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Question of Palestine

Economic costs of the Israeli occupation for the Palestinian people: a path to building back better in Gaza for restoring 77 years of lost human development

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report prepared by the secretariat of the United Nations Conference on Trade and Development.

* A/81/150.



Report prepared by the secretariat of the United Nations Conference on Trade and Development on the economic costs of the Israeli occupation for the Palestinian people: a path to building back better in Gaza for restoring 77 years of lost human development

Summary

This report is submitted under General Assembly resolution [77/22](#), which requests the United Nations Conference on Trade and Development (UNCTAD) to report on economic developments in the Occupied Palestinian Territory, including East Jerusalem, and on the economic costs of the Israeli occupation. It builds on previous UNCTAD reports to the Assembly and complements its 2025 report on the West Bank ([A/80/356](#)). The report specifically addresses the profound economic costs and impact of the escalation of the Gaza conflict since October 2023.

The economy in Gaza has suffered a collapse of extraordinary magnitude by any historical measure on record. Between 2007 and 2025, the cumulative cost of Israeli restrictions and recurrent military operations is estimated at \$47.2 billion in lost gross domestic product (GDP) potential, which is equivalent to 97 times the GDP of Gaza in 2025. The Israeli military response and the war that followed the 7 October 2023 attacks by Hamas and other Palestinian armed groups alone have meant the loss of 77 years of human development, have destroyed or damaged 92 per cent of economic establishments and have reduced annual GDP per capita to just \$212 (or \$0.58 per day). This erasure of nearly eight decades of development follows decades of systematically constrained development under the occupation since 1967, greatly intensified by the closures imposed in 2007.

By October 2025, over 198,000 structures in Gaza lay damaged or destroyed, with 62 per cent of them completely destroyed. According to the Gaza Ministry of Health, more than 72,900 Palestinians have been killed and more than 170,000 injured, many of them women and children, while the largest cohort of child amputees in modern history spotlights the necessity for rebuilding a more inclusive and accessible society.

The ceasefire that took effect on 10 October 2025 and the Comprehensive Plan to End the Gaza Conflict has reduced the level of hostilities affecting the civilian population in the Gaza Strip. All hostages held in Gaza have been released as of October 2025. However, Israeli military operations, including air strikes, have continued, resulting in additional casualties and further destruction of civilian infrastructure. The humanitarian situation remains dire. While food security has shown signs of improvement due to increased aid and commercial deliveries, infrastructure damage is catastrophic and there are severe shortages of clean water, medical care and shelter. Humanitarian operations remain heavily impeded, with logistical and security obstacles to aid convoys, restrictions on the entry of critical items, limitations affecting health referrals and medical evacuations, and restrictions on aid organizations. The spectre of famine remains a recurring threat and reconstruction has not begun. The destruction is compounded by over 68 million metric tons of debris in a small enclave with one of the highest population densities in the world. Thousands of pieces of unexploded ordnance buried under the rubble render clearance dangerous and recovery costlier and slower.

Looking forward, UNCTAD analysis reveals that the composition of aid determines the trajectory of recovery. A package combining humanitarian relief with reconstruction is far superior to relief alone, as without rebuilding productive infrastructure, Gaza will remain locked in a donor-funded cycle of permanent aid dependency, heightening the risk of donor fatigue.

Green, digital and care-providing public works programmes can be tailored to deliver immediate income, create durable public assets and equip participants with skills for the future. Recovery in Gaza demands more than funding. It requires the immediate lifting of all access restrictions imposed by Israel and, above all, overcoming the governance constraint through a unified, legitimate Palestinian governance framework throughout the Occupied Palestinian Territory, which encompasses the West Bank, East Jerusalem and the Gaza Strip. Humanitarian assistance cannot be substituted for a political solution. Only an end to the occupation and a negotiated two-State solution can break the vicious cycle of destruction and result in a lasting and comprehensive peace.

I. Objective and limitations

1. The present report is submitted pursuant to General Assembly resolution [77/22](#), in which the Assembly requested the United Nations Conference on Trade and Development (UNCTAD) to continue to report to it on economic development in the Occupied Palestinian Territory, including East Jerusalem, and the economic costs of the Israeli occupation for the Palestinian people. The report complements previous UNCTAD reports submitted to the Assembly ([A/71/174](#), [A/73/201](#), [A/74/272](#), [A/75/310](#), [A/76/309](#), [A/77/295](#), [A/78/303](#), [A/79/343](#) and [A/80/356](#)).

2. Since June 2007, Israel has maintained severe economic and movement restrictions on Gaza. This period has been marked by successive military operations that have destroyed critical infrastructure and eroded the productive base of the economy. Before 7 October 2023, the economy of Gaza had already been hollowed out, with its population rendered almost entirely dependent on international aid.

3. Following the 7 October 2023 attacks by Hamas and other Palestinian armed groups, which, according to Israeli sources, resulted in over 1,200 Israelis and foreign nationals killed, including civilians and security force members, and the taking of 251 hostages, the Israeli military response and the war devastated infrastructure in Gaza, and crippled entire sectors, including agriculture, fishing, energy, telecommunications, housing, health, education and commerce. As a result, by 2025, human development across Gaza has been set back by 77 years.¹ According to the Gaza Ministry of Health, between 7 October 2023 and 30 June 2026, at least 73,066 Palestinians were killed in the Gaza Strip, including women and children.

4. This tenth report by UNCTAD to the General Assembly assesses the economic toll of the Israeli occupation for Gaza. Its objective is to estimate the costs arising from the Israeli military operations in Gaza between October 2023 and 2025. Based on these estimates, the report updates the total cumulative costs of the military operations and restrictions imposed by Israel between 2007 and 2025, measured in terms of lost gross domestic product (GDP) potential. This assessment excludes the costs of repairing and replacing damaged or destroyed physical and human capital and personal assets. The report concludes by examining the prospects and prerequisites for economic recovery.

II. Background and context

A. Loss of over 77 Years of human development since October 2023

5. Israel has restricted movement in and out of Gaza since the early 1990s and tightened it after Hamas's 2007 takeover of the Strip, confining 2.3 million Palestinians to a densely packed 365 km square enclave. Goods allowed in were limited to basic aid, with technology and production inputs severely restricted. Frequent military operations combined with prolonged closures destroyed infrastructure and productive capacity, driving extreme poverty, unemployment, aid dependency and isolation. The war, military campaign and aid restrictions following 7 October 2023 have significantly worsened these already catastrophic conditions.

6. As at 3 June 2026, the Gaza Ministry of Health reports that 72,945 Palestinians were killed since 7 October 2023. Of the 71,444 who were fully identified by the end of 2025, 21,283 were children, 10,983 were women, 34,078 were men and 5,100 were

¹ World Bank, European Union and United Nations, *Gaza Strip Rapid Damage and Needs Assessment: April 2026* (2026).

older persons. At least 173,011 have been injured, 25 per cent with likely life-changing consequences. By September 2025, Gaza had the world's highest per capita number of child amputees, with up to 4,000 cases recorded since 2023; over 58,000 children had been orphaned; and 260 journalists, 145 Civil Defence staff and 594 aid workers (including 400 United Nations personnel) had been killed.²

7. Gaza is also undergoing a sharp demographic contraction. Mid-2025 estimates from the Palestinian Central Bureau of Statistics place the population at 2.11 million – 10 per cent below the pre-October 2023 projection of 2.34 million.³ This shortfall reflects elevated mortality, a substantial number of missing persons and a marked decline in birth rates.⁴ Beyond the aggregate contraction, the demographic structure itself is shifting, notably as conflict-related fatalities among children and youth are expected to distort the population pyramid, particularly at its lower age cohorts.⁵

8. The destruction has been accompanied by displacement on a near universal scale. A vast majority of the population has been displaced, many of them repeatedly, and more than 60 per cent have lost their homes. Following the October 2025 ceasefire, large numbers have returned to areas reduced to rubble, without shelter, services or livelihoods; some 850,000 people require emergency shelter items. Displacement of this magnitude has severed households from assets, land and employment, compounding the destruction of the productive base. The Israeli war and military operations that followed 7 October 2023 have caused a severe humanitarian and socioeconomic crisis with profound implications for sustainable development across environmental, social and economic dimensions.

9. The environmental damage includes widespread pollution of soil, water and air, as well as destruction of key infrastructure. By late 2025, over 68 million tons of debris had been generated, adding to chemical and greenhouse gas pollution. Daily untreated sewage discharge threatens the Mediterranean Sea and nearby countries. Heavy metals in fish near Gaza indicate marine food chain contamination, while shockwaves, sediment shift, and toxic runoff harm fragile habitats. On land, heavy vehicles have stripped and compacted soil, reducing farming potential and raising desertification risks. Vegetation loss and damaged sanitation systems allow pollutants to reach groundwater and disrupt wildlife, affecting regional biodiversity and stability.^{6,7}

10. The scale of destruction is extremely elevated. According to a rapid damage and needs assessment for Gaza carried out jointly by the United Nations, the European Union and the World Bank,⁸ by October 2025:

(a) 76.6 per cent of housing units (371,888 out of 485,361) were destroyed or damaged, and some 850,000 people needed emergency shelter items;

(b) 74 per cent of the road network was destroyed and 13 per cent damaged;

² United Nations, Office for the Coordination of Humanitarian Affairs, "Reported impact snapshot: Gaza Strip", 3 June 2026.

³ For more information, see <https://www.pcbs.gov.ps/en/post-details/?postId=23012>.

⁴ According to Michael Spagat and others, "Violent and non-violent death tolls for the Gaza conflict: new primary evidence from a population-representative field survey", *The Lancet*, vol. 14, No. 4 (April 2026), it is estimated that there were 75,200 violent deaths in Gaza between 7 October 2023 and 5 January 2025, or 3.4 per cent of the pre-conflict population, in addition to 8,500 indirect excess deaths. The Ministry of Health figure of about 49,090 deaths was 34.7 per cent below the study's central estimate of 75,200 deaths.

⁵ World Bank, "Impacts of the conflict in the Middle East on the Palestinian economy", September 2025.

⁶ United Nations Environment Programme, *Environmental Impact of the Conflict in Gaza: Preliminary Assessment of Environmental Impacts* (Nairobi, 2024).

⁷ Ibid.

⁸ World Bank, European Union and United Nations, *Gaza Strip Rapid Damage and Needs Assessment*.

(c) 90 per cent of energy infrastructure was destroyed, including the electricity distribution network;

(d) 88 per cent of above-ground water, sanitation and hygiene assets and 76 per cent of underground networks were damaged;

(e) 92 per cent of commerce and industry establishments were destroyed or damaged;

(f) 83 per cent of coastal ecosystems were fully or partially destroyed.

11. As of October 2025, about 93 per cent of school buildings (526 of 564) required full reconstruction or major rehabilitation. By August 2025, the Ministry of Education reported that more than 63 university buildings had been destroyed.⁹ The destruction of educational and health infrastructure, together with missed school years, trauma and widespread disability, will have a lasting impact on the quality of life and lifetime earning potential of an entire generation.

12. Ongoing military operations has worsened an already dire food insecurity crisis. Local food production has plummeted, supply chains have been severed and severe constraints on the entry of food and goods have critically undermined their availability. Rising prices and vanishing incomes have made limited food supplies unaffordable. As a result, agricultural unemployment has surpassed 90 per cent, eliminating a key income source for farming and fishing households.¹⁰ According to the Integrated Food Security Phase Classification, the risk of famine conditions in parts of Gaza remains ever-present.¹¹

13. Military operations since October 2023 have severely undermined progress across multiple Sustainable Development Goals, setting back human development in Gaza by 77 years. The human development index is projected to collapse to 0.339 – the lowest level since measurements began.¹²

14. This erasure of nearly eight decades of human development – measured against a suppressed and low pre-October 2023 baseline – comes on top of decades of lost and severely constrained human development dating back to the occupation that began in 1967, a process greatly intensified by the closure imposed in 2007. When the full arc of occupation is considered, the cumulative cost in terms of lost human development far exceeds the 77 years erased since October 2023.

B. Ceasefire: limited relief, no recovery

15. A ceasefire came into effect on 10 October 2025, following months in which nearly all humanitarian access had been severely restricted since 2 March 2025. The ceasefire deal mandated that humanitarian aid enter Gaza at quantities consistent with the 19 January 2025 agreement, namely, around 600 trucks daily, a minimum baseline that the United Nations described as far below what was needed. Prior to the ceasefire, famine in the Gaza Governorate had been confirmed by the Integrated Food Security Phase Classification in August 2025.¹³

⁹ United Nations, Office for the Coordination of Humanitarian Affairs, “Reported impact snapshot”.

¹⁰ World Bank, “Impacts of the conflict in the Middle East”.

¹¹ Integrated Food Security Phase Classification, “Gaza Strip: acute food insecurity and malnutrition special snapshot, October 2025–April 2026”, 19 December 2025.

¹² World Bank, European Union and United Nations, *Gaza Strip Rapid Damage and Needs Assessment*.

¹³ Integrated Food Security Phase Classification, “Gaza Strip: acute food insecurity and malnutrition special snapshot, October 2025–April 2026”.

16. The ceasefire enabled a meaningful scaling-up of aid and a partial resumption of commercial flows. In the first three months following October 2025, Gaza received roughly 54,000 metric tons of aid per month, which is three times the average monthly volume recorded during the total closure of March to May 2025. Nevertheless, even these volumes represented only a rebound from near-total closure, not a recovery to adequate supply levels. Access restrictions and structural barriers have left the revival fragile and far from complete. By late February 2026, the escalation of hostilities in the Middle East prompted new crossing closures that further disrupted aid flows.

17. Despite the ceasefire, Israeli strikes continue and new restrictions have placed nearly 65 per cent of Gaza under tighter control, up from 53 per cent when the ceasefire began. The expanded zone covers humanitarian sites and populated areas, pushing civilians to leave. Along with the ongoing movement restrictions and the ban on access to the sea for Gazans, these measures fragment the territory, cutting off access to farmland, fishing, housing and basic services.¹⁴

18. Between 10 October 2025 and 12 June 2026, only 24,219 trucks – 16.4 per cent of the 147,600 trucks specified in the ceasefire agreement – arrived in Gaza carrying 490,011 pallets of supplies. Of this total, 81 per cent was food, 7.1 per cent shelter materials, 4.3 per cent water, sanitation and hygiene supplies, and 1.5 per cent health supplies.¹⁵ Prosthetics and assistive devices remain classified as restricted “dual-use” items: only 300 artificial limbs were permitted entry, although over 5,000 amputations had been recorded by February 2026. In December 2025, the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) stated that Gaza was home to the largest cohort of child amputees in modern history.¹⁶ Meanwhile, Israeli authorities have prevented UNRWA from bringing humanitarian personnel and aid into Gaza since March 2025. Despite the October ceasefire, this ban was not lifted. UNRWA held substantial food parcels, flour and shelter supplies outside Gaza for people in urgent need but could not deliver them.¹⁷

19. The famine conditions identified in parts of the Gaza Strip in August 2025 were assessed to be no longer present in December 2025 following the October 2025 ceasefire, the associated reduction in hostilities and improved access for both humanitarian and commercial food deliveries. However, food security gains remain highly fragile. According to the latest assessment by the Integrated Food Security Phase Classification, between mid-April and June 2026, approximately 1.2 million people (59 per cent of the population) faced acute food insecurity at Classification phase 3 (crisis) or worse, including 212,000 people in phase 4 (emergency). Conditions are projected to deteriorate between July and December 2026, when more than 1.4 million people (67 per cent of the analysed population) are expected to face phase 3 or worse, including 212,000 people in phase 4. The Classification warns that continued hostilities and insufficient humanitarian and commercial access make recent improvements in food security and nutrition highly vulnerable to reversal.¹⁸ More than 3,500 children aged 6 to 59 months were admitted for the treatment of acute malnutrition in April 2026, compared with more than 2,800 in March. Of these, more than 600 were diagnosed with severe acute malnutrition in April, up from more

¹⁴ For more information, see United Nations, Office for the Coordination of Humanitarian Affairs, “Humanitarian situation report”, 26 June 2026.

¹⁵ For more information, see <https://app.un2720.org/tracking>.

¹⁶ UNRWA, “UNRWA Commissioner-General on Gaza: Gaza now hosts the largest group of child amputees in modern history”, 5 December 2025.

¹⁷ UNRWA, “UNRWA situation report #214 on the humanitarian crisis in the Gaza Strip and the Occupied West Bank, including East Jerusalem”, 25 March 2026.

¹⁸ Integrated Food Security Phase Classification, “Gaza Strip: acute food insecurity situation for 16 April–30 June 2026 and projection for 1 July–31 December 2026”, July 2026; Integrated Food Security Phase Classification, “Gaza Strip: acute food insecurity analysis special brief for October 2025–April 2026”, December 2025; and Integrated Food Security Phase Classification Famine Review Committee, “Famine Review Committee: Gaza Strip”, August 2025.

than 400 in March. Admissions continue to reflect the deteriorating nutritional situation among children in the Gaza Strip.¹⁹

III. An unprecedented economic collapse

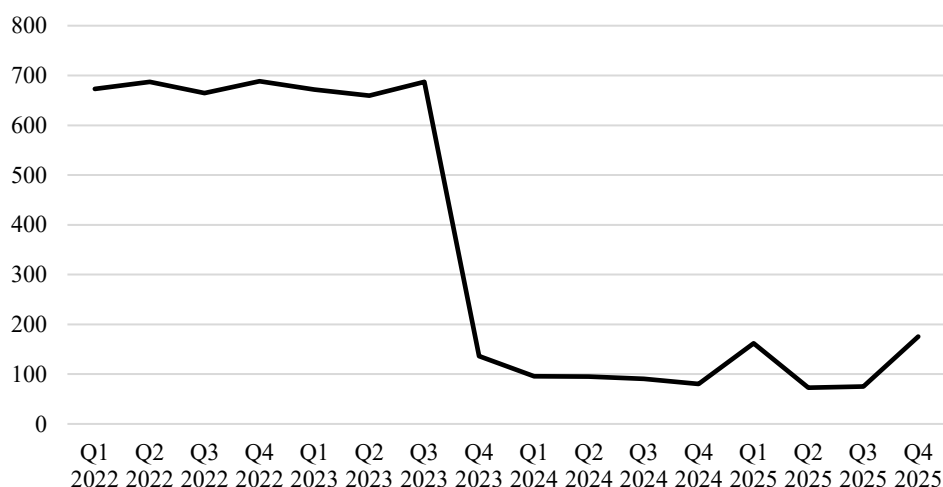
20. The cost of 59 years of occupation has risen sharply since 7 October 2023. Unprecedented military operations have ravaged Gaza, destroying infrastructure and productive capacity and displacing nearly the entire population. The World Bank estimates that the economic collapse in Gaza ranks as the most significant economic contraction in recent history.²⁰ Based on a conflict severity index that evaluates the depth of economic shocks (measured by peak-to-trough decline in real GDP per capita) and the duration of recovery to pre-crisis per capita levels of GDP, the crisis in the Occupied Palestinian Territory, including East Jerusalem, ranks as the tenth most severe economic crisis globally since 1960.

21. Military operations since October 2023 have left 92 per cent of economic establishments in Gaza either damaged or destroyed, bringing productive activity to a near-total halt across all sectors.²¹ By the end of the third quarter of 2025, its GDP was only \$75.4 million in constant 2015 dollars (11 per cent of its level in the third quarter of 2023 (pre-crisis)), while quarterly GDP per capita was \$32.9 (see figures I (a) and (b)).

Figure I (a)

Quarterly real gross domestic product in Gaza (2022–2025)

(Millions of constant 2015 United States dollars)

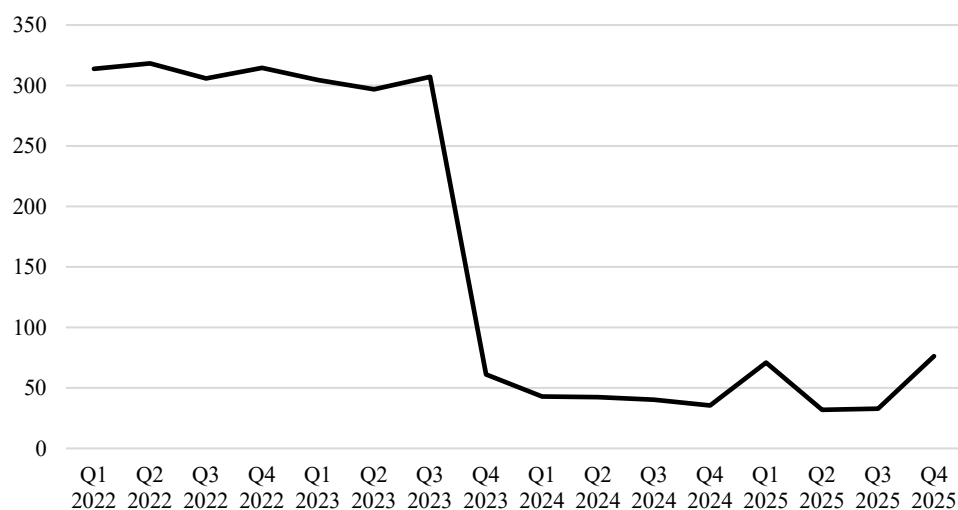


¹⁹ United Nations, Office for the Coordination of Humanitarian Affairs, “Reported impact snapshot: Gaza Strip”, 20 May 2026.

²⁰ World Bank, “Impacts of the conflict in the Middle East on the Palestinian economy”, April 2025.

²¹ World Bank, European Union and United Nations, *Gaza Strip Rapid Damage and Needs Assessment*.

Figure I (b)
Quarterly real gross domestic product per capita in Gaza (2022–2025)
 (Constant 2015 United States dollars)

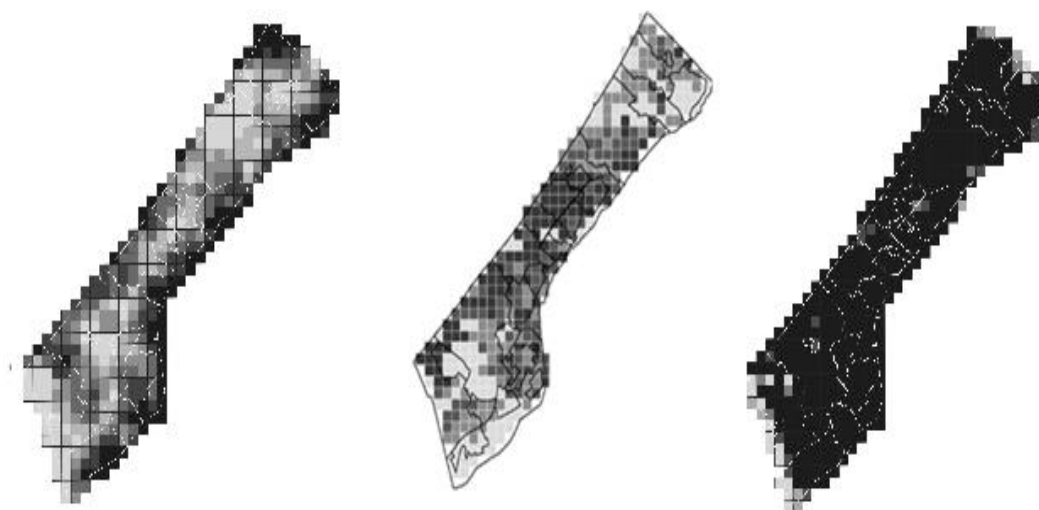


Source: UNCTAD calculations based on Palestinian Central Bureau of Statistics quarterly national accounts.

22. In previous reports, UNCTAD employed an established methodology that integrated damage mapping with night-time luminosity data to estimate the impact of military operations on economic output, leveraging the established correlation between economic performance and changes in night-time light emissions. The analysis begins by estimating the effect of physical damage on luminosity using a difference-in-differences approach, which compares the average change in luminosity in damaged grid cells against that in non-damaged cells.²² The pre-October 2023 baseline is derived from daily measurements taken in Gaza from 22 September to 6 October 2023. The findings reveal that the cumulative impact of the destruction and damage caused by military operations carried out from 7 October 2023 to 10 October 2025 led to a 75 per cent decrease in night-time luminosity, an indicator of greatly reduced economic activity (see figure II).

²² For more information on the methodology, see [A/79/343](#).

Figure II

The dimming of an economy: average night-time luminosity**(a) 22 September to 6 October 2023****(b) 20 to 21 May 2024****(c) 9 to 10 October 2025**

Source: UNCTAD secretariat calculations, based on data from the Palestinian Central Bureau of Statistics and from the National Aeronautics and Space Administration of the United States, 2025, land cover characteristics (VNP46A1). Available at <https://ladsweb.modaps.eosdis.nasa.gov/search/order/1/VNP46A1--5200>.

Note: Grid cells are 1 km square; brighter grids indicate more light emanated.

23. Analysis of quarterly night-time luminosity and GDP per capita for the period 2012–2023 (third quarter) establishes an elasticity of 1.22: that is to say, a 1 per cent decrease in night-time luminosity corresponds to a 1.22 per cent decrease in GDP per capita. In this context, the post-October 2023 decrease in night-time luminosity suggests a contraction of 91.5 per cent in GDP per capita, consistent with the official data of the Palestinian Central Bureau of Statistics.

24. Furthermore, UNCTAD analysis reveals that, by 10 November 2025 – one month into the ceasefire – the overall night-time luminosity emanating from Gaza showed no statistically significant change despite a shift in its internal distribution. This indicates that a broad economic recovery was yet to commence.²³

25. Two ceasefires in 2025, during the first and fourth quarters, allowed limited humanitarian aid, triggering 34.2 per cent real GDP growth, but this was a low-base effect after the historical 83 per cent collapse in 2024. Meanwhile, in 2024, real GDP per capita in Gaza was the lowest of any economy tracked by the World Development Indicators at \$161 (or \$0.44/day). In 2025, it rose only marginally, to \$212 (\$0.58/day) (see table 1 and figures III (a) and (b)).

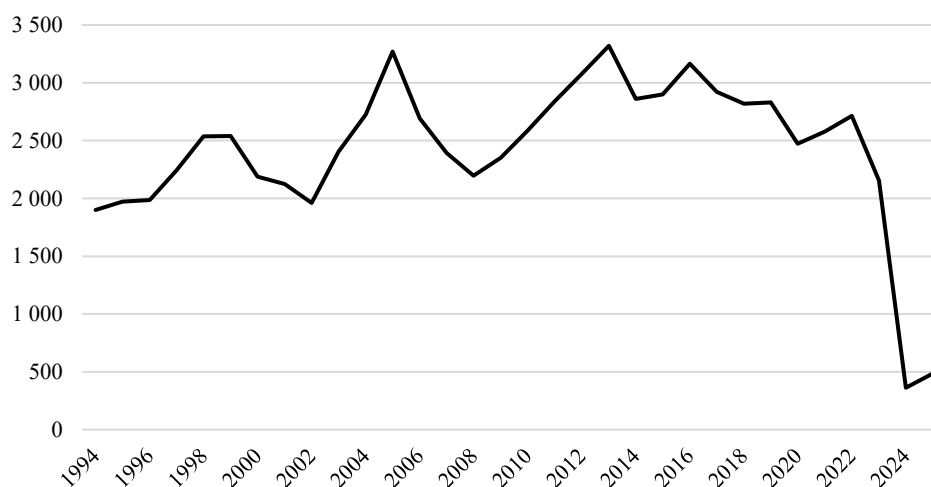
²³ For more information, see UNCTAD/GDS/APP/2026/1.

Table 1
Low-base effects: key indicators

	2022	2024	2025	2025/2024 (Percentage change)	2025/2022 (Percentage change)
Real GDP (millions of constant 2015 United States dollars)	2 713	362	486	34	-82
Real GDP per capita (constant 2015 United States dollars)	1 253	161.0	212.1	32	-83
Final consumption (millions of constant 2015 United States dollars)	3 817	631	652	3	-83
Net capital formation (millions of constant 2015 United States dollars)	300	13.7	17	22	-94
Exports of goods and services (millions of constant 2015 United States dollars)	176	0.0	30	—	-83
Imports of goods and services (millions of constant 2015 United States dollars)	1 502	297	217	-27	-86
Consumer price index (2004=100)	140	523	638	22	365

Source: UNCTAD secretariat calculations, based on Palestinian Central Bureau of Statistics quarterly national accounts.

Figure III (a)
Real gross domestic product in Gaza (1994–2025)
(Millions of constant 2015 United States dollars)



Source: UNCTAD calculations based on Palestinian Central Bureau of Statistics national accounts.

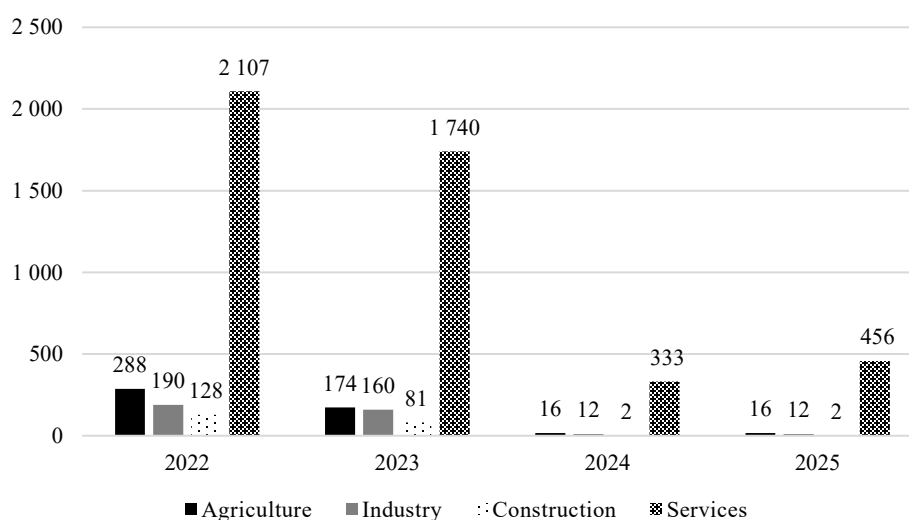
Figure III (b)
Real gross domestic product per capita in Gaza
 (Constant 2015 United States dollars)



Source: UNCTAD calculations based on Palestinian Central Bureau of Statistics national accounts.

26. The GDP rebound in 2025 was largely a statistical artefact of the collapsed base driven by the services sector (rising from \$333 million to \$456 million), while agriculture, industry and construction remained stagnant. This recovery reflects low-base effects rather than genuine productive recovery. All sectors remained drastically below their pre-crisis levels: in 2025, agriculture, industry, construction and services stood at just 5.6 per cent, 6.3 per cent, 2.4 per cent and 21.6 per cent of their 2022 values, respectively (see figure VI).

Figure IV
Sectoral composition of the Gaza economy (2022–2025)



Source: UNCTAD calculations based on Palestinian Central Bureau of Statistics national accounts.

IV. Partial estimation of the cost of occupation (2007–2025)

27. Building on UNCTAD methodologies and findings (see [A/75/310](#) and [A/79/343](#)), this section first quantifies the costs arising from Israeli military operations between October 2023 and June 2025, measured in terms of lost GDP potential. It then updates the total cumulative economic cost wrought on Gaza over 19 years (2007–2025) of Israeli closure, movement restrictions and recurrent military operations.

28. Estimating these costs is methodologically complex due to endogeneity, overlapping causal factors and measurement challenges. The effects of closure, movement restrictions, blockade and military operations are deeply intertwined and cannot be neatly separated. Nevertheless, the counterfactual scenario of a modelled growth path absent these shocks offers a viable approach. The deviation between hypothetical and actual GDP provides an estimate of their combined economic cost.

29. The counterfactual assumes that the contribution of Gaza to the Palestinian economy remained at its 2006 level. In other words, it assumes that there has been no closure and no subsequent military operations and that the rate of growth is the same as that of the occupied West Bank from 2007 to 2025. This hypothetical scenario is conservative, as it assumes that the growth path of the West Bank was itself unconstrained by occupation, which it was not. The true cost of the restrictions and military operations is therefore likely higher than estimated here. In fact, the Gaza share of GDP fell from 31 per cent in 2006 to 3.9 per cent in 2025 – a collapse to roughly one-eighth of its former level. The economic cost is quantified as the gap between actual GDP and the values projected under this hypothetical scenario.

30. The quantitative assessment reveals that, had the economy in Gaza grown at the same rate as that in the occupied West Bank from 2007 to 2022, its annual GDP would have been 73 per cent above its actual level. When the analysis is extended to cover the full period up to 2025, the annual GDP would have averaged 215 per cent higher than actual levels. This translates into an estimated cumulative loss of \$47.2 billion in unrealized GDP potential over the 18-year period (see table 2 and figure V)

31. This estimated cost is both partial and conservative. While the hypothetical scenario assumes that Gaza grew at the same rate as the West Bank, the West Bank is itself occupied, and its growth potential has been severely constrained by occupation. Moreover, the cost measured in lost GDP potential excludes the price of replacing or repairing destroyed physical and human capital, as well as public and private assets, lost to successive military operations.

Table 2

Estimated suppressed growth in Gaza (2007–2025): actual versus counterfactual gross domestic product

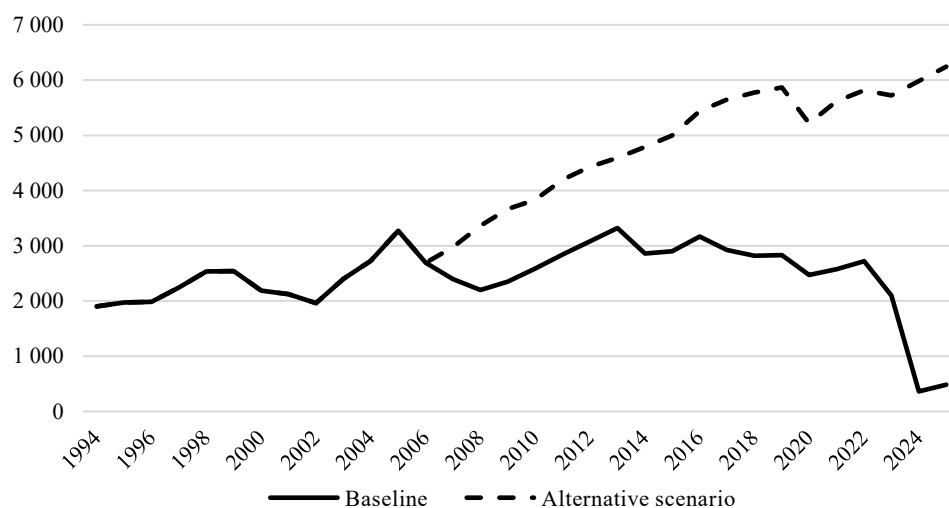
(Millions of 2015 constant United States dollars)

<i>Year</i>	<i>Actual</i>	<i>Counterfactual</i>	<i>Difference</i>	<i>Percentage change</i>
2007	2 393.2	2 973.2	580.0	24.2
2008	2 196.7	3 363.0	1 166.3	53.1
2009	2 350.8	3 667.7	1 316.9	56.0
2010	2 586.3	3 834.6	1 248.3	48.3
2011	2 840.5	4 200.1	1 359.6	47.9
2012	3 076.7	4 427.7	1 351.0	43.9
2013	3 320.5	4 590.9	1 270.4	38.3

<i>Year</i>	<i>Actual</i>	<i>Counterfactual</i>	<i>Difference</i>	<i>Percentage change</i>
2014	2 860.7	4 788.8	1 928.1	67.4
2015	2 900.1	4 997.3	2 097.2	72.3
2016	3 164.9	5 436.8	2 271.9	71.8
2017	2 921.4	5 644.2	2 722.8	93.2
2018	2 818.9	5 775.9	2 957.0	104.9
2019	2 830.2	5 866.8	3 036.6	107.3
2020	2 473.3	5 219.3	2 746.0	111.0
2021	2 578.1	5 616.2	3 038.1	117.8
2022	2 722.7	5 817.6	3 094.9	113.7
2023	2 100.4	5 719.9	3 619.5	172.3
2024	362	5 986	5 624	1 554
2025	486	6 243	5 758	1 186
Total	46 983	94 169	47 186	

Source: UNCTAD calculations.

Figure V
Estimated suppressed gross domestic product in Gaza (2007–2025)
(Millions of constant 2015 United States dollars)



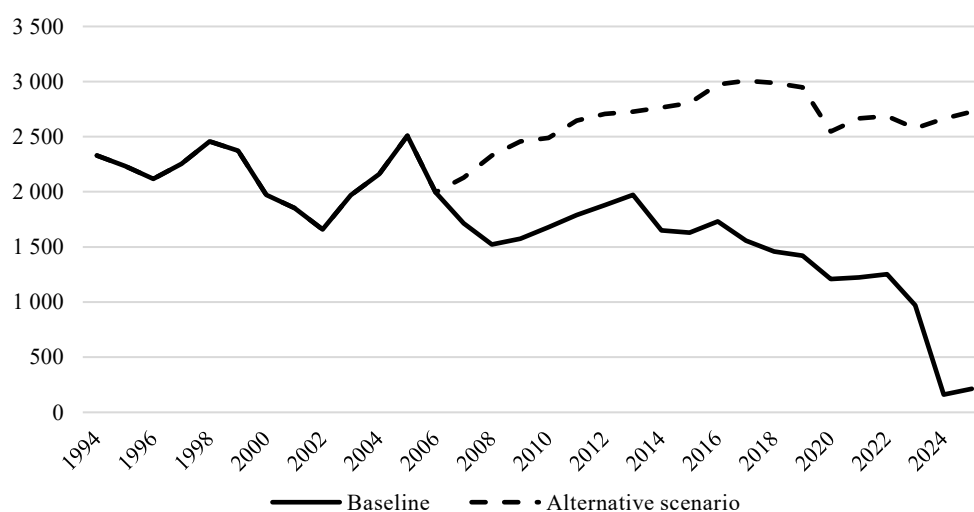
Source: UNCTAD calculations.

Table 3
Estimated suppressed gross domestic product per capita (2007–2025)
 (Constant 2015 United States dollars)

<i>Year</i>	<i>Actual</i>	<i>Counterfactual</i>	<i>Difference</i>	<i>Percentage change</i>
2007	1 714.7	2 130.3	415.6	24.2
2008	1 521.4	2 329.2	807.8	53.1
2009	1 575.6	2 458.2	882.6	56.0
2010	1 679.4	2 490.0	810.6	48.3
2011	1 788.7	2 644.8	856.1	47.9
2012	1 880.3	2 705.9	825.6	43.9
2013	1 971.5	2 725.8	754.3	38.3
2014	1 651.3	2 764.3	1 113.0	67.4
2015	1 628.9	2 806.8	1 177.9	72.3
2016	1 730.8	2 973.3	1 242.5	71.8
2017	1 556.6	3 007.4	1 450.8	93.2
2018	1 458.3	2 988.0	1 529.7	104.9
2019	1 422.2	2 948.1	1 525.9	107.3
2020	1 207.6	2 548.4	1 340.8	111.0
2021	1 223.9	2 666.2	1 442.3	117.8
2022	1 256.8	2 685.4	1 428.6	113.7
2023	945.7	2 575.4	1 629.7	172.3
2024	161	2 664.6	2 503.5	1 554.0
2025	212	2 726.9	2 514.9	1 186

Source: UNCTAD calculations.

Figure VI
Estimated suppressed gross domestic product per capita in Gaza (2007–2025)
 (Constant 2015 United States dollars)



Source: UNCTAD calculations.

V. A long road to recovery

32. The constraints on the Palestinian economy – and on Gaza in particular – are not merely the result of recent events. They stem from over 59 years of occupation. The post-October 2023 period has seen an acceleration of patterns that predate the current intensification of conflict. According to the *Gaza Strip Rapid Damage and Needs Assessment* published by the European Union, the United Nations and the World Bank in April 2026, total damage to the capital stock of Gaza reached \$35.2 billion as at 9 October 2025. Recovery and reconstruction need amount to \$71.4 billion, four times the Palestinian GDP in 2025. That figure lays bare the staggering magnitude of the challenge.

33. Beyond the financial cost, immense logistical challenges abound. Over 68 million metric tons of debris have accumulated across Gaza following two years of war, obstructing transportation networks, hindering humanitarian access, delaying infrastructure repairs and preventing the safe return of displaced populations. Recovery and reconstruction needs for debris management alone are estimated at \$2.65 billion, covering clearance, recycling, disposal and environmental remediation.²⁴

34. Humanitarian response should be strategically linked to long-term development objectives. From the outset, assistance should be designed, to the extent possible, to support recovery and development. A forward-looking approach is essential for a credible pathway from crisis to stability and self-reliance and should be supported by coordinated international engagement and the lifting of all restrictions.

35. UNCTAD analysis shows that, provided that robust physical infrastructure is established immediately, peaceful and stable conditions are maintained and a functional institutional framework is in place, economic output in Gaza could recover to its 2022 level by 2030. This would establish a foundation for subsequent, larger-scale reconstruction capable of absorbing significantly higher levels of investment. Even following this initial recovery, and assuming GDP thereafter grows at an average annual rate of 5 per cent, full socioeconomic recovery would remain protracted. GDP per capita – a key indicator of economic performance – is projected to return to its 2022 level only by 2035.²⁵

36. An important caveat is that GDP per capita captures only a limited dimension of economic performance. It does not capture the cost of replacing destroyed capital stocks and personal and public physical assets, including housing, productive assets, enterprises and public infrastructure. Equally critical, GDP per capita fails to account for the substantial erosion of human capital, physical injury and widespread mental health trauma, as well as other variables omitted in GDP but essential to well-being and progress. Together, these losses represent a profound and enduring decline in both societal welfare and productive capacity.

A. Simulating recovery: the indispensable complementarity of humanitarian and reconstruction aid

37. The *Rapid Damage and Needs Assessment* estimates \$10.8 billion in immediate recovery needs during the first eight months of the recovery period and a further \$15.5 billion for the subsequent 10 months, for a combined requirement of \$26.3 billion in the initial 18 months. This section explores the potential

²⁴ World Bank, European Union and United Nations, *Gaza Strip Rapid Damage and Needs Assessment*.

²⁵ For more information on the methodology, see UNCTAD/GDS/APP/2026/1.

macroeconomic impact of the recovery plan proposed in the *Rapid Damage and Needs Assessment*.

38. Using vector autoregression impulse response function, this section simulates a hypothetical Gaza early recovery package: \$2 billion per quarter over two years, split equally between humanitarian aid and reconstruction/service restoration. Though this amount is only a small portion of the \$26.3 billion estimated by the RDNA for the first 18 months, the quantitative analysis offers a clear indication of how such a positive shock could ripple through Gaza's devastated economy. By tracing these potential ripple effects, the findings yield actionable insights to guide recovery strategies aimed at maximizing developmental returns for the Palestinian people.

39. The quantitative vector autoregression impulse response analysis indicates that the economy would respond to the quarterly \$2 billion injection over two years as follows (see figure VII):

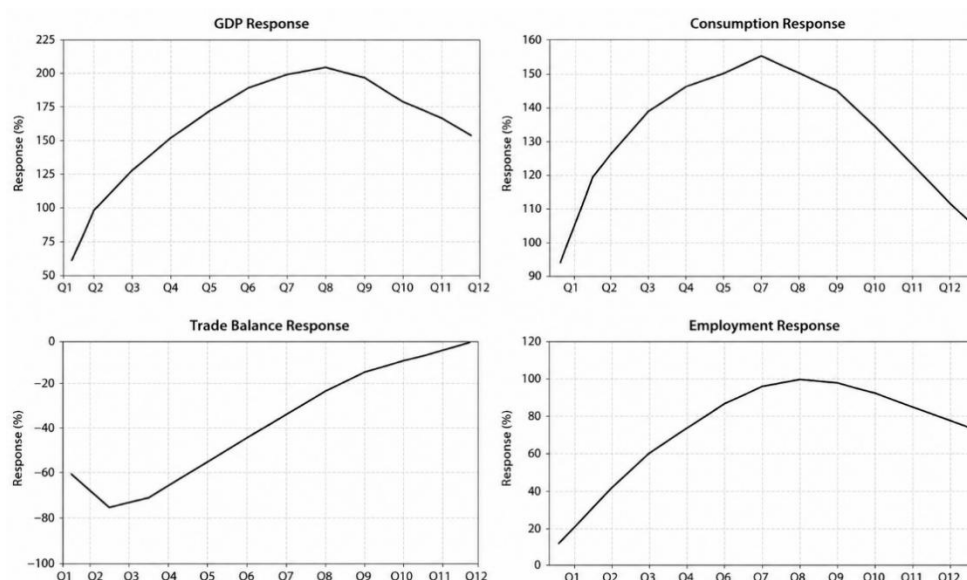
(a) Consumption rises immediately due to direct aid, then accelerates as reconstruction generates jobs and wages. The response peaks at the seventh quarter, increasing by 150 per cent over the baseline of 2025 GDP, then the effect gradually tapers off;

(b) In this scenario, GDP is driven by two engines: consumption demand and reconstruction activity (e.g. debris clearance, structural repairs). The GDP response peaks towards the end of the two-year period at 200 per cent, meaning that absolute GDP triples compared to its 2025 baseline. Thereafter, the effect continues but weakens as the initial positive shock dissipates;

(c) Imports would surge sharply in the first year, reflecting the near-total destruction of domestic productive capacity. With few local alternatives to imported goods, a substantial portion of the stimulus leaks abroad, as most required materials must be imported. Driven by imports, the trade deficit peaks by the second quarter, then narrows continuously as local productive capacity recovers and import dependence declines;

(d) Employment would respond with a lag because reconstruction projects take time to plan, implement and yield results. Once under way, labour demand rises sharply in construction, transport, utilities and services, peaking around the eighth quarter, then gradually subsides.

Figure VII
Impulse response function to a hypothetical \$2 billion quarterly aid injection for humanitarian relief and reconstruction



Source: UNCTAD secretariat estimation based on Palestinian Central Bureau of Statistics national accounts.

40. To derive policy insights on how aid composition affects economic outcomes, we repeat the quantitative impulse response exercise under a relief-only scenario: the same \$2 billion per quarter over two years, allocated entirely to humanitarian aid and social protection, with no reconstruction spending. Comparing this with the reconstruction-inclusive scenario yields critical lessons for recovery planning. Under the relief-only scenario, the economy responds as follows (see figure VIII):

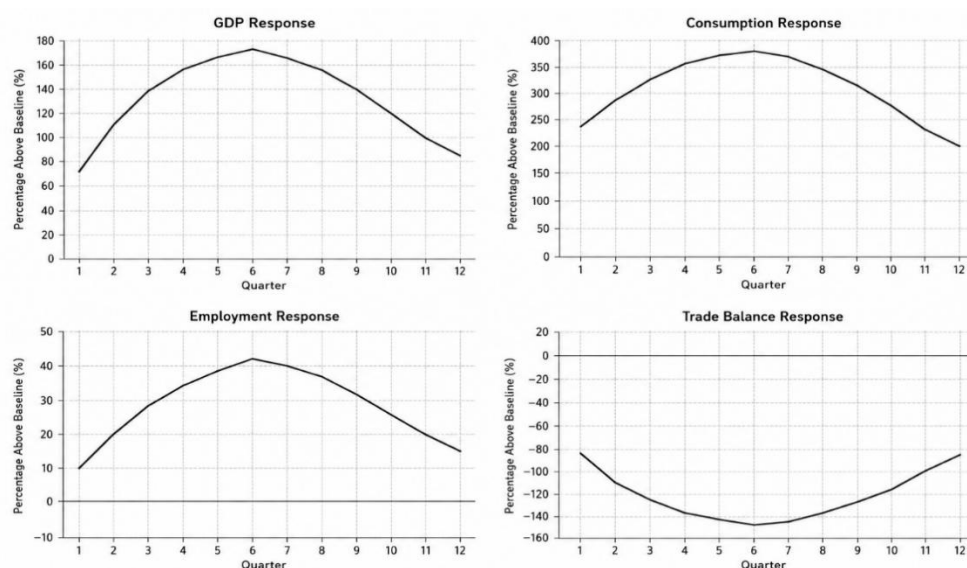
(a) Consumption responds strongly and immediately, peaking at 360 per cent in the sixth quarter. This reflects a marginal propensity to consume of 1, as households quickly convert additional income into spending on essentials. The effect gradually fades thereafter;

(b) Modelled GDP responds positively but remains significantly more limited in both magnitude and duration, peaking at only 170 per cent by the sixth quarter, falling short of the 2025 base tripling observed in the reconstruction-inclusive scenario. Output rises due to the initial demand boost, but the effect dissipates within a relatively short horizon;

(c) The trade balance deteriorates immediately after the aid injection, which is one of the system's strongest responses, given the high marginal propensity to import owing to the lack of domestic alternatives. The surge in consumption fuels import demand that domestic production cannot meet, causing a sharp rise in imports. As a result, much of the stimulus leaks abroad, weakening its impact on local production. The trade balance effect diminishes as the demand shock subsides;

(d) Employment follows a similar trajectory but with a pronounced lag, rising gradually to a peak several quarters after the initial shock before reverting to baseline. Although the income shock yields positive employment gains, these are less than half of those in the reconstruction-inclusive scenario and fall well short of generating substantial or sustained reductions in unemployment.

Figure VIII
Impulse response function to a hypothetical \$2 billion quarterly aid injection for humanitarian relief (no reconstruction)



Source: UNCTAD secretariat estimation based on Palestinian Central Bureau of Statistics national accounts.

41. The vector autoregression impulse response analysis reveals stark differences in how the Gazan economy responds to aid, hinging crucially on whether reconstruction accompanies humanitarian relief. When reconstruction is included, the economy generates sustained, multidimensional growth. Consumption rises immediately on the back of direct aid, then accelerates as reconstruction activity generates jobs and wages, peaking at 150 per cent above pre-shock levels in the seventh quarter. GDP follows a powerful upward trajectory, driven both by expanding household demand and the recovery of productive sectors, ultimately tripling the 2025 GDP baseline.

42. In contrast, a relief-only scenario delivers a significantly inferior outcome. Consumption surges sharply at first, but GDP peaks at just 170 per cent above the 2025 baseline by the sixth quarter – failing even to triple the initial level – and the effect dissipates rapidly. Although employment follows a similar lagged pattern, it reaches less than half of the level achieved when reconstruction is part of the package. The contrast is particularly instructive in the context of an unemployment crisis of historic proportions, with close to 85 per cent of the labour force unemployed.

43. The unambiguous contrast illustrates that relief alone produces weak GDP gains and minimal job creation, while relief combined with reconstruction rebuilds productive capacity, sustains growth, narrows import dependence and generates five times the employment impact.

44. The policy implications are equally clear:

(a) Reconstruction is essential for any recovery intended to outlast the aid flow itself;

(b) Both the scale and allocation of international funding are decisive for sustainable recovery;

(c) Reconstruction spending should deliberately target the rebuilding of productive capacity and civilian infrastructure such as schools and hospitals; without

this, Gaza will remain locked in a donor-funded, consumption-driven economic cycle coupled with permanent import dependence, heightening the risk of donor fatigue;

(d) Priority must be given to the composition of recovery plans: Palestinian labour, Palestinian firms and Palestinian materials, including recycled rubble, sourced from Gaza, the West Bank and East Jerusalem. This is essential in order to retain multiplier effects within the domestic economy and minimize the leakage of stimulus across borders. However, rubble recycling should be implemented with proper safety protocols, given the presence of unexploded ordnance and potentially hazardous materials. International technical assistance for safe rubble management should be prioritized alongside reconstruction efforts. Finally, Palestinians in Gaza need to be meaningfully involved in the decision-making process on reconstruction, which is also critical and relevant to the broader realization of civil and political rights.

45. The scale of any future intervention, combined with whether the relief-only scenario or the relief-with-reconstruction scenario is chosen, will determine whether Gaza reemerges from collapse or remains trapped indefinitely in aid dependency – and, ultimately, whether it can survive as a viable, liveable society and environment.

B. A case for public works programmes

46. A consistent finding across both scenarios is that employment lags consumption and imports, a shortcoming that is particularly critical given that the unemployment rate is over 85 per cent in Gaza.²⁶ As part of rebuilding the economy's productive base, this unemployment crisis can be mitigated directly through public works programmes. These programmes do more than compensate for delayed job creation; they actively strengthen the productive base in targeted strategic areas.

47. Public works programmes are government- or donor-funded initiatives that provide employment to targeted individuals in community-benefiting projects. Unlike conventional social assistance (such as cash transfers or food aid), public works programmes require recipients to work in exchange for wages. This labour-based condition distinguishes them as “active” rather than “passive” social protection.

48. Public works programmes remain popular in low- and middle-income countries precisely because they deliver a “multi-dividend” return. They provide immediate income, create durable public assets and equip participants with skills that enhance long-term employability and earnings, in addition to a range of positive externalities. As such, they should be considered alongside cash transfers as complementary instruments or, where appropriate, as direct substitutes.²⁷

49. Public works programmes, in line with international labour standards, should therefore be integral to any recovery financing framework, not merely as a social safety net, but as a tool for simultaneously addressing pressing social and environmental challenges, including social inclusion of marginalized populations and climate resilience. Well-designed public works programmes can serve as a critical bridge between relief and development, leveraging aid to foster both human and physical capital formation and thereby reinforcing a genuine, sustainable and resilient recovery informed by the realization of human rights.

²⁶ See <https://www.ilo.org/sites/default/files/2026-04/ILC114-DG-APP-%5BCABINET-260407-001%5D-Web-EN.pdf>.

²⁷ See <https://openknowledge.worldbank.org/server/api/core/bitstreams/d8d3988b-5bee-42a1-855e-83b2140d84b7/content>.

50. A viable response to the employment crisis in Gaza requires a new generation of adaptive public works programmes tailored to the unique constraints in the State of Palestine, namely, an ongoing occupation, fragmented geography, restricted movement of labour and materials, persistent gender disparities and a large, digitally literate youth population. Such programmes can move beyond the traditional safety-net function to deliver longer-term, inclusive and sustainable benefits. Three innovative models are particularly relevant:

(a) Green public works programmes: focused on land rehabilitation, water management and climate resilience, such programmes address environmental degradation while creating jobs in rural and fragile areas;

(b) Care-providing public works programmes: designed to address rapidly growing community needs in childcare, eldercare, support for persons with disabilities and home-based care, such programmes formally employ women, which reduces their vast but unpaid care burden while building skills for the expanding care economy;

(c) Digital public works programmes can play a central role in rebuilding Gaza's digital economy, restoring connectivity, and reconstructing its devastated telecommunications infrastructure. This is urgently needed: much of the digital infrastructure has been destroyed, a large portion of the population lacks reliable internet access, and smartphone ownership has fallen sharply. The digital economy has been decimated – between 2023 and 2025, value added by the information communication and Technology (ICT) sector collapsed by 88 per cent to just \$1.6 million, eliminating jobs, opportunities, and a critical foundation for reconstruction.²⁸ Digital PWPs offer a transformative opportunity for remote work. Participants can generate income, create public digital assets, and establish valuable earning and learning networks inside and outside Gaza. This model is less physically demanding, accessible to women, persons with disabilities, and youth, and can be implemented even when security concerns limit physical mobility.

VI. Conclusion and recommendations

51. Despite the improvement following the October 2025 ceasefire, the situation in Gaza remained dire into mid-2026 amid continuing violence, civilian deaths and severe aid restrictions. An immediate end to violence and the Israeli occupation²⁹ is imperative. Sustained international engagement is urgently required to halt socioeconomic decline, address the humanitarian crisis and reverse long-standing de-development through a comprehensive recovery framework for the whole Occupied Palestinian Territory, grounded in coordinated assistance and concrete measures to ease constraints on trade, movement and investment. Critical constraints should be addressed as a matter of priority:

(a) Israel must prevent further civilian deaths and injuries and ensure the rapid, safe and unhindered delivery of humanitarian assistance at scale throughout Gaza; furthermore, all parties must fully respect the ceasefire and comply with international law at all times;

²⁸ World Bank, European Union and United Nations, *Gaza Strip Rapid Damage and Needs Assessment*.

²⁹ *Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem, Advisory Opinion, I.C.J. Reports 2024*, p. 753, para. 285.

(b) In line with relevant Security Council resolutions, Israel must lift all restrictions on the provision and distribution throughout Gaza of humanitarian assistance, including food, fuel and medical treatment;

(c) Unexploded ordnance and explosive remnants pose a critical obstacle to debris removal and reconstruction. Debris clearance and explosive ordnance disposal should be prioritized as foundational prerequisites for reconstruction, backed by international funding and technical expertise. The presence of hazardous materials requires the recycling of rubble, which should proceed only under proper safety protocols;

(d) Restoration of essential services (housing; health; water, sanitation and hygiene; electricity; telecommunications; and transport) is a fundamental prerequisite for recovery. Restoration should be prioritized as a matter of urgency, supported by adequate funding and coordinated international assistance;

(e) The revival of digital infrastructure should be a priority. Connectivity is a lifeline extending far beyond its direct contribution to economic activity. Telecommunications underpin humanitarian response; when they collapse, so does civilian safety. Coordination is hampered and early warnings fail to reach those in danger. Severing Gaza from global knowledge networks has undermined education, healthcare and every sector reliant on connectivity. The digital infrastructure should be rebuilt as a matter of urgency, and digital public works programmes deployed to connect Gazan youth to global markets, rebuild the information and telecommunications sector and lay the foundation for a resilient digital economy.

52. In this regard, the \$118.5 billion of lost GDP potential between 2007 and 2025 and Gazan recovery needs underscore the historic scale of the economic collapse, with nearly 85 per cent of the labour force unemployed. The analysis presented in this report demonstrates that relief alone generates limited gains in economic output and weak job creation, whereas relief combined with reconstruction can rebuild productive capacity, sustain growth, reduce import dependence and generate a substantially greater employment impact. Recovery must therefore be reconstruction-driven and Palestinian-led, prioritizing essential civilian and productive infrastructure, Palestinian labour and firms, and safe local sourcing of materials, including recycled rubble, to retain economic multipliers within Gaza, reduce aid dependency and lay the foundations for a viable, self-sustaining economy.

53. Ultimately, recovery in Gaza must advance the underlying political objectives of maintaining the Gaza Strip and the West Bank, including East Jerusalem, as a single territorial unit, under a single, legitimate, sovereign Government of the State of Palestine and restoring a political process that will end the unlawful occupation and realize a two-State solution in line with relevant Security Council resolutions, international law and previous agreements. The international community should muster concerted and coordinated political, economic and technical support for the establishment of such a framework as a foundational prerequisite for peace, sustainable recovery and a human rights-based approach to development.

54. Human dignity should not be conditional. The space for recovery has so far been denied. Community resilience cannot replace the required supply of materials at scale – including those that Israel considers to be “dual-use” – or the political will to set Gaza on the path to a genuine recovery. Humanitarian assistance on its own cannot put Gaza on a sustainable track. The transition to early recovery by restoring livelihoods, rehabilitating essential infrastructure, providing dignified shelter and supporting the Palestinian institutions leading recovery and reconstruction must be accelerated.

55. A new approach to economic rehabilitation should go beyond merely restoring the pre-October 2023 status quo on a scale large enough to revive hope that Gaza can re-emerge as a viable society. The future of the Palestinian people in the Occupied Palestinian territory requires action by both the Government of Israel and the international community. The economic collapse that intensified in 2023 presents a challenge that far exceeds traditional post-conflict reconstruction. Rebuilding will require not only substantial investment, but also a new fundamental reconfiguration of the relationship with Israel and the wider international community. To break the entrenched cycle of destruction and partial rebuilding, it is essential to end the occupation and advance a two-State solution based on the pre-1967 lines, consistent with international law and relevant United Nations resolutions.

56. The United Nations remains committed to supporting Israelis and Palestinians in ending the occupation and resolving the conflict in line with international law and relevant United Nations resolutions and bilateral agreements in pursuit of the vision of two States – Israel and a fully independent, democratic, contiguous, viable and sovereign Palestinian State, of which Gaza is an integral part – living side by side in peace and security within secure and recognized borders, on the basis of the pre-1967 lines, with Jerusalem as the capital of both States, and in which the human rights of all people are respected and protected.
