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The Economy of Shared Opportunities:

Shaping a Unified Future

Between Jerusalem, Gaza, and the West Bank

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Palestinian Civil Society contributes actively to Shaping the Palestine's Future

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1. Introduction

The Palestinian economy forms a fundamental pillar for enhancing national unity and achieving sustainable development. However, it faces complex challenges due to Israeli restrictions and internal division, leading to its fragility and dependence on external aid. Palestinian territories suffer from economic gaps between the West Bank, Gaza Strip, and East Jerusalem due to political and geographic restrictions, Israeli violations, and the blockade imposed on Gaza, in addition to weak infrastructure and internal division, all of which hinder the achievement of stability and growth.

This paper seeks to address a key issue related to how to achieve effective economic coordination that ensures fair distribution of resources and opportunities, and to explore the policies and reforms required to enhance economic integration despite these challenges. It also aims to invest in international support and attract investments to achieve sustainable development.

The paper aims to reduce economic gaps between Palestinian regions by promoting economic coordination, suggesting practical reforms to address the occupation's restrictions and internal division, developing strategies to attract investments, and utilizing international support. It also presents policies to mitigate the impact of Israeli policies and strengthen the resilience of the Palestinian economy.

The paper adopts a participatory research methodology and descriptive analysis to study economic indicators, through interviews with economic experts and a roundtable discussion session to evaluate the results and propose policies. It relies on a purposive sample based on experience and applies objective analysis of qualitative data.

2. Challenges of Economic Integration Between the West Bank, Gaza, and Jerusalem

Economic integration between the West Bank, Gaza, and Jerusalem faces numerous challenges, most notably political and geographical challenges, restrictions on the movement of people and goods, political division, as well as destroyed infrastructure and weak investments. Below is a detailed explanation of these challenges:

2.1 Political and Geographical Challenges

The Palestinian economic integration faces complex political and geographical challenges, as it was established under the constraints of the Oslo and Paris Agreements, which limited sovereignty over resources and policies. Additionally, the geographical division has isolated the economy of Jerusalem from its natural extension in the West Bank and Gaza Strip, as it has remained under Israeli control since 1967. This has reinforced economic fragmentation and disparities between regions, and deprived Jerusalem of its central role as a future capital. Economically, it depends on insurance allocations and job opportunities in the Israeli market, despite some relative improvements in certain areas that are still under siege and Israeli control.[1]

Considering these challenges, the economy of the West Bank suffers from strict limitations, with only 40% of its total land area available for economic development. Three million Palestinians live under the jurisdiction of the Palestinian Authority, while 60% of the land remains under Israeli military control, where 361,000 Palestinians live alongside 400,000 settlers. As for Gaza's economy, it is separated from the rest of the homeland and governed by a different regime, deepening the division and affecting 2.13 million Palestinians[2]. Meanwhile, East Jerusalem is completely isolated from the West Bank and Gaza, with a population of about 350,000, undergoing relentless Judaization, which has led to the settler population reaching just under half of the population of the occupied capital[3].

As a result of these challenges, the economy in the Palestinian territories has been under significant pressure, leading to its increasing reliance on

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[1] Khalidi, Raja, *"The Issue of the Identity of the Palestinian National Economy and the Structural Transformation Required for Sustainable Development"*, (Ramallah: Palestine Economic Policy Research Institute (MAS), 2024), p. 5.

[2] Khalidi, Raja & Arafah, Noor, *"Diagnosis of Local Economic Resources – East Jerusalem"*, (Ramallah: Palestine Economic Policy Research Institute (MAS), 2017).

[3] Palestinian Central Bureau of Statistics, *"Annual Statistical Book of Palestine 2024"*, (Ramallah: Palestinian Central Bureau of Statistics, 2025), p. 25.

the Israeli economy, particularly in the West Bank, Gaza Strip, and East Jerusalem[4].

2.2 Restrictions on the Movement of People and Goods

The restrictions on the movement of individuals and goods between the West Bank, Gaza, and East Jerusalem create significant obstacles to economic integration, leading to increased unemployment, poverty, and worsening living conditions. These restrictions include a complex network of barriers and strict permits, resulting in the isolation of areas in the West Bank and limiting economic activity. In 2023, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) documented the presence of 565 obstacles, including 49 permanent checkpoints and 139 intermittent ones, along with barricades and walls that further increase economic and social isolation[5].

The restrictions intensified following the Gaza war in October 2023, as Israel stepped up the closure of areas and incursions into cities, paralyzing commercial movement and weakening markets, particularly in the northern West Bank, which had been a major shopping and educational hub for Palestinians from within Isra[6]el. This led to a decline in sales of 81% of economic establishments and the loss of approximately 306,000 jobs from October 7[7]. Additionally, the occupation further strengthened the restrictions between the West Bank and Jerusalem, as the separation wall cut off Palestinian communities, forcing thousands of Palestinians to cross checkpoints daily to reach their workplaces, schools, and services. This also affected the media and humanitarian organizations.

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[4] For more details on Israeli dominance and economic policies over the Palestinian economy, see: Masef, Jamil et al., *"Decoupling from the Israeli Economy: Theoretical Concepts and Practical Possibilities"*, (Ramallah: Palestine Economic Policy Research Institute (MAS), 2019).

[5] United Nations Office for the Coordination of Humanitarian Affairs (OCHA), *"Movement and Access in the West Bank: July 2023"*, (Jerusalem: OCHA, 2023). See: https://bit.ly/3ExdkJ8.

See: Helles, Rayed, *"The Impact of the Israeli War on the Gaza Strip on Humanitarian Conditions and Food Insecurity"*, (Beirut: Al-Zaytouna Center for Studies and Consultations, 2025).

[7] Azzam, Raghad, *"Israeli Military Incursions into Palestinian Cities in the West Bank: Economic Impact and Social Challenges"*, (Turkey: Vision Center for Political Development, 2024). See: https://bit.ly/417P1ct.

In Gaza, the severe restrictions imposed since 2007 have exacerbated geographical and social isolation, causing a crippling humanitarian crisis. After the October 2023 war, Israel tightened the blockade in an unprecedented manner, leading to a severe shortage of essential supplies, with international warnings of an impending humanitarian catastrophe[8].

2.3 The Palestinian Political Division

The Palestinian political division has exacerbated economic challenges, particularly with the Gaza blockade, deepening the gap between the West Bank, Gaza, and Jerusalem, and hindering the unification of economic policies and national planning[9]. Regional interventions have further reinforced the division to achieve their own interests, negatively impacting sustainable development. Political power struggles have overshadowed national reconciliation efforts, and political instability has weakened the investment environment, increasing investor hesitation. This has limited economic opportunities and reduced joint projects, while the ongoing occupation barriers continue[10].

The political division has intensified economic imbalances through double taxation and legislative discrepancies, increasing the burdens on the commercial and investment sectors and weakening citizens' purchasing power[11]. While Gaza applies old tax laws, the West Bank has undergone new amendments, deepening economic disparities. To compensate for financial challenges, both the West Bank and Gaza governments adopted a "quick collection" policy, which increased tax revenues but further burdened citizens and undermined investor confidence. The absence of a unified legal framework and the suspension of the Legislative Council has

[8] Ministry of National Economy, *"Performance of Economic Enterprises in the West Bank During the Israeli Aggression on the Gaza Strip"*, (Ramallah: 2024). See: https://bit.ly/4i91MKJ.

[9] Shaban, Omar, *"The Repercussions of the Division on the National Project and Its Regional Employment"*, (Palestinian Research Center, 2018), pp. 2-3.

[10] Kayali, Majed, *"The Dangerous Repercussions of Palestinian Divisions: An Israeli Investment and Harmful to the Image of the Palestinian People"*, (Arab Affairs Journal, 2022).

[11] Abu Madalla, Samir, *"A Forward-Looking Vision for the Palestinian Economy in Light of Division and Occupation"*, (Ramallah: General Union of Palestinian Economists, 2022).

led to varying laws and complicated business transactions, resulting in an unstable investment environment and increased legal uncertainty[12].

2.4 Destroyed Infrastructure

Amid escalating economic challenges, the infrastructure crisis has worsened, particularly after the recent Israeli war on Gaza, which left widespread catastrophic destructive effects. This destruction has left deep marks on both individuals and the economy. According to World Bank estimates, the private sector in Gaza suffered significant losses, with 88% of its institutions closed, 66% destroyed, and 22% partially damaged. The trade and commercial exchange sectors were among the most affected, with almost all its institutions impacted, exacerbating the economic crisis in Gaza[13].

Israel also carried out several incursions into the West Bank targeting vital infrastructure, including electricity, water, communications, and roads, resulting in widespread destruction that directly affected the lives of residents and rendered many areas uninhabitable or unsuitable for work[14].

As a result, Gaza's GDP contracted by more than 82%, while the West Bank saw a decline of 19% due to the Israeli escalation and intensive incursions, particularly in Jenin, Tubas, Nablus, Tulkarem, and Qalqilya[15].

The collapse of infrastructure had a profound impact on the economy, as most sectors in Gaza and the West Bank saw a sharp decline in 2024. In Gaza, the construction sector led the contraction with a 98% drop, followed by agriculture at 91%, industry at 90%, and services at 81%. In the West Bank, the construction sector declined by 38%, followed by industry at 30%, while agriculture and services each dropped by 17%[16].

[12] Abu Aram, Mohammad, Personal interview with the Director General of Financial and Administrative Resources at the Ministry of Industry, Ramallah, February 12, 2025.

[13] **World Bank**: *"War Drives the Palestinian Territories into an Unprecedented Crisis"*, (Palestinian News and Information Agency (WAFA): Ramallah, 2024). See: https://bit.ly/4jvEnoo.

[14] **Azzam, Raghad**, *op. cit.* See: https://bit.ly/417P1ct.

[15] **Palestinian Central Bureau of Statistics**: *"Economic Harvest for 2024, Economic Forecasts for 2025"*, (Ramallah, 2024). See: https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=5904.

[16] *(Same as reference 15)*.

3. Proposed Policy Alternatives

These alternatives[17] are based on the criteria of **efficiency**, **sustainability**, and **equity in the distribution of benefits**. They aim to enhance the Palestinian economy while ensuring that the benefits of development are fairly distributed across all regions and communities. The potential benefits and weaknesses of each proposed policy alternative are evaluated to contribute to the development of more inclusive and effective policies. Here's a breakdown of these principles in the context of the proposed alternatives:

Alternative (1): Adopting a "Gradual Independent Economic Integration Approach" as a Development Strategy

- ❖ Intervention: Strengthening Local Production and Developing Special Economic Zones, with Improved Transportation and Trade Infrastructure, to Reduce Dependency on the Israeli Economy and Gradually Enhance Integration Between the West Bank, Gaza, and East Jerusalem.
- ❖ **Analysis of the Alternative**

Efficiency	It contributes to enhancing local production, reducing dependence on Israel, creating new job opportunities, and reducing unemployment.
Sustainability	Focusing on the development of sustainable sectors such as energy and agriculture, in addition to supporting small and medium-sized enterprises.
Equity	Providing equal economic opportunities across regions and reducing the economic gap between the West Bank, Gaza, and Jerusalem.

[17] The proposed policies were formulated based on the results of in-depth interviews with experts and specialists in economics and development, as well as representatives from institutions related to the subject of the paper, whose names are listed in the references. Additionally, the roundtable discussion session: *"Economy of Shared Opportunities: Shaping a Unified Future between Jerusalem, Gaza, and the West Bank"*, which included 13 relevant participants, was held on Meet G on February 2, 2025.

Benefits	Improving livelihoods, reducing humanitarian pressure, supporting stability, and increasing international coordination.
Weaknesses	The need for massive investments in infrastructure, potential political and Israeli obstacles, and the need for a long time to achieve results.

❖ **Stakeholders Responsible for Implementation**:

The government will establish legal and regulatory frameworks, while the private sector will invest in production and infrastructure. Civil society organizations will support development initiatives and training, while Arab and Islamic countries will provide financial and technical support. International institutions will contribute to funding development projects.

Alternative (2): Establishing a Unified Digital Platform for E-Commerce and Financial Transactions

❖ **Intervention**: Establish a unified digital platform that includes an e-marketplace and a range of digital financial services connecting merchants and consumers in the West Bank, Jerusalem, and Gaza, with support for electronic payment methods and easy money transfers through integrated financial systems.

❖ Analysis of the Alternative

Efficiency	This alternative provides new marketing channels and reduces reliance on intermediaries, thereby lowering costs and increasing transaction speed.
Sustainability	This system can continue with the expansion of financial technology adoption and the development of digital infrastructure.

Equity	It provides the opportunity for all groups, including small and medium-sized enterprises, to access broader markets without geographical restrictions.
Benefits	It enhances digital job opportunities, reduces the need for physical movement, and provides electronic banking alternatives.
Weaknesses	Challenges related to data security, weak internet infrastructure, and the need for legislative alignment between different regions.

❖ **Stakeholders involved in implementation**: The Palestinian government is responsible for setting policies and regulations, while the Palestine Monetary Authority oversees financial stability. Banks contribute by providing financial services, and fintech companies support innovation in digital payments. Chambers of commerce play a role in enhancing the business environment, while telecommunications companies provide the necessary infrastructure for digital transformation.

Alternative (3): The Reconstruction and Sustainable Development Initiative.

❖ **Intervention**: The initiative aims to rebuild the infrastructure in Gaza and the West Bank through a sustainable approach that combines immediate response with long-term planning. This includes repairing essential services to ensure the stability of daily life, supporting small and medium-sized enterprises to boost the economy, and strengthening international partnerships to ensure funding and the transfer of technology.

❖ **Alternative Analysis**:

Efficiency	Relying on modern construction technologies and local materials reduces costs, enhances execution speed, and provides new job opportunities.

sustainability	Using environmental solutions and renewable energy technologies to ensure the sustainability of infrastructure.
Equity	Equitably distributing projects and involving local communities in planning and implementation.
Benefits	Improving living standards, stimulating the economy, creating job opportunities, and enhancing resilience.
Weaknesses	Political restrictions on the entry of materials, the need for sustainable funding, and the risks of destruction in the event of military escalation.

❖ **Stakeholders involved in implementation**: The Palestinian government is responsible for managing the execution of projects, with financial and technical support from international institutions, in addition to funding and expertise provided by donor countries. The private sector contributes to construction activities, while municipalities and civil society play a key role in oversight, ensuring fairness and sustainability.

4. Final Policy Recommendations:

Based on the analysis of the proposed policy alternatives, several final recommendations can be made that would enhance Palestinian economic integration. These recommendations have been classified according to their feasibility for implementation in the short, medium, and long terms as follows:

❖ **Short-Term Priorities (Urgent Actions - Within One Year)**:

✓ **International pressure to remove Israeli restrictions on the Palestinian economy**, through diplomacy and partnerships with human rights organizations and UN institutions, as removing external obstacles is a fundamental condition for implementing the remaining recommendations.

✓ **Stimulate local and international investment** by improving the business environment, removing administrative barriers, and providing incentives for both Palestinian and international investors.

✓ **Enhance labor market integration** by developing training programs targeting groups affected by unemployment, to improve the workforce's efficiency.

❖ **Medium-Term Priorities (1 to 3 Years)**:

✓ **Establish a unified economic coordination mechanism** between the West Bank, Gaza, and East Jerusalem to unify financial, trade, and investment policies, and reduce economic gaps between the regions.
✓ **Activate joint economic zones** by creating secure corridors linking the West Bank, Gaza, and Jerusalem, which will help facilitate the movement of people and goods and boost commercial activity.

❖ **Long-Term Priorities (More than 3 Years)**:

✓ **Rebuild the economic infrastructure** in Gaza and the West Bank through a comprehensive development plan that focuses on modern technology and renewable energy to ensure sustainability.

References

- ❖ Research and Studies

Research and Studies:

- Rayed Helles, *"The Impact of the Israeli War on the Gaza Strip on Humanitarian Conditions and Food Insecurity"*, (Beirut: Al-Zaytouna Center for Studies and Consultations, 2025).
- Raja Khalidi and Noor Arafah, *"Diagnosis of Local Economic Resources – East Jerusalem"*, (Ramallah: Palestine Economic Policy Research Institute (MAS), 2017).
- Raja Khalidi, *"The Issue of the Identity of the Palestinian National Economy and the Structural Transformation Required for Sustainable Development"*, (Ramallah: Palestine Economic Policy Research Institute (MAS), 2024).
- Raghad Azzam, *"Israeli Military Incursions into Palestinian Cities in the West Bank: Economic Impact and Social Challenges"*, (Turkey: Vision Center for Political Development, 2024).
- Samir Abu Madalla, *"A Forward-Looking Vision for the Palestinian Economy in Light of Division and Occupation"*, (Ramallah: General Union of Palestinian Economists, 2022).
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- Masef Jamil Masef and others, *"Decoupling from the Israeli Economy: Theoretical Concepts and Practical Possibilities"*, (Ramallah: Palestine Economic Policy Research Institute (MAS), 2019).

Reports:

- **World Bank**: *"War Drives the Palestinian Territories into an Unprecedented Crisis"*, (Palestinian News and Information Agency (WAFA): Ramallah, 2024). See: https://bit.ly/4jvEnoo.
- **Palestinian Central Bureau of Statistics**: *"Economic Harvest for 2024, Economic Forecasts for 2025"*, (Ramallah, 2024).
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- **Ministry of National Economy**: *"Performance of Economic Enterprises in the West Bank During the Israeli Aggression on the Gaza Strip"*, (Ramallah: 2024).
- **Population - Peace Now**. (2019, May 7). *Peace Now*. Available at: https://bit.ly/4hOAitU.

Interviews:

- **Hussein Al-Ahmad**: Personal interview with an academic, researcher, and author, Arab American University, Ramallah and Al-Bireh, February 13, 2025.
- **Amer Bali**: Personal interview with the Director of the Commercial Arbitration Center / Chamber of Commerce and Industry of Hebron, Hebron, February 14, 2025.
- **Mazen Al-Ajla**: Personal interview with an economic expert / Director of the Economic Department at the Palestinian Planning Center, Gaza, February 11, 2025.
- **Maher Hashish**: Personal interview with the Advisor to the Minister of Industry (Former Director of the General Union of Industries), Ramallah, February 12, 2025.
- **Mohammad Abu Aram**: Personal interview with the Director General of Financial and Administrative Resources at the Ministry of Industry, Ramallah, February 12, 2025.

Discussion Sessions:

- **Roundtable Discussion Session**: *"Economy of Shared Opportunities: Shaping a Unified Future between Jerusalem, Gaza, and the West Bank"*, with 13 relevant participants, held on Meet G, February 2, 2025.
- **Roundtable Discussion Session**: *"Economy of Shared Opportunities: Shaping a Unified Future between Jerusalem, Gaza, and the West Bank"*, with 33 relevant participants, held on Zoom, Sunday, March 9, 2025.