Ensure that the World Bank trust fund is led by development professionals, with robust monitoring and evaluation, clear selection criteria, and meaningful inclusion of Gazan voices in priority setting.

Taken together, these elements sketch the outline of a financial architecture that can move beyond fragmented projects and scattered pledges. The central test will be whether Gazans are treated as subjects of reconstruction with real voice and agency, or as objects of a technocratic experiment designed elsewhere.⁵

⁵ For a more detailed and extended analysis by the co-author of this article, see Hafez Ghanem, “Gaza Reconstruction: Do Not Repeat the Mistakes of the Past Four Efforts,” Policy Center for the New South, <https://www.policycenter.ma/publications/gaza-reconstruction-do-not-repeat-mistakes-past-four-efforts>