The persistently slow Gaza Strip reconstruction following the 2014 Israel-Hamas conflict has multiple interrelated causes. The actors involved in permitting and funding rebuilding—Israel, the Palestinian Authority, Hamas, the United States, the European Union, the United Nations, and Middle East states—have diverging goals and concerns regarding the area. An inability to fully accommodate these sometimes incompatible imperatives has resulted in delivery of only 35 percent of the $3.5 billion promised for Gaza reconstruction.¹

To top it off, high-level competing priorities such as the Syrian civil war and low oil prices limit the time and money donor countries can give Gaza. Thus, humanitarian efforts go on, but relief agencies lack funds for new home construction and infrastructure projects.²

As for Gaza’s residents, this insufficient investment leaves them with a dangerously low quality of life and could sow dissatisfaction with Hamas rule. The Islamist group’s legitimacy could weaken as a result, possibly spurring Hamas to renew conflict with Israel to wrest better reconstruction terms and restore domestic legitimacy. Recent reports of Hamas tunnel building have earned sharp rebukes from Israeli leaders and raised the specter of renewed war.³ A new war would further set back Gaza’s humanitarian situation, likely earn Israel international condemnation, and force donor countries to scramble to end fighting and finance new rebuilding. Despite these troubling risks associated with inadequate reconstruction, the actors involved have failed to collaborate toward a better outcome. This failure can be explained by five main factors:

1: Donor Wariness of Renewed War

What will happen to Gaza’s humanitarian and development projects if another Israel-Hamas war begins? This uncertainty may well have caused European and other international relief donors to limit their contributions. After all, the Israel-Hamas conflict underlying the fighting—which has destroyed millions of dollars in previous donor projects—remains unresolved and, despite rumors, no ceasefire appears to be on the horizon.⁴

Mitchel Hochberg is a research associate at The Washington Institute and a master’s candidate in Georgetown University’s Security Studies Program.
Whether during wars or skirmishes or even absent direct confrontation, Western donors have seen projects they have contributed to in Gaza and the West Bank destroyed by Israel. European Commission (EC) officials estimate that between May 2001 and October 2011—spanning the second Palestinian intifada and the Gaza war of 2008–09, also known as Operation Cast Lead—Israel destroyed 29.4 million euros’ worth of projects that the EU and its member states helped fund. Some EC officials have even mulled asking the Israelis for compensation, showcasing their level of frustration. Even if donors could reach understandings with Israel and Hamas to protect certain facilities, securing their safety during renewed war in Gaza would be difficult. As in the past, Hamas fighters would likely attempt to use international project sites to launch rockets or for shelter, inviting Israeli retaliation and bringing about these sites’ destruction.

While European, Japanese, and U.S. donations to Gaza have been larger and more complete than those from Middle East states, wariness no doubt prevents further donations. Robert Piper, the UN deputy special coordinator for the Middle East peace process, makes clear that “the possibility that work completed now could be destroyed later in the event of renewed conflict is a concern for many donors.” Before the Cairo donors’ conference following the 2014 war, a senior U.S. State Department official speaking on background told reporters that “there are serious questions being raised by a lot of the donors about why they were involved in a—or, well, how best to break this cycle and how best to ensure that we’re not going to find ourselves back here doing the same thing again in a year or two.” Before the Cairo donors’ conference following the 2014 war, a senior U.S. State Department official speaking on background told reporters that “there are serious questions being raised by a lot of the donors about why they were involved in a—or, well, how best to break this cycle and how best to ensure that we’re not going to find ourselves back here doing the same thing again in a year or two.”

The task of attracting additional reconstruction funds makes the current problem starker still. Piper contends that donor wariness—which he notes also stems from political concerns about Hamas—currently makes fundraising for “the reconstruction of totally destroyed homes, as well as large-scale development projects,” more difficult. The lack of funding hampers import development efforts, including “the conversion of the Gaza power plant to natural gas and the building of a [new power line] to increase electricity exports to Gaza” and enable water infrastructure projects.

2. Broader Regional Politics

Because Hamas began as a Muslim Brotherhood branch and continues to strongly identify with the movement, regional opponents of the Brotherhood and its affiliates are hesitant to provide aid to Gaza, lest Hamas and its backers receive credit for rebuilding the area. As of August 31, 2015—the date of the most recent publicly available estimates—Saudi Arabia had delivered only 10 percent of its promised $500 million, the United Arab Emirates (UAE) 12 percent of its $200 million, and Kuwait none of its $200 million. These Hamas and Brotherhood detractors have been outspent in Gaza by Hamas and Muslim Brotherhood supporters Qatar and Turkey in both relative and absolute terms, though the latter two countries have not come close to distributing their full pledges.

The fight over Hamas mirrors a larger battle for regional influence in which the Brotherhood has become a fault line. In this dynamic, allowing Turkey and Qatar to claim credit for improving Gaza by cooperating with Hamas would starkly contradict the goals of Egypt, the UAE, and, to a certain extent, Saudi Arabia. For the latter three countries, funding such rebuilding would increase the strength and legitimacy of a disliked Hamas and bolster the regional appeal of a distrusted Muslim Brotherhood, along with granting Qatar and Turkey credit. Rather than risk such an outcome, Hamas opponents disburse limited aid through alternative channels.

Suspicion between these blocs has limited the efficacy of the rebuilding, with contributions channeled through uncoordinated proxies and organizations as
well as individual households. The lack of coordination between donors and recipients massively complicates the completion of medium- and large-scale projects, such as the reconstruction of multistory homes whose former residents receive aid at different times from different sources.

■ 3. Egypt’s Opposition to Hamas

While Egypt aligns itself against Turkey and Qatar, the Brotherhood, and Hamas, its destructive relationship with Hamas affects reconstruction in unique ways. The current Egyptian regime came to power after overthrowing a Brotherhood government and remains committed to combating the Brotherhood’s Gazan cousin. Egypt’s rulers worry that the former close ties between the Mohamed Morsi–led Brotherhood regime and Hamas mean the Islamist group may try to subvert its rule.

These fears have been borne out in the Sinai Peninsula. Current Egyptian president Abdul Fattah al-Sisi’s promotion to defense minister in 2012 coincided with a Sinai militant attack that killed fifteen Egyptian soldiers. Since then, the situation has deteriorated as these militants have carried out a deadly insurgency. In 2014, many of them declared their affiliation with the Islamic State (IS). The Egyptian government suspects Hamas has helped train, fund, and supply IS and other militants. The Israelis, who worry about militant incursions into their territory as well as possible IS smuggling of military aid to Hamas, have developed a fruitful partnership with Egypt designed to manage security along their shared border.

Though the ensuing crackdown has been mostly successful, Israeli officials still suspect that Hamas provides IS with tens of thousands of dollars a month in exchange for help smuggling weapons into Gaza.

The highlight of this cooperation has been Egypt’s severe limitation on the flow of goods and people between Gaza and Egypt. Despite repeated rumors about a reopening, the formal border crossing at Rafah remains closed, including for the passage of development aid, although with occasional exceptions made for academic or humanitarian reasons. Egypt has also destroyed an estimated 95 percent of the 250 or so smuggling tunnels along the border, using methods such as dynamite, poison gas, and flooding with sewage and ocean water. On its side of the border, Egypt has razed 3,000 homes to build a buffer zone aimed at disrupting access to the remaining tunnels. These moves, however, have also hindered the entry of consumer goods into Gaza.

While serving as a prime location for the smuggling of militants and their weapons, the tunnels have also long been a lifeline for isolated Gaza, as well as a lucrative income source for Hamas, which previously taxed smuggled goods such as building materials, cars, and appliances. Additionally, many Gazans found employment manning the tunnels. Today, diesel fuel no longer travels through the tunnels, lengthening power outages. And Hamas’s civil servants can no longer be paid with revenues from smuggling taxes.

Egypt has asserted that it will only reopen the crossings once Hamas allows PA monitors to man border checkpoints. Such a shift, in Cairo’s view, would empower the PA and Fatah versus Hamas in Gaza. Egypt further wants to ensure that its preferred party, the PA, would benefit from the increased traffic. Separately, Egypt views monitoring goods passing in and out of Gaza as the responsibility of Israel, the occupying power—despite the 2005 Israeli disengagement from the area—and thinks allowing such passage along Egypt’s border, whether formal or informal, would only relieve Israel of its broader responsibility to resolve the situation. Were Egypt to accept greater responsibility in Gaza, this would invariably involve the undesirable and onerous process of cooperating with Hamas.

Despite the successful crackdown on weapons smuggling, Egypt’s border policies both restrict reconstruction work aimed at alleviating war damage and actively worsen Gaza’s humanitarian situation. By keeping its border closed, Egypt prevents the disbursement of other countries’ aid through its territory and prevents entry into Gaza of many reconstruction goods that could be purchased directly by Hamas or Gaza...
residents. This means that the only way goods and aid can enter Gaza is through Israeli-controlled crossings, which are restricted in their own right. Aid thus arrives slowly and Gaza’s economy, which might otherwise help fuel the recovery, suffers because of a lack of supplies. On a humanitarian level, the closure directly eliminates jobs, decreases Hamas workers’ salaries and therefore consumer spending, and intensifies a consumer-goods shortage. While from Cairo’s perspective its policy has successfully disrupted IS-Hamas cooperation and tipped responsibility for Gaza to Israel, Egypt has also stymied reconstruction in Gaza.

4. Israel’s Suspicion of Hamas

Israel and Hamas have engaged in three major rounds of fighting in the last eight years. Hamas, for its part, remains rhetorically committed to Israel’s destruction, and the group is operationally engaged in terrorism against Israel. Therefore, Israel’s continued wariness of Hamas should not be surprising. As a result, the Israeli leadership remains committed to keeping “Gaza under siege to isolate and weaken Hamas,” in the words of expert Daniel Byman, through a naval blockade and severe restrictions on the entry and exit of goods as well as people across land borders.26

Even since withdrawing from Gaza in 2005, Israel has continued to control access to the territory overland and by sea. Hamas won democratic elections in 2006, but its dispute with Fatah became a violent zero-sum contest. In September 2007, after Hamas defeated Fatah militarily and took control of the territory, Israel severely restricted the flow of goods and people in and out of Gaza.27 Israel added a naval blockade to these controls on January 3, 2009, during Operation Cast Lead.28 In addition to controlling land and sea access, Israel governs Gaza’s airspace despite maintaining no formal presence inside the territory.29 In combination with Egypt’s activities on the southern border, Israel controls Gaza access through a cordon.

Though Israel allows some humanitarian aid through, Israel’s leaders worry that further loosening restrictions would result in a windfall for Hamas. The group would benefit militarily by importing more dual-use materials and military weapons. Hamas could also more easily send terrorists and fighters into Israel and Egypt. Decreased economic restrictions and the accompanying improved performance would also increase Hamas’s popularity. Economic growth could leaven public perceptions of the group’s ability to govern, boosting its level of popular loyalty. This would make Hamas harder to dislodge in favor of the PA and make it easier for the group to recruit among Gazans.

Nevertheless, Israeli political leaders have lately heeded the advice of military commanders and loosened some restrictions in order to keep Gaza’s conditions above a threshold at which Hamas could conclude that renewed conflict presented its best survival option.30 Hamas’s political wing appears to favor a formal ceasefire, but Israeli prime minister Binyamin Netanyahu has rejected such an arrangement due to fears it would legitimize Hamas at the expense of the PA and its president, Mahmoud Abbas.31 Israel’s willingness, however limited, to allow Hamas-led Gaza increased access to the outside world may also stem from a desire to keep Hamas strong enough to police more radical Salafi groups.

Israel’s containment of Gaza has myriad effects on the area’s attempted reconstruction and redevelopment. Back in 2010, the UN Office for the Coordination of Humanitarian Aid stated that the blockade “worsened conditions of life of Palestinians...prevented reconstruction, and increased aid dependence.”32 As already discussed, restrictions make it harder for humanitarian aid, let alone materials for larger development projects, to enter Gaza. A 2014 World Bank report claimed that “Israeli restrictions on economic activity, in particular those on trade, movement and access, are a binding constraint to economic and social progress. These restrictions substantially increase the cost of trade and make it impossible to import many production inputs.”33 The report noted that constraints on imports, exports, and the movement of people in Gaza are “particularly severe.”34 The Office of
the Quartet Representative seconded these statements, writing in May 2015 that “the removal or reduction of Israeli restrictions on Palestinian movement, trade, and access remain essential to securing economic growth.” While the paper does commend the aforementioned loosening of these restrictions, it implores Israel to “build on these decisions” to improve Gaza’s economy and enable Gazan-led growth.

Gazan-led development faces its own set of problems. Hamas, as Israel often accuses, does divert supplies and aid to reinforce its militia. Even when money and goods do not directly finance terrorist or militant activities, they do so indirectly by allowing Hamas to spend less of its own resources on development and more on its military wing. Despite international assistance, Hamas’s underdeveloped and regularly corrupt institutions squander aid dollars through misallocation and misspending.

With the international community’s support, Israel agreed to a Gaza Reconstruction Mechanism (GRM) after the 2014 war featuring PA and international monitors at crossings and further end-use monitoring by development organizations. This arrangement has allowed meaningful amounts of construction materials, including cement and rebar, to enter the territory, despite Israeli worries that such materials could have military applications for Hamas. However, PA hesitancy to participate in the mechanism—despite initial support, the PA does not wish to serve as Hamas’ doorman—has limited Israel’s and some donor countries’ interest in utilizing it to reconstruct Gaza. Israel also continues to fear that, as in the past and despite end-use monitoring, Hamas will divert materials and funds intended for reconstruction to military projects. Moreover, wider Israeli economic restrictions stemming from a reluctance to strengthen Hamas will continue to limit reconstruction efforts. Reports have suggested that should Israel and Turkey renew their bilateral relations, Israel may accommodate Turkish policy goals by letting more construction and other materials into Gaza, though Egypt would staunchly oppose such a move.

5. Hamas-Fatah Disunity

The death knell for the most recent U.S.-brokered peace talks between Israel and the Palestinians was the PA’s introduction of a proposal for unity between Hamas and the Fatah-led PA. The resulting slide toward violence and instability led to the 2014 Gaza war. Yet two years later, it is clear that Fatah’s gambit at intra-Palestinian unity produced no peace and no unity. Arrangements that would have brought Gaza and Hamas back into a PA governance framework failed due to deep and violent distrust between Hamas and Fatah. Experiences while attempting reconciliation have led Abbas to view Hamas purely as an existential threat.

Disputes over rebuilding Gaza have also reduced the chances of PA-Hamas unity. The stationing of PA officials on Gaza’s borders under the GRM’s terms would have been most achievable under a unity framework that correspondingly permitted an official PA presence in exchange for PA payment of Hamas’s civil servants’ salaries. For its part, Israel supported the idea of PA monitors but opposed including Hamas in the unity government. Nevertheless, unity and coordination may have been needed to reassure the PA that it was not simply facilitating aid disbursement to an internal enemy that would get credit for reconstruction.

Even when unity negotiations were ongoing, senior PA officials reportedly expressed concerns over “being asked to rescue Hamas from its financial crisis without Hamas giving [the PA] true authority, including over security.” If the Fatah-led PA assumed responsibility for border crossings, this would entail substantial costs associated with paying Hamas salaries and manning posts around Gaza. The PA would subsequently be held responsible by Israel for ensuring illicit goods and weapons did not make it to Hamas. Israel may also have held the PA accountable for violence done with weapons based in Gaza more broadly. However, Hamas was unwilling to give the PA a security presence inside Gaza, fearing it would attempt to usurp its control, and PA officials could not justify being held accountable by Israel for keeping a lid on Hamas
violence without the requisite power in Gaza to control events and justify the risk. Hamas would also have likely used reconstruction projects and funds to boost its supporters and frozen out Fatah sympathizers, giving the PA even fewer incentives to facilitate reconstruction.

The PA does fund some of Gaza’s reconstruction, through aid and salary payments to its inactive civil servants. These civil servants administered Gaza prior to Hamas’s takeover and, to ensure their loyalty, the PA still pays them to stay home. Yet taking direct responsibility for Gaza by stationing monitors on the border represents a different magnitude of risk.

Reconstruction in Gaza thus suffers as a result of intra-Palestinian dynamics. Sensitive to Israeli security concerns, donors, excluding Turkey and Qatar, may find it difficult to funnel money into Gaza through Hamas, which is designated a terrorist group by the United States and EU. Installing the PA as the address for aid would ease these problems. As the Quartet Office notes, “An effective and tangible PA presence in Gaza is also a prerequisite for many of the donors who pledged funds at the Cairo Conference, as well as for Egypt to allow the passage of goods. Without the PA fully engaged, reconstruction, redevelopment and economic recovery for Gaza cannot take off.”

Previously mentioned fears of projects being destroyed during a renewed war, which Palestinian unity could lessen, also play a role. Yet reconciliation along the lines of the Quartet conditions—requiring a new Palestinian government to renounce violence, recognize Israel, and accept previous agreements—would very likely make anti-Hamas donors feel more comfortable giving aid to Gaza. The opportunity to back the right client could change donors’ calculus.

■ Conclusion

Although the factors hindering reconstruction in Gaza are not fully separable, teasing them out does illuminate the varied challenges and actors, with their competing priorities, with which any advocate for increased aid must contend. Regional political gamesmanship, Israeli security worries, Western donor wariness, and Palestinian politics all limit the availability of reconstruction aid for Gaza, along with its timely and effective distribution. Restoring Gazans’ quality of life and averting another Israel-Hamas war may depend on addressing or at least quieting these concerns.

Highlighting the various causes of inaction shows how attempting to hold one party responsible could elicit sharp finger-pointing. Asking why they should be faulted, international donors would argue that Israel, the occupying power, refuses to allow goods in. Israel would retort that Hamas continues to divert aid, smuggle arms, and prepare for the next war. Hamas would argue, in its turn, that Egypt’s border closure makes restoring economic normalcy impossible. And Egypt would contend that absent PA involvement, reconstruction can only empower Hamas and its patrons Qatar and Turkey. From the PA’s viewpoint, an expanded role would be a trap as long as Hamas is around. This circle of blame could continue, and on an individual level, each party would be right in leveling its accusations. Unfortunately, blame sharing is unlikely to hasten reconstruction or avert a future war.

On the subject of blame, international donor organizations have been more willing than skeptical Israelis might have expected to take a nuanced approach to diagnosing Gaza’s problems after the failure of Hamas-Fatah reconciliation. Though Israel clearly shares significant responsibility for the Gaza situation, Israeli critics have previously expressed disappointment with international organizations that focus solely on Israel’s role, at the expense of other actors. Instead, Piper, a UN representative, explicitly argued that the absence of reconciliation hampers reconstruction. Additionally, the earlier-cited Quartet report claims that “the dire situation in Gaza is further exasperated [sic] by the stalled reconciliation process between Fatah and Hamas.” However, this is only one of eight proposed reforms in the report, with the other seven falling on Israel’s shoulders. Whenever the blame may lie, understanding the varied and overlapping responsibilities for the current impasse in Gaza reconstruction is the first step toward rectifying an overlooked and potentially explosive situation.
Notes

13. Ibid.


34. Ibid.


36. Ibid.


