



United Nations Development Programme
Programme of Assistance to the Palestinian People



Gaza Early Recovery Investor Map and Financial Analysis

INTRODUCTION TO THE INVESTOR MAP AND FINANCIAL ANALYSIS AND PROFILING FOR THE RECOVERY OF GAZA

The Gaza Strip has experienced profound economic and productive disruption, with damage to physical infrastructure, productive assets, and service networks constraining economic activity and weakening private-sector production. GDP has contracted by **84% in 2025**¹; unemployment **surpassed 80%**; inflation **exceeded 230%**. With **1.9 million people** displaced, 90% are directly dependent on humanitarian aid.

This collapse has left most of Gaza's small businesses barely able to operate: electricity is unreliable, inputs are scarce, markets are fragmented, and supply chains are disrupted. At the same time, the financial system itself is failing as banks and microfinance intermediaries (MFIs) face severe liquidity shortages, risks are extremely high, and public institutions are struggling to function. As a result, even when funding exists, it rarely reaches Micro, Small and Medium-sized Enterprises (MSMEs) due to misaligned financial tools, the absence of effective derisking mechanisms, and a fragmented, uncoordinated recovery system. risking mechanisms, and a fragmented, uncoordinated recovery system.

MSME recovery must advance alongside the rehabilitation of critical infrastructure and services, as restoring energy, water, housing and other basic services will deliver sustainable stabilization only if enterprises can resume operations, protect jobs and incomes, and reconstitute supply chains.

To address these challenges, UNDP developed an **Early Recovery Investor Map** and a **Financial Analysis** to identify viable investment opportunities for Gaza's MSMEs recovery and match them with financing instruments that can realistically operate under current constraints. The research also clarifies how Gaza economic recovery can be financed step by step, indicating which instruments can work now, which can work later, and under what conditions.

Together, these reports provide a practical roadmap for MSMEs recovery by outlining:

- **WHAT** investment opportunities are most viable in priority sectors;
- **HOW** those opportunities can be financed, and
- **WHEN** different types of capital can realistically be deployed.

1 According to Palestinian Central Bureau of Statistics (PBCS)¹ and Palestine Monetary Authority (PMA)'s reports 2025

UNDERSTANDING THE ECONOMIC COLLAPSE IN THE GAZA STRIP

A large share of Gaza's MSMEs are operating at only a fraction of their pre crisis capacity, constrained by limited access to reliable energy, essential inputs, and functioning markets. These operational challenges are compounded by severe financing barriers:

- The financial system (banks, MFIs, suppliers, etc.) faces severe liquidity shortages.
- Extreme volatility and infrastructure destruction increases risk and limits investor appetite.
- In the absence of meaningful de-risking measures, a gap persists between available capital and MSME needs: instruments exist, but they are not calibrated to Gaza's operating conditions. Public institutions and private intermediaries lack operational continuity, further limiting Public-Private Partnerships (PPPs).

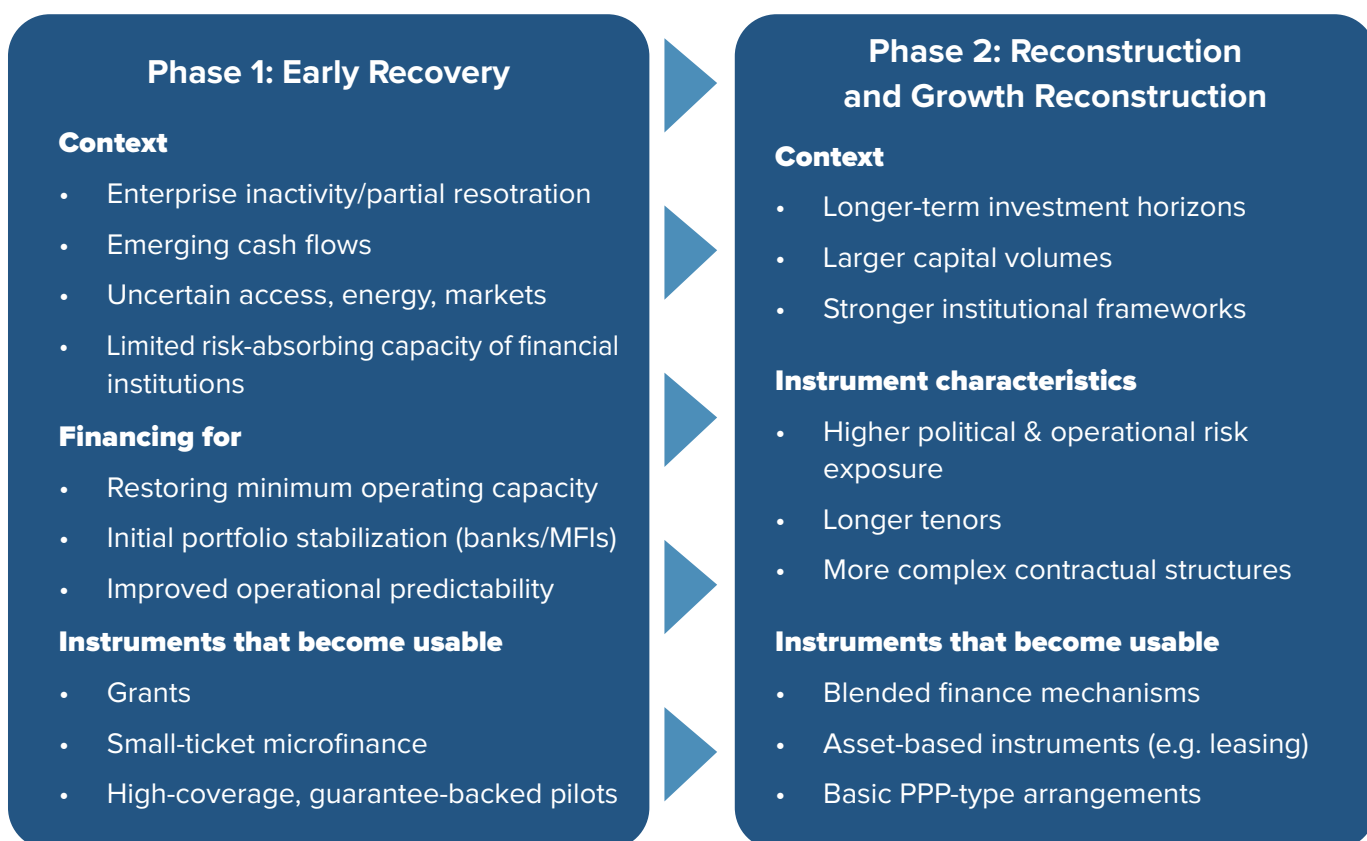
A fragmented ecosystem and delivery channels increase transaction costs, particularly in the absence of a coordinated reconstruction and financing structure. These combined pressures mean that even when financing instruments technically exist, most are not deployable under current conditions.

Gaza's recovery will depend on a **sequenced, risk responsive financing strategy** and a **portfolio of priority investment areas** capable of addressing immediate survival needs while laying foundations for economic revival. The combined insights from the financing analysis and the SDG Investor Map point to a recovery logic centered on three priority areas: **restore liquidity, activate priority markets quickly, and mobilize blended capital for reconstruction.**

Why Sequencing Matters?



Recovery finance must begin with **stabilization, not expansion**. The challenge is not simply identifying financing instruments, but ensuring they align with Gaza's risk environment, institutional capacity, and stage of recovery. Instruments deployed without adequate liquidity, risk absorption, or enabling conditions risk doing harm: increasing debt burdens, overwhelming fragile institutions, and failing to reach enterprises in need. A phased, sequenced approach is therefore essential for impact at scale.



WHAT AND WHERE CAN INVESTMENT FEED INTO THE RECOVERY OF THE GAZA ECONOMY?

According to the May 2025 Interim Rapid Damage Needs Assessment (IRDNA), Gaza suffered extensive economic losses, with damages estimated at **US\$15.8bn in Housing**, **US\$5.9bn in Commerce & Industry**, **US\$2.5bn in Transport**, and **US\$1.53bn in WASH**. These figures highlight both the scale of destruction and the breadth of sectors requiring urgent intervention.

To identify where investment can most effectively support recovery, more than **70 Investment Opportunity Areas (IOAs)** were screened across Gaza's economy. These covered agrifood systems, livestock and poultry, fisheries and aquaculture, debris management and circular economy, renewable and hybrid energy solutions, WASH and desalination services, digital connectivity, logistics, industrial rehabilitation, and critical public services. These IOAs were grouped into four main categories:



Food Security & Agribusiness (High priority, quick impact)

- Poultry & livestock value chains
- Aquaculture rehabilitation
- Vegetable processing & cold storage



Essential Infrastructure (Foundational enablers)

- Solar and hybrid energy solutions
- Small scale desalination & water treatment
- Debris recycling, construction materials



Manufacturing & Light Industry (Jobs & resilience)

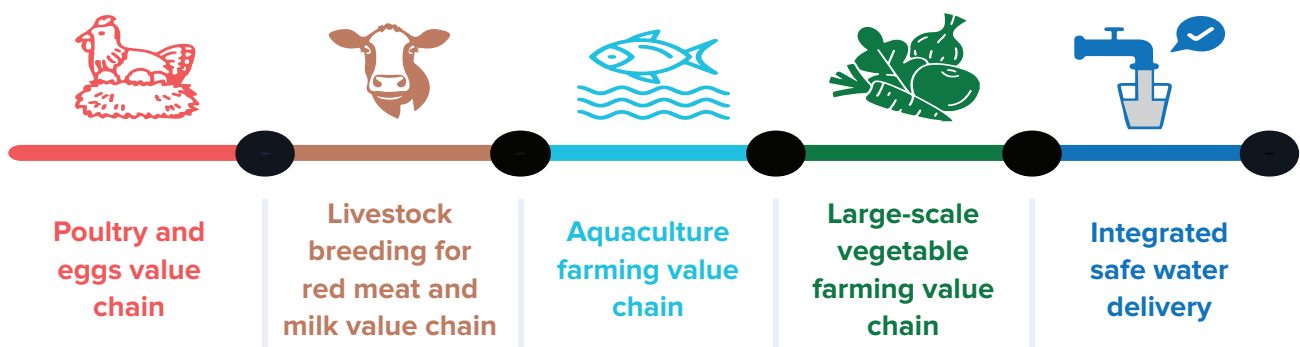
- Food & beverage industries
- Basic resource transformation (ready mix, metal works)



Critical Services & Social Sectors

- Health services capacity recovery
- Education technology solutions

Through systematic screening using feasibility, market activation speed, and resilience criteria, this long list was narrowed to **five Priority IOAs** most suitable for early recovery. These IOAs represent opportunities that can operate despite access constraints and offer rapid, high impact benefits to the population and economy.



Beyond identifying individual IOAs, the financing analysis also assessed how Gaza's economy can realistically absorb investment across these prioritized sectors. It focused on three critical considerations:

- **Which financing tools can be deployed immediately**, versus those that only become viable later during Growth and Reconstruction.
- **The central role of de-risking**, and the need to absorb or mitigate risk before credit based instruments can function effectively.
- **How financing must be sequenced**, ensuring instruments are introduced in phases that match Gaza's evolving economic and institutional conditions.

THE FINANCING REALITY: WHAT WORKS - HOW CAN CAPITAL BE INVESTED

While many financing instruments technically exist in Gaza, very few are operationally usable under current conditions. Commercial banks remain highly risk averse due to damaged collateral, stressed portfolios, and unpredictable operating conditions. MFIs retain stronger outreach but suffer from their own liquidity shortages and elevated portfolio risks. As a result, the demand for finance far exceeds the supply, especially across productive sectors.

It is therefore essential to distinguish between tools that exist on paper and those that Gaza's institutions and enterprises can deploy in the present environment.

Because of these constraints, the viability of financing instruments depends heavily on risk sharing and correct sequencing:

- **Risk sharing is essential for any credit based instruments.** Concessional loans, leasing products, and blended finance facilities cannot function without substantial guarantees, first loss capital, or equivalent risk absorption mechanisms.
- **Blended finance is the most appropriate model under current conditions.** By combining grants, concessional capital, and risk sharing, it provides the flexibility required in a high risk, low liquidity setting. Stand alone credit tools remain largely unusable until risk is reduced.
- **Sequencing matters.** Introducing the wrong instruments too early risks over-indebting enterprises, worsening loan portfolios, and adding stress to already fragile financial intermediaries.

Effective sequencing acknowledges that some instruments can only be introduced once minimum stabilization conditions are met, including restored liquidity, basic operational predictability, and partial portfolio recovery.

How Capital Can Enter?

Mobilizing capital for Gaza's recovery requires a targeted, differentiated engagement strategy that recognizes the distinct motivations and capacities of various investor groups. Rather than a generic outreach approach, investors must be matched with instruments that suit their risk tolerance and the realities of operating in Gaza.

- **Local investors** are best positioned to provide working capital facilities, credit guarantee schemes, and asset repair grants, which help overcome liquidity shortages and restart operations.
- **Regional and diaspora investors** respond well to patient capital instruments such as diaspora bonds and solidarity funds, which blend financial return with strong social impact.
- **International investors, DFIs, impact funds, and donors** are critical for blended finance structures, first loss capital, political risk insurance, and targeted grants to reduce exposure in Gaza's high risk environment.

These tailored pathways lower entry barriers and anchor investments within sequenced, de-risked recovery phases, giving investors confidence that opportunities are viable despite uncertainty. Yet investor segmentation alone is not enough. Capital will only flow if core de-risking mechanisms are activated. Gaza’s financial sector continues to face severe liquidity shortages and fragile banking facilities. Addressing these challenges requires:

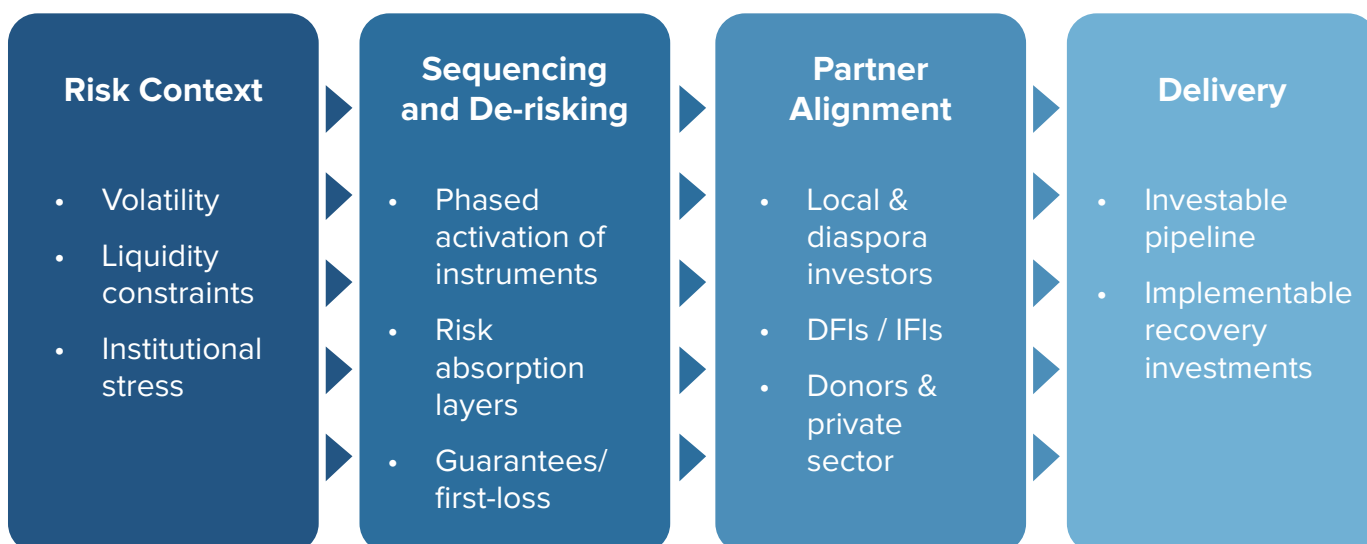
- **Pooled funds** to aggregate capital and diversify risk;
- **Credit guarantees** to unlock bank lending;
- **First loss capital** to attract risk averse investors loss capital averse investors; and
- **Business friendly regulatory reforms** to strengthen confidence.

These mechanisms must be coordinated through a unified platform that aligns **risk sharing, sequencing, and pipeline development**, preventing the fragmentation that often undermines recovery initiatives. The urgency of restoring functional financial channels is underscored by current market distortions, including **cash selling at 10–50% commissions and price spikes of 20–500%** for staple goods—clear indicators that capital must be structured and deployed strategically to stabilize Gaza’s economy.

RECOMMENDATIONS FOR MOBILIZING PRIVATE SECTOR INVESTMENT

Recovery financing should follow a phased and sequenced approach that aligns instruments with evolving risk conditions, liquidity constraints, and institutional capacity. In the immediate phase, efforts should focus on stabilization through grants, small-ticket finance, and **high-coverage risk-sharing pilots** that restore minimum operating capacity without increasing debt burdens. As conditions improve, the activation of blended finance, asset-based instruments, and results-linked approaches should be supported by adequately capitalized guarantees and first-loss structures. **Reducing fragmentation** through stronger coordination and pooled de-risking mechanisms will be essential to enable scale during the transition from early recovery to reconstruction and growth.

Within this framework, UNDP plays a convening and enabling role, supporting sequencing, partner alignment, and pipeline development to advance prioritized opportunities toward implementation. This approach is carried out in close collaboration with a wide range of partners, from local, regional, and diaspora investors to IFIs/DFIs and donors, ensuring alignment across recovery phases and coherence between financing instruments and delivery capacities. Following is a flowchart showing UNDP’s enabling role from risk to delivery:





Key Messages:

- **Finance exists but only works when conditions allow.** Instruments must match Gaza's liquidity, risk, and institutional realities.
- **Early financing must focus on lifelines and rapid market reactivation.** Grants and catalytic funds are the only tools deployable at scale now.
- **Recovery must be phased.** Support should progress from lifelines → blended tools → long term investment vehicles.
- **Investors need protection to deploy capital.** Guarantees, insurance, and first loss capital are crucial.
- **Coordination is essential.** Coordinated platforms and instruments are needed to reduce fragmentation and accelerate implementation.



Recommended Approach:

- **Integrated portfolio:** Recovery opportunities should be presented as one integrated portfolio, linking key enablers (food security, energy, water, site clearance) to viable value-chain investments, while the pipeline continues to expand to additional IOAs.
- **Targeted investor engagement strategy:** Investor engagement should be tailored by segment: local investors focus on quick-return MSME opportunities backed by working-capital tools and guarantees; regional/diaspora investors use social-impact, long-term instruments (e.g., diaspora bonds, solidarity funds); DFIs/international investors support the integrated portfolio through blended finance and political-risk mitigation.
- **Enabling framework for de-risking:** De-risking should be activated through pooled funds, credit guarantees, and first-loss capital, while policy and regulatory measures strengthen investor confidence (tax incentives, PPP frameworks, investment-friendly regulations) in a fragile, high-risk context.

GAZA ECONOMIC RECOVERY PROGRAMME FOR RECOVERY AND RECONSTRUCTION

As part of UNDP/PAPP's coordinated effort with national and international partners to act on the recommendations of the SDG Investor Map and the Financial mapping of financial sources, the following section outlines the proposed **Gaza Economic Recovery Programme**, designed to support the reactivation of markets and productive capacity and contribute to the broader objective of reaching **up to 20,000 MSMEs** and of generating up to 100,000 jobs through a sequenced pathway from stabilization to investment.

Purpose of the Facility

The Programme is intended to mobilize, coordinate, and deploy grants and capital into Gaza's prioritized sectors and identified **priority IOAs** as most feasible for early recovery. It aims to overcome the mismatch between available capital and what local MSMEs and private sector can absorb, particularly under restricted access conditions.

Its core objectives are to:

- Manage a disciplined transition from grants to investment;
- Build credible sector-based investment pipelines (including through aggregation of priority IOAs);
- Restore productive capacity through asset replacement and business rehabilitation;
- Preserve jobs and generate employment in labor-intensive value chains;
- Crowd in public and private capital by reducing recovery and investment risk.

Financing Instruments – How the Transition Is Enabled

- **Targeted recovery grants:** stabilize enterprises, replace critical assets, restore energy access, and validate which firms and sectors can realistically resume production.
- **Innovative finance mechanisms:** such as blended finance, credit guarantees, and time-bound interest rate subsidies to improve the investment-enabling environment and gradually reduce risk.
- **Investment & Market Expansion:** is activated once enterprises demonstrate operational stability and investment readiness, deploying Islamic finance, diaspora co-investment, risk-shared infrastructure models, and capital-market instruments to scale productive activity and employment.

Programme Design and Partners

- **UNDP:** Acts as Programme Coordinator, providing overall design, donor coordination, grant delivery, technical assistance and results-based management aligned with recovery and market transition objectives.
- **Palestinian Federation of Industries (PFI) & Gaza Chamber of Commerce and Industry (GCCCI):** Identify, aggregate, and prioritize investment-ready enterprises and priority IOAs across productive sectors, commerce, and industry through extensive local business networks in Gaza.
- **UNCDF:** Co-leads the financing architecture with UNDP by strengthening financial sector stability and expanding MSMEs access to finance through guarantees and de-risking instruments, while modernizing digital payment systems.
- **Donors:** Provide critical recovery grants to replace essential assets, restore energy access, and finance technical assistance for MSME investment readiness and pipeline development.
- **IFIs and DFIs:** Provide co-investment, concessional capital, political risk insurance and risk-sharing instruments to scale viable enterprises and crowd in private finance.