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POLICY BRIEF

GAZA RECONSTRUCTION: DO NOT REPEAT THE MISTAKES OF THE PAST FOUR EFFORTS

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Now that a cease-fire is in place, it is time to consider Gaza's reconstruction. This will be the fifth such effort in less than twenty years. Lessons from the previous four indicate that rebuilding houses, bridges, and roads is relatively straightforward. Far more challenging is building a thriving Gazan economy and society—one where young people live with dignity, have jobs, feel heard and included in their communities, and are hopeful about their future. Achieving this requires not only financial resources but also strong political will. Failure to create such a society will mean that young Gazans continue to face radicalization, perpetuating the cycle of violence, war, destruction—and yet more reconstruction.

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Building a stable and prosperous Gaza, open to the world and at peace with its neighbors, is in the interest of the entire Middle East. It is in Israel's interest—more than [1,600 Israelis were killed](#) in the latest Gaza war. It is clearly in the interest of Gazans, who have suffered immense human and physical losses. It also serves the interests of all Palestinians—particularly if it advances their national aspirations—and of the surrounding Arab countries, which are concerned about the conflict spreading and the resulting regional instability.

It is time to end the wars and the suffering of both Palestinians and Israelis. President Trump's hope for "eternal peace" and his vision of a "historic dawn of a new Middle East" are achievable. But they require discarding the old paradigm that views reconstruction mainly as a matter of bricks and mortar, and adopting a new one focused on creating inclusive societies and opportunities for young people across the region—especially in Gaza. This "historic dawn of a new Middle East" can only be realized if the lessons from previous failed Gaza reconstructions are applied and past mistakes avoided.

In this article, I argue for an approach to reconstruction that supports peacebuilding and benefits both Palestinians and Israelis. Several of the proposals made here to develop Gaza's economy and open it to the world are not entirely new. They were made twenty years ago by James Wolfensohn, the Quartet's special envoy to Gaza and former World Bank president (my former boss). Had Wolfensohn's recommendations been implemented at the time, it is likely that the wars of the past two decades—and the tremendous suffering of Palestinians and Israelis—could have been avoided.

This article is divided into nine sections. Following this introduction, Section 2 explains why it would be a mistake to rebuild Gaza as it was before October 2023. Section 3 shows how a well-designed reconstruction effort can contribute to peace and stability. Section 4 argues that Palestinian governance reforms are essential for successful reconstruction, but that such reforms cannot succeed without a pathway to end the Israeli occupation. Section 5 explains why ending the blockade of Gaza is necessary. Section 6 reviews why past attempts at industrial development in Gaza failed. Section 7 presents investment priorities for a stable and peaceful Gaza, including investments in electricity, ICT, a seaport, and an airport. These investments should be led primarily by the private sector. Section 8 outlines the actions required from Palestinians, Israelis and the international community to mobilize private investment for Gaza's reconstruction. Section 9 concludes.

DO NOT REBUILD THE PRE-OCTOBER 2023 GAZA

Gaza has long been at the center of Palestinian resistance to Israeli occupation and has witnessed many violent outbursts.¹ Achieving "eternal peace" in the Middle East will therefore require a peaceful and stable Gaza. Following the widespread death and destruction of the past two years, Israelis and the Palestinians are angrier and more fearful of each other than at any time in recent memory. Yet I remain hopeful that, sooner rather than later, both peoples will recognize that peace is in their mutual interest. This peace will require building a dynamic Gazan economy that is well governed, connected to the rest of the world, and free of blockades and occupation. As the late [Martin Indyk wrote in 2024](#), "there is no credible way to bring the war in Gaza to an end without trying to fashion a new, more stable order there." Rebuilding the old, failed order would only perpetuate the cycle of war and suffering.

1. See [Elgindy \(2025\)](#).

When I first visited Gaza ten years ago to inspect World Bank projects, it was immediately clear to me that the situation was unsustainable—and that the place was bound to explode. You cannot lock up 2.23 million people in an area of 365 sq. km (141 sq. miles)—creating what Israeli historian and political scientist Ilan Pappé called “[the ultimate maximum security prison](#)”—impose a blockade that controls all goods going in and out, thereby restricting livelihoods, and still expect peace and stability. Between 2007 and 2021, there have been four Gaza wars. The most recent war, which began in October 2023—the fifth Gaza war—has been far more devastating in both human and material terms. Yet it must be seen as a continuation of a long-standing conflict, and as evidence of the failure (or perhaps lack of political will) to establish a governance and economic system in Gaza capable of ensuring long-term peace and stability.

I raise the issue of political will because it is an open secret that, over the years, the Israeli government has allowed financial support to flow to Hamas in Gaza while maintaining a tight blockade.² The apparent idea was to sustain Hamas as a rival to the Ramallah-based Palestinian Authority (PA), thereby preventing the emergence of a unified Palestinian leadership capable of negotiating a lasting peace and a two-state solution. Unless this changes—unless there is genuine political commitment to a long-term peace agreement—it would be unwise to invest substantial money and effort in rebuilding Gaza. Otherwise, the result will be more war, more destruction, and yet more rebuilding. This vicious circle must end, and that can only happen if there is a unified Palestinian leadership capable of reaching a long-term peace agreement with Israel.

Gaza has already been rebuilt four times this century—in 2010, 2012, 2014 and 2021—at a total cost of about \$5.9 billion.³ Rebuilding the same Gaza once again would be both inhumane and irresponsible. Before October 2023, Gaza’s unemployment rate stood at 45.1%, with youth unemployment at 59.5%. The poverty rate was 64%. Electricity supply could not meet demand, resulting in daily blackouts lasting twelve hours. Only 6% of the population had access to safe piped water. It was the only place on Earth still using obsolete 2G technology.⁴ Clearly, it makes no sense to rebuild this same Gaza.

To achieve the lasting peace that both Palestinians and Israelis need, the objective should not be to simply rebuild—it should be to renew. The goal must be to transform Gaza from the open-air maximum-security prison I saw during my first visit ten years ago—where unemployed young people lingered on street corners, angry and hopeless—into a thriving, dynamic place where people can move freely and where opportunities and jobs abound for its youth.

RECONSTRUCTION SHOULD CONTRIBUTE TO LONG-TERM PEACE

A long-term peace agreement is necessary for successful economic reconstruction. But the converse is also true: economic reconstruction must be designed in a way that contributes to a sustainable peace and helps end the cycle of Gaza wars that has persisted since 2007. This means going beyond rebuilding homes and infrastructure. Peace and stability in Gaza require the creation of a thriving economy that ensures young Gazans do not feel excluded.

2. For example, see Tal Schneider’s [2023 OP-ED](#) in the Times of Israel.

3. For estimates of past reconstruction costs, see [World Bank \(2024\)](#), [Palestinian National Authority \(2010\)](#), and [UN \(2014\)](#).

4. See [World Bank \(2024\)](#) and [IMF \(2025\)](#) for a detailed description of Gaza’s economy prior to the current conflict.

They also require the establishment of economic governance systems that guarantee all Gazans have a voice in the reconstruction process.

Contributing to sustainable peace means that economic reconstruction must help de-radicalize Gazan youth. The blockade has fueled radicalization by depriving young people of hope and opportunity—leaving many convinced that violence was the only way out of their misery. The past two years of war, death, destruction, and deprivation have only deepened this sense of despair.

Young people are particularly vulnerable to radicalization when they are educated but unemployed, or when their jobs fail to match their skills and aspirations. Across the Arab world, individuals with secondary education who are unemployed or underemployed face the highest risk of becoming violent extremists.⁵ In Gaza, where 68% of young people complete twelve years of secondary education and youth unemployment stands at nearly 60%, it is not surprising that many have become radicalized.

To achieve lasting peace and security in Gaza, any reconstruction effort must prioritize creating jobs and opportunities for young people. This will require opening Gaza to the world—not only through trade and tourism, but also by improving internet connectivity and ensuring reliable access to electricity.

Before October 2023, agriculture provided formal employment for about 13% of Gaza's labor force and informal livelihoods for roughly 90% of households.⁶ Gaza exported some agricultural goods, mainly citrus fruits. Manufacturing was largely limited to small-scale textiles and food processing, which were insufficient to generate growth or create enough employment opportunities. As a result, most Gazans were heavily dependent on international humanitarian assistance. In 2020, 77% of households in Gaza received aid, the majority from the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA). This chronic and massive dependence on humanitarian aid is clear evidence of the long-standing failure of economic development in Gaza—and one of the reasons why some young people have been drawn to extremist ideologies.

The idea that economic reconstruction, if done right, can contribute to peace is not new. In a 2005 [congressional testimony](#), James Wolfensohn stated: "Creating greater incentives for peace among the Palestinians in Gaza means bringing jobs, visible infrastructure and functioning schools and clinics, and a cleanup of vast expanses of untreated sewage." Those words continue to resonate twenty years later.

GOVERNANCE AND THE END OF THE OCCUPATION

Economic growth and job creation are essential contributors to peace and stability. However, for these to succeed, they must be accompanied by governance reforms that ensure all Palestinians—particularly youth—have a voice, and that offer a credible path toward independence and self-determination.

Palestinian youth find themselves trapped between Hamas, with its extremist and totalitarian

5. See [Bhatia and Ghanem \(2017\)](#).

6. See [UN \(2024\)](#).

ideology, and the weak, largely discredited PA. There have been no elections in Palestine since the 2005 presidential elections that brought Mahmoud Abbas (Abu Mazen) to power, and the 2006 legislative elections won by Hamas. Since then, Abbas has ruled over Palestinians in the West Bank, while Hamas has controlled Gaza. Both the PA and Hamas govern in an authoritarian manner, with little transparency or democratic participation.⁷

Many Palestinians no longer see their leaders as legitimate⁸ and believe corruption is rampant. A [2023 opinion poll](#) found that 87% of Palestinians viewed the PA as corrupt, and 72% believed the same of Hamas. In a [2025 opinion poll](#), 85% of respondents said that they thought Abbas should resign. That same poll showed that if presidential elections were held today, the jailed Palestinian activist Marwan Barghouti would easily win against both Abbas and any candidate fielded by Hamas. The data clearly indicate that the current leadership in both the West Bank and Gaza has lost the trust of most Palestinians.

This situation does not bode well for Gaza's future. Palestinian governance reforms are essential to the success of Gaza's reconstruction for two main reasons. First, building a thriving and inclusive Gazan economy requires attracting substantial private investment. Such investment depends on stable and predictable legal and regulatory frameworks, which cannot exist without a basic level of good governance. Investment will not flow into a governance vacuum. Second, rebuilding much of Gaza's social and physical infrastructure will require significant public investment financed by external donors. These funds will be managed by Palestinian public institutions, which must therefore have strong systems of public financial management to ensure transparency and accountability. Without such assurances, donors are unlikely to provide support at the scale required.

It is impossible to discuss good Palestinian governance without addressing the occupation and the right to self-determination. The poor state of governance in Palestine is at least partly a consequence of the failure of the peace process and the continued Israeli occupation. Since the Oslo Accords of 1993, Palestinians have been presented with two very different visions of their future. The PA has pursued a secular approach, envisioning a diplomatic path toward a Palestinian state alongside Israel. Hamas, an Islamist Organization, has called for the destruction of Israel. The collapse of the peace process undermined the PA's central message that liberation could be achieved through diplomacy, eroding its legitimacy in the eyes of many Palestinians and creating an opening for Hamas and other extremist groups.⁹

Since the 2023 opinion poll marked thirty years since the Oslo Accords, it asked Palestinians for their views on the Accords and the peace process. Two-thirds of respondents said that current conditions are worse than they were before Oslo, and 68% said that the Accords have damaged Palestinian national interests. Some 76% of respondents believed that the prospects for an independent Palestinian state alongside Israel within the next five years were slim to nil, and 53% supported armed struggle as the most effective means of ending the Israeli occupation. Under such conditions, it is extremely difficult for secular, peace-seeking Palestinians to garner widespread political support and implement the governance reforms needed for inclusive economic growth.

Israel and the international community can support better governance in Palestine by reviving the peace process and giving Palestinians hope that the occupation can end

7. See [Brown \(2010\)](#) and especially the section on the end of Palestinian democracy.

8. See the [Stanford Report \(2023\)](#).

9. See [al-Omari \(2023\)](#).

through diplomacy and nonviolent means. At the same time, Palestinians must reform their governance institutions to enhance both legitimacy and effectiveness. This will require the reunification of Gaza and the West Bank, along with new, transparent, and open elections.

REMOVING THE BLOCKADE IS NECESSARY FOR A SUCCESSFUL RECONSTRUCTION

According to a [September 2023 IMF report](#)—published before the fifth war began—Gaza’s real per capita GDP declined at an average annual rate of 2.5% between 2007 and 2021, explaining the disastrous employment and poverty outcomes. The IMF attributed this decline largely to the Israeli blockade and the recurrent wars. Gaza’s economy depends heavily on imports from and through Israel, which account for 54% of its GDP. As a result, Israeli restrictions on the movement of goods into Gaza severely hinder economic activity and productive capacity. The system of Israeli controls on goods entering Gaza causes lengthy security delays and significantly increases costs.

Moreover, restrictions on access to essential capital equipment and productive inputs under Israel’s Dual Use Goods (DUG) regulations have further constrained productivity, investment, and employment creation in Gaza. These restrictions affect key sectors of the economy: agriculture and food security suffer from limits on fertilizers; construction is impeded by restrictions on cement, wood and steel; and the technology sector is undermined by constraints on ICT equipment. By controlling the movement of goods and people in and out of Gaza, Israel also weakens economic linkages with the West Bank, effectively preventing the integration of the two parts of the Palestinian economy.

Under such conditions, rebuilding and developing Gaza’s economy is virtually impossible. It is inconceivable to generate growth and create jobs for young people while a blockade remains in place. Investment levels have remained extremely low—around 11% of GDP since the blockade began—and much of this limited investment has gone into reconstruction following repeated conflicts. Consequently, Gaza’s capital stock in 2022 was nearly identical to that of 2007. Productivity has also declined, with total factor productivity growth contributing a negative 2.2 percentage points to annual GDP growth. This deterioration stems from the stagnant capital stock, the absence of innovation that typically arises from trade and external engagement, and the weakness of economic governance institutions.¹⁰

As early as 2004, a [World Bank report](#) had already highlighted the economic costs of such restrictions and underscored the importance of ensuring the free movement of goods and people. Describing the situation at the time, it stated:

Today’s economic crisis has been caused by restrictions on the movement of Palestinian people and goods, or closures which the Government of Israel regards as essential to protecting Israeli citizens from attacks by militants. Without a major reform of the closure regime, however, the Palestinian economy will not revive, and Israel’s security gains may not be sustainable.

The blockade is not only an economic constraint; it is also a profound source of humiliation that deepens the sense of alienation among Palestinian youth and drives some toward radical ideologies. This dynamic can be vividly illustrated by an anecdote from my first visit to Gaza.

10. The data in this paragraph is from the [IMF \(2023\)](#).

I entered Gaza from Israel through the Erez crossing in an official World Bank vehicle. The driver was a foreign national like me, and we were accompanied by a Palestinian colleague—the task team leader for one of the World Bank’s projects in Gaza, based in the Jerusalem office. After passing through passport control at Erez, my driver and I were escorted to our car and allowed to cross into Gaza. Our Palestinian colleague, however, was required to walk across the border. Once inside Gaza, we stopped in a parking lot to wait for him. There, I encountered a senior diplomat from a G7 country who was also waiting for his local embassy staff to make the same crossing by foot. Curious, I asked him—having been posted in Jerusalem for several years—why Palestinians were obliged to walk across. Was it a specific security measure? His response was blunt: “It is just to humiliate them.”

Reconstructing Gaza for a fifth time under conditions of blockade does not make economic or political sense. Economically, there can be no sustainable investment, trade, growth, or job creation under a blockade. Politically, the blockade perpetuates alienation and humiliation among Palestinians. Under such circumstances, the “historic dawn” will not arrive, and “eternal peace” will remain an illusion. This reality has been recognized for decades. In his 2005 [congressional testimony](#), James Wolfensohn emphasized the necessity of lifting the blockade, stating:

This is not a gift by the Israelis to the Palestinians, and it is not something that the Palestinians are asking for just to win a debate. What is necessary here if you want to have enduring peace is not a prison in Gaza and the northern West Bank, but an environment in which there can be movement of goods and people in an atmosphere of respect for the Palestinians.

It is worth noting that as early as 2005 there was a concern that Gaza was becoming a prison. Wolfensohn was also aware of the humiliations Palestinians faced at the border crossings, calling for “an atmosphere of respect for the Palestinians.”

FAILED ATTEMPTS AT INDUSTRIAL DEVELOPMENT

Developing Gaza’s industrial sector to promote economic growth and job creation would clearly contribute to de-radicalization and peacebuilding. This was why it was [advocated by James Wolfensohn and the Quartet](#) who emphasized the importance of investments in industrial zones and trade corridors. Industrial estates were seen as a way to quickly provide Gaza’s population with tangible peace dividends. Two such estates were built: the Erez Industrial Estate (EIE) near the Erez border crossing in northern Gaza, and the Gaza Industrial Estate (GIE) on the eastern edge of Gaza City near the al-Muntar/Karni cargo border crossing.¹¹

The plan was to develop these areas near the border crossings with Israel, equip them with good infrastructure, and establish a special simplified regulatory regime to attract Palestinian and Israeli investors. The target market for both estates was Israel. Instead of Palestinian workers commuting daily to Israel for employment, they could remain in Gaza, produce goods for the Israeli market, and earn relatively high wages.

11. The descriptions of the two industrial estates in this section come from [EastWest Institute \(2005\)](#) and [USAID/The Services Group and the World Bank \(2004\)](#).

EIE was initially managed by the Israeli Ministry of Industry and Trade, which later outsourced management to the Israeli private company, Erez Industrial Park Ltd. The estate covered approximately 47 hectares. By April 2004, it housed 201 enterprises—101 Palestinian-owned, 98 Israeli-owned, and 2 jointly owned—and employed 4,770 Palestinian workers. The main activities were textiles, metals, and carpentry workshops. Following suicide attacks on the facility, Israel closed EIE on August 31, 2004.

GIE offered 40 hectares of first-rate infrastructure, including a fully dedicated 10-megawatt power supply and back-up facilities, clean water and access roads. Yet GIE has never been able to meet its objectives due to Israel's closure regimes and the resulting impossibility of moving goods in and out of the estate on any predictable schedule. Moreover, Israeli military activity further constrained site development. By mid-2004, only 16 enterprises employing fewer than 700 workers remained on the estate. GIE was destroyed during the latest Gaza war.

EIE and GIE proved unsustainable because they were designed for investors of only two nationalities (Palestinians and Israelis) and one export market (Israel). Given the political and security tensions, it is no surprise that the two estates did not last long. Successful industrial estates and export processing zones around the world typically cater to investors from many different countries and aim to export to several markets.

Building one or two industrial zones in Gaza made sense in 2003-2004, as they provided investors with essential infrastructure and a supportive institutional and regulatory environment. However, the goal should have been to attract investors from around the world and to expand target markets beyond Israel to include Arab countries and Europe. Given the current outpouring of international support for the cease-fire agreement and the widespread desire to help Gaza, it should now be possible to attract more investors and open new export markets.

The old model of building industrial estates that depend solely on trade with Israel has proven unviable. A possible alternative would be to develop the entire Gaza Strip into one large industrial estate or export processing zone, attracting investors from around the world and targeting nearby regional and European markets. The small size of Gaza makes this proposal feasible. Israel would remain an important investment partner and destination market, but it would no longer be the sole partner or market. This shift could help place the relationship between Gaza and Israel on a healthier footing. Over time, the goal would be for Palestinians and Israelis to view one another as partners and neighbors rather than occupiers and occupied.

INVESTING IN A NEW GAZA

Gaza has a well-educated population and a long tradition of agriculture, industry, and trade. In the past, before the occupation, Gaza exported agricultural cash crops such as carnations, strawberries, and vegetables to European markets. It also produced and exported garments and furniture.¹² Looking further back, Gaza was a major trade and cultural hub in the Southern Mediterranean and a vital link between great empires. This fifth (and hopefully last) reconstruction of Gaza should build on those historical foundations to create a new Gaza—an efficient, knowledge-based economy that generates opportunities for its youth in high value-added industry, services, and trade, with agriculture and tourism

12. See [Shaban \(2017\)](#).

playing important complementary roles.¹³

Reconstruction should begin as soon as a peace accord is reached that guarantees security, good economic governance, and the removal of the blockade to allow for the free movement of goods, capital, and people in and out of Gaza. The implementation of the peace accord will likely be gradual, but reconstruction should not wait it is fully completed. What will be essential is an agreement on the final objectives—such as the governance structures in Gaza and the removal of the blockade—and a clear roadmap outlining the steps to achieve them.

Most importantly, Israel's and Gaza's international and regional partners, led by the United States, must remain fully engaged throughout the process. They will need to establish effective mechanisms, incentives, and penalties to ensure that each phase of the peace accord is successfully implemented.¹⁴ The accord must clearly define Gaza's status and provide assurance to donors and potential private investors. Ideally, this would be accompanied by progress toward a comprehensive settlement of the Palestinian-Israeli conflict.

Two types of reconstruction investments will be required. The first will focus on rebuilding the homes and infrastructure destroyed during the conflict. The second will involve new types of investments aimed at fostering shared growth and employment creation. This second category will be crucial for ensuring the long-term sustainability of the peace accords and achieving what might finally be a lasting peace. Special priority should be given to investments in the electricity sector, ICT, industry, and the development of a seaport and airport. The overall cost of reconstruction will be immense and cannot be borne by donors alone; attracting private investors—potentially supported by donor guarantees—will therefore be essential.

The physical damage in Gaza is immense. According to the [February 2025 interim damage assessment](#) prepared by the EU, the UN, and the World Bank, the total physical damage in Gaza at that time amounted to \$29.9 billion. The largest share was in housing (\$15.8 billion), followed by commerce and industry (\$5.9 billion), transport (\$2.5 billion), health, education and social protection (\$2.2 billion), water and sanitation (\$1.5 billion), energy and ICT (\$1.0 billion), and agriculture and food security (\$0.8 billion). These figures have almost certainly increased since the report was released. Moreover, the cost of rebuilding is typically much higher than the damage assessment—the three institutions estimate that reconstructing Gaza will cost more than \$50 billion.

In the first phase of reconstruction, the priority must be to relieve the suffering of Gaza's population. Humanitarian assistance—food, shelter, medical supplies, and basic services—should enter first, followed by the restoration of key social services, especially health, education, and water and sanitation. Rebuilding the housing sector will take longer but should also begin early in the reconstruction process.

The power, ICT, and transport sectors deserve special attention, particularly if Gaza is to be developed as an integrated industrial zone, as these sectors are necessary for any functioning economy. The [IMF has calculated](#) that electricity has the highest output multiplier of all sectors in Gaza—an estimated 1.8, meaning that a \$1 million increase in

13. See the vision of a group of Palestinian private sector leaders presented in the project [Global Palestine-Connected-Gaza](#).

14. For more on how gradual implementation of a peace agreement would work, see [Hamzawy \(2025\)](#).

electricity output would raise total economic output by \$1.8 million. While no multiplier is available for ICT, it is evident that modern economy development is impossible without reliable telecommunications and high-speed internet.

The amount of damage to the two sectors is estimated at about \$1 billion. However, this figure is likely an underestimation, as even before the war electricity blackouts averaged 12 hours a day, and Gaza still relied on 2G technology. There is therefore a need to estimate the cost of rebuilding a new, reliable electricity system capable of providing 24/7 power, as well as the cost of introducing 5G and high-speed internet. Importantly, those costs should not be borne solely by the public sector or donors—electricity and ICT offer significant potential for private sector investment.

Concomitantly transport is essential for the movement of people and goods. The old roads need to be rebuilt, and new ones developed. Hence, the cost will likely exceed the \$2.5 billion in damages assessed for the transport sector. Unlike electricity and ICT, it is relatively difficult to attract private investment in roads; therefore, most of that investment will need to be financed from public sources.

If peace is achieved, Gaza's own gas resources could be used to improve energy supply. Gas was discovered in the Gaza Marine field in 2000 by a joint venture between the BG Gas group (an offshoot of British Gas) and the Palestinian Consolidated Contractors Company. The Gaza Marine field is estimated to hold 50 billion metric tons of natural gas—small relative to Israel's 1,000 billion metric tons, but still sufficient to power Gaza's electricity needs and end the Strip's electricity shortage. After Hamas took control of Gaza in 2007, Israel blocked the field's development, prompting BG to withdraw. In June 2023, Israel approved plans for the Egyptian company EGAS to develop the field, but the war put those plans on hold.¹⁵

Energy and ICT are important but not sufficient to generate the inclusive growth Gaza needs. Economic growth and job creation in Gaza's industrial sector, as well as the development of tourism, will crucially depend on trade with the rest of the world. Creating direct links between Gaza and the outside world is essential not only for economic development through trade and tourism but also for social and political reasons. Allowing Gazans to travel in and out of the Strip, without passing through Israel and seeking its approval, would end the perception of Gaza as a vast open-air prison, where 99% of its residents have never left.

Israel has typically objected to such direct links with the rest of the world on security grounds. However, recent dramatic events have demonstrated that keeping Gazans poor, isolated, and desperate has not enhanced Israel's security. Israel will be more secure if its neighbors are prosperous, happy and free. Recognizing the economic and political potential of opening Gaza to the world, [Jim Wolfensohn in 2005](#) called for the construction of both a seaport and an airport. According to Wolfensohn, then-Prime Minister Ariel Sharon had approved the seaport but delayed authorization for the airport.

Building a seaport in Gaza that would provide direct access to the Mediterranean and the world, allowing trade to flow with fewer restrictions, has been a priority for the Palestinian Authority since its establishment in 1994. The decision was to build a seaport to the west of Gaza City, with a plan to develop the seaport in three stages. The first stage would be a

15. For more on Gaza Marine, see [Middle East Strategic Perspectives \(2024\)](#).

port serving ships of 15-20 thousand tons. The second stage would include widening the port and building container terminals. The third stage would create a seaport equipped to handle all kinds of cargo.

Construction of the port did not start until July 2000. The delay was caused by Israeli security concerns and the time it took to agree on security procedures. Construction was stopped after the second intifada began in September of the same year. A few months later, Israeli airplanes destroyed whatever little had been built, and the project died. In August 2006, the World Bank recommended establishing a seaport in Gaza, starting with a smaller port than originally envisioned,¹⁶ but there was no follow-up and nearly twenty years later the same debate is still ongoing.

The current momentum for peace and Gaza's reconstruction offers an opportunity to revive the Gaza seaport project. However, a new approach to building and operating the seaport is needed. Instead of a public sector port managed by the Gazan authorities, one could envision a port owned by an international consortium of private companies and sovereign trust funds, and managed by a private port operator. A port in Gaza could be profitable, provided that guarantees on sovereign and war risks are in place, and it may attract investments from regional sovereign funds as well as international and bilateral agencies that provide private financing (e.g. the International Finance Corporation—IFC). The consortium would then hire an international port operator to manage the Gaza port. There are many private port operators working around the world, and assigning the Gaza seaport's operation to an international company would most likely lead to more efficient management.

This proposed framework of ownership and management has two benefits. First, financing would be structured as a mix of equity and loans, as in a typical IFC project, and the port would be expected to generate profits. This would allow scarce but much needed donor grants to be directed toward social sectors where it is more difficult to attract private financing. Second, having the Gaza port owned and managed by international companies would de-politicize security measures and hopefully reduce the risk of it being destroyed again.

The Gaza airport is an even older project than the seaport. The United Nations operated a small humanitarian airport in Gaza during the 1950s and 1960s. The airport was mainly used to service the UN emergency force, but it also handled humanitarian cargo flights as well as weekly passenger flights to Lebanon and Cyprus.¹⁷

One of the early decisions of the Palestinian Authority was to build a new airport in Gaza, and construction of the Gaza International Airport (later called Yasser Arafat International Airport) began in 1995 and was completed in 1998. The airport was financed by the Palestinian Authority, which obtained funding from several sources, including Egypt, Spain, Germany, Saudi Arabia and the Netherlands. The airport could serve wide-bodied aircraft and handle up to 700,000 passengers per year. It was administered and operated by the Palestinian Civil Aviation Authority, part of the Palestinian Ministry of Transport.

Israel retained the right to monitor arriving and departing passengers and cargo, and to decide whether passengers were allowed to travel or goods could be transported via the

16. See the [World Bank's 2007 Transport Sector Strategy Note](#).

17. See [AlKhatib \(2016\)](#).

airport. Several airlines used the airport, including Palestinian Airlines, Jordanian Royal Wings, Egypt Air, Royal Air Maroc, and TAROM of Romania. However, Israel halted airport operations after the start of the Intifada in September 2000, and later Israeli jets bombed and destroyed the airport.¹⁸

As in the case of the seaport, the current peace and reconstruction discussions offer an opportunity to rebuild the Gaza airport. Also like the seaport, I suggest that the airport be run for profit, owned by an international consortium, and operated by a reputable international airport operator. The goal is to limit the use of scarce donor grants to humanitarian activities and the social sectors, while relying on private financing for sectors that can be profitable. Another benefit of using international private operators is the transfer of knowledge and technology to Palestinians, while ensuring efficient management of the facilities.

A proposal is circulating in Israel to build an artificial island off the coast of Gaza, on which both a seaport and airport would be constructed. The island would then be linked to the Gaza shore by a bridge. Israel would control the island and could block the bridge in case of security risks.¹⁹ The cost of such a project would be very high and would make it difficult to attract private financing. Moreover, this approach would perpetuate the idea that Gaza remains under Israeli occupation and would not help counter radicalization and violent extremism, both of which must be addressed to achieve long-term peace and stability.

MOBILIZING PRIVATE FINANCE

The approach to reconstruction proposed in this paper depends on the ability to grow the domestic private sector to create jobs and opportunities, as well as the ability to attract large amounts of foreign and domestic private investment to finance key infrastructure projects and develop local industries. Mobilizing private finance requires action by Gazans, by Israel, and by Gaza's regional and international partners.

It goes without saying that an end to the fighting, the removal of the blockade, and an agreement on the contours of a long-term peace plan are key conditions for mobilizing private finance. The private sector will not come to a war zone under blockade and will not invest in a vacuum. That is why a cease-fire and an agreement on the way forward are essential for successful reconstruction.

In the short run, there will be a need to support enterprises that have suffered damages and require rehabilitation. Many enterprises will need to repair buildings, factories, farms, and fishing boats.²⁰ They will also need to rebuild their inventories of inputs and intermediate goods. Coming out of a long war and a prolonged closure of economic activities, most Gazan enterprises will need financing for reconstruction and for purchasing inputs. Hence, donors may want to consider putting together an enterprise reconstruction facility that banks²¹ can use to provide reconstruction funding for enterprises at concessional rates, with the degree of concessionality depending on donor financing conditions.

18. See [World Bank \(2007\)](#).

19. For example, see [Israel Policy Forum \(2022\)](#).

20. See [UNDP \(2024\)](#).

21. There are 13 commercial banks operating in Palestine comprising 378 branches. The two largest banks (The Bank of Palestine and Arab Bank) capture about two-thirds of the market. For more information, see the [US Department of Commerce's](#) market overview.

The perceived risk of investing in Gaza is very high. That is why a partial risk guarantee system that protects investors against non-commercial risks is needed. One option is for donors to provide a guarantee fund that can be used by the World Bank's Multilateral Investment Guarantee Agency (MIGA) to offer partial risk guarantees to enterprises that wish to invest in Gaza. Unlike typical MIGA operations, given how low investment in Gaza currently is—and the need to encourage greater domestic participation—it would make sense to issue guarantees to Palestinian as well as foreign investors.

There is a need to monitor and continuously improve the business environment. According to [Khalidi \(2018\)](#), Palestinian political division has led to inefficient and ineffective public sector services in Gaza, including those serving the business sector. Reunification of Gaza and the West Bank under a single Palestinian leadership would be beneficial, as it would lead to standardization of rules and regulations. Standardization between the West Bank and Gaza should be accompanied by broader improvements in the business environment to encourage investment.

The current legislative framework for business was established by the PA in 1994. However, private sector participants complain that implementation and monitoring remain weak. There is a need for institutional strengthening to improve implementation. The PA is currently drafting new legislation to enhance the business environment and is holding stakeholder meetings to gather input from private actors.²² It is important that Gazan businesses also have a voice in these reform processes.

The private sector also needs better infrastructure. Hence, it is important to implement the infrastructure recommendations presented earlier, with a focus on electricity, ICT, the seaport and the airport.

THE WAY FORWARD

Since the beginning of this century, Gazans have been confined in an open-air maximum-security prison. Since 2007, they have been governed by an extremist, oppressive organization that three-quarters of them consider corrupt. The blockade, successive wars, and weak governance have kept them unemployed and poor, with limited access to modern necessities such as electricity, clean piped water, and telecommunications. Sustainable peace, stability, and security for Gazans and their neighbors cannot be achieved under these conditions. A clean break from the past is needed to build a Gazan economy and society that is growing, prosperous and inclusive.

The sheer level of death, pain, and destruction caused by the latest war makes it difficult to imagine achieving peace any time soon. The road to peace and stability will be long and difficult, but it is a journey worth taking for the benefit of both Palestinians and Israelis. This article has presented elements of a reconstruction and renewal program designed to take steps toward peace, breaking the cycle of poverty, despair, humiliation, and violence. These elements can be summarized as follows:

1. Cease-fire and humanitarian support for Gaza's population.
2. Agreement on a peace roadmap and immediate removal of the blockade.

22. See [US State Department \(2025\)](#).

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3. Immediate phase of reconstruction focusing on humanitarian needs and the social sectors.
 4. Defining a new system of governance and ensuring that youth voices are heard.
 5. Improving legal and regulatory frameworks for investment and the business environment.
 6. Creating a special mechanism to finance enterprise rehabilitation and reconstruction.
 7. Creating a fund to support partial risk guarantees for foreign and domestic investors.
 8. Using Gaza Marine gas and private sector investment to expand access to electricity.
 9. Attracting private investors in ICT to install 5G telephony and high-speed internet.
 10. Constructing an airport as a public-private partnership.
 11. Constructing a seaport as a public-private partnership.

Implementing this program will be challenging and will likely require a special implementation unit and dedicated financing. One possible approach would be to assign this task to the World Bank. A Gaza reconstruction trust fund could be managed by the World Bank, which could also supervise project implementation through a dedicated unit in its Middle East and North Africa Vice Presidency.

Historically, Gaza has been an active trade hub, a center of culture, and a link between great civilizations. Its location at the meeting point of Africa and Asia made it an important way station on the ancient trade routes connecting the Nile delta with Damascus and Mesopotamia. Gaza controlled the flow of goods and ideas between great empires. The Canaanites, Philistines, Egyptians, Assyrians, Persians, Greeks, Romans, Byzantines, Arabs, Crusaders, Mamluks, Ottomans, and British have all left their mark and fragments of their culture in Gaza.²³ It is this glorious Gaza of the antiquity—not the maximum-security open-air prison of the 21st century—that must be recreated.

23. See [Ponder, Drew \(2025\)](#).

ABOUT THE AUTHOR



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Hafez Ghanem – who holds a PhD in Economics from the University of California, Davis – is Senior Fellow at the Policy Center for the New South, a development expert with a large number of academic publications; and more than forty-year experience in policy analysis, project formulation and supervision, and management of multinational institutions. He has worked in over 40 countries in Africa, Europe and Central Asia, Middle East and North Africa, and South East Asia.

Between 2015 and 2022 he was Vice President of the World Bank, initially responsible for the Middle East and North Africa, then for Sub-Saharan Africa and then East and Southern Africa. In this latter capacity he was responsible for developing and implementing the World Bank's strategy in the region, including a nearly \$20 billion annual lending program and a large volume of analytical work and policy papers.

ABOUT THE POLICY CENTER FOR THE NEW SOUTH

The Policy Center for the New South (PCNS) is a Moroccan think tank aiming to contribute to the improvement of economic and social public policies that challenge Morocco and the rest of Africa as integral parts of the global South.

The PCNS pleads for an open, accountable and enterprising "new South" that defines its own narratives and mental maps around the Mediterranean and South Atlantic basins, as part of a forward-looking relationship with the rest of the world. Through its analytical endeavours, the think tank aims to support the development of public policies in Africa and to give the floor to experts from the South. This stance is focused on dialogue and partnership, and aims to cultivate African expertise and excellence needed for the accurate analysis of African and global challenges and the suggestion of appropriate solutions.

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All opinions expressed in this publication are those of the author.

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