



الاتحاد العام للصناعات الفلسطينية
Palestinian Federation of Industries



Status of the Industrial Sector in The Gaza Strip

one year under siege

Press Release

Results, indications and
recommendations
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A new study conducted by the Palestinian Federation of Industries (PFI) and Dar Elkhebra Company for Trading and Development revealed several indications that reflects 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 any 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.

Regarding time, the study focuses on the industrial situation through a year after Hamas controlled Gaza and Israel tightened its 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 industrial situation in Gaza and to put them under 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 stopped. 1% was forced to switch its work in order to be able to resume the daily living while 38% were partially closed.

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

- 2- The results of the study reveal that 61% of the owners of companies and industrial establishments do not think of re locating the place of work out of Gaza, while 39% are considering re locating.
- 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 with 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; 4% to Sudan; 4% to UAE; 3% to Turkey; 1% to Algeria; 1% to Morocco; 1% to the Gulf countries and 1% to 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 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 91-100%.
- 14% of the companies and the industrial establishments reduced the percentage of labors to 81-90%.
- 12% of the companies and the industrial establishments reduced the percentage of labors to 71-80%.
- 14% of the companies and the industrial establishments reduced the percentage of labors to less than 70%.
- In other words; 82% of the factories gave up 60%, or more, of the labors, while 18% of the factories gave up less than 60%.
- The total number of the workers at the factories of the sample of the study was reduced from 5504 to 560, which means around 90%.
- 5- Regarding wages, the study shows that 73% of the companies reduced 50% of the wages for more, while 27% of the companies reduced to 25-50% as a result of the partial work.

- 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. In addition, this leads to the fact that they are depleting their lifetime savings.
- 7- In the same topic in number six, 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.
Those who sold 50% were mainly in the sewing sector because the sewing machines are cheaper than the machines of industrial (bigger) products as well as the sewing machines could be used at homes for personal/ family daily life.
- 8- Regarding 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- 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 material available. 95% of them think that the prices of the raw materials rise while 5% said the prices are the same.
- 10- 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 the study, it is not easy for the factories to depend on the tunnels as a real and lasting source because of the difficulty of transferring materials beside the high prices they paid for the smugglers.

Responding on 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 there is no control, monitoring, or observation on specifications of the "received" materials through tunnels, the matter which differs from

the materials from the Israeli sources which controlled by the Israeli specifications. 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 and the time of (shipping). For example, some materials are not allowed to be stored in the sun or not allowed to be shaken strongly, or to be magnetic for dust.

Regarding prices, most of the owners said that the prices arrives through the tunnels are so high in comparison with materials from the regular sources (crossings or importing from abroad).

- 11- Regarding the readiness to resume work "regularly" (as it was before the siege), 48% of the owners said that they are ready to work and resume production soon and without any obstacles. This matches with a high percentage of those who did not sell their machines or equipments directly relevant to the procedure of production.

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 for waiting the order-and-delivery of the raw materials from the regular sources and its arrival through Gaza crossings.

A 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.

10% said that they need 6 months, or more, to resume their work regularly while 1% said that they could not 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 machines and other arrangements.

28% said that they need more than \$10000 for maintenance machines and other arrangements.

11% said that they need \$5000-1000, while 13% are not in need for.

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.

- 13- The study shows that the majority of the companies and the industrial establishments has plans and programmes to rework 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 rework.

Recommendations:

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

- 1- Working for 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 a 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 products after coordination with representatives of the private sector.
- 4- Calling international bodies to observe the performance of the crossings in addition to reactivation of the role of the private sector in such observation.

Recommendations of the fiscal aspects:

- 1- Granting priority to pay the accumulated debts of the industrial sector in Gaza on the Palestinian National Authority also, to the taxes revenues.
- 2- Providing special banking facilities to the investors of the Gaza strip via the industrial guarantee fund, provide soft loans and direct limited financial support programs(program for supporting exports).
- 3- Pushing forward to find a mechanism to collect and withdraw money of the Gaza private sector on the Israeli 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 activity:

- 1- Launching programs for rehabilitation of workers and promoting their existence among the man power of the industrial sector.
- 2- Forming a committee to create a mechanism of intervention to bypass this serious crisis.

- 3- Launching a "parallel programs", such as maintenance programs, to help the factories to re operate machines.
- 4- Providing support to programs such as "grant of undertaking the production. This program (is suggested to) financially supports 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 Gaza as Free Trade Zone (FTZ) in order to end the economic deterioration and to promote investment.
- 2- Forming new economic agreements to encourage investment and to promote the Palestinian industry. These agreements should facilitate incomes for productions from cheap sources as well as to encourage industrial exports from Gaza.
- 3- Encouraging the domestic trade in the province of West Bank and the Gaze Strip as an attempt to support the Palestinian economy through economic integration.

Observations:

The Gaza Strip Industrial Sector could be re vitalized with 1-3 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 of 5-10 thousand US\$ could re open more than 70% of the closed industries.