

### OVERVIEW

Political economy involves the analysis of stakeholders, power relations, and social conflict across time and space. In the Palestinian context, this means understanding how Israeli policies, the blockade, the political division between Fatah, Hamas, and the Palestinian Authority (PA), international developments, and repeated cycles of violence have resulted in economic vulnerability across different societal groups.

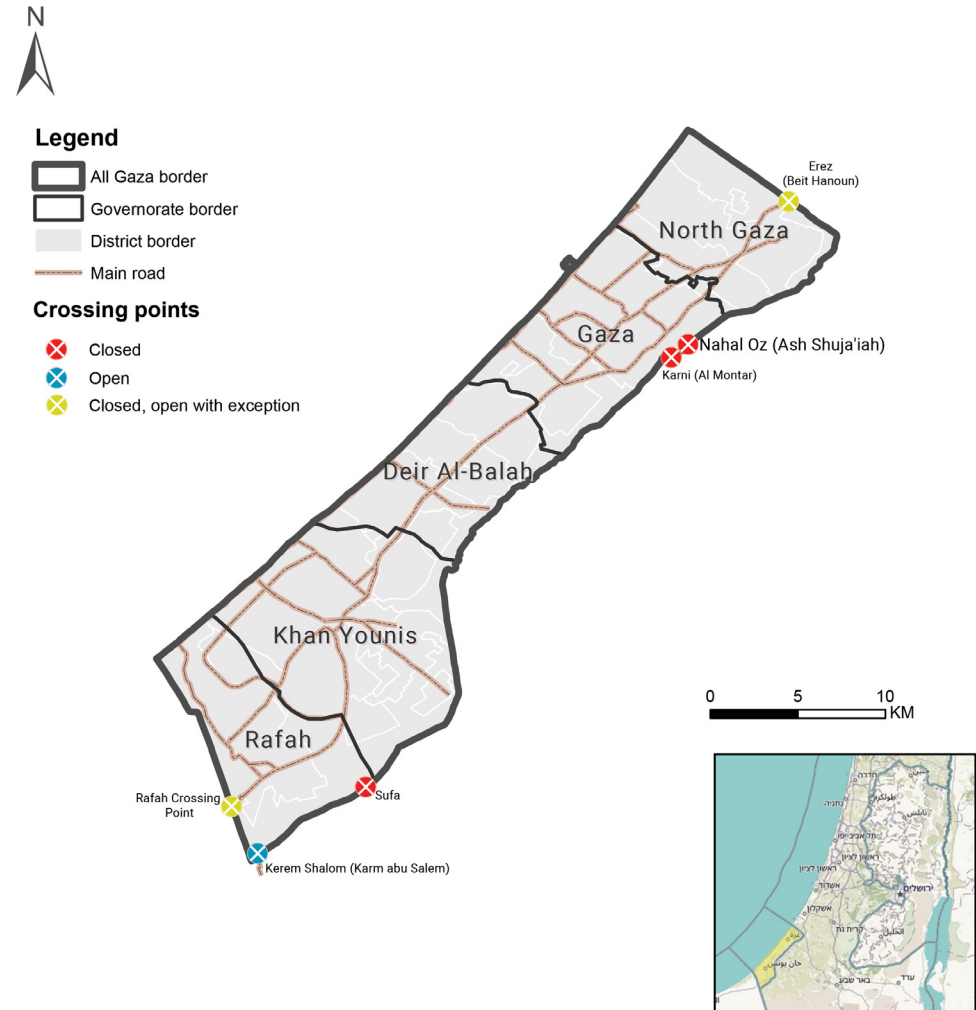
### KEY FINDINGS

Palestinian individuals and stakeholders have been seeking ways to adapt as a consequence of the repetitive damage to infrastructure during conflict escalation, the challenges of rebuilding because of the control of imports and exports by Israel, and the associated increased needs and decreased wellbeing of the population. These adaptations change behaviours and relationships and lead to the inability to implement structural changes, which perpetuates cycles of violence and reinforces economic vulnerability.

Gaza stakeholder adaptations impacting economic vulnerability are outlined below.

- **Hamas** initially used the tunnel economy before increasing its reliance on taxation and introducing regulations affecting private businesses and civil society. This strengthened its **monopoly over economic activities in Gaza, reduced social cohesion, and increased the gap with the PA.**
- Because of counterterrorism measures, **humanitarian organisations are unable to implement structural changes** and rely on short-term needs provision to temporarily alleviate poverty.
- Given structural barriers, **the youth of Gaza (aged 18–29) have had to rely on alternative support networks to break the cycle of economic vulnerability.** This risks perpetuating and heightening political violence.

### PALESTINE: GAZA STRIP MAIN ROADS AND CROSSING POINTS



Date created: 28/09/2021

Sources: OCHA 09/06/2021; WFP 27/01/2020; OCHA 09/08/2021, HDX, ACAPS

## TABLE OF CONTENTS

Mapping of the main stakeholders in the conflict: background and major incentives .....	4
May 2021 escalation: crisis impact .....	6
The response of Gaza stakeholders to economic vulnerability .....	12

### About this report

**Aim:** this report provides an overview of the main stakeholders in Gaza and looks at the impact of the May 2021 conflict escalation on social and public infrastructures and the agricultural sector. It analyses how stakeholders react and how their adaptations have consequences on economic vulnerability.

**Method:** the report uses a secondary data review of public sources and key informant interviews (KIIs) within the humanitarian sector in Palestine.

**Limitations:** because of the protracted nature and scale of the conflict, the short time frame of the project required ACAPS to focus on a limited number of themes identified through KIIs and desk reviews. This is also reflected in the illustrations, which provide a nonexhaustive list of outcomes and are used to complement the text. Additional themes and policies contributing to economic vulnerability in Gaza should be explored further. Conflict sensitivity also meant consistent triangulation and cross-checking with sources to avoid any bias.

## HUMANITARIAN CONCERNS

The escalation of violence in May 2021 damaged social and public infrastructures in Gaza.

Israel's policies in Gaza, including the control of dual-use items and the repeated closure of border crossings, undermine building efforts. As a result, economic recovery has been very slow. Political division, the Israeli blockade, and the grim economic picture have led to the decline of PA's public spending in Gaza, the gross domestic product, and overall investment (ILO 04/04/2018). The impact on the physical, social, and human capital of Gaza has led to a gradual decline in productivity levels and access to employment.

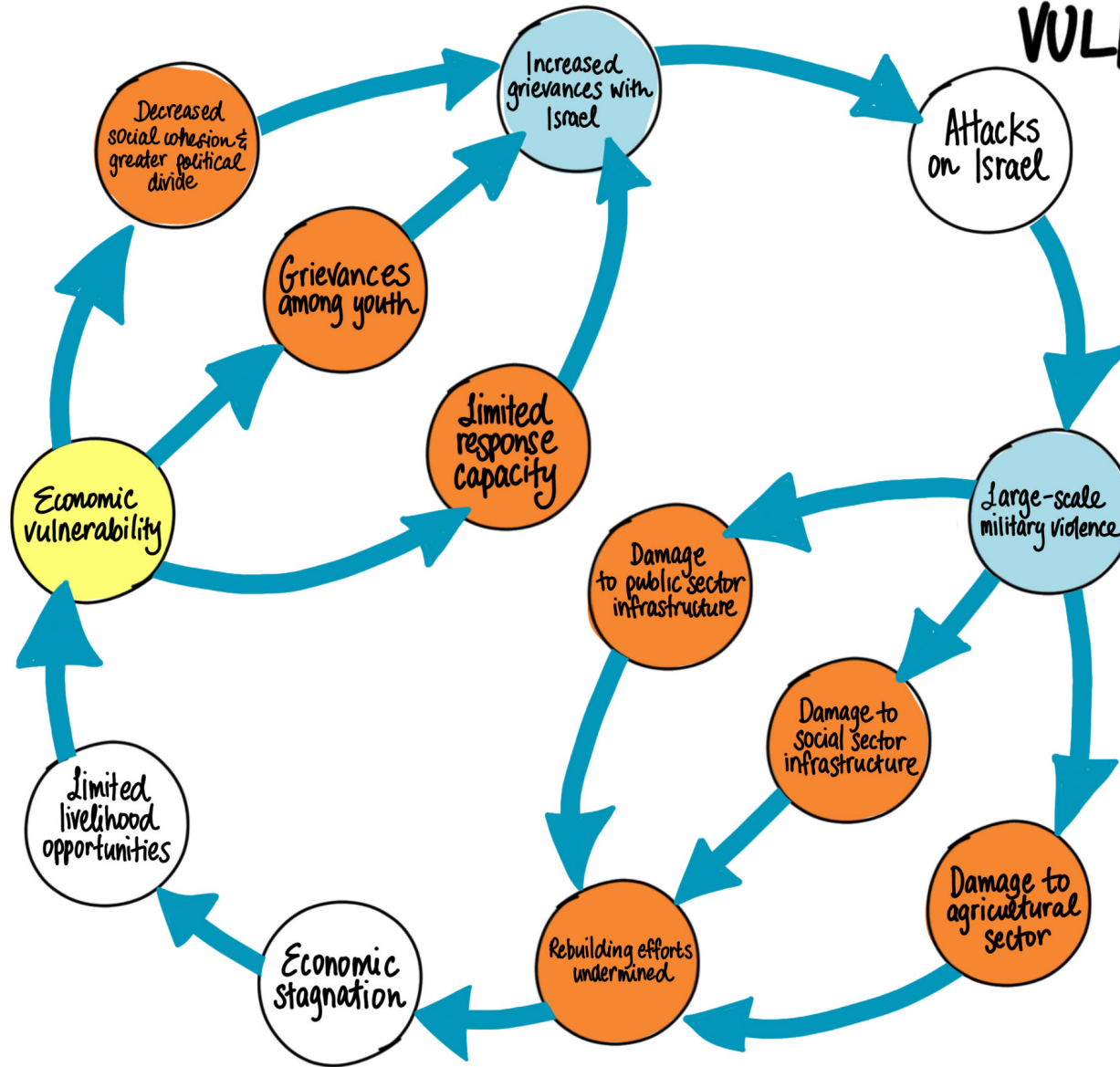
Repeated attacks on the same areas are reducing coping strategies and eroding social cohesion.

There has been an overall decline in the agricultural sector since 2007. Damage to agricultural lands has resulted in a direct loss of revenue for farmers. Israeli control over the entry and exit of produce has affected prices and increased Gaza's dependence on Israel and debts for agricultural input.

*This report is part of a series of independent analysis products to support humanitarian decision-making in Palestine in the aftermath of the escalation of violence in May 2021. Read more [here](#).*

*The project benefited from support by the H2H Network's H2H Fund, which is supported by UK aid from the UK government.*

# ECONOMIC VULNERABILITY



All illustrations in this report are nonexhaustive. They should be understood as complementary to the accompanying text.

## MAPPING OF THE MAIN STAKEHOLDERS IN THE CONFLICT: BACKGROUND AND MAJOR INCENTIVES

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Economic vulnerability in Gaza is highly complex and is affected by a range of stakeholders. This report focuses on their dynamics and analyses their interests and influence, which fluctuate according to stakeholders' understanding of the context and their incentives. The analysis focuses primarily on developments in 2021 (DLP 06/2014). Incentives can be defined as a set of motives; in the Gazan context, these are primarily coercive and remunerative (Johnson accessed 23/09/2021). Below is a brief overview of some of the major incentives and alliances of stakeholders in Gaza.

### Palestinian Authority

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The PA was established in 1994 following the Oslo Peace Process. After the 2006 legislative elections, the Fatah-led PA tried to sideline Hamas by proxy through clan and family networks despite the latter's victory in Gaza. This resulted in infighting between and the fracturing of Fatah, Hamas, and the PA (ICG 20/12/2007). The PA has since had a limited ability to govern Gaza despite holding an international mandate to advance projects in the area (CNAS and Brookings 01/12/2018). The PA is still responsible for the salaries of Gaza-based employees and paying Israel for the supply of electricity (ECFR 30/04/2018). In 2017, the PA reduced salaries by 30% and refused to pay Israel for electricity to increase the distrust of Gazan residents in Hamas' ability to govern (Al Jazeera 13/06/2017). There were efforts in 2017–2018 to bring Gaza back under PA governance, but reconciliation has become unlikely given the decision to postpone the 2021 legislative elections (CEIP 11/05/2021). After the conflict escalation in May 2021, the Israeli Government asked the PA to be responsible for the reconstruction of Gaza, bypassing Hamas and leading to continued political conflict and a delay in the reconstruction process (The Jerusalem Post 22/06/2021).

### Hamas

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Since its victory in the 2006 elections, Palestinian armed group Hamas has developed its own institutions in Gaza, including ministries, judicial systems, municipalities, and security forces. Hamas aims to expand its political power within Palestinian politics, maintain its control of Gaza, and pursue establishing a Palestinian state based on pre-June 1967 borders (ECFR 30/04/2018). Hamas was designated a 'terrorist organisation' by the US in 1995 and the EU in 2003. Other countries have gradually included the organisation in their terror lists, imposing a no-contact policy with Hamas officials (Oxford 03/2020). As explained below, this designation as a 'terrorist organisation' impacts service provision and programme implementation by humanitarian actors. Most recently, the forced evictions in Sheikh Jarrah, Jerusalem, and settler marches through Arab neighbourhoods triggered Hamas to fire

rockets towards Jerusalem on 10 May (Brookings 12/05/2021). The reelection in August 2021 of Ismail Haniya as Hamas chief and Yaya Sinwar as Gaza chief is expected to consolidate political unification and reinforce existing policy directions, including the strengthening of support from Iran (Al Jazeera 01/08/2021; CEIP 14/05/2021 and 11/05/2021; The Washington Institute 25/03/2021; Al-Monitor 09/08/2021).

### Government of Israel

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Israel has largely maintained the blockade since Hamas took control of the Gaza Strip in 2007. The Government of Israel (GOI) sees Hamas as a threat to the security of Palestine (ICSR 03/12/2018). The main incentive driving current policies and the use of violence is to maintain security over southern Israel and limit Hamas' control and expansion (CNAS and Brookings 01/12/2018). Any easing of the blockade would be seen by Israeli civil society as giving in to the demands of Hamas. A major factor is a deal regarding the release of two Israeli citizens held hostage in Gaza and the return of the bodies of two Israeli Defence Forces killed in 2014 (The Jerusalem Post 05/09/2021; CNAS and Brookings 01/12/2018). Given the humanitarian situation, Israel does not want to claim responsibility for the governance and security situation of Gaza but continues to use the blockade as a negotiation tool to exert pressure over Hamas (CNAS and Brookings 01/12/2018). The events in East Jerusalem leading up to the May escalation, including home evictions, the banning of East Jerusalem residents at the Damascus Gate at the start of Ramadan, and the crackdown on worshippers at the Al-Aqsa mosque, indicate the continuation of expansionist Israeli policies in Palestine (ICG 14/05/2021; Al Jazeera 18/05/2021).

### Gazan society

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Gaza has a population of 2.1 million, of which 1.1 million are in severe need of humanitarian assistance (OCHA 31/12/2020; PCBS 26/05/2021). This makes up 77% of humanitarian needs across Palestine, despite being a smaller area and having a smaller population than the West Bank. 70% of the population are refugees receiving assistance from UNRWA. Prior to Hamas taking control of Gaza in 2007, tribes and family and clan networks were an important social safety net to many people in need (Middle East Today 19/05/2021). Economic and political constraints have increased overall aid dependency and severely limited employment opportunities in Gaza. Unemployment in Gaza stands at 43.1% overall and 60.4% among women only (Gisha 13/04/2021). Among youth aged 18–29 (22% of the total population), the unemployment rate is 63% (PCBS 12/08/2020). The fertility rate in Gaza is one of the highest in the region; such rates will continue to impact population density, access to employment, and housing (UNFPA 23/01/2021; KII 09/09/2021).

## International actors and initiatives

**Egypt** plays a central role in the Gazan situation. After the May 2021 escalation, Egypt mediated talks between the PA, Hamas, and Israel, resulting in a ceasefire (France 24 21/05/2021; RiskMap 19/08/2021). Since then, Egypt has been organising an international donor conference for the rebuilding of Gaza, although there is no confirmation on when this would take place (AA 31/05/2021). Along the Gaza-Egypt border, Egypt also has the power to open and close the Rafah crossing. It was closed between 23–29 August 2021 following protests along the buffer zone and Egypt's frustration with Hamas (OCHA 03/09/2021; Gisha 23/08/2021). Egypt is primarily interested in maintaining security in northern Sinai and limiting illicit trafficking (CNAS and Brookings 01/12/2018).

**Qatar** is also an important regional actor, providing aid and support to Gaza since 2014 (Al-Monitor 02/02/2021). Qatar remains a key supporter of Hamas' rule in Gaza through monthly payments and the hosting of Hamas leaders (Al Jazeera 17/12/2019). After the May 2021 escalation, Israel held up Qatari aid for more than three months over disagreements as to how the funds would be channelled until it was agreed these would be channelled through the UN (Reuters 19/08/2021). The USD 40 million allocated is meant for cash assistance, in addition to the USD 10 million provided monthly for fuel (KII 25/08/2021 a; OCHA 03/09/2021).

**Iran** supports the creation of an independent Palestinian state and does not recognise Israel. Iran provides financial and military support to Hamas, although the Iranian leadership has never confirmed it (Reuters 21/05/2021). The relationship between the PA and Iran has stagnated over the years, with the PA criticising Iran for supporting Hamas. As a result, the PA has strengthened its support for the Iranian opposition. On the other hand, Hamas' relationship with the current Iranian leadership has stayed stable over the years and was highlighted recently after the election of Ebrahim Raisi (Al-Monitor 09/08/2021).

The **US** and the GOI have a strong history of collaboration and hold a close strategic partnership. Given its position towards Iran with respect to nuclear capabilities and the funding of Hamas, the US remains committed to Israel. Since World War II, Israel has received the largest share of cumulative US foreign assistance; since 1990, this has been primarily in the form of military aid (CRS 31/07/2018). With respect to Palestine, the US provides aid and government programmes, primarily through UNRWA, although this was temporarily halted between 2018–2021 under the Trump administration (CFR 27/05/2021; BBC News 01/09/2018). Aid to the West Bank and Gaza has since resumed under the Biden administration through economic support, funding through UN agencies, and humanitarian aid (CFR 27/05/2021).

Since 2019, there have been notable regional shifts, including the signing of the **Abraham Accords** between Israel, the **United Arab Emirates**, and the US, which contain recommendations and action points for building peace in the Middle East, as well as the US moving its embassy to Jerusalem (CNN 13/08/2021).

The **EU** remains internally divided over the situation in Palestine, with different member states backing different solutions. It provides humanitarian assistance, primarily in the form of emergency aid (European Commission accessed 23/09/2021; EUISS 31/12/2010). During the escalation of violence in May, the EU as a block held limited influence (Politico 17/05/2021).

## Humanitarian actors and international funding

Humanitarian response across Gaza is delivered in seven main clusters (education, food security, health and nutrition, protection, shelter and NFIs, WASH, and coordination and support services) (OCHA accessed 24/08/2021). Health and food security receives more than half of the funding allocation, while education, protection, and WASH receive significantly less. The most important implementing partners in 2021, by funding allocation, are WHO, the Agency for Technical Cooperation and Development, and Oxfam Novib (OCHA accessed 23/09/2021). In 2020, the three donors funding the most humanitarian assistance and development aid were the EU (26.2%), the US (19.7%), and Saudi Arabia (13.8%) (Palestine Economy Portal accessed 23/09/2021; PRIO 06/2019; KII 09/09/2021). The 2021 Multi Sector Needs Assessment was conducted for the first time in Palestine, providing an important overview of humanitarian needs to inform the 2022 Humanitarian Needs Overview (REACH 30/06/2021).

The no-contact policy resulting from Hamas' designation as a 'terrorist organisation' by certain states and entities heavily affects international organisations operating in Gaza. The overall aim of the designation is to prevent Hamas from receiving any funds or assets. This has resulted in donors introducing counterterrorism measures in funding agreements, severely limiting and constraining humanitarian operations (ICRC 12/01/2021; OCHA and NRC 25/07/2013). For example, many children in Gaza cannot benefit from assistance for their education from important donors as they live in Hamas municipalities and attend government-run schools (KII 20/08/2021; OCHA and NRC 25/07/2013). The violation of counterterrorism measures is likely to lead to the termination of funding, potential repayment, and, depending on the donor, legal prosecution. The lack of clarity of counterterrorism requirements results in self-censorship and regulation to mitigate financial, operational, and legal risks for humanitarian organisations (OCHA and NRC 25/07/2013).



## MAY 2021 ESCALATION: CRISIS IMPACT

The 11 days of violence between 10–21 May claimed the lives of 260 Palestinians in Gaza, injured 2,200, and temporarily displaced over 113,000 people (ACAPS 08/06/2021; OCHA 03/09/2021). Assessments released shortly after estimated the cost of infrastructure damage across sectors (replacing completely, partially, or minimally damaged physical assets) to be between USD 290–380 million (UN, EU, and World Bank 06/07/2021). For comparison, in 2014, after seven weeks of violence, reconstruction costs were estimated at USD 7.8 billion by the PA (Reuters 04/09/2021).<sup>1</sup> Though much shorter in duration, the escalation of violence in May was particularly intense (KII 25/08/2021 a). The Israeli military is stated to have attacked 1,000 targets, including 100km of tunnels (BBC News 10/06/2021). Residents of Gaza had to evacuate their homes, sometimes with only minutes of warning because of airstrikes (Reuters 14/05/2021; The Guardian 16/05/2021; HRW 23/08/2021). People had little time to collect their belongings or find alternative housing. This increased their reliance on social networks and a timely humanitarian response (KII 15/09/2021).

A tightening of Israeli policies, which have been in place since 2007, followed the violence. These policies include Israeli control over freedom of movement, the sea, and the single commercial crossing. The following sections focus on how the targeting of critical infrastructure and the difficulty in rebuilding because of Israeli control on imports and exports reinforce Israel's hold on Gaza and heighten economic vulnerability. The repeated destruction of the same areas complicates rebuilding efforts and substantially reduces the ability of the population to cope with continuous cycles of violence. A specific focus is placed on social infrastructure and the agriculture sector.

### Damage to social sector infrastructure

Social sector infrastructure, which includes housing, health, education, social protection, and employment, suffered more than half of the total damage and losses. Housing received 93% of the total damage in the social sector (UN, EU, and World Bank 06/07/2021). Over 63% of the households surveyed reported that their shelter had been damaged or destroyed since 2014, with 85% of them stating they had no capacity to repair or rehabilitate their homes (REACH 07/2021).<sup>2</sup> The worst-damaged areas in terms of destroyed and damaged buildings were in Gaza governorate and North Gaza, specifically south of Beit Hanoun, Beit Lahiya, and Jabalya. There is a high concentration of health (hospitals, clinics, doctors' offices) and educational facilities (kindergartens, schools, universities/colleges) in these urban governorates. Gaza is densely populated, with approximately 13,000 people/sqm, which

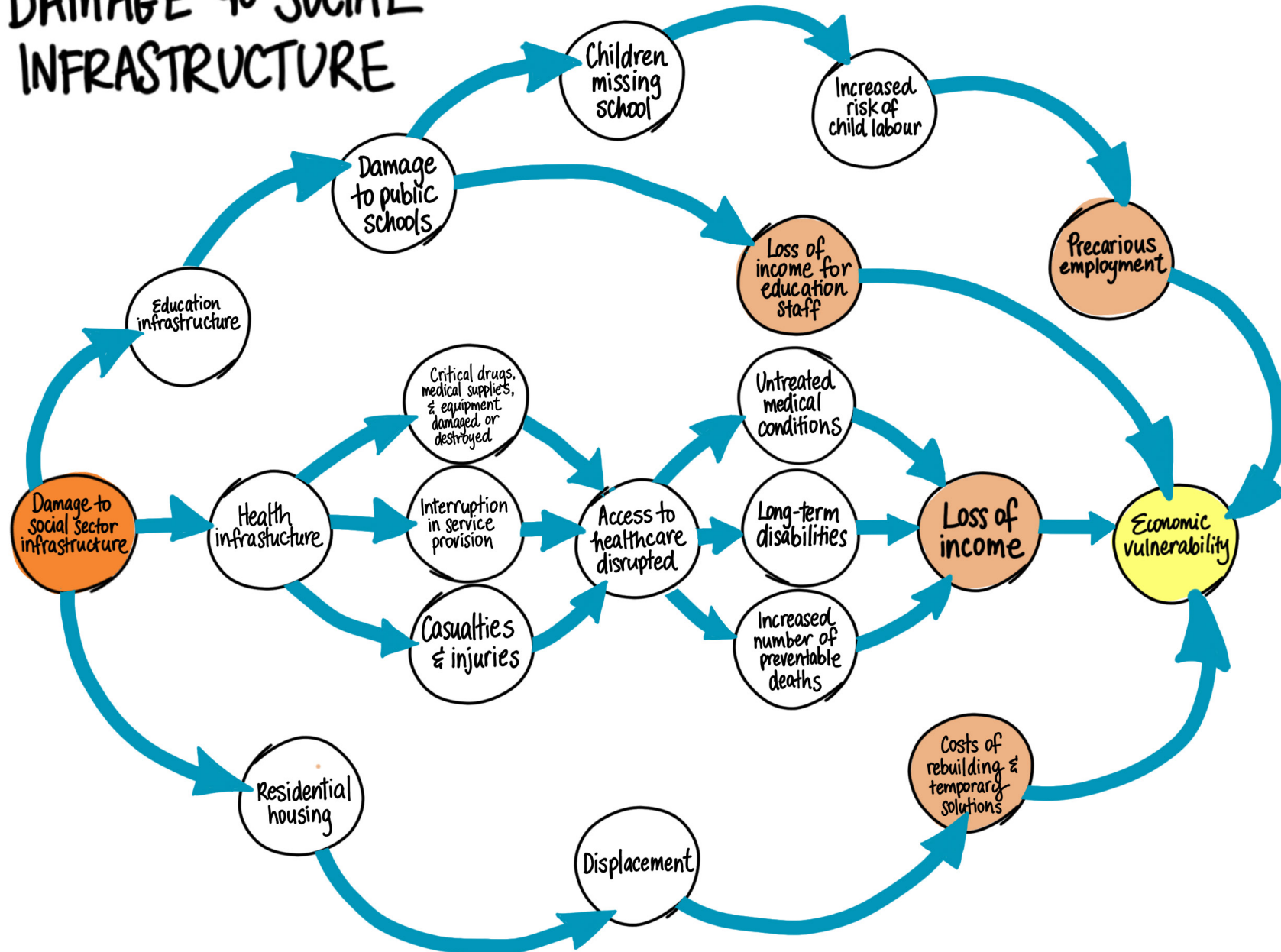
increases the risk of collateral damage (OCHA 01/01/2009). The targeting of a single facility is likely to affect surrounding structures, causing the loss of livelihoods, the inability to access education, displacement, and interruption and disruption of medical services. As shown in the diagram, the damage to social infrastructure triggers a chain of events, heightening the risk of economic vulnerability. This chain is nonexhaustive and particularly pertinent if the damage is repetitive and rebuilding is impaired.

Measuring the long-term impact of the damage to social infrastructure is particularly difficult and depends on whether the same area has been targeted numerous times. Overlaying the main targeted areas in 2021 with damage density maps from 2014 shows similarities in the targeting of areas in the Gaza governorate, particularly between the Salah ad-Deen main road and Al-Karama (UNITAR 05/06/2021 and 02/10/2014; UN Habitat 31/12/2014). In 2014, most of the damage was between Salah ad-Deen Street and the buffer zone. The buffer zone runs along the perimeter fence separating Gaza from Israel and extends from 100–300m (Gisha accessed 23/09/2021). The repeated targeting of the same areas reduces household and individual capacities to cope with losses and shocks over time, increasing needs and the need for external support (AP 25/08/2021). This is particularly true in areas with high poverty rates, including northern and central Gaza (47.8%) (PCBS 22/06/2020). 36% of the households surveyed reported that their typical monthly income has decreased considerably as a result of the escalation, and they had to employ coping mechanism such as taking credit to buy food and reducing their overall expenditure (REACH 07/2021). In addition, because GOI policies restrict movement, the immediate humanitarian response is limited, causing households to exhaust their own resources and strategies to cope. The destruction of whole neighbourhoods likely leads to reduced social cohesion, as families are displaced to different locations, and those who manage to stay physically close have reduced capacity to provide support to one another and compete for scarce resources and opportunities. There has been little reporting on how social cohesion has changed or adapted over time.

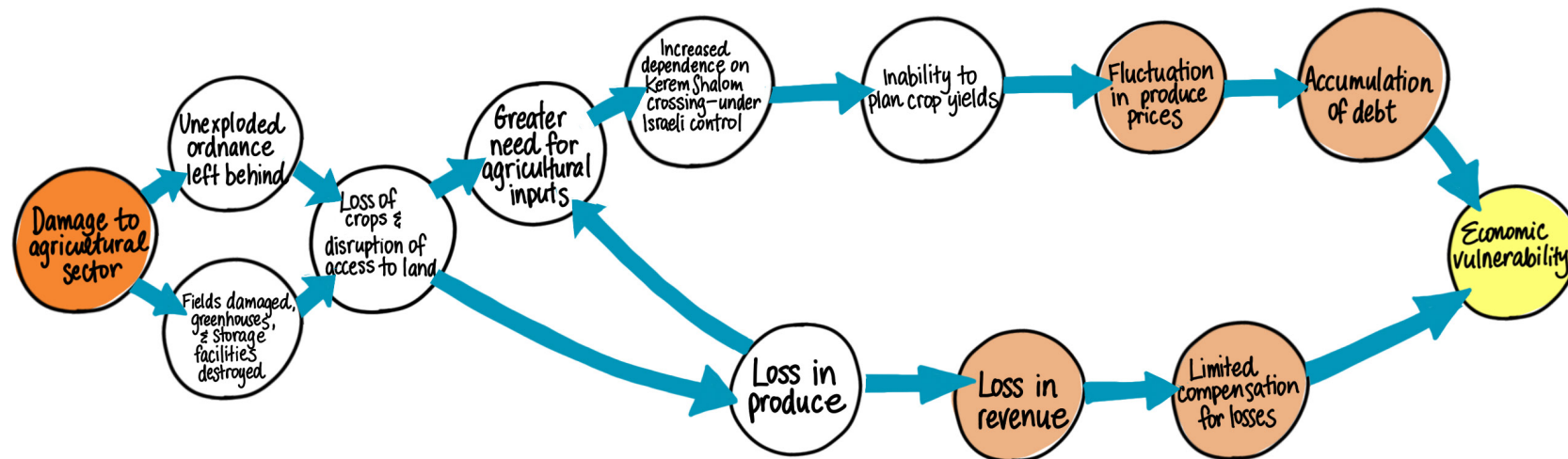
<sup>1</sup> This includes USD 2.5 million for the reconstruction of residential buildings, USD 250 million for the rebuilding of the energy sector, and USD 143 million for the rebuilding of the education sector, with the rest needed for the financial, health, agricultural, and transportation sectors.

<sup>2</sup> Data collected across 7,514 households (4,126 households in Gaza; 3,219 households in the West Bank; 169 households in East Jerusalem) between 4–28 July. Only data from Gaza was used for this analysis. For all results, weighting has been applied (REACH 07/2021).

# DAMAGE to SOCIAL INFRASTRUCTURE



# DAMAGE to AGRICULTURAL SECTOR



## Damage to the agricultural sector

The Palestinian Ministry of Agriculture estimated agricultural losses associated with the escalation of violence in May 2021 at USD 56 million (OCHA 03/09/2021). The North Gaza, Khan Younis, and Rafah governorates were considerably damaged, particularly along the buffer zone. This includes fields damaged by craters and destroyed greenhouses and storage facilities. Since the May 2021 fighting, movement restrictions imposed by local authorities have made it challenging to verify damage and where needs should be prioritised (UN, EU, and World Bank 06/07/2021; OCHA 03/09/2021). Unexploded ordnance continues to pose a threat to the civilian population and prevent farmers from accessing their land, especially after escalation in conflict (ICRC 04/04/2021).

Damage in 2014 was particularly prominent along the buffer zone, including Abasan al Jadidah and Daribat ash Shaykh Hammuda (UNITAR 05/06/2021 and 02/10/2014; UN Habitat 31/12/2014). Repeated cycles of violence between 2008–2021 have resulted in agricultural damage estimated at USD 1.3 billion, with little financial support provided by the authorities to subsidise rebuilding (Al-Monitor 19/07/2021). This is the result of limited resources and investment, as well as constraining policy initiatives. The PA allocates less than 1% of its budget to the agricultural sector; likewise, approximately 1% of international aid is related to agriculture (Middle East Today 19/05/2021; UNCTAD 24/11/2015). With these political decisions compounded by Israel imposing access restrictions on agricultural land, productivity levels

have unsurprisingly declined over time, despite agriculture historically being the backbone of the Palestinian economy (Middle East Today 19/05/2021).

The GOI also controls the agricultural produce allowed in and out of Gaza and the number of trucks allowed into the area (KII 25/08/2021 b). Israel can close the crossing without notice, meaning that produce cannot be sold outside of Gaza. Supplies then increase in local markets and are sold at lower prices than production costs (KII 20/08/2021; WFP 25/06/2021). Fuel shortages compound the situation, resulting in difficulty in transporting and refrigerating goods and creating even greater price fluctuations (Al Mezan 16/05/2021; WFP 14/09/2021). Animal feed also cannot enter Gaza, resulting in the death of livestock (Euro-Med Monitor 01/09/2021). Over time, increased dependence of farmers on agricultural input from Israel – particularly seeds, fertilisers, and pesticides – increases their credit and the likelihood of accumulating debt (Cirad 06/2019; FSC 14/12/2020).

Given repeated physical damage, economic dependence on Israel, and the inability of people to rely on agriculture to meet their basic needs, the agricultural sector's share of the gross domestic product has declined from 12% to 2.9% between 1994–2016 (ILO 04/04/2018). Despite 42% of Gazan land being agricultural, it makes up less than 10% of the total share of employment and has further decreased since 2007 (World Bank 29/01/2019; ILO 20/05/2021; UN Habitat 01/12/2014). During the May escalation, around 7,000 agricultural workers were impacted, and it is unclear how many of them can return to work (WFP 06/2021).



## Rebuilding efforts undermined

The damage to municipal and public sector infrastructure, although limited compared to other sectors, is likely to weaken local governance and public administrations, reduce the speed of recovery, and undermine rebuilding efforts. Municipalities have had to increase their expenditure, for example to cover the cost of removing rubble, while having already limited and insufficient revenue streams (UN, EU, and World Bank 06/07/2021; UNDP 10/06/2021). Contracted by various ministries, local companies have stepped in to recycle rubble into construction material, but this still falls short of overall construction needs (Al-Monitor 01/07/2021).

**Any goods entering Gaza are also subject to approval** by Israeli-Palestinian and Hamas authorities. A list of dual-use items was established to generate greater Israeli control on the entry and exit of items. Dual-use items are civilian items with potential military uses (see the table for examples); while technically not prohibited, the coordination process is lengthy and unclear (Gisha 20/04/2017). By targeting infrastructure, Israel increases the need for construction material, some of which is listed as dual-use items (Israel MFA 04/07/2010; COGAT accessed 23/09/2021). One year after the 2014 violence, rebuilding efforts were very slow; indications since May 2021 are that the same pattern of stalling reconstruction is repeating (Al Jazeera 17/06/2021 and 25/09/2021; UNRWA 05/02/2015). This concerns all damaged infrastructure, including WASH and healthcare facilities and businesses (KII 25/08/2021 a; Oxfam 22/03/2021; Gisha 21/06/2021).

### Nonexhaustive list of controlled-entry/dual-use items (Israel MFA 04/07/2010):

- fertilisers and chemicals
- pesticides
- communications equipment
- aluminium rods exceeding 50–150mm
- telescopes
- all-terrain vehicles
- uniforms and badges
- concrete
- ready cement
- thermal isolation materials and products
- gas tanks
- asphalt in bulk
- copper, stainless steel, and aluminium panels.

**The Gaza Reconstruction Mechanism (GRM)**, signed in 2014, was initially seen as a solution to facilitate the flow of essential materials for reconstruction after the escalation of violence in 2014 (GRM accessed 23/09/2021). Despite being temporary, this mechanism is still in place. The process is overtly bureaucratic and slow, adding greater constraints to the reconstruction process and disproportionately affecting businesses and municipalities forced to use the mechanism (KII 25/08/2021 a). In 2013, the construction sector was the main driver of employment in Gaza, but the implementation of the GRM also severely limited this (ILO 04/04/2018). In response, international organisations have set up bilateral processes to bypass the GRM (KII 25/08/2021 a). The GRM is currently being renegotiated, but it remains unclear when and how developments will impact imports (KII 25/08/2021 a).

**Israel's control of the Kerem Shalom crossing further undermines reconstruction efforts and service provision both in the short and long term.** In the short term, it enables Israel to shut the crossing at a moment's notice, including during the escalation of violence. The crossing was closed between 11–17 May, was briefly reopened on 18 May, then was shut until the ceasefire on 21 May (Gisha 23/05/2021). In the long term, the gradual closure of other commercial crossings into Gaza increases the reliance on Kerem Shalom and creates economic dependence on Israel (Gisha 16/03/2020). In 2005, prior to the legislative elections, an average of around 10,400 trucks entered Gaza through multiple crossings every month. Between May–June 2021, there was a 66% decrease, with an average of 3,499 trucks entering through Kerem Shalom (Gisha 30/06/2021).

**The damage to energy infrastructure (including power lines) and the shortage of electricity is also likely to have a considerable impact on reconstructions efforts** (Middle East Today 19/05/2021). Prior to May, the monthly average was 13–15 hours of electricity per day; this had gone down to four by 24 May (OCHA accessed 15/09/2021). Ten days after the end of the conflict, there was a 454MW gap between supply and demand (OCHA accessed 20/08/2021). The shortage of electricity is linked not only to the repetitive targeting of infrastructure but also to a shortage in fuel following the closure of the Kerem Shalom crossing (Al Mezan 30/05/2021). This was evidenced in April 2017, when the Gaza Power Plant was forced to close following shortages (OCHA 04/05/2017). The lack of electricity also results in wastewater not being treated properly before being discharged into the sea. This directly affects the livelihoods of fishermen and heightens the risk of communicable disease transmission, resulting in a greater need for health services (OCHA 04/05/2017). During the recent conflict escalation, hospitals had to work at minimum capacity. This was particularly concerning given the influx of injured people who needed urgent care and since debilitating injuries can lead to the loss of employment (Mosleh et al. 28/06/2018; MSF 28/05/2021).

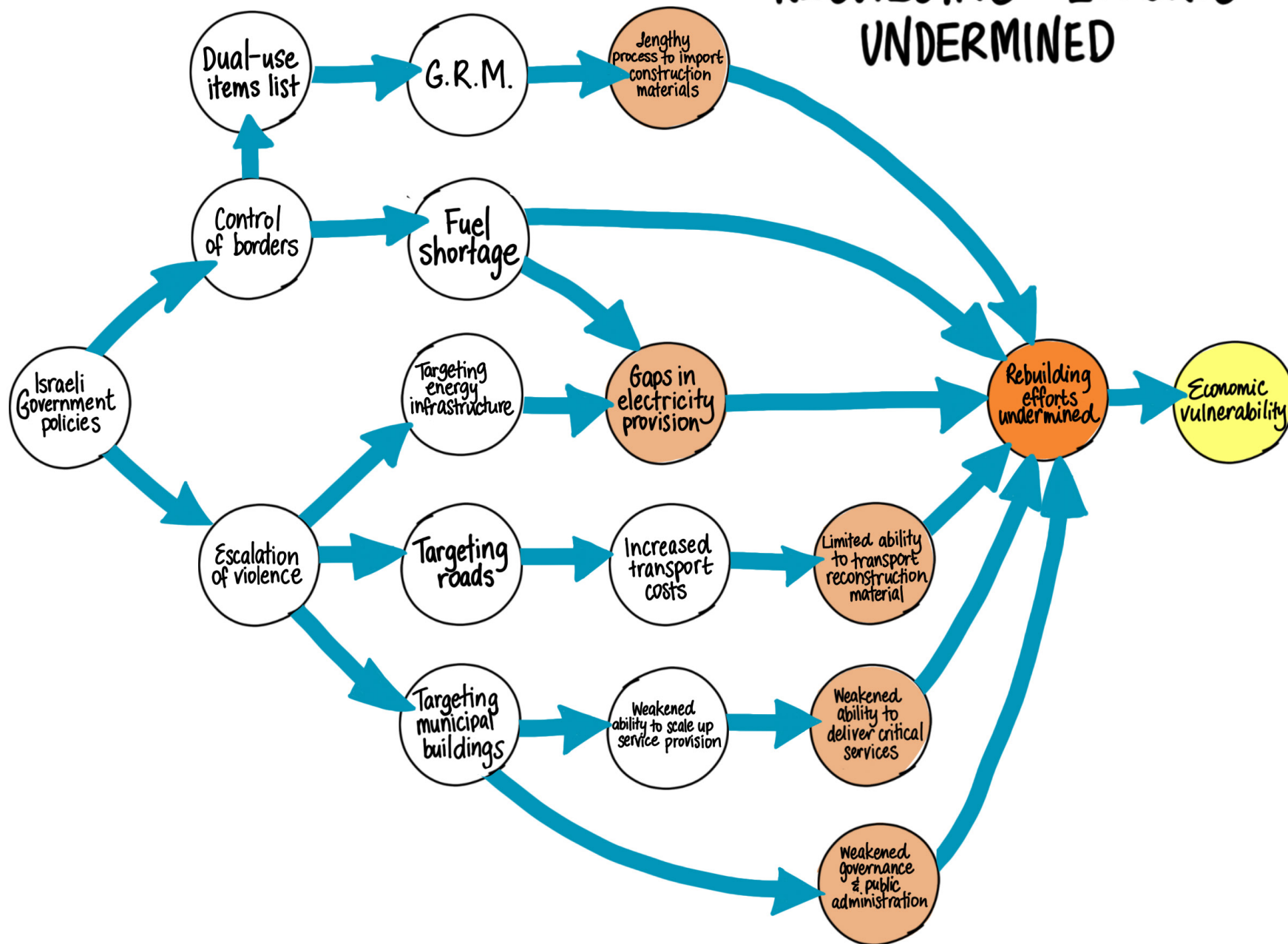


**Rebuilding efforts were delayed for over three months** before Israel approved the entry of construction material for international projects and the private sector on 27 August and for four months before the official phase of reconstruction began as planned by the Ministry of Public Works and Housing and the Qatar Committee for Reconstruction of Gaza, which is likely to speed up reconstruction (Gisha 01/09/2021; Al Jazeera 01/09/2021 and 25/09/2021). This raises questions around the incentives that drove the Israeli decision, including why the relaxation was gradual, what was relaxed first, and which stakeholders drove the process. Given airstrikes and protests along the free-fire zone in August, the decision does not align with Israel's rationale of opening the crossing only after the situation has stabilised (Al Jazeera 21/08/2021 and 25/08/2021). The very gradual re-entry of trucks throughout June, July, and August indicates the willingness of the Israeli Government to de-escalate while still using the control of access and movement as a bargaining chip in political negotiations (KII 05/09/2021). These same patterns occurred in 2014, meaning that there is an opportunity for organisations to advocate more sustainable policy shifts. Understanding how international organisations react during these events is crucial for structural changes.

#### **Example: impact of restrictions on rebuilding schools**

The school term in Gaza restarted on 16 August (OCHA 03/09/2021). Most of the 41 UNRWA school buildings damaged in May have been rebuilt or repaired (UNRWA 01/09/2021). In comparison, reconstruction has been much slower for the 141 public school buildings damaged, despite the latter being disproportionately affected (KII 20/08/2021 and 25/08/2021 a; UN, EU, and World Bank 06/07/2021). Public schools are under the responsibility of the Ministry of Education, while UNRWA schools fall under the humanitarian mandate and are only accessible for refugee students from grades one to nine (UNRWA accessed 23/09/2021; Education Cluster 22/06/2020 and 08/07/2021). Immediate and long-term impacts include a wider gap in educational opportunities and quality of education for different groups of society (KII 20/08/2021). This is particularly accentuated when both groups merge in secondary school, and the students have to follow the same curriculum (KII 23/09/2021). The cycles of violence severely impacting livelihoods also force public school students to reduce attendance or even drop out (KII 20/08/2021). Data shows that the dropout rate is higher among non-refugee compared to refugee students (8.5% and 2.4% respectively, as a percentage of households with a school-aged child). (REACH 07/2021). A direct consequence of students not attending school and the need to supplement the household income is child labour, including the collection of gravel and doing construction and demolition work. While this is less common compared to other coping mechanisms, it is a worrying development. For households whose child had dropped out, 27% of non-refugee respondents' children were dropping out of school to work; other reasons included poverty (30%) and disability (29%). For refugees, poverty was also a major factor (30%), while disability (17%) and child labour (15%) were a less common reason (REACH 07/2021). A likely long-term consequence is precarious employment that imposes difficult working conditions and lower wages in the future (OCHA 14/05/2019; UNFPA 12/2016).

# REBUILDING EFFORTS UNDERMINED



## THE RESPONSE OF GAZA STAKEHOLDERS TO ECONOMIC VULNERABILITY

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The stakeholders explored below include Hamas, international organisations, clan leaders, and the youth. Each has tried to adapt in order to offer greater service provision given high levels of economic vulnerability.

### Limited-response capacity

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With the economic situation and limited livelihood opportunities resulting in greater needs of the population, humanitarian organisations have had to respond with increased service provision, particularly during times of active conflict.

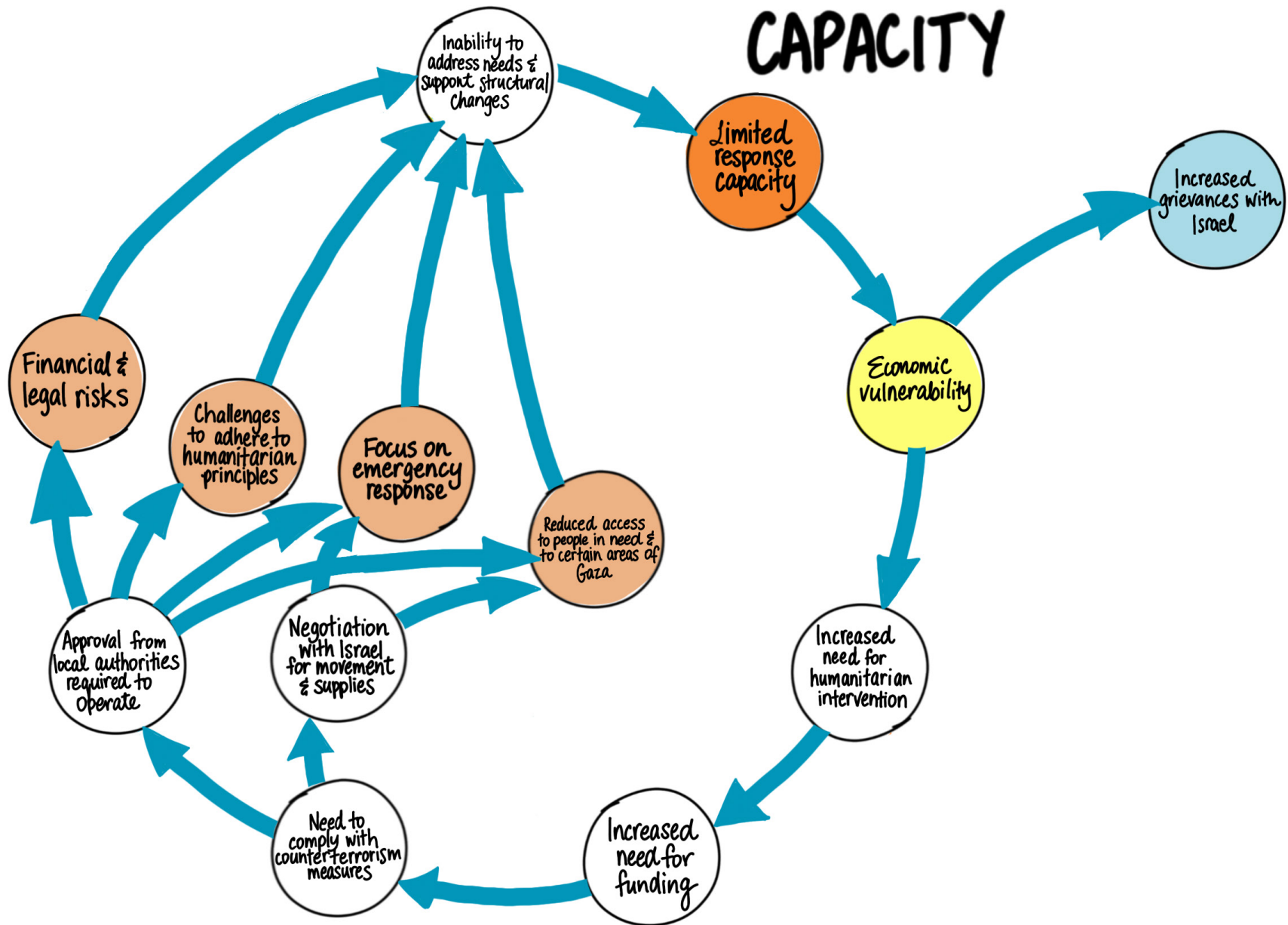
**Levels of coordination with Hamas in Gaza** differ from one organisation to another and depend on the nature of the no-contact policy. There is little publicly available information on how coordination works at a practical level and which organisations are actively engaging.

**Coordination with Israeli authorities** adds a layer of difficulty. The imposition of strong security measures by Israel highly affects the delivery of humanitarian assistance as access of humanitarian personnel to and from Gaza is unsteady, and the entry of humanitarian goods must always be negotiated (KIIs 18/08/2021 and 15/09/2021). Humanitarian workers have also been accused of using humanitarian aid to help fund Hamas war efforts; a number of trials are currently underway (The Guardian 19/08/2021).

Given these concerns, donors are hesitant to give funding to humanitarian organisations, and NGOs exclude funding from certain donor agencies (KII 15/09/2021; OCHA 23/06/2017). Depending on the source of funding, organisations who have to abide by the no-contact policy can only provide assistance in areas where they do not risk violating counterterrorism measures (OCHA and NRC 25/07/2013; OCHA 23/06/2017). This undermines their mandate of providing humanitarian services to people in need, compromising humanitarian principles (KII 15/09/2021). There are only a few studies, therefore limited clarity, on how the provision of assistance differs depending on the humanitarian responder, their donors, and the accessibility of the geographical area because of counterterrorism measures.

The ability to transition from humanitarian to development assistance is also severely limited because of donor requirements and the inability to coordinate with Hamas-run ministries. This limits the type of programmes that can be implemented, heightening dependence on short-term service provision. According to the 2021 Humanitarian Response Plan, organisations are supposed to work towards strategic objective 3: “The capacity of vulnerable Palestinians to cope with, and overcome, a protracted crisis, including from environmental threats, is supported, while solutions to violations and other root causes of threats and shocks are pursued” (OCHA 15/08/2020). Given the limited humanitarian space, humanitarian responders are forced to work within the current political setup as they are unable to balance short-term service provision with the root causes of violence (KII 09/09/2021). Humanitarian organisations find themselves fundraising for immediate needs and service provision, with limited ability to use these funds to address structural changes and influence the status quo. The irregular influx of international aid has caused poverty rates to fluctuate, falling by 16% in 2009 before rising again by over 6% in 2011; in 2017 it rose by another 16%, and it currently stands at 56% (ILO 04/04/2018; UNCTAD 25/11/2020). The majority of the funds for the rebuilding of Gaza collected at the last donor conference in 2014 went towards immediate needs and humanitarian aid (World Bank 12/09/2017). High aid dependency across Gaza therefore persists (Tannira 19/05/2021).

# LIMITED RESPONSE CAPACITY





## Social cohesion and political division

Clans, tribes, and notable families have played a prominent role throughout Gaza's history. Depending on the local authority, their power has changed over time. Clan networks were particularly powerful between 2000–2005 following the breakdown of the PA after the second intifada (ICG 20/12/2007; LandInfo 28/07/2008). Conflict resolution and informal justice systems were set up under these networks, resulting in intra-Palestinian armed conflict and arbitrary justice mechanisms (ICG 20/12/2007; HRW 20/04/2009; Center for Contemporary Conflict 01/2009). Palestinians who were not members of these clans found themselves more exposed to violence and had reduced social support and access to employment. When Hamas won the legislative elections in 2006, its initial reaction was to control power, expand economic activities, and impose new systems of governance (HRW 20/04/2009). This would not be sustainable with the considerable power of clan leaders and outbreaks of violent conflict, leading Hamas to change tactics and balance its approach (Center for Contemporary Conflict 01/2009; LandInfo 28/07/2008).

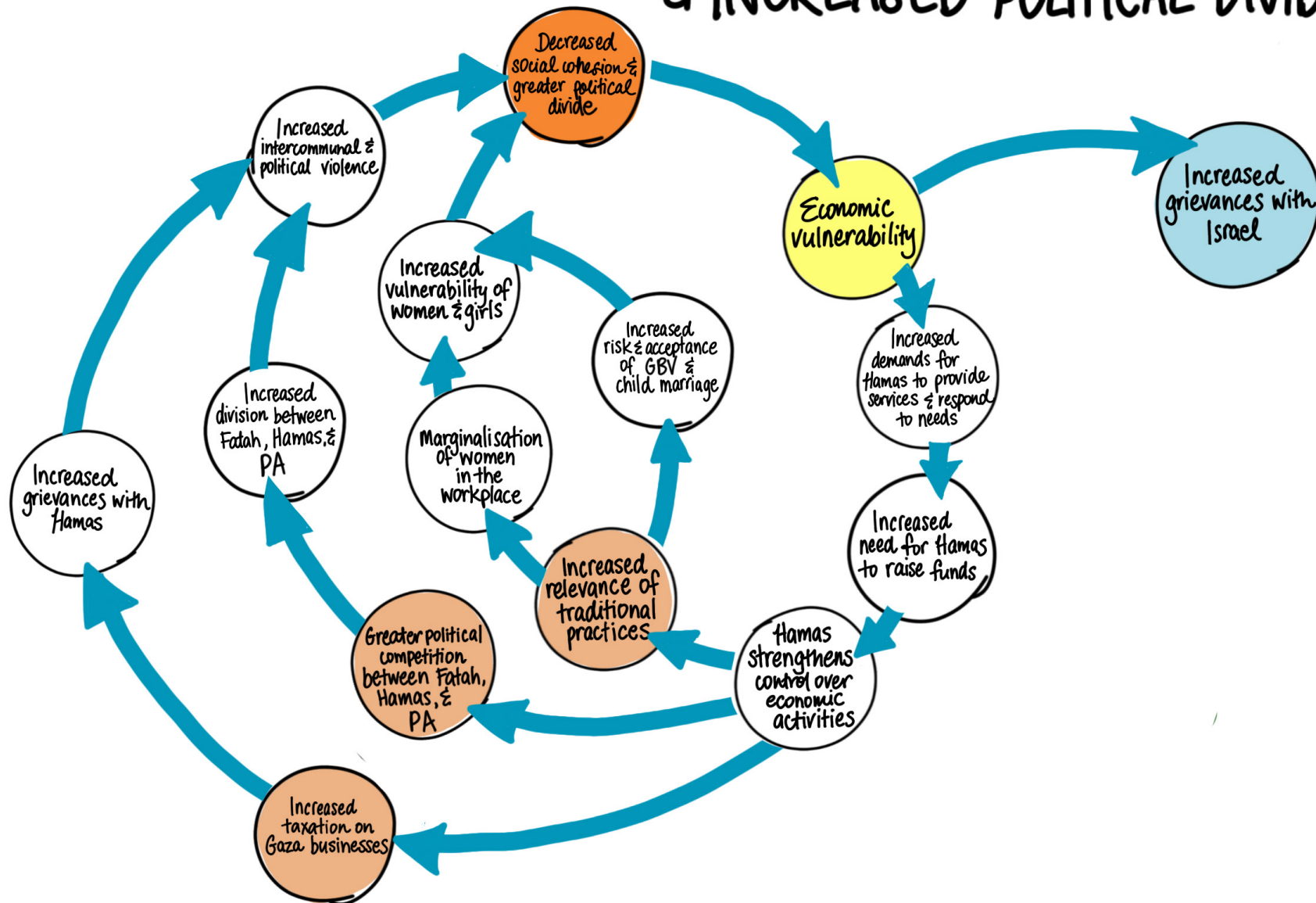
Most importantly, and with lasting effects, Hamas acknowledged tribal customary law, which it considers complementary to Islamic law (Center for Contemporary Conflict 01/2009; LandInfo 28/07/2008). Weak formal court system and judicial authorities have led to traditional practices, including laws and legal processes that favour men over women, contributing to gender-based violence (GBV) in Gaza and the favouring of informal justice mechanisms and conflict mediation (AISHA 30/12/2020; PCBS accessed 23/09/2021; LandInfo 28/07/2008). The risk of domestic violence particularly increases after escalation in violence, with men unable to fulfil their traditional role as breadwinners (UNRWA 22/11/2019). Early marriage is also prominent within Gaza, particularly in the Gaza governorate, and is more likely among families under economic pressure who seek to reduce their financial burden. This results in school dropout (which is also a driver of early marriage), the inability to enter the workforce, exposure to violence, and high psychosocial distress (AISHA 30/12/2020).

When Hamas took control of Gaza, it attempted to control the informal economy, including placing tariffs on contraband smuggled through a network of underground tunnels (Journal of Palestine Studies 24/09/2015). Hamas eventually took control of these tunnels, often run by clan or family networks, disrupting and heightening internal tensions across Gaza. After Hamas monopolised the tunnel economy, it heavily taxed imports and exports, generating yearly revenues of USD 1 billion (ILO 04/04/2018; Middle East Today 19/05/2021). On the Egypt side, these tunnels were illegal. This reshaped the private sector, leading to substantial structural changes in civil society (ILO 04/04/2018). Most notably, it shifted social and class structures and benefitted the monopolies established by Hamas (Middle East Today 19/05/2021). Construction workers and the youth enjoyed new employment opportunities, while registered refugees increasingly turned to the services and provisions provided by the tunnel economy versus UNRWA. It is largely unclear who these people turn to today when

there is a gap in humanitarian provision. Hamas was therefore able to relieve some of the financial pressures imposed by the blockade and generate tax revenues to consolidate its power. This, among other factors, increased political division with Fatah and the structures it had consolidated prior to 2007 (ISPI 31/05/2013). There have been repeated Israeli military campaigns to destroy these underground tunnels. It is unclear how extensive the tunnels remain today, given conflicting reports over the level of damage inflicted in May 2021 (France 24 19/05/2021; Le Monde 26/05/2021).

The increased division between Hamas and Fatah has also led to a dual political and economic system, with Gaza being pushed further and further into isolation (Middle East Today 19/05/2021; KII 15/09/2021). The split of the Palestinian civil service has undermined its ability to provide basic services, and the substantial reduction of the budget of the Ministry of Health has severely affected healthcare provision. The Gazan population has to work under two tax systems – one imposed by Hamas and the other by the PA. This weakens the private sector and substantially limits economic growth, resulting in the dysfunction of Gaza's sole power plant (Middle East Today 19/05/2021; OCHA 23/06/2017). The private sector has also had to work under contradicting rules and legislation imposed by Hamas. An example are the changes to the licenses of commercial agencies and import bans of certain Israeli products depending on Hamas' need to generate greater tax revenues; only certain private agents are allowed to bypass these and benefit from higher revenues (Middle East Today 19/05/2021). This has created imbalances among the private sector and increased grievances with Hamas. The postponement in April of the May 2021 elections, which have not taken place since Hamas took control of Gaza in 2006, would have been an opportunity to measure public support for Hamas (BBC News 29/04/2021). The lack of elections in Gaza – and Palestine more generally – has strengthened political division and hindered the renewal of the political space (Tuastad 17/10/2017).

# DECREASED SOCIAL COHESION & INCREASED POLITICAL DIVIDE



## Grievances among youth

Among the youth aged 18–29, who make up 22% of the total population in the Gaza Strip, 63% are unemployed (PCBS 12/08/2020). The illiteracy rate is almost nonexistent at 0.7%, and the majority of the unemployed are holders of intermediate diplomas or higher. There are big gender disparities among recent graduates, with the unemployment rate among female graduates more than double that of male graduates in almost every field (ILO 04/04/2018). The gradual decline in youth labour force participation over time has meant that 62% of those who are employed in the Gaza Strip are in informal employment, leaving them at risk of losing their jobs with limited social cover. COVID-19 worsened this situation, particularly as the youth entering the labour market faced limited employment opportunities (ILO 05/03/2021). The blockade has severely limited economic opportunities for young people to expand in and out of the Gaza Strip. Those who can set up a business are forced to limit its size and location because of import and movement restrictions (KII 25/08/2021 a). A successful business risks being destroyed by repeated cycles of violence (Al-Monitor 19/07/2021).

Humanitarian literature on the youth in Gaza has focused on quantifying and defining economic vulnerability, with the analysis hampered by a lack of data (UNFPA 12/2016). Few humanitarian studies have identified how economic vulnerability leads to changes in behaviour, including increased grievances in the system of governance. This has been the driving force behind a series of protests, including the Great March of Return in 2018–2019 and We Want to Live in 2019 (KIIs 20/08/2021 and 25/08/2021 a). These protests are directed not only at the Israeli military occupation but also at the lack of economic opportunity because of political divisions (Power2Youth 11/04/2017; KII 25/08/2021 a). We Want to Live has been the biggest protest directed at Hamas, linked to their decision to increase prices and tax on goods and a belief that Hamas officials use nepotism to assign jobs (The Arab Weekly 24/03/2019; BBC News 18/03/2019). A heavy crackdown from Hamas resulted in arrests and injuries, which in turn fed existing grievances, alienation, and increased distrust in systems of governance (HRW 23/10/2018; Contemporary Arab Affairs 02/06/2019). High rates of post-traumatic stress disorder are registered among the youth who also endure the effects of repetitive bombing and the Israeli blockade (IRW 13/09/2021).

Disillusionment and distrust in institutions also grow over time. The more the youth are exposed to societal pressures, including the need for employment and social capital, the more likely they are to distrust government institutions. In Gaza, older youth (23–29 years old) are more likely to distrust systems of governance than younger youth (18–22 years old) (Power2Youth 11/04/2017). Household wealth also impacts levels of trust. Youth from wealthier households are likely to benefit from better connections, which impact their social standing and ability to gain employment (Power2Youth 11/04/2017; UNFPA 12/2016). The lack of information on these dynamics increases the likelihood for the cycles to repeat themselves. Humanitarian recommendations in reference to the vulnerable youth argue that greater coordination should be made with influential stakeholders, which include various ministries (UNFPA 12/2016). However, engaging only with high-level stakeholders does not take into account important dynamics such as the lack of trust in government institutions and wider systems of governance.



# GRIEVANCES AMONG YOUTH

