

Gaza Private Sector

Post-War Status and Needs



Preliminary Assessment Report
February 25th, 2009



Private Sector
Coordination Council
Gaza Governorates

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1. Overview:

Israeli forces conducted a major combined military operation in the Gaza Strip for a period of 22 days (December 27, 2008 – January 18, 2009), where “Israeli forces used aerial bombing, tank shelling and armored bulldozers to eliminate the productive capacity of some of Gaza's most important manufacturing plants during their 22 days of military action in the Gaza Strip”¹. A ceasefire was through on Jan. 18th, 2009, put a temporary end to the fighting, pending the conclusion of broader arrangements to sustain a ceasefire as envisaged in Security Council resolution 1860.

The operation resulted in extensive casualties and destruction of homes, livelihoods, and infrastructure. The Gaza private sector was hardly affected, where most industrial establishments, agricultural land and support infrastructure were either totally or partially destroyed and are currently unable to operate.

It is significant to note that the Gaza private sector situation prior this operation was not ideal and was heavily affected by the 18 months (June 2007 – December 2008) constraints by restrictions on amounts and types of good allowed through the borders, and total banning of export operations, leading to the closure of an estimated 95% of industrial establishments (i.e. 3750 establishments) and laying off 94% of workers (i.e. 33 thousands); and complete halt of construction works. The economic situation has been deteriorating since the year 2000 in the Gaza Strip, where private sector establishments were struggling to survive through continuous closure, stagnation and military incursions. The private sector direct damages incurred during previous Israeli incursions and air-strikes for the period from September 2000 to March 2007, were estimated at about US\$400 million (i.e. US\$332 million at agricultural sector, US\$37 million at industrial sector, US\$24 million at trade sector, and US\$5 million at tourism sector)². Nevertheless, the private sector establishments were always determinate to cope through changing environment to maintain operations and market presence. The current private sector needs in Gaza are extensive, and require a fast and effective response of development organizations and aid agencies, in order to re-activate the private sector operations.

As the representative of the private sector in Gaza, the Private Sector Coordination Council (PSCC), which is comprised of the major private sector associations in Palestine, PSCC has:

1. Participated in the efforts led by the UN Country Team, represented by UNDP, in assessing and documenting damages of private sector establishments.
2. Implemented a quick assessment scan of damages and needs with the representatives of industrial and agricultural associations.

The preliminary results of the ongoing efforts are presented below:

2. UNDP-PSCC Preliminary Assessment Results

The UNDP-PSCC preliminary damage assessment results (up-to-date) revealed that around **700 private sector establishments** were damaged (partially and fully) during the last war on Gaza, and mainly during the ground invasion, the preliminary value for direct physical damages was estimated at around **US\$140 million** (not including agricultural damages). The final assessment results are expected to be released within two weeks.

Methodology: The damage assessment process was announced by the PSCC organizations to its member establishments all over the Gaza Strip, where private sector establishments were requested

¹ The Independent Newspaper, Issue date: 26 Jan. 2009

² PECDAR, 2007

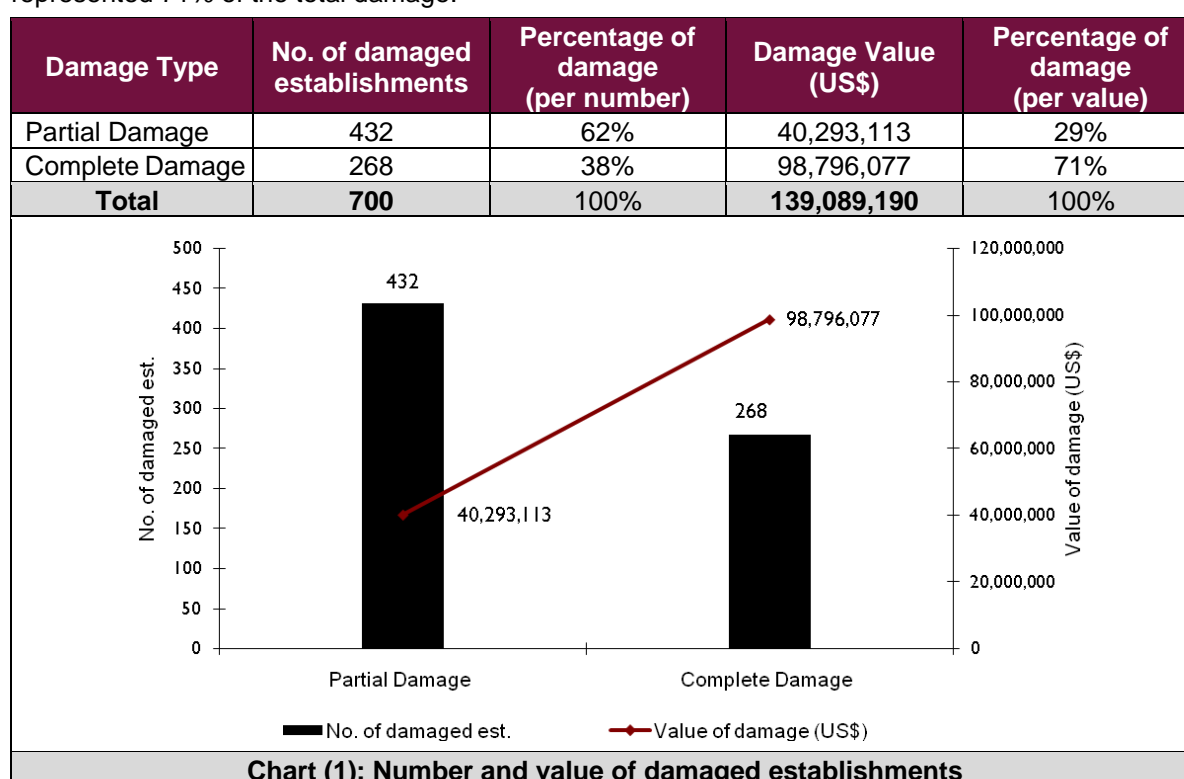


to claim their damages at the offices of the PSCC organizations, and accordingly to fill out the agreed upon assessment form. The methodology and sequence of progress was reported as follows:

1. More than 700 establishments claimed damages; 268 complete damages and 432 partial damages;
2. Claimed damage values of 673 establishments were calculated at US\$183 million, while damages of 27 establishments were not financially claimed;
3. Around 150 establishments were assessed by the UNDP field engineers/assessors, where the percentage of overstatement was estimated at 40% for partial damages and 25% for complete damages;
4. The overstatement percentage was deducted from the total claimed damage value, and the non-financially claimed damages were estimated based on the revealed averages;
5. Preliminary values for private sector “up-to-date” damages were estimated accordingly, and demonstrated in the figures below, while the complete assessment results will be finalized within two weeks.

2.1. General Estimates for Private Sector Damages:

Most of the establishments were partially damaged (62%), while the total value of complete damage represented 71% of the total damage.



2.2. Sector-based Estimates for Private Sector Damages:

The industry sector was the most damaged in terms of number and value, where 297 establishments were damaged, causing losses of more than US\$84 million, followed by the trade sector (including small shops/ stores), which reported preliminary damages of about US\$24 million (18% of total damage value).

#	Damaged Sector	No. of damaged establishments	Percentage of damage (per number)	Damage Value (US\$)	Percentage of damage (per value)
1	Industry	297	42%	84,209,712	61%
2	Trade	247	35%	24,909,289	18%
4	Contracting	58	8%	6,013,138	4%
5	Tourism	39	6%	2,555,857	2%
6	Fuel	19	3%	5,555,169	4%
7	Others	40	6%	15,846,023	11%
	Total	700	100%	139,089,188	100%



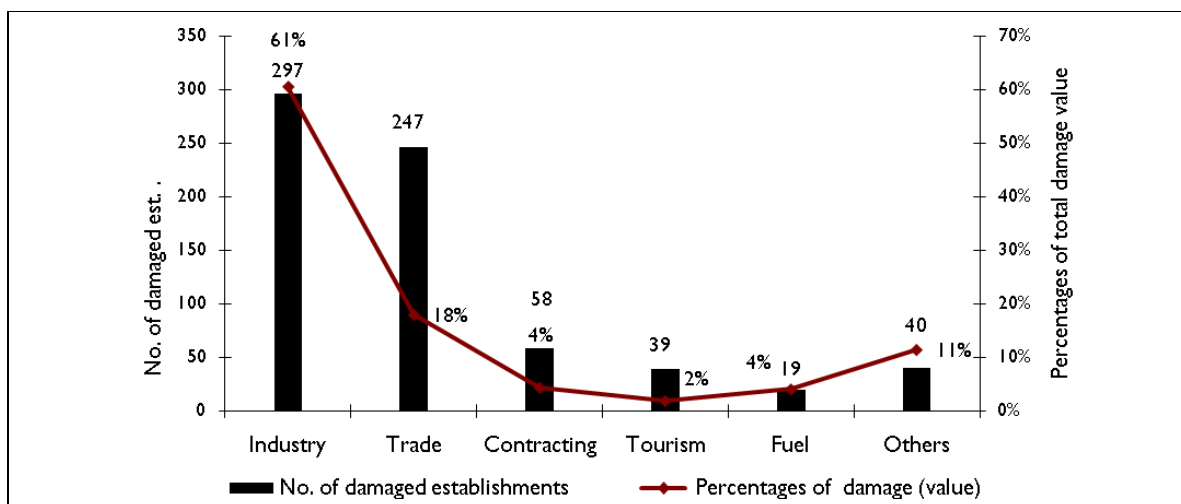


Chart (2): Numbers and percentages of total damage value

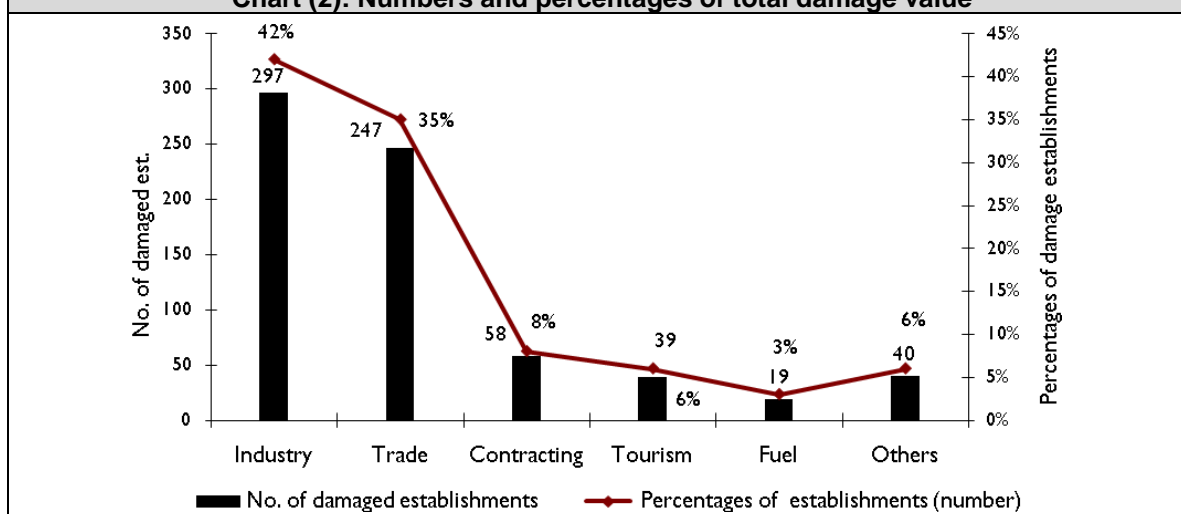


Chart (3): Numbers and percentage of damaged establishments

2.3. Estimates of Industrial Sub-Sectors' Damages

The metal sub-sector was the most damaged in terms of number (i.e. 120 establishments), followed by the construction sub-sector (i.e. 61 establishments), while the construction sub-sector becomes the first affected in terms of value, followed by the food sub-sector, where the preliminary damages of the sub-sectors were estimated at about US\$27.7 and US\$24 millions respectively.

#	Damaged Sub-Sector	No. of damaged establishments	Percentage of damage (per number)	Damage Value (US\$)	Percentage of damage (per value)
1	Metals	120	40.4%	19,264,702	22.9%
2	Construction materials	61	20.5%	27,713,613	32.9%
3	Furniture	49	16.5%	4,454,862.00	5.3%
4	Chemical	19	6.4%	2,522,046.75	3.0%
5	Plastic	14	4.7%	3,908,175.75	4.5%
6	Textile	12	4.0%	2,048,172.00	2.3%
7	Food	10	3.4%	23,972,963.25	28.5%
8	Garment	8	2.7%	162,862.00	0.2%
9	Handicraft	3	1.0%	156,375.00	0.2%
10	Papers	1	0.3%	6,000.00	0.0%
Total		297	100%	84,209,772	100%



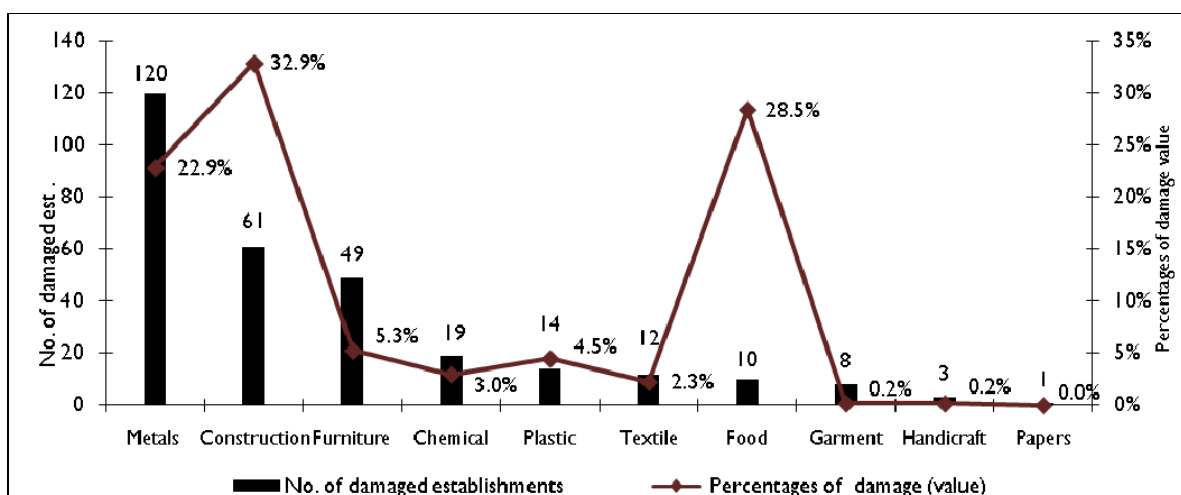


Chart (4): Numbers and percentages of damage value at industrial sub-sectors

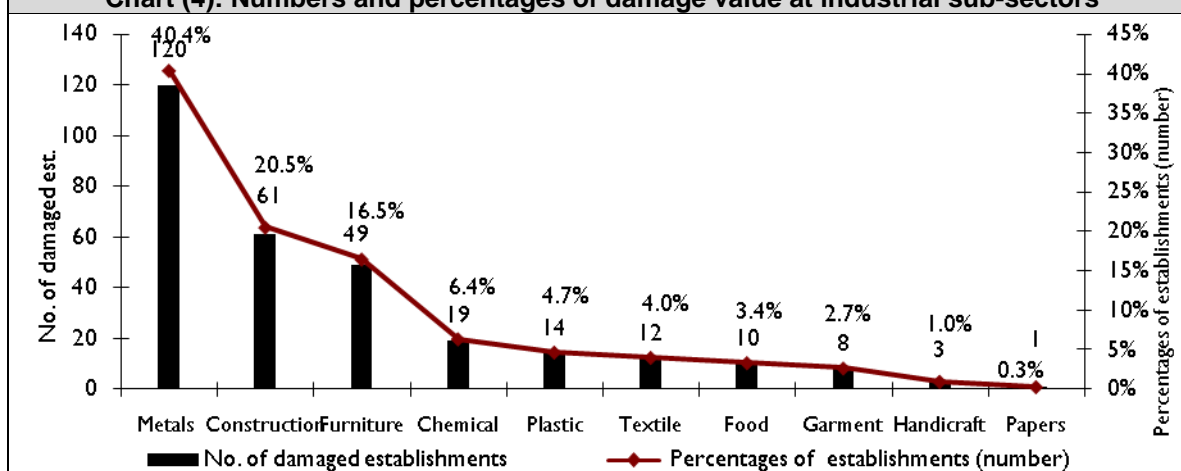


Chart (5): Numbers and percentages of damaged establishments at industrial sub-sectors

3. Quick Assessment Scan Results

On a parallel track, a quick assessment scan³ of damages and needs was carried out in cooperation with the representatives of industrial and agricultural associations (mainly Processed Food, Chemical, Construction materials, Plastic, Textile & Garment, Handicraft, ICT, Furniture and Agricultural), and aims to identify current status of local sectors, as well as needs on the immediate and short terms.

3.1. Current Working Establishments:

Activities of the handicraft, textile, construction, and paper sectors are completely halted and establishments are shut down; due to severe damages and/or unavailability of raw materials. Only **258** private sector establishments (out of more than 2,400 establishments in 2006) from the key sectors in the Gaza Strip are partially operating, employing around **1878** workers⁴ (out of more than 65,000 workers in 2006).

The following table illustrates approximate estimates for the current working establishments and employed workers at key sectors in the Gaza Strip:

Sector	Food	Chemical	Plastic	Eng. and Metal	Furniture	Garment	ICT	TOTAL
No. of Establishments	16	18	10	20	30	10	154	258
No. of Workers	600	50	25	60	70	110	963 ⁵	1878

³ PalTrade's "Quick Assessment Scan" for private sector, (10 Feb, 2009).

⁴ Estimates were provided by relevant private sector associations.

⁵ Including Paltel Group that employs 713 workers (i.e. 203 at Jawwal, 470 at Paltel, 25 at Hadara, 10 at Palmedia, and 5 at Paltel Group / PR and investors' relations).



3.2. Sectors' Snapshot [Highlighted Impact]:

A- Industry:

- Capacity utilization barely reaches 20-30% of total capacity in the working establishments, and depending on previously stored raw materials that are currently not allowed to cross into Gaza, this indicates possible shut down of establishments once materials are consumed. Capacity utilization reaches 50% at food processing factories.
- The seven main textile producers were harshly damaged and accordingly shut down.
- The four main beverages factories in the Gaza Strip were damaged (i.e. Pepsi Co, Mecca Cola, Gaza Juice Factory and Star - Top Cola).

B- Construction Materials:

The construction materials establishments are considered the vehicle of re-building the Gaza Strip, and thus an in-depth analysis was included to further illustrate the current status and needs of the sub-sector.

Damage size: The construction materials sub-sector was harshly affected during the war on Gaza, the preliminary damage value in the sub-sector was estimated at US\$27 million; where 20 ready-mix-concrete factories were damaged (out of 29 available factories), causing 70% loss of the sub-sector's potential capacity; another 39 establishments were damaged to affect integrated construction activities. The following table illustrates the size of damage in the sub-sector's establishments:

Type	No. of damaged establishments	Percentage of damage (number)
Brick and block	22	10%
Ready-mix-concrete	20	70%
Marble	5	5%
Tiles (incl. Interlock)	4	18%
Others	10	
Total damaged establishments	61	

Rehabilitation: Unaffected establishments need maintenance and rehabilitation interventions, where activities in this sub-sector were mostly halted since June 2007. Job-creation and support programs are also inevitable to rehabilitate and incubate skilled workers.

Supplementary sectors: Some supplementary sectors were affected during the war, such as: wood and plastic, aluminum and glass, finishes and furnishings, mechanical and engineering. These sectors need to be assessed and restored, so as to have an integrated operation in the construction materials cluster.

Needed raw materials: analysis for the crossing volumes of construction materials imports into the Gaza Strip prior to recent escalations (baseline: Dec. 2005) reveals that average number of daily construction materials imports was around **400 truckloads**⁶ (i.e. 315 aggregates, 69 cement and 16 metal truckloads). Nevertheless, the current needed volumes are expected to increase; based on the Gaza re-building size and requirements.

C- Agriculture:

- The preliminary losses of the agricultural sector in the Gaza Strip, which includes: crops, fisheries, livestock and poultry subsectors, are estimated at **US\$170 million**⁷.
- Almost **60% of agricultural lands** were destroyed, leading to total halting of agribusiness operations, where almost 40% of agricultural lands were completely destroyed during the aggression, while 20% were indirectly damaged by inadequate irrigation during the war (due to inaccessibility to land). Rehabilitation and planting of land is not possible due to unavailability of needed materials (e.g. fertilizers, seeds, seedlings, etc), and the need to test the validity of soil after being exposed to poisonous artillery materials (e.g. phosphorous, uranium, etc).
- The strategic effect is expected in the shortages of locally-produced and affordable vegetables in the local market; due to limited agricultural production.

⁶ PalTrade's Trade Monitoring Database.

⁷ UNDP preliminary results for the agricultural sector damages.



4. Immediate and Short-Term Needs [preliminary⁸]:

In this context, PSCC has summarized the needs of the private sector companies, which are mainly calling for immediate relief and assistance, as well as multi-level advocacy efforts to restore movement and access for people and goods, and assessing re-building and development opportunities for the key sectors. The following needs are proposed in the immediate and short terms:

4.1. Financial:

- 1- Provide immediate cash assistance support (grants) to damaged establishments, so as to enable immediate recovery process.
- 2- Provide coverage for establishments' working capital (i.e. labor, admin support and partial operational costs).
- 3- Provide compensations in terms of support grants to damaged establishments, and based on the documented damage assessment by the PSCC-UN country team.
- 4- Support local banks to provide secured interest-free loans to local businesses for both re-operation and restoration purposes.
- 5- Support local banks to re-schedule outstanding loans; giving beneficiaries' extended grace period and installment plans, as well as writing-off compounded interest amounts.

4.2. Advocacy:

- 6- Consider the private sector, represented by PSCC organizations in the Gaza Strip the main channel and reference for re-building and developing the private sector in the Gaza Strip.
- 7- Open cargo terminals in both-ways; giving priority for construction materials, industrial raw materials and machinery, so as to activate re-building process.
- 8- Ensure proper and continuous transfer of cash "to and from" the Gaza Strip banks.
- 9- Ensure proper and continuous movement and access for businessmen through various passengers' crossings.
- 10- Call upon the international community to guarantee sustainable business activities - after the re-building phase; eliminating possibilities for future military aggressions.
- 11- Give a preferential position for local producers and traders in the procurement of international and local organizations; mainly during the re-building phase, and as part of an ongoing development process.
- 12- Study and prioritize the immediate crossing needs of various products and quantities "on both ways" with related bodies, and based on the private sector's capacity and interests.
- 13- Form a borders/crossing committee comprised of Gaza private sector, PA and international body to monitor the cargo movement and access based on potential agreements.

4.3. Technical:

- 14- Assess, restore and activate the construction cluster (e.g. construction materials, furniture, metal, plastic, etc), which are crucial for the upcoming re-building phase.
- 15- Provide emergency aid for the agricultural sector, which includes distribution of input packages (including seeds, seedlings, fertilizers, feed and veterinary kits) to kick-start plant, livestock, aquaculture and household food production for the coming spring season. Aid interventions should also focus on repairing damaged greenhouses, animal sheds, irrigation networks and water wells.⁹
- 16- Conduct a private sector assessment to develop a strategic business approach for resilience in the marketplace, and based on possible scenarios.
- 17- Rehabilitate and support the administrative and technical staff of local companies through specialized job-creation and support programs.
- 18- Organize and implement specialized capacity building programs that target the different levels of private sector personnel.
- 19- Develop and implement creative information technology initiatives, such as export of IT services, export of engineering services, and information technology diffusion.

⁸ The immediate and short term needs do not necessarily reflect all needed assistance, where PSCC is continuously working with the private sector organizations to identify and communicate evolving needs.

⁹ FAO Brief on Gaza, (23 Jan, 2009).





Private Sector Coordination Council - PSCC
Member Associations

Palestinian Chamber of Commerce
Palestine Trade Center (PalTrade)
Palestinian Shippers' Council (PSC)

Palestinian Federation of Industries (PFI)
Palestinian Contracting Union (PCU)
Palestinian IT Assoc. of Companies (PITA)
Palestinian Hotels Assoc.

Palestinian Businessmen Assoc. (PBA)
Petrol Stations' Owners' Assoc.
Palestinian Banking Assoc.