

Gaza war: expected socioeconomic impacts on the State of Palestine

Update | May 2024



Key messages

The joint Economic and Social Commission for Western Asia (ESCWA) and United Nations Development Programme (UNDP) report issued in November 2023 showed that the ongoing Gaza war has had a devastating impact on the Palestinian people, their economy and human development in the occupied Palestinian territory. The analysis in this present report provides an update of the significant macroeconomic and social consequences of the war based on four projected scenarios: the war ending after six months; continuing for one additional month; continuing for two additional months; and continuing for three additional months.

The analysis underscores once again the urgent need for a ceasefire and sustained efforts to address the humanitarian crisis and rebuild the Palestinian economy and infrastructure.



► Loss of human life

By 1 May 2024:

- At least 5 per cent of the population in Gaza had been killed, severely injured or missing.
- About 7,000 other Palestinians were reportedly missing in Gaza and another 500 had been killed in the West Bank.



By 1 May 2024



had been **killed** in
Gaza or **injured**



7,000

were reportedly **missing**
in Gaza



500

had been **killed** in
the West Bank



► Capital destruction

- The level of destruction in Gaza is such that rebuilding public infrastructure would require external assistance on an a scale not seen since 1948.
- Even with an optimistic scenario in which a five-fold increase of construction materials are allowed into Gaza, it would take until 2040 to reconstruct the destroyed housing units.

To **rebuild** public
infrastructure in **Gaza** would
be on a scale **not seen** since

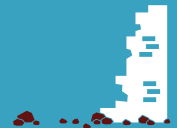
1948



It would take until

2040

to **reconstruct** the
destroyed housing units



► Economic impact

- According to the Palestinian Central Bureau of Statistics (PCBS), the Palestinian economy lost an estimated 8.7 per cent of its real gross domestic product (GDP) in 2023 and is estimated to lose 25.8 per cent in 2024 (equivalent to 6.9 billion United States dollars [\$]) compared to the pre-conflict projected cumulative GDP for 2023 and 2024 in the first six months of the war.
- If the war continues, the GDP loss could reach 29 per cent in 2024 (\$7.6 billion compared to the pre-conflict projected GDP for 2023 and 2024)) by the ninth month.
- All economic sectors have been severely affected, with the construction sector experiencing the most substantial decline of 75.2 per cent.

In 2023, the Palestinian economy **lost**

8.7%
of its GDP



and is **estimated to lose**

25.8%
in 2024



By the ninth month,
GDP loss could reach

29% if the war
continues



Substantial
decline in the
construction
sector of

75.2%



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► Household consumption and poverty

- All household categories have been affected. The consumption of the middle class is estimated to have declined by 35.6 per cent after six months of war and could decline by 38.6 per cent by the ninth month.
- The poverty rate is projected to surge from 38.8 per cent to 60.7 per cent if the war extends to nine months. This will bring a large percentage of the middle class below the poverty line, increasing the number of people living in poverty by 1.86 million.

All household categories have been affected

Middle class consumption declined

- After six months of war: by an estimated

35.6%

- By the ninth month: it could reach a

38.6% reduction



The projected surge in the poverty rate

from **38.8%** to **60.7%**

will increase the number of people living in poverty by an additional

1.86 million



► Labour market

- The unemployment rate in the occupied Palestinian territory is estimated to have reached 46.1 per cent after six months of war (compared to 25.7 per cent before the war) and could increase to 47.8 per cent by the ninth month.



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Before the war unemployment rate reached

25.7%

After six months of war unemployment rate is estimated to have reached

46.1%



▶ Human development index

- While the six-month war scenario indicates a setback of 17 years of human development, under the hypothesis of a nine-month war, the human development index (HDI) decline points to a setback of over 20 years of progress.
- In Gaza, all the four scenarios indicate a setback of more than 20 years in human development.
- The simulation results for the West Bank forecast a setback in human development ranging from 13 to 16 years.

Scenarios indicate a **setback** in the HDI:

- Gaza

20 years

- the West Bank

13 to 16 years

HDI



Context

In November 2023, UNDP and ESCWA jointly released a brief on the socioeconomic impacts of the war,¹ utilizing various analytical tools such as satellite damage assessments and computable general equilibrium (CGE) models based on a 2018 Palestinian social accounting matrix.²

This report provides an update of the November figures and forecasts the potential consequences of the ongoing war outlining four scenarios

considering an additional one-three months of conflict. Furthermore, it supplements the findings of the United Nations, World Bank and European Union Interim Damage Assessment released on 2 April 2024. While the damage assessment primarily focused on the economy in Gaza, excluding the West Bank, this report aims to assess the broader economic implications of the war across the entire occupied Palestinian territory.

Impacts of the Gaza war: a snapshot

The Gaza war and restrictions on access to aid continue well past their sixth month, having caused immense death and suffering as well as massive destruction and a catastrophic humanitarian crisis. Concurrently, the West Bank, including East Jerusalem, continues to witness an escalation in the security situation, increasing settlement expansion, and severe Israeli restrictions on Palestinian movement. This comes at a huge and compounding cost to the Palestinian people with spillover effects on neighbouring countries.

▶ Loss of human life

By 1 May 2024, at least 34,568 Palestinians had been killed, and an estimated 7,000 others remained missing in Gaza. Most of the fatalities (around 70 per cent) were women and children. Another 77,765 Palestinians were injured,³ with many of their injuries likely to result in long-term disabilities.⁴ The figures show that since 7 October 2023, approximately 5 per cent of the Gazan population have been either killed, missing or severely injured. No other armed conflict in the 21st century has caused such a devastating impact on a population in such a short timeframe.⁵

With no safe place in Gaza, as of 30 March, more than 1.7 million Palestinians (over 75 per cent of the population) had been displaced across Gaza, the majority multiple times. Families are still forced to move continuously in search of safety. Most of the displaced persons have sought refuge in emergency United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) shelters and public shelters, or in the vicinity of UNRWA shelters and distribution sites. Among them, an estimated 1.2 million people are currently in Rafah.⁶

► **Capital and fiscal destruction and their impact on the provision of public goods and services**

The Interim Damage Assessment utilized remote data collection to assess physical infrastructure damage in critical sectors between October 2023 and January 2024. Results indicate that as of end-January 2024,

direct damage of approximately \$18.5 billion has been inflicted on the built infrastructure in Gaza, equivalent to 97 per cent of the total GDP of the State of Palestine in 2022. Primarily, damages are concentrated in residential buildings (72 per cent) and commerce, industry and services (9 per cent), with the remaining 19 per cent affecting other critical infrastructure sectors in the areas of education, water, sanitation and hygiene (WASH), health, energy, information and communication technology (ICT), municipal services and transport. The destruction and damage to physical infrastructure, amounting to \$341.2 million to education (schools and universities), \$503.7 million to WASH, and \$553.7 million to health facilities, directly affect basic needs provision in Gaza.⁷ Foreign aid for reconstruction and the recovery of basic service infrastructure are essential for the re-establishment of health, education and WASH services. A United Nations assessment emphasizes the fact that the recovery of pre-war socioeconomic conditions in Gaza will take decades and will require substantial financial resources.⁸

Box 1. Rate of reconstructing completely destroyed housing units following previous escalations

The average rate of reconstructing completely destroyed housing units after Israeli military escalations against Gaza in 2014 and 2021 was 992 housing units per year. During the current war, and as of 15 April 2024, approximately 370,000 housing units in Gaza have been damaged, 79,000 of which were completely destroyed.^{a,b} Even with an optimistic scenario, in which a five-fold increase of construction materials is allowed into Gaza, it would take until 2040 to reconstruct the completely destroyed housing units.

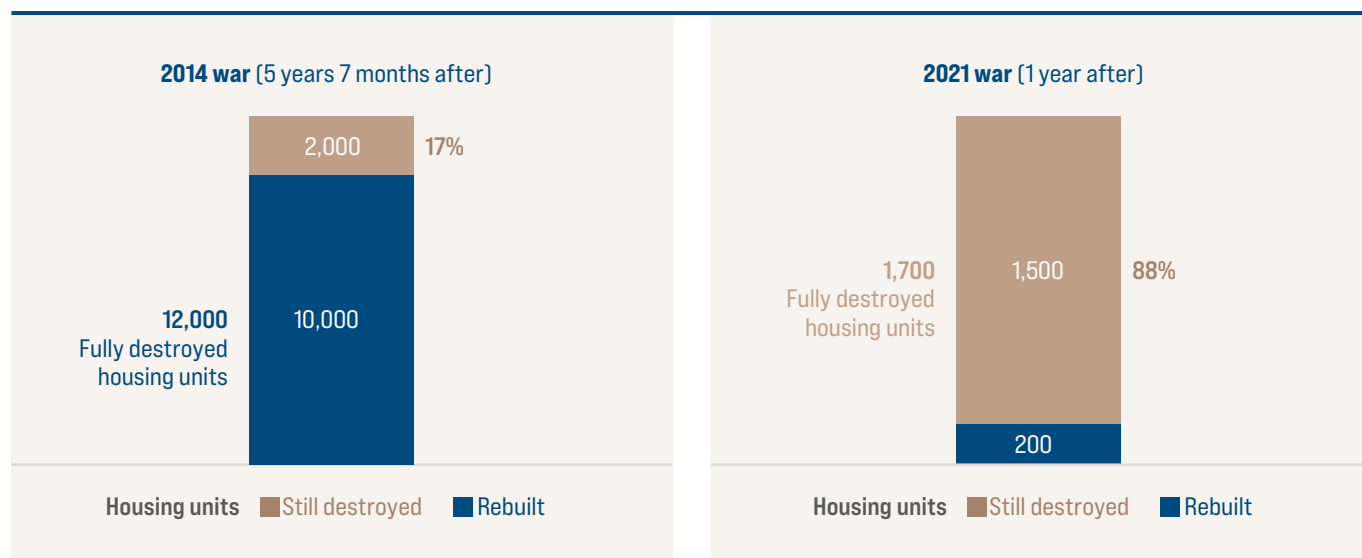
2014 escalation	Of the 12,000 housing units completely destroyed, 1,785 housing units were rebuilt each year for roughly six years after 2014, adding up to 10,000 units during the entire period, as shown in figure 1. ^c
2021 escalation	One year after the 2021 war, only 200 (12 per cent) of the 1,700 destroyed housing units were restored. ^d

^a https://www.pcbs.gov.ps/site/lang_en/1408/Default.aspx.
^b If reconstruction of fully destroyed housing units is to follow the same pattern as the last two escalations, Gaza needs approximately 80 years to restore all the fully destroyed housing units.
^c Palestinian Refugees Portal. Serhan: Reconstruction of 10,000 housing units destroyed during 2014 aggression. 1 March 2020.
^d Aljazeera. A year on from war, Gaza frustrated at slow reconstruction. 10 May 2022.



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Figure 1. Housing units fully destroyed and rebuilt during the last two wars in Gaza



Sources: https://www.pcbs.gov.ps/site/lang_en/1408/Default.aspx; Palestinian Refugees Portal. Serhan: Reconstruction of 10,000 housing units destroyed during 2014 aggression. 1 March 2020; Aljazeera. A year on from war, Gaza frustrated at slow reconstruction. 10 May 2022.



Even with the most optimistic scenario that truckloads of building material were to increase five-fold compared to 2021, it would still take until 2040 to reconstruct housing units in Gaza that were fully destroyed

► Fiscal disruption

In February 2024, the Palestinian Government received the equivalent of \$114 million as fiscal clearance, the equivalent of 41 per cent of the 2022 monthly average. Since October 2023, Israeli authorities have withheld a significant portion of clearance revenues. A temporary agreement allowed the Government of Norway to serve as an intermediary for withheld funds.

► Labour market and movement restrictions between the occupied Palestinian territory and Israel

According to the International Labour Organization (ILO) 160,000 workers from the West Bank have either lost their jobs in Israel and the settlements, at least temporarily, or are at risk of losing them as a result of restrictions imposed on Palestinians' access to the Israeli labour market and the closures of crossings from the West Bank into Israel and the settlements. Only 8,000 temporary permits have been issued by Israel for workers from the West Bank since the current war began.

► Human capital destruction: unemployment and food insecurity in Gaza

The conflict has caused a sharp increase in unemployment in the occupied Palestinian territory, which reached unprecedented rates in the Gaza Strip. Before the war, Gaza was already grappling with a "hyper-unemployment" rate of 45 per cent, with youth unemployment at nearly 62.6 per cent in 2022. The freeze of work permits in Israel and the destruction of physical assets, personal injuries, internal displacement, and the halt of economic activity have compounded the situation.⁹

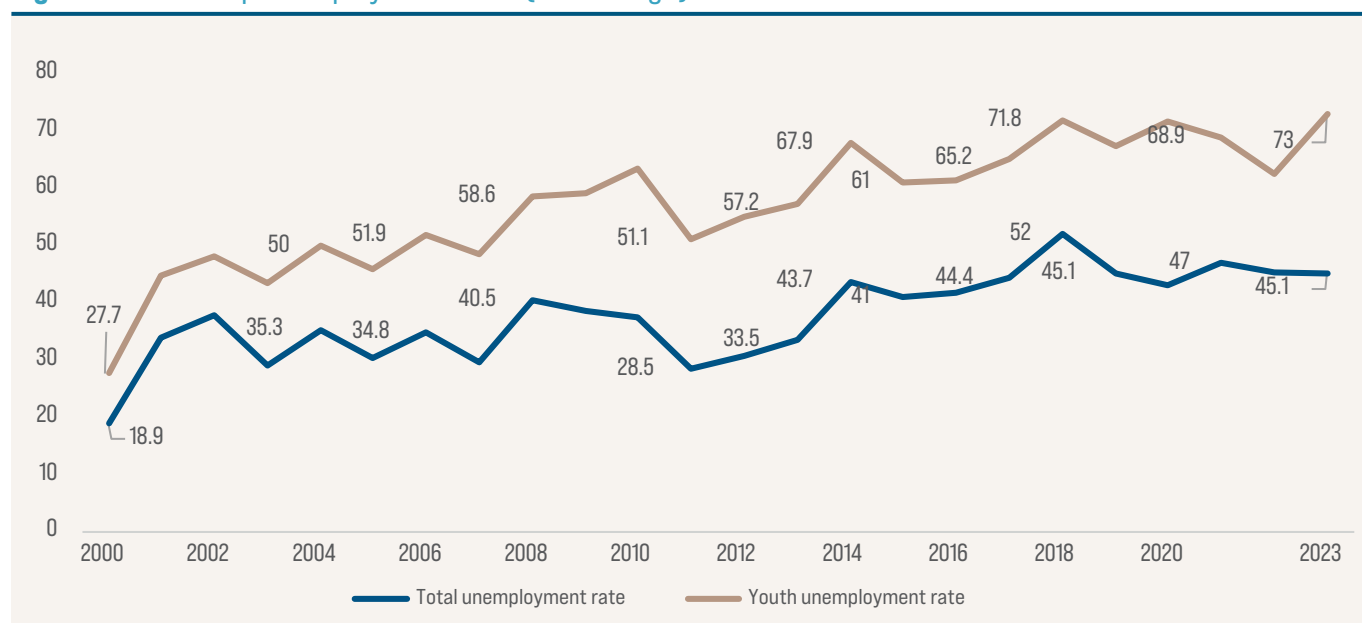
The ILO estimates that as of 31 January 2024, 507,000 jobs had been lost across the occupied Palestinian territory. This includes 201,000 jobs lost in Gaza, with an estimated loss of 12.3 million new Israeli shekels (NIS)¹⁰ in total daily labour income.¹¹ Given that already 89 per cent of wage employees in the private sector in Gaza earned less than the State of Palestine minimum monthly wage (697 NIS) in 2022,¹² even in the best-case scenario, a considerable share of people in Gaza will be living in extreme poverty. The Palestinian unemployment

rate was estimated at 57 per cent during first quarter of 2024.¹³

The damage caused to health facilities also heightens threats to the quality of life in Gaza. This is even more alarming given the aggravated levels of catastrophic food insecurity the population in Gaza are facing, particularly in the northern governorates. Figure 3 shows that 55 per cent of households in northern Gaza were suffering from catastrophic food insecurity between mid-February and mid-March 2024. This figure is expected to grow by 15

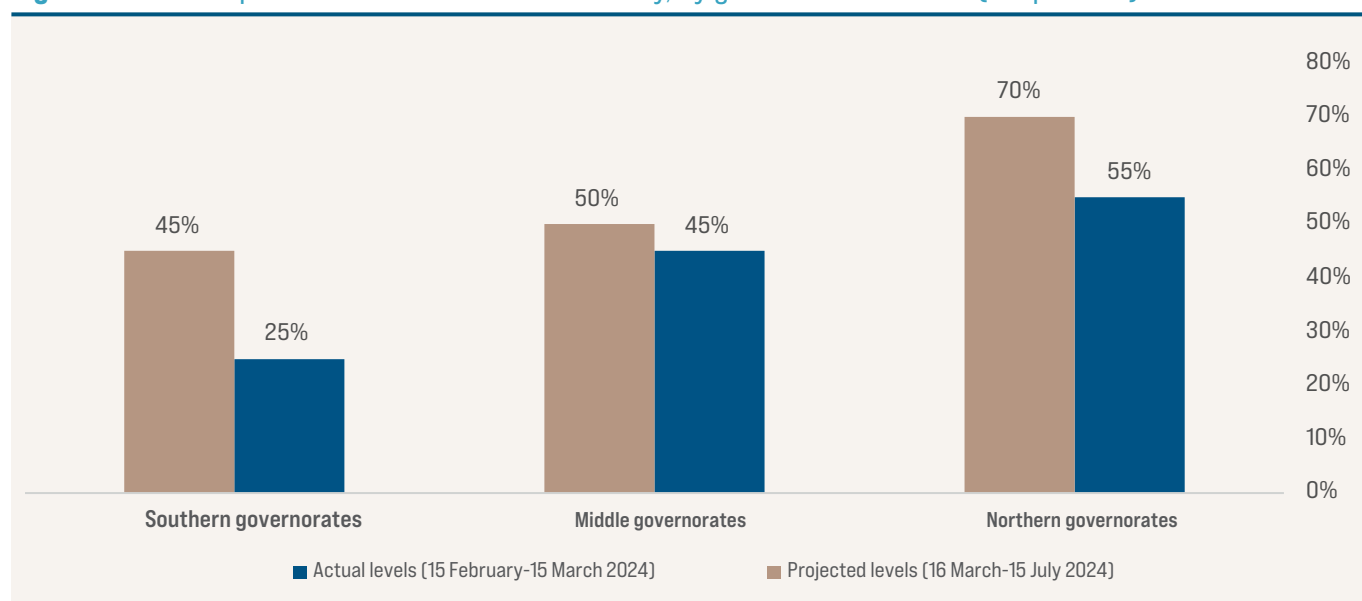
percentage points by July 2024 if the war persists. Slightly less severe trends in food insecurity are also being reported in the middle and southern governorates. As of 15 April 2024, a staggering 31 per cent of children under the age of 2 years are suffering from severe malnutrition in northern Gaza, increasing the risk of preventable mortality among children.¹⁴ Given the siege, such heightened risks of famine, disease, and malnourishment coupled by a crippled health-care sector are causing an alarming double burden on civilians, especially children, aggravating existing humanitarian crises.

Figure 2. Gaza Strip unemployment rates (Percentage)



Source: Author calculations based on PCBS labour force survey data. Latest values reflect 2023 third quarter data from PCBS.

Figure 3. Catastrophic levels of acute food insecurity, by governorates in Gaza (IPC phase 5)



Source: IPC Famine review committee: Gaza Strip, March 2024.

Impact on prices

The Interim Damage Assessment indicates that inflationary pressures have increased in Gaza, with the Consumer Price Index (CPI) surging by 33 per cent in the fourth quarter of 2023 compared to the previous quarter. This spike is primarily attributed to disruptions in the supply chain caused by the ongoing war. Severe shortages of essential goods have significantly impacted their prices and thus reduced the purchasing power of households. Food prices experienced a sharp increase of 39 per cent quarter-on-quarter in the fourth quarter of 2023, driven by the restricted supply of food, elevated transportation costs and diminished aid. The halt in fuel and gas deliveries has led to a 143 per cent rise in transportation costs in Gaza during the same period, exacerbating inflationary pressures.

Loss in production, productivity and overall GDP

The Palestinian economy, initially projected to grow by 3.5 per cent in 2023, instead experienced a significant 5.5 per cent drop in real GDP, as reported by PCBS. This downturn is primarily attributed to the severe economic decline observed in the fourth quarter of 2023, particularly pronounced in Gaza, where the economy

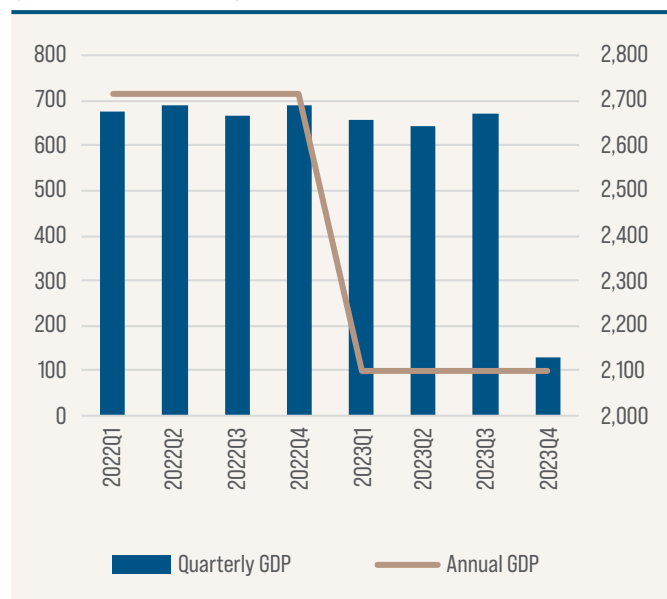
contracted by 81 per cent year-on-year compared to the fourth quarter of 2022 (figure 4), leading to a GDP decline of 22.5 per cent for the entire 2023 year. The Interim Damage Assessment estimates that the GDP of Gaza could decrease by 51 per cent in 2024.

Despite the absence of major military operations, the West Bank has also been affected by rising insecurity and tension and additional restrictive measures. Its economy contracted by 18.8 per cent in the last quarter of 2023 compared to the same period of 2022, resulting in a 1.9 per cent decline for the year (figure 5).¹⁵

In Gaza, all economic activities recorded a sharp decline in value-added and large losses were recorded in the West Bank in manufacturing and construction. In Gaza, all sectors experienced losses of more than 90 per cent compared to the previous quarter.¹⁶ The local economy has been eviscerated by the current war.¹⁷

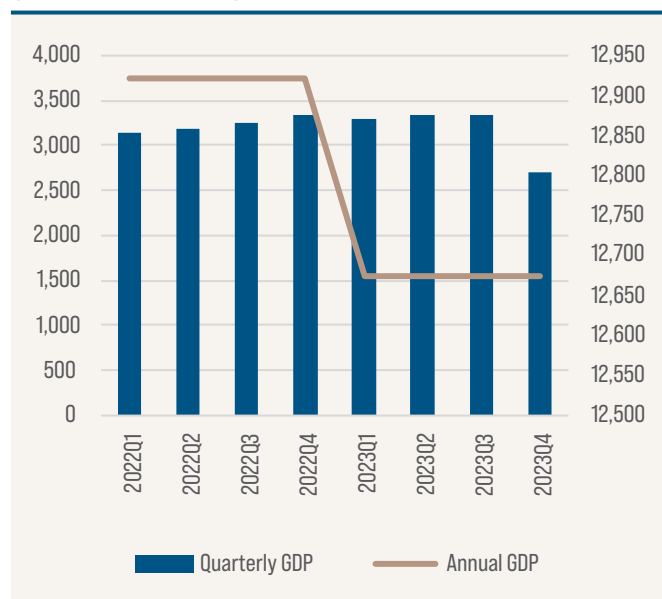
The devastating Gaza war will leave future generations with aggravated economic and social costs that will impede post-war recovery and development across the occupied Palestinian territory. Figure 6 shows the most severe slump in real GDP per capita in the Gaza Strip since the mid-1990s. GDP per capita in 2023 reached a historical low of \$929, 43.8 per cent lower than the GDP registered during the 2014 war.

Figure 4. Real GDP in the Gaza Strip
(Millions of dollars)



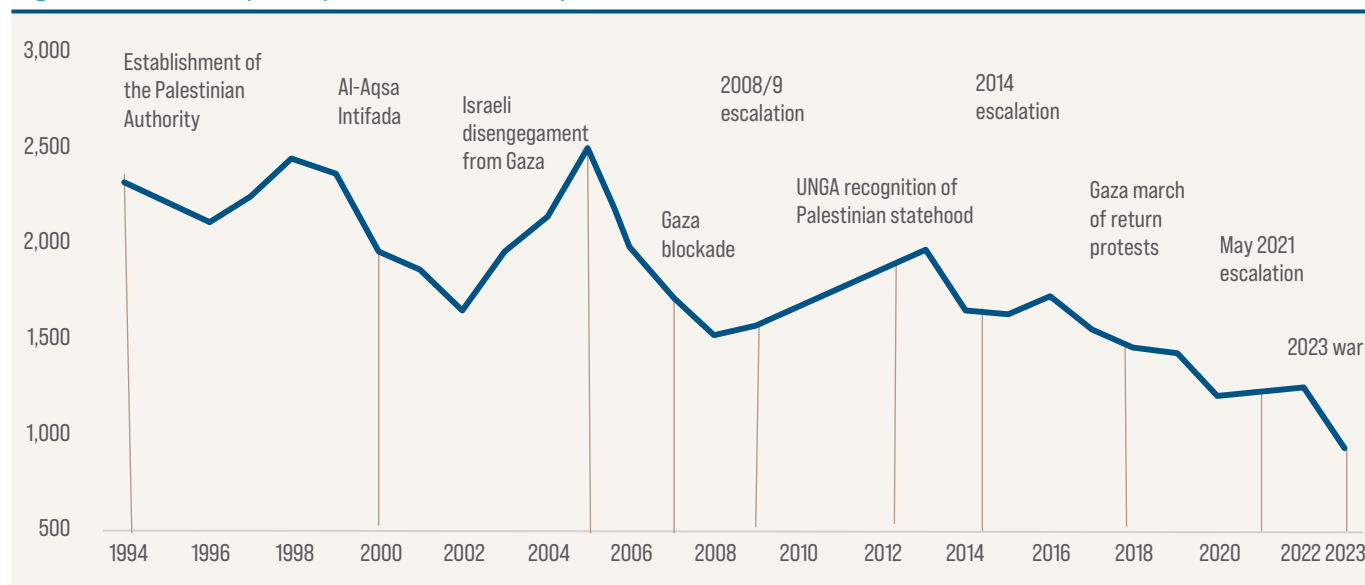
Source: PCBS 2024.

Figure 5. Real GDP in the West Bank
(Millions of dollars)



Source: PCBS 2024.

Figure 6. Real GDP per capita in the Gaza Strip, 1994-2023 [Constant 2015 dollars]



Source: Author calculations based on PCBS national accounts.

Potential macroeconomic impact

Applying the same CGE model used in the initial brief, the potential outcomes of the ongoing conflict are projected below. These projections are based on four key hypotheses derived from the observed developments since the onset of the war.

First, loss in productivity: given the observed decline in economic activity in Gaza and the West Bank, it is assumed that this decline will translate into a decline in total factor productivity (TFP). During the war, the TFP decline is expected to continue at the same observed path in the fourth quarter of 2023. After the war ends, TFP in the West Bank is expected to return to its pre-war level but is anticipated to remain unchanged in Gaza.

Second, destruction of productive capital in Gaza: assuming that (i) in 2023, 60 per cent of productive capital in Gaza was lost; (ii) the initial capital stock in Gaza represented about 7 per cent of the total capital of the State of Palestine in 2022; and (iii) rates of destruction lessen, it is predicted that each additional month of war beyond three months may lead to the destruction of 1.6 per cent of the remaining capital stock of Gaza. Consequently, if the war persists until the ninth month, the destruction of up to 15 per cent of the remaining productive capital in Gaza is expected, reducing

damaged productive capacity in Gaza to 66 per cent of its pre-war level.

Third, the change in the fiscal clearance mechanism: it is assumed that the Palestinian Government will collect 50 per cent its fiscal clearance revenue in 2024.

Fourth, movement of labour between the occupied Palestinian territory and Israel: it is assumed that during the war, the movement of labour was halted. After the war ends, and despite the Israeli programme to substitute Palestinian workers with workers from third countries, it is expected that a percentage of the work permits¹⁸ will be reinstated given the urgent needs of Israel to rebuild its economy after the severe recession caused by the war.

If the war persists until the ninth month, up to

15%
destruction of the remaining productive capital in Gaza is expected



► Impact on GDP

Six months after the war started, the CGE model estimates that, in addition to 8.7 per cent losses in 2023, the Palestinian economy could lose 25.8 per cent of its real GDP in 2024 compared to the 2024 baseline unless considerable international aid is provided as soon as the war ends. This would be the equivalent of \$6.9 billion in losses if compared to the pre-conflict projected GDP for 2023 and 2024. If the war persists, each additional month of war could cost the Palestinian economy an additional 1 per cent of GDP, equivalent to \$0.2 billion. The total losses in 2023 and 2024 could reach the equivalent of 26.9 per cent of GDP after seven months of war; 27.9 per cent after eight months of war; and a staggering 29 per cent after nine months of war, totalling \$7.6 billion if compared to the pre-conflict projected GDP for 2023 and 2024 (figure 7).

► Sectoral impact

The war has affected all economic sectors in the occupied Palestinian territory (figure 8). The construction sector is experiencing the most substantial decline, which could reach a 74.8 per cent reduction. Should the war persist, simulations indicate further deterioration by the ninth month, with the construction

sector's projected decline reaching 75.2 per cent. Other key sectors such as agriculture, manufacturing and trade are also facing severe double-digit contractions.

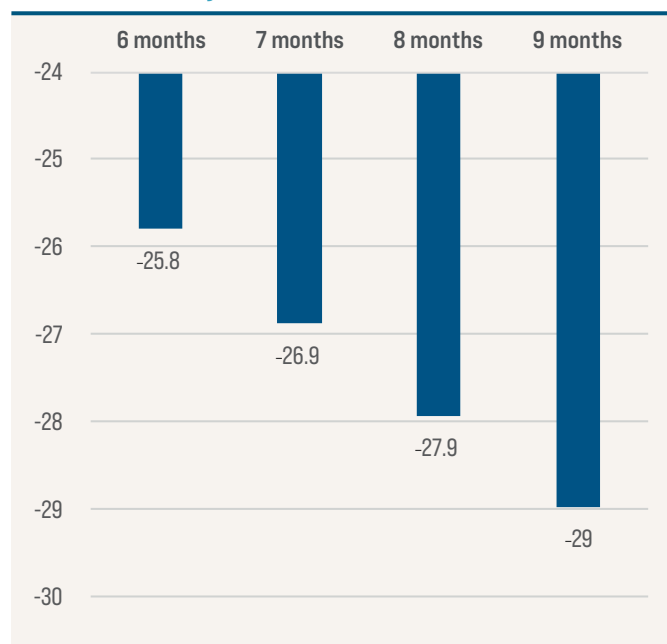
► Impact on household consumption

The simulations show a significant impact on household consumption across different socioeconomic groups (figure 9). The middle class is expected to be the most affected, with a large proportion falling into poverty. After six months of war, middle class consumption is estimated to have declined by 35.6 per cent. As the war persists, projections indicate a further decline in consumption levels, with middle-class households facing potential reductions of up to 38.6 per cent by the ninth month.

► Impact on the labour market

After six months of war, the unemployment rate across the occupied Palestinian territory is estimated to have reached 46.1 per cent,¹⁹ highlighting the detrimental impact on livelihoods. The unemployment rate could increase by roughly 0.5 points for each additional month of war to reach 47.8 per cent after nine months by July 2024 (figure 10).

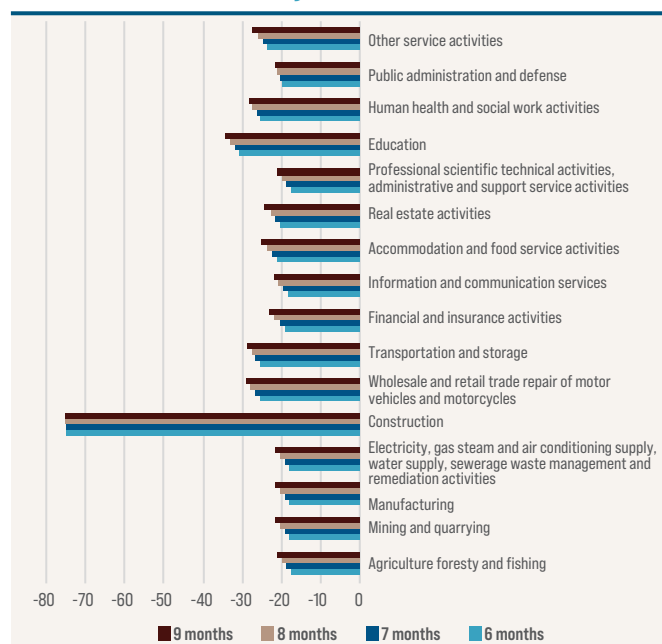
Figure 7. Potential impact on real GDP in the State of Palestine, 2024 (Percentage variation vis-à-vis the no war scenario)



Source: UNDP ESCWA CGE estimation.

Note: Months refer to the duration of the war.

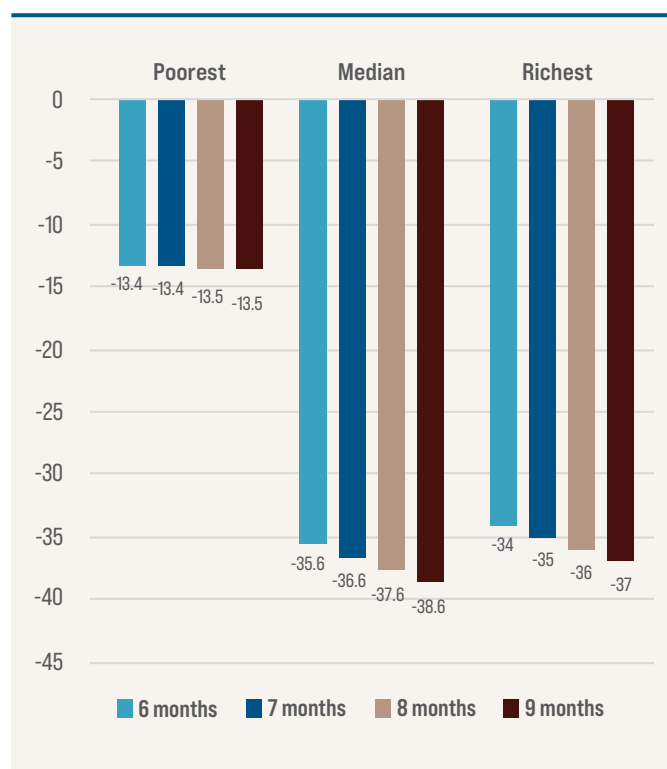
Figure 8. Potential impact on sectoral GDP in the State of Palestine, 2024 (Percentage variation vis-à-vis the no war scenario)



Source: UNDP ESCWA CGE estimation.

Note: Months refer to the duration of the war.

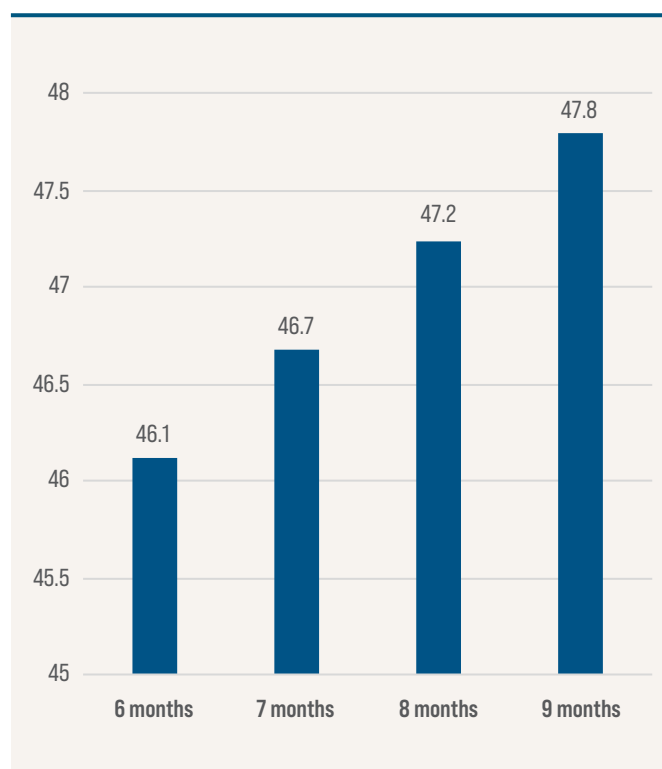
Figure 9. Potential impact on household consumption in the State of Palestine [Percentage variation vis-à-vis the no war scenario]



Source: UNDP ESCWA CGE estimation.

Note: Months refer to the duration of the war.

Figure 10. Unemployment rate in the occupied Palestinian territory [Percentage]



Source: UNDP ESCWA CGE estimation.

Note: Months refer to the duration of the war.

Potential impact on human development

In addition to its economic implications, the Gaza war will have significant impacts on the different components of the HDI for the State of Palestine, including gross national income (GNI).²⁰

► GNI per capita

Based on the results of the CGE models illustrated in the previous section, a decrease in GNI per capita ranging from 24.9 per cent, to 26 per cent, 27 per cent and 28.1 per cent is predicted across the four scenarios, respectively, compared to 2022 data.

► Life expectancy

Given the number of casualties and the massive destruction of health facilities (box 2), the war

will have a significant impact on life expectancy. Based on the 2014 war,²¹ it is estimated that life expectancy in the occupied Palestinian territory has decreased by four years after six months of war. Each additional month of war could reduce life expectancy by an additional year to reach seven years if the war continues into its ninth month.

► Expected years of schooling

The halting of classes during the war and the destruction of schools in Gaza (box 3) has had a significant impact on the expected years of schooling, which is assumed to decreased by 0.5 years after six months of war. Each additional month of war will lower the expected years of schooling by 0.5 years, leading to the significant decline of expected years of schooling of two years if the war continues beyond nine months.

Box 2. Health infrastructure destruction during the war

Health facilities were not excluded from direct attacks, the majority of them have either been destroyed or damaged.^a

28 per cent of hospitals are partially functioning



^aWHO, oPt Emergency Situation Update as of 2 April 2024.

Box 3. Destruction of education infrastructure during the war

The October 2023 war has had a major toll on the education system. It has had a physical as well as a social cost on school facilities, students and teachers.^a

Education system has effectively collapsed



^ahttps://www.pcbs.gov.ps/site/lang_en/1408/Default.aspx.

► Overall HDI

When taking into consideration the above declines in HDI components, the HDI for the State of Palestine is likely to undergo a significant decrease, estimated to have reached 0.677 after six months of war (compared to 0.716 in 2022), setting HDI back to its 2007 levels.²² An additional month of war could further reduce HDI to 0.667, rolling back progress to 2006 levels.²³ If the war extends to eight months, HDI could reach 0.657, reverting progress to 2004 levels,²⁴ which is the earliest recorded HDI for the State of Palestine. After nine months of war the HDI could reach 0.647, setting back progress by more than 20 years (figure 11).²⁵ Simulations using subnational HDI data show marked differences between Gaza and the West Bank.

For the West Bank, the HDI value after six months of war is expected to have dropped from an estimated 2022 value of 0.720 to a value of 0.702, setting human development back by 13 years (2011 levels), while after seven months, at an estimated 0.697, the decline will be by 13 years (2011 values). At eight months of war, the HDI value is estimated to reduce to 0.687, a setback of 14 years (2010 values), and if the war continues to a ninth month, the HDI at 0.677 will result in a loss of 16 years (2008 values).

For Gaza, where the 2022 HDI value was estimated at 0.705, all four scenarios would set back human development in the Strip by more than 20 years to before 2004 when the earliest HDI values for the State of Palestine were recorded (figure 12).²⁶

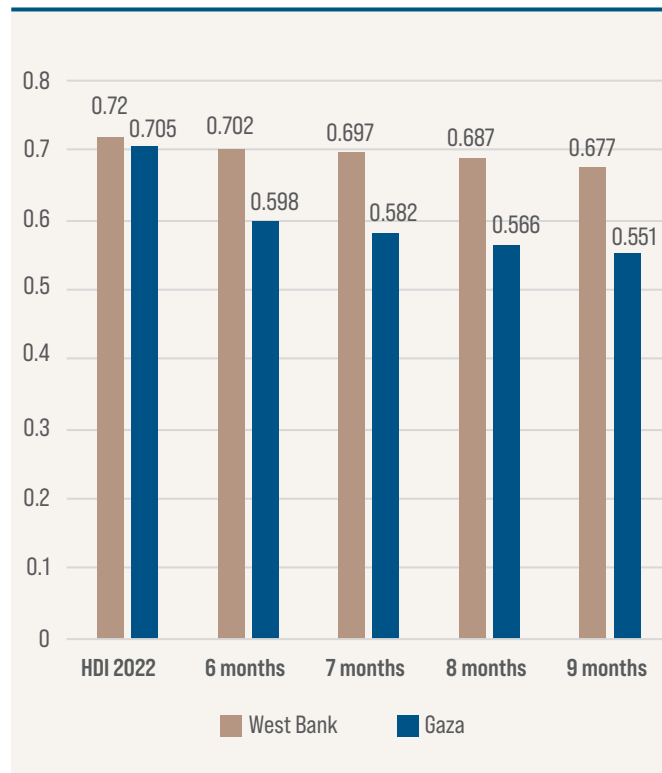
Figure 11. HDI impact, State of Palestine



Source: Authors' simulation based on data from the human development report (<https://hdr.undp.org/data-center>) and data retrieved from the Subnational HDI Database of the Global Data Lab, <https://globaldatalab.org/shdi/>, version v7.0. Aggregated data for the West Bank and Gaza.

Note: Months refer to the duration of the war.

Figure 12. HDI impact by region



Source: Authors' simulation based on data from the human development report (<https://hdr.undp.org/data-center>) and data retrieved from the Subnational HDI Database of the Global Data Lab, <https://globaldatalab.org/shdi/>, version v7.0. Aggregated data for the West Bank and Gaza.

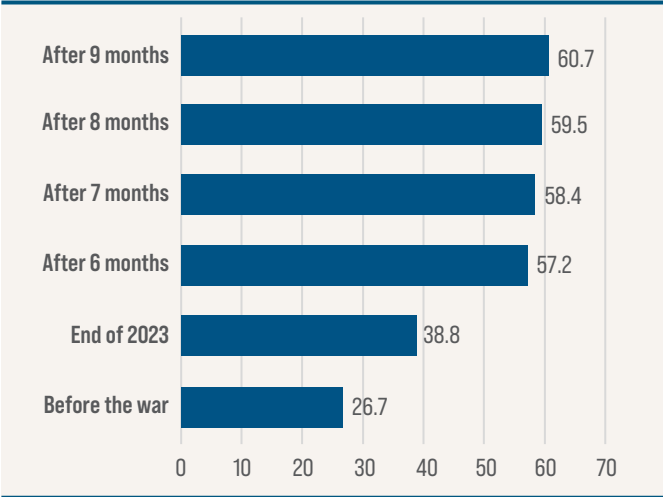
Note: Months refer to the duration of the war.

Potential impact on poverty

Before the war, the international poverty rate in the occupied Palestinian territory was estimated to have reached 26.7 per cent. By the end of 2023 and as consequence of three months of war, it is assumed to have increased to 38.8 per cent.²⁷ After six months of war, the poverty rate is estimated to have reached 57.2 per cent (figure 13), bringing the number of people newly living in poverty since October 2023 to 1.67 million. If the war persists, the poverty rate will continue to escalate, reaching 58.4 per cent after seven months (1.74 million people newly living in poverty since the beginning of the war (figure 14)) and climbing to 59.5 per cent after eight months (1.80 million people newly living in poverty since the beginning of the war). After nine months, the poverty rate will surge to 60.7 per cent (1.86 million people newly living in poverty since the beginning of the war),²⁸ underscoring the urgent need for a resolution to alleviate the suffering of the affected population.

The national poverty line, which stood at 35.6 per cent in 2020 due to the COVID-19 pandemic, was estimated to have decreased to 30 per cent in 2022 and would have further decreased to 29.1 per cent in 2023 if the war had not occurred. However, due to the Gaza war, the national poverty rate is estimated to have increased to 35.9 per cent by the end of 2023, indicating that an additional 362,000 individuals have fallen into poverty. After six months of war, the national poverty rate is projected to have risen to 53 per cent in the occupied Palestinian territory, resulting in 1.34 million new individuals falling below the poverty line since October 2023. If the conflict persists, the poverty rate is expected to continue escalating, reaching 54 per cent after seven months (1.40 million newly living in poverty), and further climbing to 55.1 per cent after eight months (1.46 million newly living in poverty). By the ninth month, the poverty rate is estimated to increase to 56.2 per cent, bringing the total number of individuals newly living in poverty since the war began to 1.52 million.

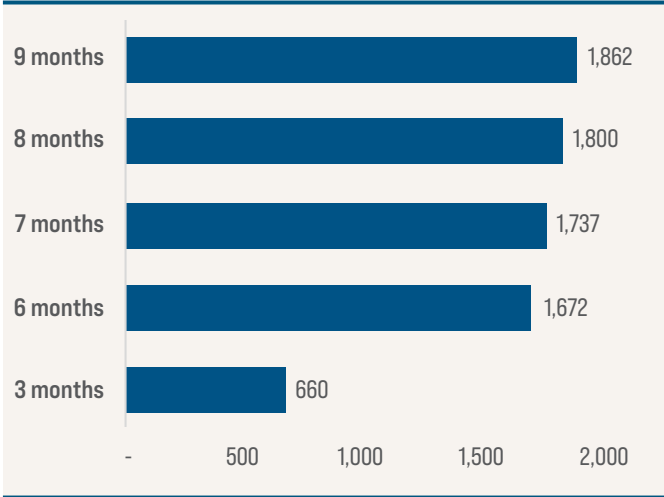
Figure 13. Simulated rate of poverty
[Percentage]



Source: Authors' simulation using the latest human development composite indices tables. <https://hdr.undp.org/data-center/documentation-and-downloads>. Accessed on April 2024.

Notes: Months refer to the duration of the war.
All the estimates applicable to the whole the occupied Palestinian territory would imply higher regressions in the case of Gaza given the scale and intensity of destruction and of lives lost.

Figure 14. Number of people newly living in poverty since the beginning of the war [Thousands]



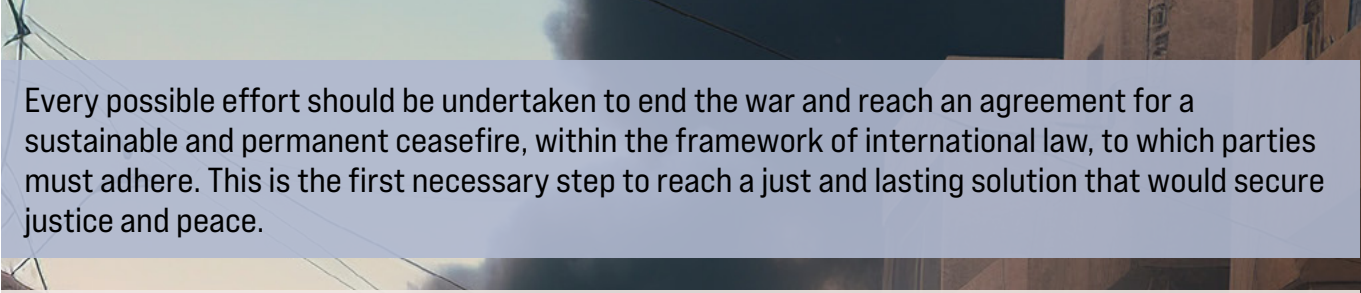
Source: Authors' simulation using the latest human development composite indices tables. <https://hdr.undp.org/data-center/documentation-and-downloads>. Accessed on April 2024.

Notes: Using 2023 as the baseline and assuming the average growth elasticity of poverty of -2.49 estimated by Ravallion and Chen for MENA countries. Estimates refer to the international poverty line of \$6.85 purchasing power parity per capita per day.

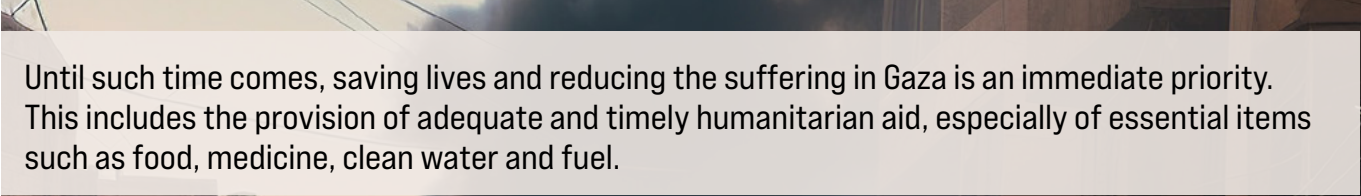


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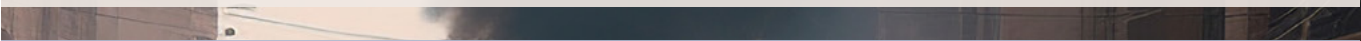
Final remarks and observations



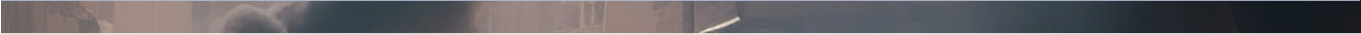
Every possible effort should be undertaken to end the war and reach an agreement for a sustainable and permanent ceasefire, within the framework of international law, to which parties must adhere. This is the first necessary step to reach a just and lasting solution that would secure justice and peace.



Until such time comes, saving lives and reducing the suffering in Gaza is an immediate priority. This includes the provision of adequate and timely humanitarian aid, especially of essential items such as food, medicine, clean water and fuel.



Additional measures should be taken to avoid the destruction of the remaining civilian infrastructure and the disruption of services, while setting in motion the recovery of the economy, acceleration of growth and the creation of decent employment. The war has already depleted much of the physical and human capital in Gaza and has also severely affected the rest of the occupied Palestinian territory. The scope and scale of damages have been unprecedented and are still mounting as the war rages on.



The level of destruction in Gaza, including schools, hospitals and other health and WASH facilities, is such that the required assistance to rebuild public infrastructure and resume basic social services would be on a scale not seen since 1948.



The destruction has been systemic, resulting in extensive and potentially protracted displacement and homelessness, depletion and contamination of natural resources, and devastation of economic and essential services infrastructure, including WASH, education and health facilities, with little prospects for recovery in the absence of a functioning economy, institutional capacities and ability to trade.



The effects will be felt for years. Loss of human and institutional capacities, famine and malnutrition, lost education, decimated health services, inadequate hygiene and sanitation, forced displacement and poor housing conditions have already set human development back by more than two decades.



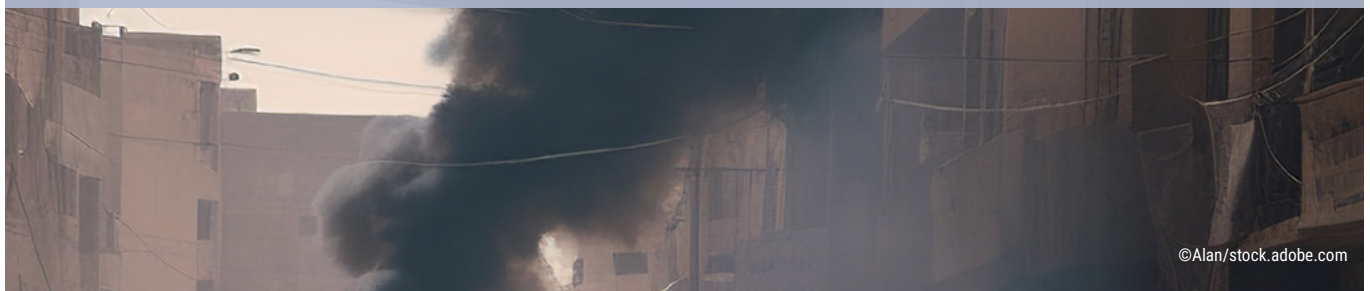
In addition to the tens of thousands of lives that have been lost, and the many more maimed and injured, the risk of future “lost generations” is real.



Even under optimistic scenarios for physical reconstruction, the scale of destruction has been such that, from the very narrow perspective of the flow of building materials into Gaza, it would take at least until 2040 to restore only the housing units that have been completely destroyed during the war.

Revitalizing the economy will be no less of a challenge. The productive basis of the economy has been destroyed. Revitalization will require massive investments in infrastructure, education, public health, WASH, food security and other basic social services, which are essential for accelerating economic activity.

The monumental effects of the Gaza war call for a combined approach to the much-needed achievement of humanitarian, recovery and development objectives. The approach should cover three interlinked dimensions: (a) meeting immediate and mounting needs; (b) addressing pre-existing challenges and setting in motion sustainable development; and (c) addressing the root causes of the conflict and ensuring adherence to international law.²⁹



Endnotes

- 1 <https://www.undp.org/publications/gaza-war-expected-socio-economic-impacts-state-palestine>.
- 2 A CGE model is a macroeconomic tool used to analyze the effects of various economic policies and shocks on an economy. It operates based on a set of equations that represent the interactions between different sectors, households and markets within an economy. CGE models incorporate data on production, consumption, investment, government spending, trade and other economic variables to simulate the economy's response to changes in these factors. This note is an update of that assessment given that far greater loss of lives and destruction have taken place since. Bchir et al. (2017). <https://archive.unescwa.org/sites/www.unescwa.org/files/publications/files/prototype-model-sdg-simulation-english.pdf>.
- 3 OCHA, Hostilities in the Gaza Strip and Israel | Flash Update #160, 1 May 2024; and PCBS, https://www.pcbs.gov.ps/site/lang_en/1405/Default.aspx; and UNRWA Situation Report #97 on the situation in the Gaza Strip and the West Bank, including East Jerusalem (1 April 2024).
- 4 Inclusive Needs Assessment (March 2024). Situation of conflict-affected persons with and without disabilities in the Gaza Strip.
- 5 E/ESCWA/CL6.GCP/2023/Policy brief.3.
- 6 UNRWA Situation Report #97 on the situation in the Gaza Strip and the West Bank, including East Jerusalem (1 April 2024).
- 7 World Bank, March 2024, Gaza Strip Interim Damage Assessment, Washington DC.
- 8 United Nations Conference on Trade and Development, 31 January 2024, Gaza: Unprecedented destruction will take tens of billions of dollars and decades to reverse.
- 9 ILO (2024). Impact of the war in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory: 1 Bulletin No. 3.
- 10 Equivalent to 3.3 million dollars.
- 11 ILO (2024). Impact of the war in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory: 1 Bulletin No. 3.
- 12 PCBS (2022). Main Findings of Labour Force Survey in 2022. <https://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=4421>.
- 13 ILO (2024) estimates based on the scenario that the war will continue until end of March 2024.
- 14 <https://www.ochaopt.org/content/humanitarian-needs-and-response-update-9-15-april-2024#:~:text=Overall%20%20some%2050%2C400%20children%20under,two%20suffer%20from%20severe%20wasting>.
- 15 The Interim Damage Assessment did not provide economic projections for the 2024 growth in West Bank.

- 16 PCBS values, ESCWA calculations.
- 17 UNRWA, 2024, Contribution to ESCWA report.
- 18 Estimated at 50 per cent in the simulations. A lower number of work permits will have a deeper impacts on growth.
- 19 These projections are slightly higher than the ILO March 2024 estimations that forecast unemployment to reach 42.7 per cent if the hostilities continue for a second quarter and to 45.5 per cent if the war continues until June. (https://www.ilo.org/beirut/media-centre/news/WCMS_920137/lang--en/index.htm#:~:text=If%20the%20hostilities%20continue%20until,rise%20to%2045.5%20per%20cent.)
- 20 Given that the mean years of schooling is the “Average number of completed years of education of a country's population aged 25 years and older, excluding years spent repeating individual grades”, the war is not expected to have a significant impact on this variable.
- 21 After the 2014 war, average life expectancy in the occupied Palestinian territory decreased by 1.5 years, with fewer than 2,500 deaths reported. However, with more than 33,000 fatalities, 76,000 injuries and destroyed health infrastructures, life expectancy is estimated to be reduced by more than 4 years, particularly due to the significant number of children reported among the victims. <https://hdr.undp.org/data-center>.
- 22 HDI for the State of Palestine was 0.672 in 2007 and increased to 0.678 by 2008. Using linear interpolation, we determined that the value 0.677 would have been reached in October 2007.
- 23 HDI for the State of Palestine was 0.662 in 2006 and increased to 0.672 by 2007. Using linear interpolation, we determined that the value 0.667 would have been reached in June 2006.
- 24 HDI for the State of Palestine was 0.652 in 2004 and increased to 0.662 by 2005. Using linear interpolation, we determined that the value 0.657 would have been reached in June 2004.
- 25 While data on HDI are not available before 2004, a backward extrapolation exercise indicates that HDI would regress to 2001 levels, representing a setback of 23 years of progress.
- 26 While data on HDI are not available before 2004, a backward extrapolation exercise indicates that HDI in Gaza will regress between 33 years (to 1991 levels) in the 6-month scenario and 44 years (to 1980 levels) in the 9-month scenario.
- 27 UNDP and ESCWA. “Gaza War: Expected Socioeconomic Impacts on the State of Palestine”. November 2023.
- 28 Using total population of 5.432 million as of 1 July 2024. Data is from World Population Prospects (UNDESA).
- 29 See ESCWA, Palestine Under Occupation III: Mapping Israel's Policies and Practices and their Economic Repercussions in the Occupied Palestinian Territory, 2021; and A/78/127-E/2023/95.