

**Document of
The World Bank**

**ESTABLISHMENT OF A FINANCIAL INTERMEDIARY FUND FOR
GAZA RECONSTRUCTION AND DEVELOPMENT**

November 20, 2025

ABBREVIATIONS AND ACRONYMS

GRAD	Gaza Reconstruction and Development
FCV	Fragility, Conflict and Violence
FIF	Financial Intermediary Fund
IFC	International Finance Corporation
IRDNA	Interim Rapid Damage and Needs Assessment
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
PFRD	Palestinian Fund for Reconstruction and Development
PID	Palestinian Partnership for Infrastructure Development
TFGWB	Trust Fund for Gaza and the West Bank
UNSCR	United Nations Security Council Resolution
WBG	World Bank Group

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ESTABLISHMENT OF A FINANCIAL INTERMEDIARY FUND FOR GAZA RECONSTRUCTION AND DEVELOPMENT

I. Introduction

- 1. Gaza stands at a pivotal juncture, presenting a rare opportunity to fundamentally reshape its economic and social landscape.** The cost of inaction is high: continued humanitarian crisis, erosion of human capital, and deepening poverty. Mass destruction across the Gaza Strip, affecting the entirety of the population, and the collapse of economic activity represents a challenge that requires an approach that goes well beyond traditional post-conflict reconstruction. There is an urgent need for immediate and innovative thinking, coordinated interventions and mobilizing the private sector at scale. With emerging political momentum, the ceasefire, and the prospect of the second phase of the *Gaza Peace Plan*¹, the international community is positioned to deliver transformative recovery and reconstruction. This moment enables the restoration of essential services, but the ambition should go beyond this, and towards initiatives to build a dynamic, sustainable, and prosperous economy. Realizing this vision will require substantial resources and a trusted, efficient platform to channel financing. The window for action is narrow; decisive engagement now can unlock pathways to long-term resilience and growth.
- 2. On November 17, 2025, the United Nations Security Council adopted a resolution (the “UNSCR”) which, in part, provided a framework for financing** of reconstruction and development activities in Gaza and called on the World Bank to provide financing for these purposes, including through the establishment of a dedicated trust fund governed by donors.
- 3. The World Bank Group (WBG) acts here with a sense of urgency in seeking approval from the Executive Directors to proceed with the establishment of a Financial Intermediary Fund (FIF) for Gaza Reconstruction and Development (GRAD), and for the World Bank to serve as its limited Trustee.**²
- 4. The GRAD Fund will receive donor contributions to fund recovery, reconstruction, and development activities in Gaza.** The World Bank, as limited Trustee, will transfer the Fund’s resources to the Board of Peace which has been authorized by the UNSCR to undertake activities under the *Comprehensive Plan to End the Gaza Conflict* of September 29, 2025

¹ The Gaza Peace Plan was signed on October 9, 2025, and came into effect the day after. It builds on the US President’s “20-point Plan” unveiled on September 29, 2025. This plan has received broad support from the international community, including neighboring countries, as demonstrated at the Sharm El-Sheikh Peace Summit on October 13, 2025.

² The “limited Trustee” role is the standard trustee role of the World Bank in FIFs with a defined scope of services as set out in paragraph 24. Consistent with that “limited” role, the World Bank as Trustee has no responsibility or accountability, fiduciary or otherwise, for the use of the funds after they have been transferred to a recipient and that recipient is accountable directly to the governing body of the FIF for the use of funds.

(“Comprehensive Plan”) and which maintains fiduciary standards acceptable to the World Bank as limited Trustee.

5. **By engaging early, the World Bank can play an important role in a fast and impactful action for the recovery, reconstruction, and development of Gaza.** This effort will decisively contribute to the WBG’s mission of ending extreme poverty and boosting shared prosperity on a livable planet and is aligned with the WBG Strategy for Fragility, Conflict and Violence (FCV).

II. Context and World Bank Group’s Experience

A. Context

6. **For the last two decades, Gaza has endured repeated periods of conflict** (2008–09, 2012, 2014, 2021, 2023 onwards), each leaving a devastating toll on its people, infrastructure, and economy. While each of these periods of escalation has been harmful to physical assets and livelihoods, the conflict that began in October 2023 stands apart in its scale and impact, being vastly more destructive than any prior episode.
7. **Planning the rebuilding and revival of Gaza diverges markedly from a typical reconstruction operation.** Rather than focusing solely on rebuilding damaged infrastructure, the international community adopts a forward-looking approach that aims to create a viable, sustainable, and prosperous Gazan economy. Central to this strategy is a pivot towards private sector-led growth, with initiatives designed to unlock private capital, foster jobs and entrepreneurship, and enhance the business environment. Economic competitiveness and regional connectivity, targeting integration into global markets and the development of high-value sectors must be emphasized. Relief, recovery, and reconstruction phases must be conceived as overlapping, with immediate groundwork laid for long-term transformation.
8. **The first 18 months would require about \$10 billion to address the most pressing needs and initiate key investments in critical sectors such as education and housing.** Total recovery and reconstruction needs are estimated to exceed \$67 billion by mid-2025 according to the most recent Addendum to the Interim Rapid Damage and Needs Assessment (IRDNA) jointly led by the WBG, the European Union, and the United Nations.
9. **The tripartite IRDNA, and the subsequent World Bank-led Gaza Recovery Framework, provide an analysis of and a coherent approach to recovery and reconstruction** including investment in the following key sectors.

- **Removal of debris:** Collection, removal and disposal of rubble/debris, human remains, and explosive ordnance.³
- **Restoration of Basic Services:** Rapid resumption of energy, water, sanitation, health, education, and telecommunications services.
- **Rehabilitation of Critical Infrastructure:** Repair and reconstruction of essential infrastructure, particularly housing, and public infrastructure, including schools, hospitals, and roads.
- **Social Protection and Livelihoods:** Support for vulnerable populations through cash transfers, job creation, skilling, and social services.
- **Institutional Strengthening:** Strengthening capacities of local institutions, services providers, and implementing agencies for effective coordination, fiduciary management, and monitoring.
- **Commerce, Industry, and the Private Sector:** Rapid commercial infrastructure rehabilitation, financial support for business revival, grants and capital for small and medium-sized enterprises, and restoration of trade logistics.
- **Cross-sectoral Coordination:** Ensure integrated planning and implementation across sectors and partners, monitoring and evaluation, building on lessons from previous reconstruction efforts.

10. The private sector will have a key role in financing recovery and reconstruction.

Assuming that minimum enabling conditions for private financing in Gaza are met, the estimated share of private financing for short-term needs alone is up to 11 percent, or around \$1.5 billion. The bulk of this is expected to be directed to the housing, health, and commercial sectors.

11. In Gaza, economic activity has nearly completely stopped. After an 83 percent year on year contraction in 2024, Gaza's GDP fell an additional 12 percent in Q1 2025, as noted in the World Bank's September 2025 *Economic Update on the Palestinian Economy*.⁴ GNI per capita in Gaza currently stands well below \$200 a year. Its share of total Palestinian GDP has fallen from 17 percent before the conflict to less than 3 percent today.

12. In Gaza, nearly all households are now estimated to be living in poverty, reflecting the depth of the economic crisis. This extreme deprivation is part of a broader trend across West

³ Clearing of explosive ordnance must be an essential component of a development project, or a requirement to a future development project.

⁴ World Bank. 2025. Impacts of the Conflict in the Middle East on the Palestinian Economy – September 2025. Washington, DC.

Bank & Gaza, where poverty has surged sharply, from 29 percent in 2023 to nearly 40 percent by early 2025.

B. Rationale for the Gaza Reconstruction and Development Fund

13. **The GRAD Fund responds to calls from the international community to provide a pooled financing mechanism to support recovery, reconstruction, and development in Gaza.** At this stage, Management proposes that the World Bank establish a FIF to channel funding to support implementation of the UNSCR. FIFs are flexible arrangements that typically pool a variety of public and private resources in support of international initiatives, enabling the international community to provide a direct and coordinated response to complex crises and global priorities. The World Bank currently serves as Trustee to 27 FIFs.
14. **This FIF will provide a financing mechanism to pool contributions** to allow the Board of Peace to channel funds to priority interventions for recovery, reconstruction, and development as described below. With decades of exemplary experience in providing fiduciary oversight as custodian of donor resources and treasury management services to FIFs across several sectors and countries, the World Bank offers donors and recipients efficiency, transparency, and accountability.
15. **This FIF is therefore expected to facilitate the mobilization of major international and regional players to secure new large-scale funding for Gaza.** Following the latest diplomatic efforts, international actors – both public and private – are now seeking a reliable and trusted vehicle to commit financially to the recovery, reconstruction, and development of Gaza. At this stage, Management is not yet in a position to confirm founding Contributors and the expected amount of the initial contributions.

C. Objectives, Complementarity, and Coherence

16. **The GRAD Fund will complement the overall recovery, reconstruction, and development efforts, including existing assistance to the West Bank & Gaza** through (i) existing WBG trust funds⁵ and (ii) other development partners' commitments and bilateral development cooperation. It is also expected to be a catalyst for private investments, which are central to the rebuilding of Gaza.

⁵ Current trust funds include the Trust Fund for Gaza and the West Bank (TFGWB) which is replenished annually by transfers from IBRD's Surplus, the Palestinian Fund for Reconstruction and Development (PFRD), and the Partnership for Infrastructure Development (PID), along with MIGA's Trust Fund for the West Bank and Gaza.

17. **Due to the fragile state of the Gazan economy, the FIF is expected to support financing primarily in the form of grants.** The World Bank, as limited Trustee, will enter into contribution agreements for grant resources directly with Contributors and will have contractual arrangements only with the Board of Peace for the administration and transfer of funds. The World Bank, as limited Trustee, may also receive the proceeds of loans or contingent resources that are provided on terms and conditions agreed directly between the Board of Peace and the Contributors. However, the funding from such mechanisms will be treated and processed by the limited Trustee as cash contributions in the form of grants, i.e., the limited Trustee, will bear no credit risk with respect to such loans and contingent resources and it will not be responsible for pursuing or enforcing any recoveries from recipients on behalf of either the Board of Peace or the Contributors. The limited Trustee will report to the Board of Peace on the financial status of the FIF through periodic reports.
18. **Last, setting up this FIF with only a limited Trustee role for the WBG does not preclude the WBG taking on additional roles in the future, should Contributors and the Board of Peace request the WBG to do so.** Taking on additional roles beyond the limited Trustee role recommendation of this paper would require a new risk assessment by Management and the approval of the World Bank’s Board of Executive Directors.

III. The Proposed Financial Intermediary Fund

A. Scope

19. **The GRAD Fund is anticipated to support priorities identified in an internationally agreed plan for recovery, reconstruction, and development.**

B. Governance and Institutional Arrangements

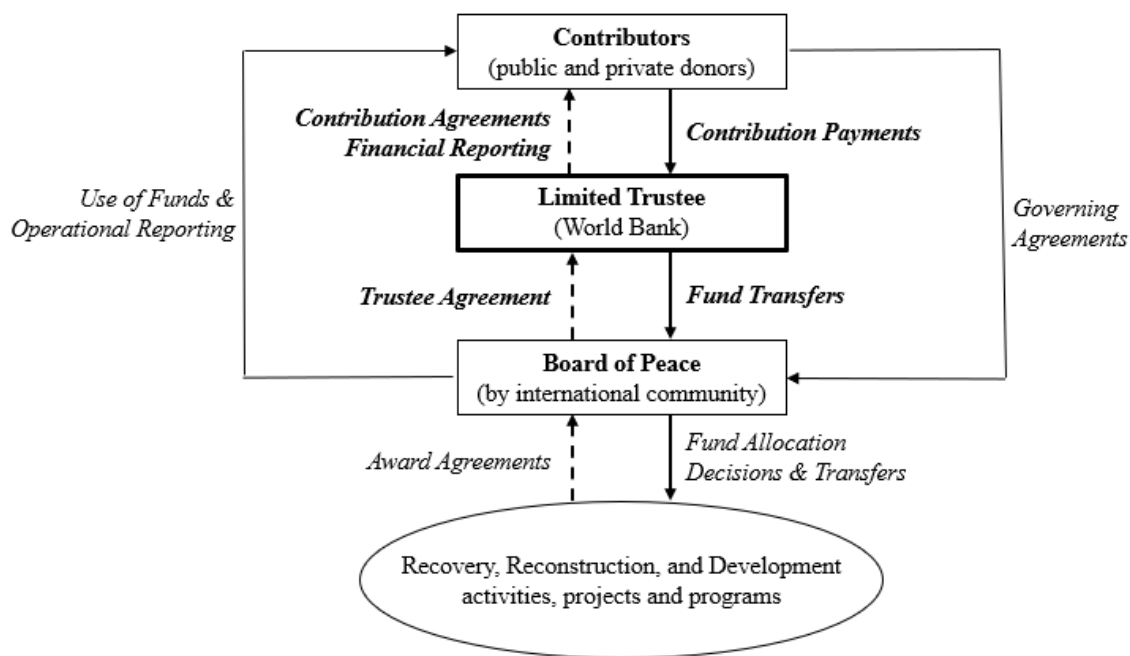
20. **The World Bank will serve as a limited Trustee to the FIF, with responsibilities limited to managing the inflows, and outflows of funds as instructed by the Board of Peace.** The limited Trustee will receive funds from Contributors and transfer them to the Board of Peace, independent of the World Bank, that will have established its own governance and operating structure and arrangements. The Board of Peace may further transfer funds to third parties in accordance with its allocation procedures and pursuant to agreements between the Board of Peace and such third parties. Contributions will only be accepted by the World Bank if such funds are not the subject of any international claims. The World Bank has no prescribed role

in setting up the Board of Peace and/or its operationalization. While not common, there are other FIFs in which the World Bank plays a similar limited Trustee role.⁶

21. **The Board of Peace will operate wholly independently of the World Bank and will establish its own governance and operating structure and arrangements**, including processes for decision-making on requests for, and applications and uses of, the FIF funds. Any such use or application by the Board of Peace of funds or other contributions from the FIF will be determined by the Board of Peace without approval, recommendation, or input from the World Bank, including uses and applications by sub-grantees, implementing agencies, or contractors and any policies, procedures of safeguards relating thereto, all of which will be determined by the Board of Peace.⁷

22. **Figure 1 summarizes the structure of the proposed FIF.**

Figure 1: Operating Flowchart of the Proposed FIF



23. **The World Bank, as limited Trustee, will enter into contribution agreements directly with FIF Contributors and will sign a Trustee Agreement with the Board of Peace, for the administration and transfer of the funds.** The Board of Peace will further allocate and

⁶ Examples of well-established FIF where the World Bank serves as a limited Trustee to a FIF passing funds to a legally independent entity include the Coalition for Epidemic Preparedness Innovations (CEPI) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)

⁷ Transfers of funds from the FIF by the limited Trustee at the direction of the Board of Peace would be made to the Board of Peace for use and application as determined by the Board of Peace. The Board of Peace, as now authorized by the UNSCR, is proceeding with steps to operationalize its mandate.

transfers funds to operators for recovery, reconstruction, and development in accordance with its own governance, operating procedures, and fiduciary standards—such fiduciary standards, including screening procedures for Anti Money Laundering/Countering Financing of Terrorism, to be acceptable by the World Bank as limited Trustee. The World Bank will report to the Contributors and the Board of Peace on the financial status of the FIF through regular Trustee reports (also published on the World Bank’s website).

24. **The scope of the limited Trustee services offered by the World Bank is expected to cover the standard set of services**, which include contribution management, investment management, cash transfers, accounting, and financial reporting (Box 1). All income from the investments will be credited back to the GRAD Fund, to be used for its intended purposes. At this stage, Management does not anticipate providing customized treasury management and other financial services. In line with standard practice in FIFs, the World Bank will not be responsible for, nor engage in fundraising for the GRAD Fund.

Box 1. Limited Trustee Services

The following describes the set of limited Trustee services expected to be provided by the World Bank to the Board of Peace:

- **Contributions management:** receiving financial contributions to the FIF based on signed legal agreements between the limited Trustee and Contributors; executing currency conversions of contribution receipts as required.
- **Investment management:** investing funds as part of the commingled investment pool for all trust funds and FIFs administered by the Bank; allocating investment income to the FIF.
- **Cash transfers:** transferring cash to the Board of Peace in accordance with the Trustee Agreement between the World Bank, as limited Trustee, and the Board of Peace.
- **Accounting and financial reporting:** maintaining appropriate accounting records, including receipts and transfers; providing regular financial reports to the Board of Peace and Contributors and annual auditing of the FIF's financial statements as part of the Bank's single audit process.

25. **The World Bank, as limited Trustee, will have no responsibility or accountability, fiduciary or otherwise**, under any of the above arrangements **for the use of the funds** after they have been transferred by the World Bank to the Board of Peace. The World Bank will have no responsibility for, and will not be involved in, any action seeking to enforce the return of any misused funds. This will be specified in the Trustee Agreement between the World Bank and the Board of Peace and in the Contribution Agreements between the World Bank and the FIF Contributors.

26. **It is anticipated that the World Bank will have a role in the governance or oversight of the Board of Peace to allow it to safeguard the interests of the World Bank as limited**

Trustee. This role is traditionally satisfied through the participation of the World Bank as an observer in the governing body, and the World Bank’s participation may be satisfied in this way or through some other form.

27. **The FIF will operate on a full cost recovery basis** in accordance with the World Bank’s current cost recovery policy. Recovery in the first year of operation would include reimbursement of the Bank's startup costs. Hence, there would be no implications for the World Bank’s budget.

IV. Alternatives Considered

28. **Given the complexity of establishing and managing a FIF, multiple alternatives were considered.** These included working through an existing World Bank Multi-Donor Trust Fund (MDTF); The Palestinian Fund for Reconstruction and Development (PFRD) and the Palestinian Partnership for Infrastructure Development (PID). However, these MDTFs do not offer the international community the appropriate flexibility to rapidly provide funding for recovery, reconstruction, and development activities in Gaza. They are also subject to a cap in transfer-outs to other organizations. A new MDTF similarly would be constrained by these operational limitations and was not deemed viable as an alternative. Lastly, the use of the Trust Fund for Gaza and the West Bank (TFGWB) was also considered; as it is solely funded through IBRD Surplus transfers, it cannot serve as a pooled vehicle for other donors. In any case, the GRAD Fund will not preclude other vehicles from continuing, or new ones to be set up, to support recovery, reconstruction and development in Gaza.

V. Risk and Mitigation Measures

29. **The overall risk for this FIF is Moderate.** The overall risk is largely mitigated by the fact that (i) the role of the World Bank is only one of limited Trustee at this stage; (ii) the Board of Peace which the World Bank will sign a Trustee Agreement with will be internationally recognized; and (iii) a six-month sunset clause as described in paragraph 37 below has been included. A summary of the risk assessment across six dimensions is provided below. The risk ratings consider the impact (or severity) of the residual risk, that is, after agreed mitigating measures, as well as the likelihood (or probability of occurrence).

Risk Type	Rating
Strategic	Moderate
Operational	Low

Stakeholder	High
Financial	Low
Legal	Moderate
Portfolio	Moderate
Overall	Moderate

30. **Strategic Risk.** *Strategic risk relates to a FIF’s alignment with the World Bank’s strategy, objectives, and priorities.* The proposed FIF is aligned with the WBG FCV Strategy, which underlines that the WBG’s engagement in areas impacted by FCV is critical to achieving the corporate mission, and calls for scaling up the volumes and types of financial support it provides in FCV situations. Yet, the scale of the challenge and the coordination with multiple partners, including new actors from the private sector, will require adapting our approach to recovery and reconstruction. The strategic risk is assessed as **Moderate**.
31. **Operational Risk.** In the context of FIFs, operational risk refers to risks to the World Bank’s ability to carry out its roles and responsibilities within a FIF consistent with the World Bank’s policies and procedures. The proposed FIF is aligned with the World Bank’s relevant strategies and conforms to the FIF Management Framework and Directive. Overall, the operational risk related to this FIF, given the Bank’s role as limited Trustee is assessed as **Low**.
32. **Stakeholder Risk, including reputational risks.** *This category of risk includes risks to the World Bank’s relationships and reputation with partners, as well as public opinion, due to its role within a FIF.* In accordance with the FIF Management Framework and Directive, Management is seeking Board approval for the establishment of this FIF, helping ensure WBG shareholder and stakeholder support for this new financing instrument. The World Bank has been a critical partner in the West Bank & Gaza since the beginning of the conflict. It has unique expertise and capacity to establish and manage multi-stakeholder initiatives in support of calls for multilateral action. There are a wide range of stakeholders with interest in Gaza’s future, with differing views. This creates a significant reputational/franchise risk, even if the WBG does not make any funding decisions with respect to the GRAD Fund’s resources. In this extremely challenging and complex political context, it will be important to manage the expectations of stakeholders with what the FIF is able to deliver in a given timeline and what may be factors beyond its control. This applies equally to stakeholder expectations around what the Bank can deliver, or influence, given the limited Trustee role it will play. Gaps between stakeholders’ expectations versus actual delivery can result in a reputational risk for the WBG. In addition, there is a risk of politicization of the GRAD Fund and WBG activities by different stakeholder groups. As with other financing in FCV contexts, the political tensions surrounding the conflict present a risk to the WBG. This risk is mitigated by the compelling

economic and development rationales for the GRAD Fund and the Bank's minimal role as a limited Trustee. Overall, the risk is assessed as **High**.

33. **Financial Risk.** *Financial risk includes risks associated with financial adequacy, financial management, potential impact on the World Bank's balance sheet or to its perceived standing in financial markets, including its preferred creditor status.* It is not anticipated that the FIF will have negative impacts on IBRD or IDA or their perceived standing in financial markets. The proposed FIF would operate based on full cost recovery for the role of limited Trustee. There would be no new implications for the World Bank's budget. The risks that the Bank, as limited Trustee, might be exposed to interest rate or foreign exchange risk or might incur substantial investment losses will be mitigated by (i) the use of grant (or non-reimbursable capital) contributions to the FIF; (ii) ensuring that there is a match between the currency in which contributions are kept in the FIF and the currency of cash transfers to the Board of Peace; and (iii) investing the FIF liquidity as part of the commingled investment portfolio for all trust funds and FIFs administered by the World Bank. Contributor non-payment risk will be mitigated by ensuring that the transfers of funds from the FIF to the Board of Peace are based only on cash received from Contributors. The financial risk of the FIF is assessed as **Low**.
34. **Legal Risk.** *Legal risk is associated with the Bank's mandate as articulated under its Articles of Agreement, privileges and immunities, compliance with the Bank's policies and procedures, contractual and third-party disputes, contractual design, and institutional independence.* The primary legal risk of the proposed FIF relates to the World Bank being exposed to liability for any claims arising from acting as limited Trustee. Legal documents to establish the FIF will be negotiated by the World Bank's Legal team in order to clearly delineate the limited role of the limited Trustee, clearly identifying the responsibilities of the limited Trustee and emphasizing the roles and matters for which the limited Trustee is not responsible. Such terms will also make clear that these transactions and agreements do not erode or diminish the World Bank's privileges and immunities, for example, by explicitly or implicitly agreeing to, among other things, the application of national law on World Bank activities, jurisdiction of local courts over the World Bank, contractual or third-party claims against the World Bank, or World Bank obligation to perform activities that are or may be perceived as outside the World Bank's mandate. Nevertheless, there is a risk that lawsuits may be brought against the World Bank by third parties impacted by the conflict for compensation and seeking attachment of the FIF's assets or by alleging actions or omissions by the World Bank despite such exculpatory provisions. The World Bank would invoke its privileges and immunities as a defense against any such lawsuits brought against it. Nevertheless, there is always some residual risk that claimants bring lawsuits asserting that such exculpatory provisions are invalid. Finally, as with all FIFs, relevant agreements would provide that the World Bank as limited Trustee will have no responsibility for the use of funds transferred to the Board of Peace. The legal risk is assessed as **Moderate**.

35. **Portfolio Risk.** *Portfolio risk relates to risks associated with the specific FIF in relation to the overall FIF or trust fund portfolio and larger aid architecture, including IDA and IBRD.* While the creation of a new body to lead reconstruction efforts does add another player in the aid architecture, the fact that it will be an internationally recognized entity with an agreed mandate should mitigate the risk to the extent possible. The portfolio risk is therefore rated **Moderate**.

VI. Conclusion, Next Steps, And Recommendations

36. **The objective is to have the GRAD Fund ready to promptly support the recovery, reconstruction, and development of Gaza.** The GRAD Fund will accept contributions, hold them in trust, and stand ready to initiate transfers to the Board of Peace as soon as the latter will have been established and operational and a Trustee Agreement will have been signed.

37. **Upon approval by the Executive Directors, the World Bank, as limited Trustee, will be authorized to accept contributions from donors to this FIF** prior to the establishment of the Board of Peace, provided that:

(i) The World Bank, as limited Trustee, will refrain from transferring funds to the Board of Peace until it is duly established and operational; and

(ii) If the Board of Peace is not duly established and operational within six months after the Executive Directors' approval of the FIF, the World Bank, as limited Trustee, will consult with Contributors regarding appropriate next steps, which may include terminating the FIF and returning to Contributors their pro rata share of contributions.

38. **Should the World Bank be asked to play additional roles,** or to provide services significantly different from those described in the present document, Management would return to the Board as per policy.

RECOMMENDATIONS

39. **Management recommends that the Executive Directors approve the establishment of the Gaza Reconstruction and Development Fund as a Financial Intermediary Fund, as described herein, with the World Bank acting in the capacity of limited Trustee.**

40. **Given the urgent situation, Management also recommends the approval of the Executive Directors for the establishment of this FIF notwithstanding that it may have at inception (i) fewer than three donors; and (ii) less than \$200 million in contributions, as required by the FIF Directive.**