



GAZA ECONOMIC IMPACT ASSESSMENT

SUMMARY REPORT FOLLOWING THE MAY 2021 HOSTILITIES

The report covers the assessment of economic damages resulting from the May 2021 hostilities on the Gaza Strip



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Background

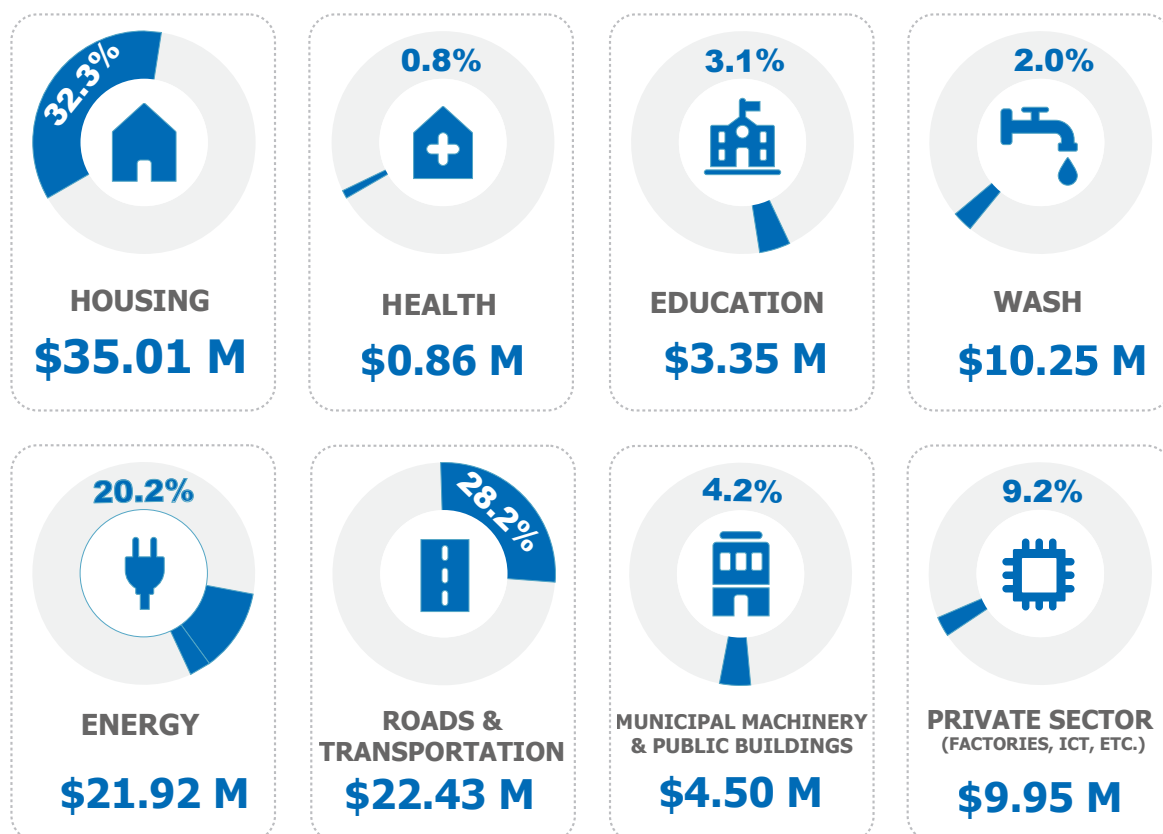
The Gaza Strip is among the most densely populated regions in the world, where almost 2.1 million Palestinians – with the majority (66%) being refugeesⁱ - live on only 365 square kilometres of land. The year 2021 marks not only 54 years of the Israeli occupation, but also 14 years of air, land, and sea blockade of the Gaza Strip. The multiple rounds of hostilitiesⁱⁱ have caused significant casualties, disrupted the already fragile livelihoods and severely worsened socio-economic conditions of the almost 2.1 million people living in Gaza.

Due to a recurrent cycle of escalations, as well as the enduring intra-Palestinian political divide, Gaza is caught up in a trajectory of de-development, with deepening vulnerabilities affecting an overwhelming majority of the population. Around 45.5% of households in the Gaza Strip are severely or moderately food insecureⁱⁱⁱ, 53% of the population live below the poverty line^{iv}. The overall unemployment rate is around 48%^v, with youth - which represents a significant and growing demographic group - accounting for the highest unemployment rates (i.e. 71.6% among the 15 – 25 age group and 56.5% for the 25 – 34 age group^{vi}, while the long-term unemployment rate^{vii} for the 15 – 29 age group reaches a staggering 79.2% among young women^{viii}). In 2021, about 2.45 million Palestinians are in need of humanitarian assistance, with the majority of them – 1.6 million - being in the Gaza Strip^{ix}. Out of those 1.6 million Gaza residents, an alarming 1.1 million were found to be suffering from severe humanitarian needs.

The latest round of hostilities, which hit Gaza between 10-21 May 2021, was the gravest since 2014. It claimed the lives of 261 Palestinians^x – including 67 children - and left over 2,200 injured^{xi}. In addition to the tragic human losses, the escalation caused serious damage to vital civilian infrastructure, including housing, health and education facilities, commercial establishments, and productive assets, as well as roads, electricity lines and sewage networks. According to the Infrastructure Damage Assessment, commissioned by UNDP following the May 2021 hostilities, the overall damage and reconstruction costs for critical infrastructure across different sectors reach US\$ 108,278,756, including the costs of Building Forward Better (BFB). These new reconstruction costs are further deepening the funding gap for Gaza, adding up to the impact from previous bouts of hostilities.

Overall, the May 2021 escalation aggravated the Strip's dire economic predicament, compounding the negative impact of COVID-19 on the local economy, which contracted by 12% in 2020^{xii}.

Figure 1. Overview of infrastructure damage and BFB costs per sector





Scope and Purpose

Against the backdrop of the May 2021 hostilities and the worsening socio-economic conditions, UNDP's approach in supporting the people of Gaza has been to assess and address urgent priority needs, immediately following the ceasefire, while taking into consideration and building in measures for medium - to longer - term recovery.

In line with its long-standing engagement and expertise in fostering early recovery, as well as promoting the Humanitarian-Development-Peace (HDP) Nexus approach, UNDP undertook an economic impact assessment, in close collaboration with its key local stakeholders. The assessment focused on the latest hostilities' impact on the private sector across key sectors of Gaza's economy, namely **manufacturing, trade (wholesale and retail), services**, as well as on **private ICT facilities**. It covered the overall impact of the May 2021 hostilities, consisting of **damages** in terms of buildings, infrastructure, machinery, and office equipment, as well as **losses** of raw materials, goods, and finished products. In addition, the assessment estimated the impact of the latest hostilities in terms of job **losses** across the four targeted sectors. The analysis of the impact is largely limited to the four key sectors listed above, complementing similar analysis for the agricultural sector, prepared by FAO in cooperation with the Ministry of Agriculture^{xiii}.

Key findings from UNDP's economic impact assessment shall feed into and inform the economic recovery plan and economic stimulus package for the Gaza Strip, while providing options and recommendations towards fostering inclusive and sustainable economic recovery and resilience.



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