

# The Need for a Post-War Development Strategy in the Gaza Strip



## Overview & Analysis of Industrial Damage and Its Grave Consequences

March, 2009



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## ACKNOWLEDGEMENTS

The Palestinian Federation of Industries (PFI) wishes to thank KONRAD ADENAUER STIFTUNG (KAS) for its continuing support in developing the Palestinian private sector. PFI is also grateful for KAS readiness to partner with it in the efforts to assess and analyze the damage and losses to the industrial sector in the Gaza Strip. Post war assessment illustrates how great the destruction was to Gaza's industrial sector, and it also indicates that the success in the sizable task of reconstruction and development could only succeed with the continuation of partnerships such as the one between KAS and PFI.

PFI is also grateful to the United Nations Relief and Works Agency (UNRWA) for its support in providing staff assistance during the assessment process, and to the United Nations Development Programme (UNDP) for its effective partnership which PFI hopes will continue.

## PREFACE

Konrad-Adenauer-Stiftung (KAS) and its strategic partner, the Palestinian Federation of Industries (PFI), both share a strong advocacy for the principles of Social Market Economy and the general economic conditions for Palestine. This also leads to a belief in the importance and the urgency of reconstructing Gaza. Thus, the urgent program presented in this brochure took place to assess the extent of the damage inflicted upon the industrial sector in Gaza during the last war.

Our partner PFI had the opportunity to collect the needed information through its office in Gaza and through its fieldworkers. The methodology was based on the owners of the factories providing first-hand information through filling questionnaires, in order to reach a high level of accuracy. This information was compared with the data collected in the governmental registry when the respective factories were first legally registered.

It is worth mentioning that this report was used by the donor community and the government officials during the latest many international efforts to help people in Gaza, first and foremost in the International Conference in Support of the Palestinian Economy for Reconstruction of Gaza in Sharm El-Sheikh, Egypt; which was held on the 2nd March 2009 and where 4.5 billion USD were pledged.

KAS is happy to have contributed a small element to the reconstruction of the Gaza Strip economy.

### **Thomas Birringer**

Resident Representative  
Palestinian Autonomous Territories  
Konrad-Adenauer-Stiftung e.V.  
Ramallah

## EXECUTIVE SUMMARY

This report highlights the post war status of private sector businesses represented in the Palestinian Federation of Industries (PFI) in the Gaza Strip. It attempts to rationalize some of the figures resulting from the preliminary damage assessment PFI performed in cooperation with other private sector bodies as well as the United Nations Development Programme (UNDP).

While this paper comes at a time when other parallel efforts are underway, it attempts to complement the ongoing post war assessment efforts. It is also intended to make contributions which would hopefully help reconstruct, redevelop and enable a viable industrial sector in the Gaza Strip.

As the capability, experience, skill and motivation to reconstruct are all present in the Gaza Strip, and given the level of destruction in its industrial sector, an opportunity may be present to redraw the profile of industry in Gaza. A new approach that is based on feasibility, market demand, competitive advantages and future export possibilities is recommended. The industrial sector need not be reconstructed in the same fashion, or product/industry mix, as it used to before the war of January 2009.

Financing options, and perhaps new ways not previously tried, are essential to tackle at this point. The way financing is carried out would be critical to redeveloping the industrial sector in Gaza.

The greatest risk factor to progress in reconstructing the Gaza Strip, particularly its industrial sector, remains the political situation and whether the crossing points would

reopen for the import of raw materials and resources and the export of finished product. This risk also threatens employment opportunities in the industrial sector. In the recent months before the war on Gaza, approximately 4,000 employees worked in the establishments now destroyed and are out of commission. This represents 11 percent of the total workforce, of an estimated 35,000 employees, the industrial sector once employed when the economy operated normally and border crossings were open. With an average family size of 6.5 persons as of the latest census conducted in 2007, four thousand employment opportunities provide for more than 24 thousand people who are now impoverished as a direct result of the war.

This paper also aims to illustrate how critical reviving the Gaza Strip's industrial sector is especially when it comes to creating employment opportunities. Working to reach maximum sustained employment must remain a focus of a development strategy for the industrial sector.



## PREAMBLE

The private sector was once the provider to one third of the population in the Gaza Strip. It employed more than 110,000 people and presented hope for thousands of job seekers every year. Previous to the year 2000, the industrial sector registered an annual growth of about 5 percent. Since the year 2000, it passed through an obvious decline leading to increased unemployment among a mostly poor population. The private sector had already lost an estimated USD 400 million in direct losses due to the closure policy even prior to the assault beginning in December 2009.

The tight siege which was imposed on the Gaza Strip after the events of June, 2007, placed the private sector in great hardship and left its industrial sector almost paralyzed. According to a recent study released by PFI, 97 percent of industrial establishments were shut down and 98 percent of employees were laid off.

The industrial sector witnessed a slight improvement after the truce took effect beginning June 22nd, 2008. During the first four months in the six-month truce, the number of items allowed through crossing points increased while the number of truck loads permitted remained the same. This improvement was way behind the needs of the Gaza Strip and hardly included desperately needed industrial items. According to statistics compiled by Paltrade on crossing point operations, 1356 truckloads were allowed into the Gaza Strip between October 1st and 31st, 2008. This constituted only 6.5 percent of Gaza's needs (according to MoNE figures), as about 800 trucks used to enter Gaza Strip daily before closure which constituted then most of the territory's needs.

## GUIDING PRINCIPLES & METHODOLOGY

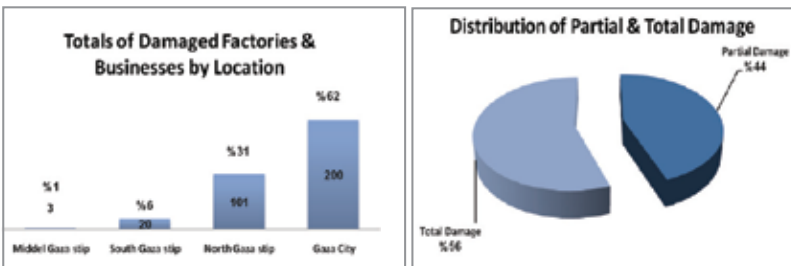
PFI is working to achieve its vision of a free market economy whose identity is a national competitive industry with social responsibility. Given the very difficult period the Gaza Strip is in after the war, PFI finds itself in a position of having to promote the reconstruction and development of the industrial sector based on sustainable basis.

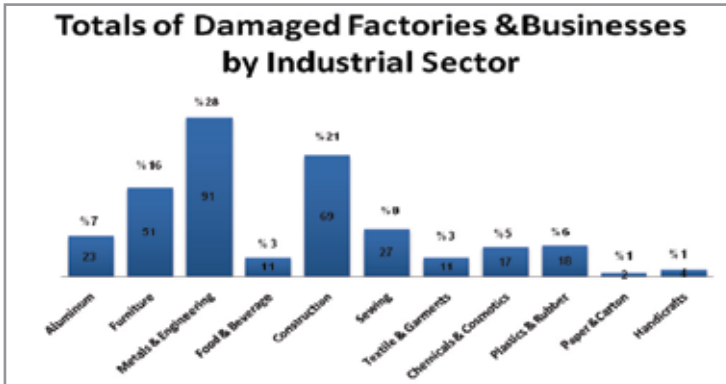
1. PFI recognizes that the financial estimates of damages to the industrial sector are preliminary and under verification by the UNDP and other assessment groups. However, the usefulness of the numbers available is an illustration of the magnitude of the damage and, thus, an indication of the approximate requirements for reconstruction and development.
2. The industrial sector needs a carefully planned approach to redevelop. It is not only important to compensate businesses which have incurred losses and various forms of damage, but also critical to support and provide them with the opportunity to develop within an overall vision of sector priorities and market needs.
3. As part of the Private Sector Coordination Council (PSCC), PFI is in partnership and cooperation with several bodies involved in the post war assessment efforts. However, fact remains that it must begin to work with government and non-government organizations, including donors, to formulate a strategy and draft a plan with clear requirements for reconstruction and development.
4. Data was collected and preliminarily verified through a process of surveying damaged sites beginning in the first week of the ceasefire, towards the end of January. This process was streamlined through the cooperation

of PFI as part of the PSCC-UNDP assessment team in creating and approving a data collection form. This form was distributed by PFI to all surveyed sites and filled out on site, when possible, jointly with business and factory owners.

## OVERVIEW OF ASSESSMENT FINDINGS & ANALYSIS

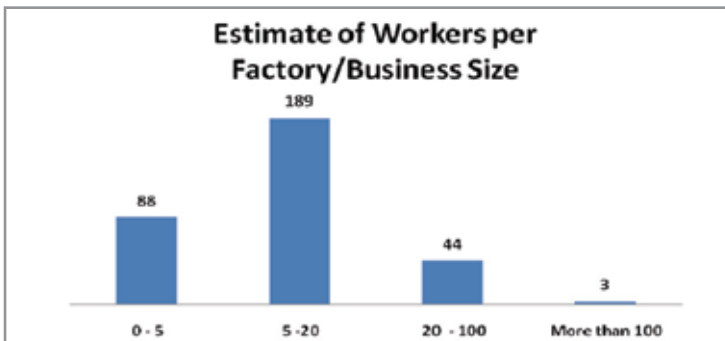
Over twenty one days of the war on Gaza in January of 2009, the industrial sector was hard-hit with great losses in many businesses. This included total or partial damage to physical structures, equipment and machinery, inventories of raw materials and finished goods as well as electronic and paper documentation in several cases. Losses were shared among all thirteen sectors represented in PFI mainly among them are construction, metals and engineering, chemicals and cosmetics, pharmaceutical, food and beverage, plastics and rubber, paper and carton, textile and garments, sewing and furniture.





PFI's preliminary findings indicate that 324 businesses were damaged, of which 44 percent were partially damaged and 56 percent were totally damaged. More than 90 percent of destroyed factories and business were in Gaza city and the northern part of the Gaza Strip.

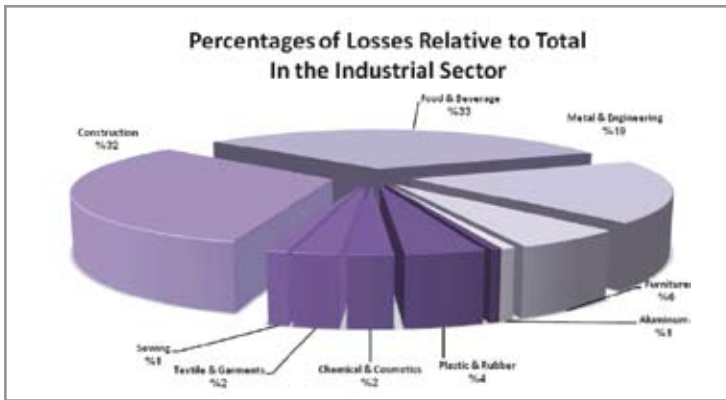
Numerous surveys conducted on site clearly showed how the types of destruction caused to factories with partial damage affected their most vital, and difficult to replace, components. In effect, this would prolong the time it would take for such factories to operate again, and will result in the continued state of unemployment to large numbers of people who powered these businesses up until the start of the war. As the graph below illustrates, PFI grouped the 324 factories and businesses destroyed into four categories based on their size and estimated number of employees per category.



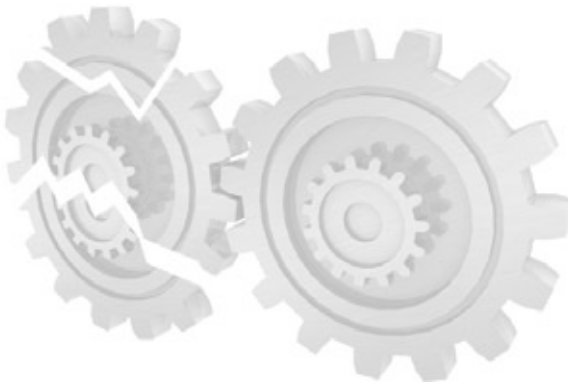
On average, the 324 businesses and factories destroyed during the war could employ a total of 5,700 persons under normal circumstances. However, and considering that these factories and businesses were the only ones left operating after several years of border closures have caused the shutting down of the greatest majority of the private sector, they still had to shrink their workforce. The 324 factories surveyed employed about 4000 workers just before the war. This provides further detail on the severe effect the destruction and closure of businesses has on employment.

## Issues of Special Note

While the total number of food and beverage businesses destroyed was 11, representing 3 percent of the total, damage to these factories represents an estimated 33% of the value of damages and stands at USD 37 million. Moreover, while the total number of construction businesses and factories destroyed was 69, representing 21 percent of the total, damage to such businesses is estimated at USD 35 million, representing 31 percent of the total estimated damages. The case is similar in the metals and engineering sector which incurred damage to 91 factories and businesses, representing 28 percent of the overall, and carried an estimated value of USD 21 million in damages representing 21 percent of the total.



What stands out in the analysis of damage is the fact that the Gaza Strip's most critical industries, and ones which required the greatest investments, were most severely hit. This multiplies the importance of reconstructing and developing these industries very early in the overall effort as several other sectors depend on them. Issues of potentially significant lead times in ordering and procuring equipment and machinery, installation and reoperation dictate serious focus early on.



## STRATEGY FORWARD

Given the current state of the industrial sector, PFI recommends an approach based on a strategy of sustainable development. This would involve a methodic process of planning the reconstruction and development effort starting with sectors which demand higher priority, and based on feasibility and time requirements, market demand and competitiveness. Additionally, the planning process would include creating an industrial map for the Gaza Strip whereby the revived industries and businesses would complement each other and, possibly, form a supply chain between different businesses.

This strategy is expected to yield tremendous benefits to Gaza's industrial sector and would also be well received by business owners and entrepreneurs who are willing to diversify into different industries, or parts of industries, if an opportunity exists. Moreover, this approach would better enable the Gaza Strip's industrial sector to form a competitive mass as opposed to suffering from over saturation and possible negative competition.

It would be essential, however, to create the means and incentives for the industrial sector to reconstruct and develop through adequate and longer term compensation and financing schemes, tax incentives and infrastructural support by the government. Therefore, it would become a major part of PFI's strategy to advocate for public sector recovery and the reconstruction of public roads, electricity grids and power supply networks to better support the industrial sector's development.

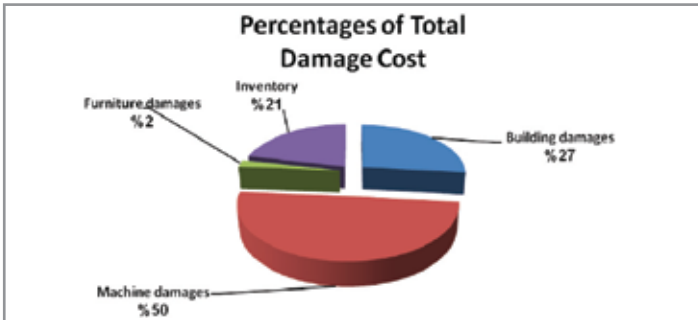
## FINANCING OPTIONS

As part of its effort to contribute to the PSCC-UNDP assessment, PFI's work included additional details on damages in inventory, structures, machinery and furniture. This level of detail would help draw priorities as to where to begin and where most of the cost and time requirements are. It also provides insight into possible types of financing programs best suited to enable the industrial sector's reconstruction and development.

PFI's field surveys and interviews with business and factory owners have yielded an initial estimate of damage totaling approximately USD 113 million. Of this amount, an estimate of USD 30 million, USD 56 million and USD 24 million were incurred in building and structures, machines and equipment and inventories, respectively.

While PFI implemented a carefully thought out methodology in surveying and data gathering, in cooperation with the PSCC-UNDP assessment team, it recognizes the importance of further verification of these figures. To this effect, PFI is currently in discussions and communication with UNDP in order to offer any cooperation necessary for verification. It must be noted, however, that having started so early after the ceasefire, PFI accumulated a significant amount of data which may no longer be possible to collect. This is due to the fact that some factory and business owners have begun cleaning up and the physical evidence of damage may not be in the same raw form it was in shortly after the war ended.





### Financing options include,

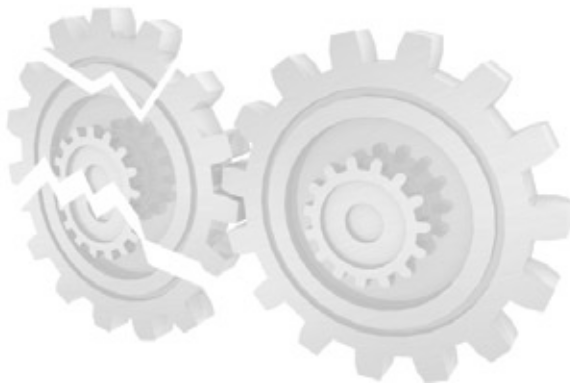
1. Rapid cash assistance to the private sector based on the PSCC-UNDP assessment. This would enable business and factory owners to begin whatever cleanup efforts within their reach and rehire skeleton workforces.
2. Government programs to subsidize the procurement of building materials especially cement and steel to enable the reconstruction of destroyed factories and businesses. Such a program would provide a significant incentive for businesses especially given that 27 percent of estimated damages are related to physical structures.
3. Commodity aid programs whereby factories are supported through the procurement and delivery of machinery and equipment to enable them to restart. With the percentage of machine and equipment damages estimated at 50 percent of the total, commodity aid programs would create a significant impact on the sector. Overtime, benefiting factories and businesses would repay the cost of the received equipment in scheduled payments and, therefore, grow the resulting revolving fund. This revolving fund would then be utilized to assist other businesses start up and would also be used repay the original funding source.
4. Working capital funds to cover rental, labor and other operational costs to help sustain businesses and factories in the first year of operation after reconstruction.

## PROPOSED IMMEDIATE STEPS & RECOMMENDATIONS

With the industrial sector entirely disabled and employment opportunities lost, the opportunity cost of continued stoppage multiplies at an alarming rate. Any time that is lost in the preliminary stages of prioritizing and planning reconstruction and development will translate into further delays over the normally expected lead times involved in ordering and procuring equipment and machinery and materials. The steps below are proposed to compile clear priorities and plans to streamline the attainment of requirements and expedite implementation. They could be carried out in the format of workshops and discussion groups facilitated by PFI and would also include private sector businesses outside PFI's scope. This would help disseminate information and advance cooperation across all groups within the private sector,

1. Continue research and reporting on the effects of the continued closure of Gaza's crossing points for most of the time. Additionally, concentrate on the effects of the inability of businesses and factories to import raw materials and export finished products. No reconstruction or development is possible without the free movement of goods and people.
2. Determine and/or update market profiles, capacity, demand and export opportunities.
3. Determine industry priorities based on feasibility to meet the requirements outlined as a result of market research.
4. Create an industrial map for the Gaza Strip to satisfy market demands, export opportunities considering the risks involved especially politically. Possibly consider the use of empty land that is allotted to industry instead of reconstructing factories in the same areas.

5. Create business resumption plans and workforce support programs to enable the reliable restart of businesses.
6. Take advantage of factories which are still present and especially ones related to agriculture. Explore ways to implement projects in the industrial sector to complement agricultural production. For example, implementing a project to support tomato growers would enable the continuation and expansion of tomato paste factories.



## ANNEX I – Profile of Two Severely Damaged Food & Beverage Companies

### Damage to Al-Wadia Group of Businesses & Factories

Al-Wadia Group was established in 1954. It includes a number of businesses and factories which produce a number of food and beverage products such as biscuits, potato chips, sweets, a variety of ice cream and other frozen products. The group also imports dairy products, frozen meat, tea, vegetable oils and soups. The group employs no less than 170 people and incurred the damage illustrated below between December 27, 2008 and January 18, 2009.



## Damage to Al-Bader Flour Mill Company

Al-Bader mills produced their first product on January 1, 2000. The company produced approximately 200 tons of flour per day and possesses a storage capacity of 15,000 tons of wheat. Al-Bader mills was the only company left which supplied the entire Gaza Strip with flour in the few days leading up to the war, and also during the air offensive on Gaza. The company employs about one hundred people and covers an estimated 50 percent of the local market's needs. The entire contents of the mill, including its equipment, as well as its upper floors – in a five story building - were burned and destroyed during the war on Gaza.



## ANNEX II - Profile of Two Severely Damaged Construction Companies

### Abu-Eida Ready Mixed Concrete Factory

The company was established in 1993 and includes three ready-mixed concrete factories. It is located in the Tuffah and Jabal Al-Rayyes area – close to the north eastern Gaza Strip, and employs a total of 75 administrative and skilled workers. The company's factories were leaders in the ready-mixed concrete business. They are all certified by the Palestinian Standards Institute (PSI) and are working towards ISO certification. They were totally destroyed including total damage to their equipment, trucks and other assets between Dec. 27, 2008 and Jan. 18, 2009.

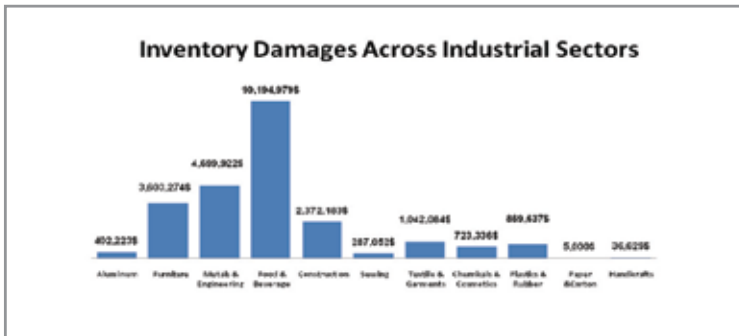
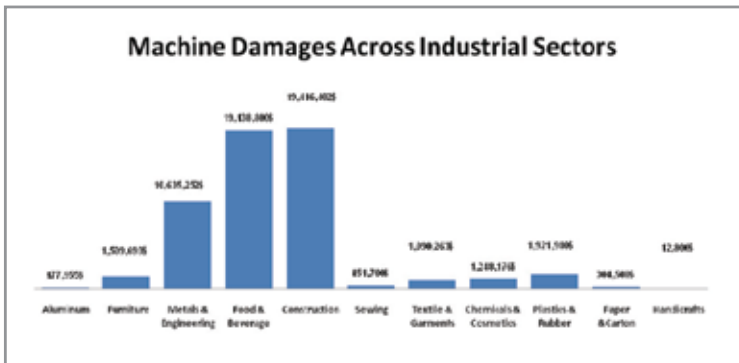
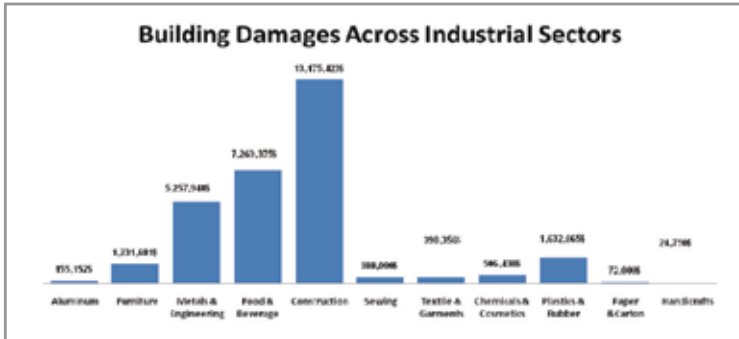


### **Atta Abu Jubbah - General Trading & Cement Packaging**

The company was established in 2006 after three years of equipment installation and setup by a specialized Turkish company. It is located in the north eastern Gaza Strip and employs a total of 65 administrative and skilled workers. The factory specializes in packaging cement and is the only one of its kind in the Occupied Palestinian Territories. It was destroyed by Israeli forces using Arial, mines, tank shells, helicopters and bulldozers.

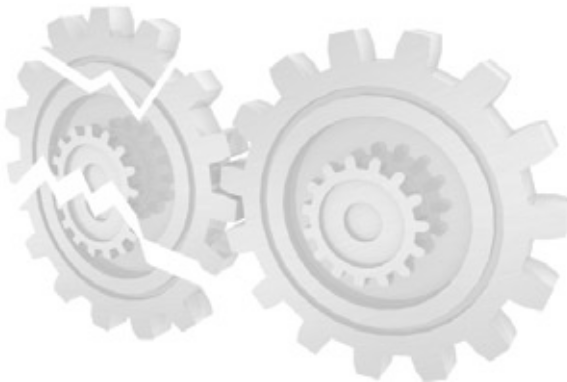
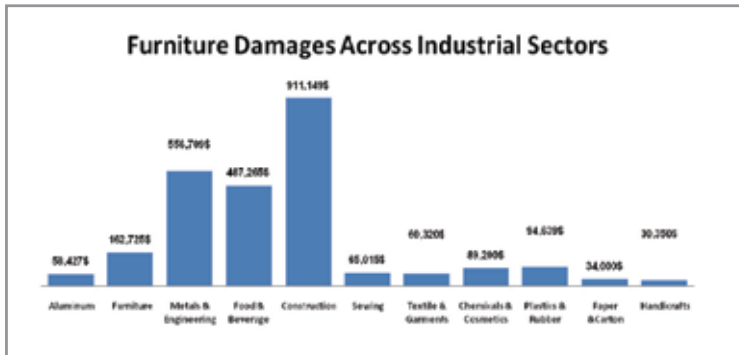


## ANNEX III – Damage by Type across Industrial Sectors





## ANNEX III – Continued



## ANNEX IV – Damage Values

Sector	Inventory damages	%	Furniture damages	%	Machine damages	%	construction damages	%	Total	%
Handicrafts	36,625 \$	35%	30,350 \$	29%	12,800 \$	12%	24,750 \$	24%	104,525 \$	0%
Paper & Cartoon	5,000 \$	1%	34,000 \$	8%	304,500 \$	73%	72,000 \$	17%	415,500 \$	0%
Plastic & Rubber	869,637 \$	19%	94,639 \$	2%	1,921,910 \$	43%	1,632,065 \$	36%	4,518,251 \$	4%
Chemical & Cosmetics	723,336 \$	28%	89,200 \$	3%	1,248,176 \$	49%	506,438 \$	20%	2,567,150 \$	2%
Textile & Garments	1,042,084 \$	40%	60,320 \$	2%	1,090,263 \$	42%	398,356 \$	15%	2,591,023 \$	2%
Sewing	287,052 \$	24%	65,015 \$	5%	451,700 \$	38%	388,000 \$	33%	1,191,767 \$	1%
Construction	2,372,183 \$	7%	911,149 \$	3%	19,416,402 \$	54%	13,175,423 \$	37%	35,875,157 \$	32%
Food & Beverage	10,194,979 \$	27%	487,265 \$	1%	19,138,800 \$	52%	7,269,375 \$	20%	37,090,419 \$	33%
Metal & Engineering	4,699,922 \$	22%	556,709 \$	3%	10,635,252 \$	50%	5,257,948 \$	25%	21,149,831 \$	19%
Furniture	3,603,274 \$	55%	162,725 \$	2%	1,509,693 \$	23%	1,231,681 \$	19%	6,510,077 \$	6%
Aluminum	402,223 \$	51%	58,427 \$	7%	177,955 \$	22%	155,152 \$	20%	793,757 \$	1%
<b>Total</b>	<b>24,236,315 \$</b>		<b>2,549,799 \$</b>		<b>55,907,451 \$</b>		<b>30,111,188 \$</b>		<b>112,807,457 \$</b>	

# ANNEX V – Damage claim form



## إستمارة حصر أضرار



<input type="checkbox"/> Partial / جزئي <input type="checkbox"/> total / كلي		نوع الأضرار / Damage type		اسم الشركة / Name of company	
المقاطعة / Section	البلدة / Land	المدينة / City	العنوان / Address		
ملكية فردية / Individual ownership		شركة مساهمة خاصة / Privately owned company		ملكية شركة / Ownership	
رقم الضريبة القيمة المضافة / VAT Number		رقم التسجيل / Position		اسم الشخص الذي يتصل به / Contact person	
اسم المالك / Name of owner		رقم الهاتف / Mobile	رقم الفاكس / Fax	رقم الهوية / ID Number	
معلومات عن ملكية الأرض / Information about land ownership					
تاريخ إصدار / Date of issue	مكان إصدار / Place of issue	رقم التسجيل / Certificate of registration	نوع الملكية / Land ownership		
تاريخ الإيجار / Rental Date	مدة الإيجار / Rental period	اسم المالك / Name of land owner	نوع الإيجار / Land rental		
رقم الهوية / ID No.	مكان إصدار / Place of issue	رخصة البناء / Construction License			
معلومات عن إنشاء المبنى قبل التدمير / Information about the establishment before destruction					
تاريخ إصدار / Date of issue		مكان إصدار / Place of issue		اسم المنشأة / Name of establishment	
تاريخ إصدار / Date of issue		مكان إصدار / Place of issue		وصف المنشأة / Description of establishment's work (Products)	
وصف الأضرار / Description of damage					
تاريخ حدوث الأضرار / Damage date		ملاحظات لجنة الحصر / Comments of the committee			
		تفاصيل الأضرار التي تلحق بالمبنى / Details of damage			



## ANNEX VI



Palestinian Federation of Industries  
الاتحاد العام للصناعات الفلسطينية



# The Gaza Industries After a year of siege

«Press Release»

Results, indicators and recommendations

September 9, 2008

A new study conducted by the Palestinian Federation of Industries (PFI) and Dar Elkhebra Company for Trade and Development revealed several indicators that reflect the horrible deterioration in the industrial sector in the Gaza Strip.

The industrial sector in the Gaza Strip employs approximately 20% of the labor force in the Gaza Strip.

The data collectors carried out the survey and conducted the study through individual meetings with the owners of the industrial establishments and companies or authorized person such as: director; general managers; executive directors. Thus, in briefing the results, when we say the «owners» it would mean one of the said figures.

The study tackles a representative sample for the ten major industrial fields. It also reflects the geographical variety in the governorates of the Gaza Strip; 61% of the sample carried out on companies in Gaza city; 17% in the Northern Governorate and 14% in the middle and southern areas.

In addition, the study tackles some industries running in different industrial environments; e.g. some of the companies work in industrial zones while others work in industrial compounds...etc.

Regarding time, the study focuses on the industrial sector after a year of the Hamas takeover of Gaza and Israeli tightened siege on the strip.

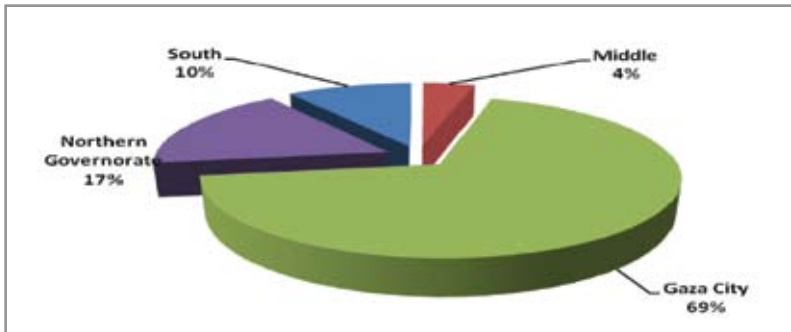
The goal of the study is to brief the decision makers, the concerned governmental and international bodies in addition to the local and international NGO>s about the situation of the industrial sector in Gaza and to put them upon their responsibilities to reconstruct the Palestinian economy in general and especially the industrial sector.

This study is the first one among a series the PFI and Dar Elkhebra is willing to conduct on the key economic sectors such as; agricultural; banking and trading.

**The study revealed the following important indicators:**

1. The study shows that 61% of the factories have completely closed down. 1% was forced to change their scope of work in order to meet their living expenses, 38% were partially closed (sometimes means they operate with less than 15% capacity).

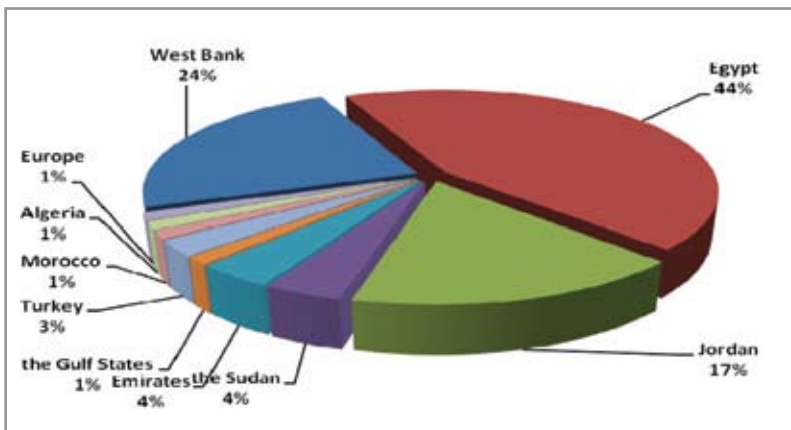
As for those who could not change their scope of work, the study states that they could not change it because the main industrial capital consists of machines and equipments which could not be easily converted to cash & sold or used in different sectors.



2. The results of the study reveal that 61% of the owners of Industrial companies and establishments do not think of relocating the base of their business out of Gaza, while 39% are considering relocating it.

44% of the owners of the companies and industrial establishments who think to move abroad are thinking to move into Egypt because of the historical relation

connects Egypt and the Strip as well as the old political and economic link which offers the (Palestinian) owners the knowledge about the Egyptian markets and because of good relations with Egyptian businessmen, 24% of the owners are thinking of moving their works to the West Bank. On this topic, we can say that most of those who think of moving to the West Bank have commercial contracts with the Israeli side, which means that the West Bank is the best place to abide by and carry out the contracts, 17% of the owners are thinking of moving to Jordan; while the rest(15%) think to move to Sudan, UAE, Turkey, Algeria, Morocco, Gulf countries or Europe.

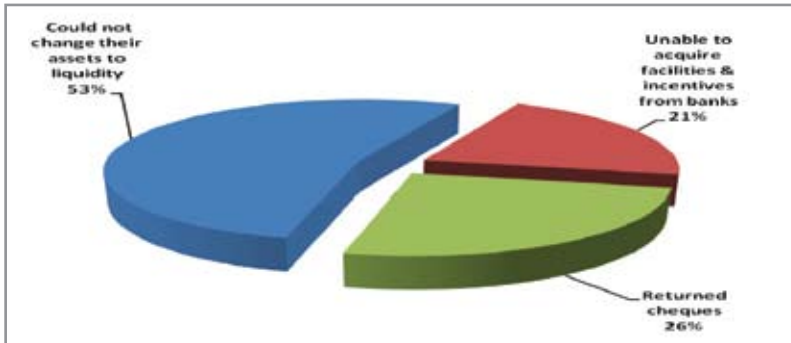


3. The study shows that 53% of the owners of the companies and industrial establishments say that the most financial problem they face is that they could not change their assets to liquidity.

21% of the owners say that the main fiscal problem they face is that they are unable to acquire facilities & incentives from the banks.

26% of the owners say that the main problem is the returned cheques.





4. The study shows that 60% of the companies and the industrial establishments reduced the percentage of labors to 91100%-.

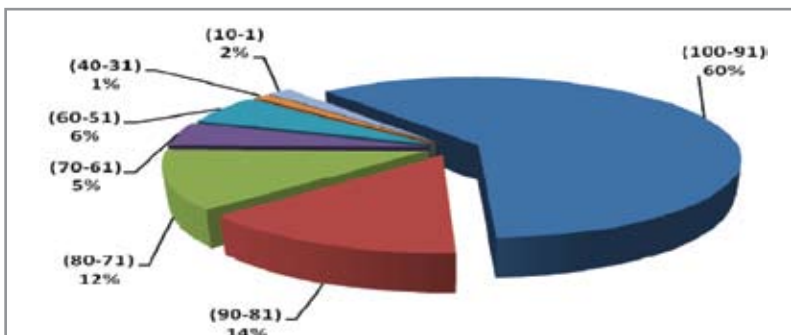
14% of the companies and the industrial establishments reduced the percentage of labors to 8190%-.

12% of the companies and the industrial establishments reduced the percentage of labors to 7180%-.

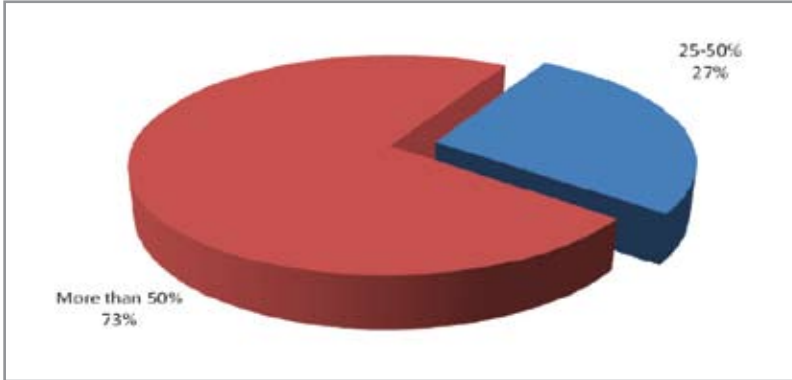
14% of the companies and the industrial establishments reduced the percentage of labors to less than 70%.

In other words; 82% of the factories laid off 60%, or more, of the labors, while 18% of the factories laid off less than 60%.

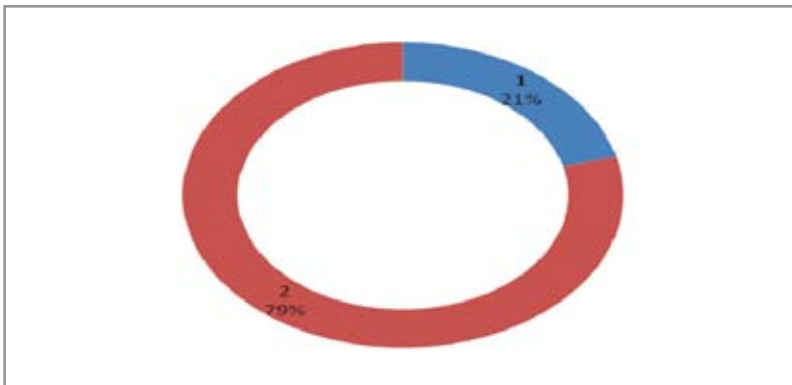
The total number of the workers at the factories of the sample was reduced from 5504 to 560, which means about 90%.



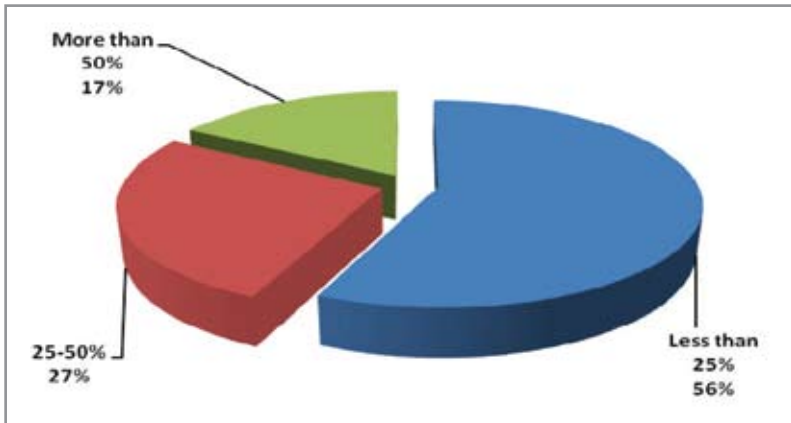
5. Regarding wages, the study shows that 73% of the companies reduced 50% or more of the wages, while 27% of the companies reduced 25-50% of the wages as a result of the partial workloads.



6. As for machines and equipments, 21% of the companies and the industrial establishments sold some of its machines and equipments while 79% did not sell any of its machines or equipments. But it does not mean that they did not sell any of their assets & belongings. In addition, this leads to the fact that they are depleting their lifetime savings.

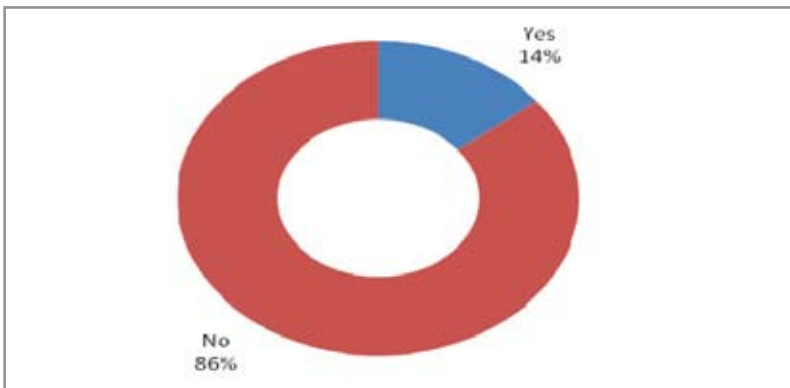


7. In continuation to the above, 57% of the companies sold 25% of its machines and equipments while 27% sold 25-50%. And it is obvious, according to the study, that the sold machines were secondary ones and had no strong impact on the resumption of work. But, 17% of the companies, which sold machines and equipments, sold more than 50% of its machines and equipments. For those who sold 50% were mainly in the sewing sector because the sewing machines are cheaper than the machines of other industrial products as well as the sewing machines could be used at homes for personal/ family use.

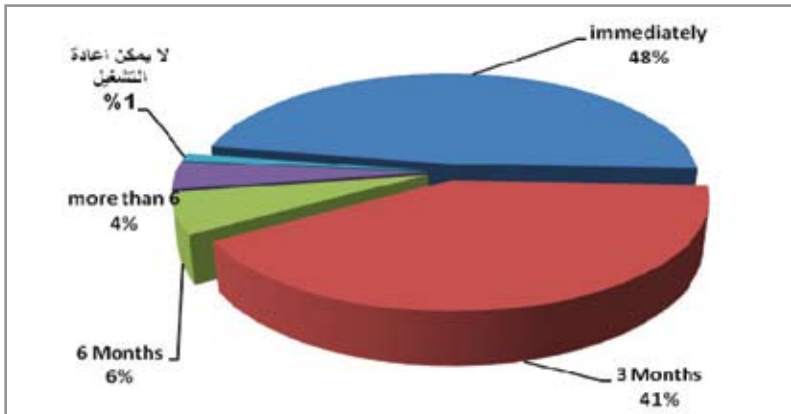


8. Regarding the prices of the products; 83% said that the prices of the products were changed in comparison with the period before the siege, and 17% say that the prices were not changed.
9. Other indicator shows 95% of the owners of the companies and the industrial establishments say that the raw materials for manufacturing are not available, while 5% say that the raw materials are available. 95% of them think that the prices of the raw materials have increased while 5% said the prices are the same.

10. Also 86% of the owners say that they have no alternative sources of the raw materials while 14% said they have. And the main alternative sources of the raw materials are the (illegal) tunnels connect between the Gaza Strip and Egypt. According to the study, this source is not reliable & durable source because of the difficulty of transferring materials beside the high prices they paid for the smugglers, responding to a question of «are the raw materials available from the alternative sources has the same quality and the same prices?», most of the owners said that there is a big difference in quality of the materials in comparison with the materials arrive from the regular sources. That is because of the lack of control or monitoring on specifications of the «received» materials through tunnels, the matter which differs from the materials that arrive through Israeli sources which is controlled by the Israeli specifications authority. In addition, the raw materials received through tunnels are very possible to be damaged or to lose some of its quality because of the (nonprofessional) way of storage & shipping and the time of (shipping).

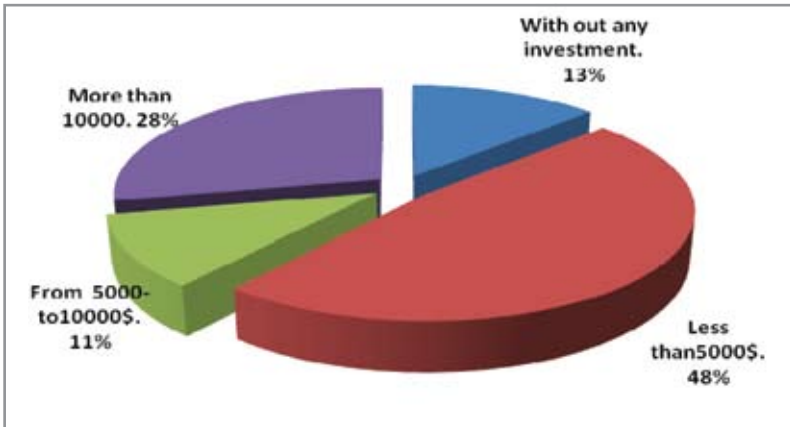


11. Regarding the readiness to resume work «regularly» (as it was before the siege), 48% of the owners said that they are ready to resume operation and production soon and without any delay. This matches with a high percentage of those who did not sell their machines or equipments directly used for the production line, 41% of the owners said that they need three months to resume work as it was before the closure. And this group is in need for such time to wait the order-and-delivery of the raw materials from the regular sources. Part of them, especially in the sewing sector, said that they need such time to re-contract with Israeli companies which used to import the products and 10% said that they need 6 months, or more, to resume their work regularly while 1% said that they cannot work anymore.



12. As for the needed capital for the resumption of work, 48% of the owners said that their companies/ industrial establishments need less than \$5000 for maintenance of machines and other arrangements. 28% said that they need more than \$10000 for maintenance of machines and other arrangements. 11% said that they need \$5000-1000-, while 13% are not in need for any amount to resume work.

In addition, the study shows that 66% of the owners have no more liquidity to re-operate their companies and factories, while 34% said they have the needed liquidity



13. The study shows that the majority of the companies and the industrial establishments have plans and programs to re-operate in the case of restoring stability. Less than 7% of the owners have no plan to re-operate their establishments because they are hopeless and 4% think that there is no need for a plan to re-operate.

## Recommendations:

### Recommendations relevant to the crossings and the freedom of movement of individuals and goods:

- 1- Pushing towards opening all the crossings relevant to individuals and goods as a priority to flourish the investment climate in the Gaza Strip.
- 2- Immediate negotiations must be launched to implement Rafah crossing agreement, especially the terms relevant to the goods.

- 3- To work hard for allowing the access of the raw materials to the Gaza Strip and to immediately export the ready & available products after coordination with representatives of the private sector.
- 4- Calling international bodies to observe & monitor the performance of the crossings in addition to reactivation of the role of the private sector in such observation.

### **Recommendations of fiscal aspects:**

- 1- Granting priority to pay the accumulated taxes revenues & debts of the industrial sector in Gaza due on the Palestinian National Authority.
- 2- Providing special banking facilities to the investors of the Gaza strip via industrial guarantee fund provide soft loans and direct financial support programs (for example exports support program).
- 3- Pushing forward to find a mechanism to collect due amounts on Israeli private sector owed to the Gaza private sector.
- 4- Supporting the banks to encourage reducing the accumulated interests on the private sector during the previous year.

### **Recommendations on reactivating the industrial activities:**

- 1- Launching programs for rehabilitation of worker force and promoting their existence among the man power of the industrial sector.
- 2- Forming an ad hoc committee to create the necessary mechanism, plans & intervention to overcome this serious crisis.

- 3- Launching a «parallel programs», such as machines maintenance programs, to help the factories to re operate machines.
- 4- Providing support programs such as «work resumption program». such program is a financial support facility of the factories which would like to resume production, bearing in mind that the study shows that 59% of the factories need less ten \$10,000 to maintain their machines or to buy raw materials in order to begin work and production.

### **Recommendations on legislations and procedures:**

- 1- Serious research on considering Gaza as Free Trade Zone (FTZ) in order to end the economic deterioration and to promote investment.
- 2- Formulating new economic agreements to encourage investment and to promote the Palestinian industry. These agreements should facilitate imports of production inputs from cheap sources as well as to encourage industrial exports from Gaza.
- 3- Encouraging the inter-regional trade between West Bank and the Gaze Strip as an attempt to support the Palestinian economy through economic integration.

### **Main Observations:**

- The Gaza Strip Industrial Sector could be re vitalized with 13- months of lifting the existing siege.
- The Gaza Strip Industrial Sector employs approximately 20% of the labor force, currently 90% are unemployed.
- Small financial interventions are needed to re vitalize the Gaza Industrial Sector, soft loans or grants or 510-thousand US\$ could re open more that 70% of the closed industries.