



PALTRADE

مركز التجارة الفلسطيني - بال تريد
PALESTINE TRADE CENTER

Gaza Strip

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GLOSSARY:

Gaza Crossings: For the names and brief overviews of the Gaza crossings referred to in this report, see Annex 3.

Time Periods: The report refers to time periods associated with policy changes and periods of relative calm or unrest. In some instances, actual time periods are denoted, such as June 2007. In other cases, they are referred to by names associated with major events or conditions, such as Closure or Truce. For a description of these, see Annex 4.

AMA	Agreement on Movement and Access, signed on November 15, 2005 http://www.eubam-rafah.eu/portal/node/11
Basic Commodities	Wheat, flour, rice, sugar, cooking oil, and other non-luxury food supplies.
Closure days , Scheduled	Days during which a crossing is normally scheduled to be closed. This includes official holidays and, in most cases, Saturdays.
Closure days, Unscheduled	Days in which a facility is closed for unusual or unexplained reasons. This includes closures for security reasons.
Conveyer Belt	This refers to a conveyor belt at the Al Montar Crossing which was used before the closure on June 2007 exclusively for transferring aggregates from the Israeli to the Palestinian side. Currently, the conveyer belt is the only facility functioning at Al Montar and is used for transferring grains including wheat, pulses, seeds, and animals feed into Gaza.
Commercial Goods	Goods that are imported by commercial establishments in the private sector, and are distributed through commercial outlets in the open market.
Exports	Truckload movements outbound from the Gaza Strip, regardless of destination.
Humanitarian Goods	Basic foods (e.g. rice, cooking oil, etc.), medicines, and other goods brought in by humanitarian agencies.
Imports	Truckload movements inbound to the Gaza Strip, regardless of origin. Includes both commercial and humanitarian goods.
Scheduled days for operations	Total days in a month less Scheduled Closure days
Tunnels	Underground passages between the Gaza Strip and Egypt used for the informal transfer of goods. Use of tunnels increased after the June 2007 closure.

PERFORMANCE SUMMARY

CROSSINGS SUMMARY

During this period (August – September, 2010), imports marked a total of 8,510 truckloads of commercial and humanitarian freight entered into Gaza representing 41 % of the pre-closure average import levels. The large majority of these truckloads were food and animal feed (51%), and (7%) of these truckloads were designated for humanitarian aid agencies. Consumer items continue to mark the majority of imported goods. However, entry of new items continue to follow into Gaza with the entry of private cars, car tires, woodworking, and sesame machines for the first time since June 2007.

Notwithstanding the new Israeli policies in Gaza, Israel still bans exports from Gaza (to the West Bank, Israel and the rest of the world) causing the scale of economic activity to remain heavily dependant on domestic demand. Therefore, the ban is indirectly and negatively affect the economic activity taking into consideration that the domestic demand is constrained by the low purchasing power of the population and the relatively small size of the local market.

Al Montar Crossing Conveyer Belt was open for 15 days (about 31% of the scheduled days of operation) and processed imports of 1,276 commercial truckloads of wheat and animal feed (15 % of total imports).

Karem Abu Salem Crossing was open for 41 days (about 82% of scheduled days of operation) and processed imports of 7,234 truckloads, primarily consisting of consumers items.

Sufa Crossing was closed during this period, as it has been closed since September 12 ,2008. There are indications that Israel intends to stop using this facility entirely. ¹

Fuel Movement during this period, Nahal Oz Entry Point was totally shut down and fuel transfer to Gaza Strip has been shifted to Karem Abu Salem Crossing. A total of 113,950 liters of petrol and 505,739 liters of diesel for UNRWA were processed into Gaza Strip. In addition, 13 ,3million liters of industrial gasoline for the Gaza Power Plant (GPP) and 6.3 million kg of cooking gas were processed into Gaza Strip. These imports are markedly below estimated needs, particularly regarding imports of cooking gas. For more information, see Fuel Import Performance in page 6 of this report.

Egyptian petrol and diesel, which are transferred through the tunnels under the Gaza-Egypt border, remain available on the open market with nearly 100,000 lit of diesel and 100,000 lit of petrol are being transferred into Gaza per day. There were no reports of cooking gas being piped through the tunnels

¹ OCHA Field Update on Gaza from the Humanitarian Coordinator, Jerusalem, 10 - 16 March 2009.

SECTION 1: CROSSINGS' PERFORMANCE

A CROSSINGS' OPERATIONS

A-1 Al Montar Crossing (Conveyer belt)

Al Montar Crossing was opened for 8 days in August and 7 days in September, 2010. Table 1 below presents the operating days and cargo movements during August and September, 2010.

Table (1): Summary of the Performance at Al Montar Crossing during August - September 10.

	Aug-10	Sep-10
Scheduled days for operations	27	22
Scheduled closure days ¹	4	8
Unscheduled closure days ²	19	15
Actual days for operation	8	7
Total exports (truckloads)	0	0
Total imports (truckloads)	815	461
Humanitarian imports (%)	0%	0%
Commercial imports (%)	100%	100%
Average daily import volume (truckloads) when open	102	66
Average daily import volume (truckloads) for all days scheduled for operations	30	21

A-2 Karem Abu Salem Crossing

Karem Abu Salem Crossing was opened for 23 days in August and 18 days in September, 2010. Table 2 below presents the operating days and cargo movements during August and September, 2010.

Table (2): Summary of the Performance at Karem Abu Salem Crossing during August - September 10.

	Aug-10	Sep-10
Scheduled days for operations	27	22
Scheduled closure days ¹	4	8
Unscheduled closure days ²	4	4
Actual days for operation	23	18
Total exports (truckloads)	0	0
Total imports (truckloads)	4,205	3,029
Humanitarian imports (%)	5%	8%
Commercial imports (%)	95%	92%
Average daily import volume (truckloads) when open	183	168
Average daily import volume (truckloads) for all days scheduled for operations	156	138

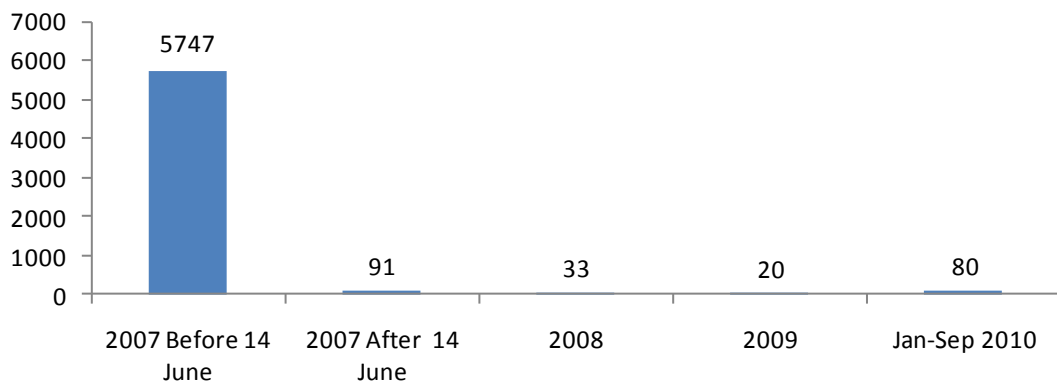
¹ Crossings were closed on Saturdays and holidays. On Sep. 12, crossings were closed due to Islamic holidays and on Sep. 9, 23, and 30 crossings were closed due to Jewish holidays.

² Karem Abu Salem was closed for security reasons and Al Montar was closed for unknown reasons

SECTION 1: CROSSINGS' PERFORMANCE continued**B CARGO ACTIVITY****B.1- Export Activity**

No export activity has taken place since April 2010. Figure 1 below illustrates the annual export trends from June 2007 to September 2010.

Figure (1): Total Annual Export Volume (by truckloads)



SECTION 1: CROSSINGS' PERFORMANCE continued

B CARGO ACTIVITY continued

B.2- Import Activity

A total of 8,510 truckloads entered into the Gaza Strip during this period (5,020 truckloads in Aug and 3,490 in Sep). Since June 2007, import volumes have been between 19% and 41% of pre-closure levels (see Figure 2). Although the volume and variety of imports have increased after the new Israeli policies in Gaza since June 20, 2010, import volume is still representing 41 % of the monthly average of truckloads that entered into Gaza before the imposition of the blockade in 2007.

Figure (2): Imports into Gaza during Aug – Sep 10 Versus Monthly Averages of Different Periods (truckloads)

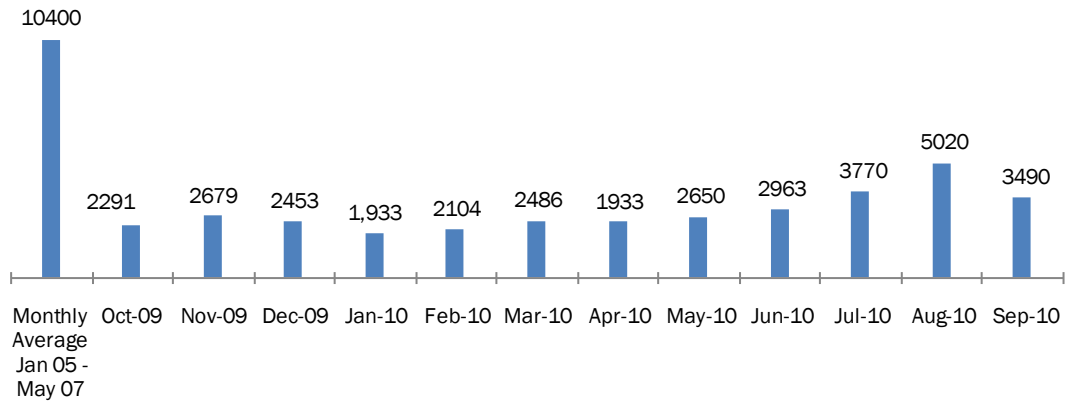
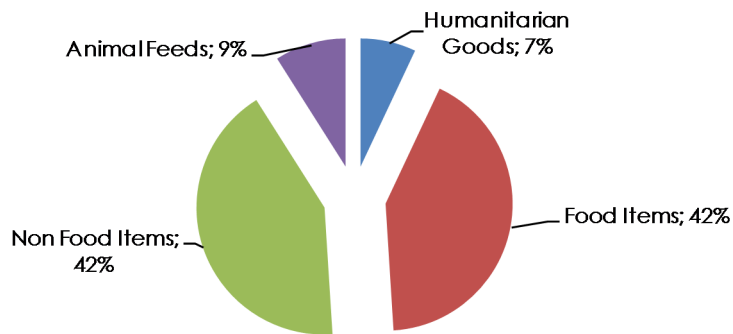


Figure (3): Types of Imported Goods during Aug – Sep,10 through All Crossings.



Non Food Items include:
 Nylon, Agricultural Fertilizer, Veterinary Medicine, Egg’s Carton, Medical supplies, Chlorine, Agricultural Materials, Glass, Wood, clothes, Shoes, Aluminum, cars ,auto parts, equipments ,motor oil , toys ,kitchen kit, stationary, home appliances, cloth fabrics, cosmetics products, mattresses, construction tools, furniture, sanitary tools, equipments, personal care and empty cans, cartons, and others.

SECTION 1: CROSSINGS' PERFORMANCE continued

C FUEL IMPORTS PERFORMANCE

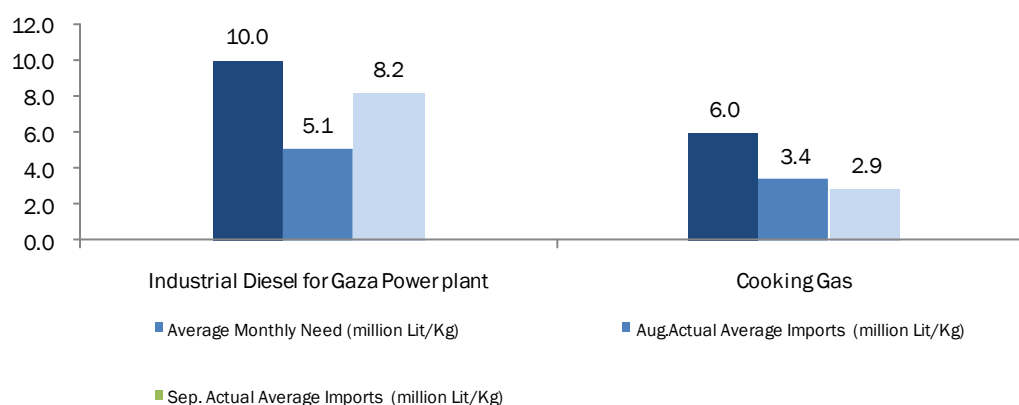
On January 1, 2010, the Israeli authorities announced that the Nahal Oz Entry Point, which was used for the transfer of fuel from Israel to Gaza, is no longer operational (totally shut down). Subsequently, fuel imports has been shifted to Karem Abu Salem Crossing ever since. No Israeli petrol or diesel entered Gaza during this period (Aug –Sep. 2010), with the exception of 113,950 liters of petrol and 505,739 liters of diesel for UNRWA.

Nevertheless, the Gaza marketplace is still mostly reliant on the fuel being transferred from Egypt through the tunnels under the Gazan-Egyptian border (due to its availability and cheap prices). As per the UN-OCHA report, the rate of these movements through the tunnels is nearly 100,000 liters of diesel and 100,000 liters of petrol per day ⁽¹⁾.

Moreover, Cooking gas imports were only around **53%** of average needs while industrial gasoline imports for the Gaza Power Plant (GPP) were only around **68%** of average needs during this period. (see figure 4 below)

Table (3): Summary of Fuel and Gas Imports during August – September 10.

Type	Aug -10	Sep-10
	Karem abu Salem	Karem abu Salem
Petrol (liter)	82,950	31,000
Diesel (liter)	505,739	0
Industrial Gasoline (liter)	5,416,949	8,239,847
Cooking Gas (kg)	3,453,334	2,902,440

Figure (4): Illustration of Average Fuel Needs⁽²⁾ vs. Actual Fuel Imports

⁽¹⁾ Source: Protection of Civilians: 12-18 September 2009 UN OCHA oPt

⁽²⁾ Based on estimates by the Petroleum & Gas Station Owners Association-Gaza.

SECTION 2: PRIVATE SECTOR PERFORMANCE

A PERFORMANCE OF KEY SECTORS

Gaza's private sector has slightly improved after the new Israeli policies since June 20, 2010. However, this level of improvement does not reach the acceptable stability levels with regard to allowed raw materials and their essential integration. In addition, imports from abroad have a negative impact on the local production as many businesses in Gaza were totally closed due to either imports of similar products or restrictions on importing essential raw materials. Despite the fact that Israel has loosened the strict blockade on Gaza since 2007, Israel still strictly bans exports from Gaza (to the West Bank, Israel and the rest of the world) causing the scale of economic activity to remain heavily dependant on domestic demand. Therefore, the ban has, indirectly, a negative impact on the economic activity taking into consideration that the domestic demand is constrained by the low purchasing power of the population and the relatively small size of the local market.

Tables (4) and (5) present data on employment, firm numbers, and exports for furniture, garment, and processed food sectors before the closure, during the closure, and currently. The increase in number of working establishments is due to the coping mechanisms used (see section B below), noting that the establishments are working with 10%-60% of total capacity.

Table (4): Key Industrial Sectors Status during Three Distinguished Periods.

Sector	Indicator	Before Closure (14 June 2007)	During the Closure 2008	Aug– Sep 2010	Notes
Industry	No. of Working Est.	3,900	7%	35%	- 15% of establishments are working with 30%-60% capacity
	No. of Workers	35,000	2000	6,000	- 20% operating with around 20% capacity
Construction	No. of Working Est.	125	8	50	- current scope include small maintenance works and rubble
	No. of Workers	50,000	100	1,500	

Source: Palestinian Federation of Industries "PFI", Palestinian Contractors Union "PCU"

Table (5): Key Industrial Sectors Status during Three Distinguished Periods.

Industry	Normal Situation 2005			During the closure 2008			Currently Aug-Sep 2010		
	Employment	Establishment	Monthly exports	Employment	Establishment	Monthly exports	Employment	Establishment	Monthly exports
Furniture	6,500	600	168	75	25	0	370	105	0
Garment	25,000	660	172	100	30	0	330	80	0
Processed Food	2,500	100	140	120	20	0	350	55	0

Source: Palestinian Federation of Industries "PFI".

SECTION 3 : PRIVATE SECTOR PERCEPTION ON THE NEW PROCEDURES

A OVERVIEW

Since the Israeli announcement to ease the blockade on Gaza on June 20, 2010, the number of imported truckloads has significantly increased. Imports allowed into Gaza are mainly consumer goods and limited quantities of 'productive items'. Despite this improvement, imports into Gaza represent only 41% of the pre-closure levels. Therefore, it is still too early to realize any benefits from the new Israeli policy taking into consideration that: (a) current import levels have not reached the pre-closure levels; (b) construction materials are still banned entry into Gaza; and (c) Israel still bans export from Gaza.

In short, the Palestinian private sector in Gaza has lost its competitive edge in the local and external markets which has become more difficult and costly to reverse. Most Gaza industries are export-oriented and used to have purchase and supply contracts with Israeli and other firms. Based on this assumption, Pal-Trade conduct a quick survey among businesses in Gaza Strip. The below perceptions was extracted from an initial survey on business owners to determine their perceptions on the new policies. **39 establishments were surveyed during the period July –September 2010.**

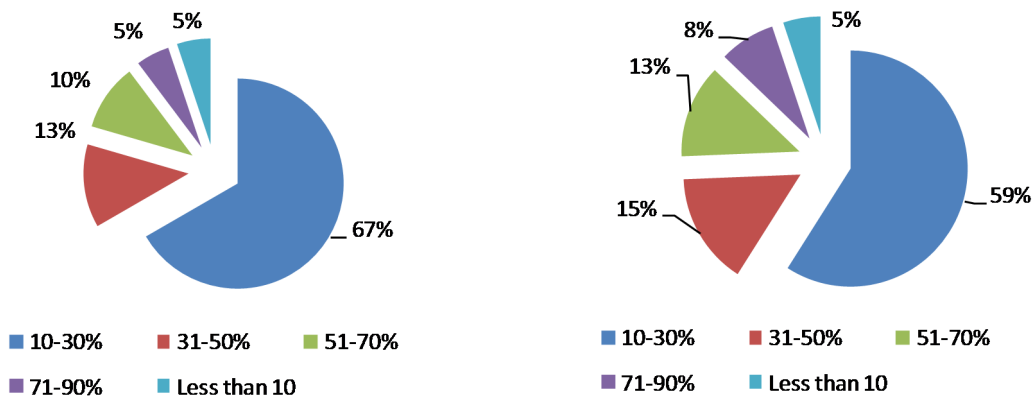
1– Sample Size

The sample does not reflect the whole picture of the industrial sector. It only represents 3% of operating companies, and the purpose was to highlight the primary changes.

Sector	Frequency
Plastic	4
Wood & Furniture	8
Garment	4
Construction	3
Metal	8
Textile	2
Paper	2
Food	3
Chemical	3
Handicraft	1
Leather	1
Total Companies	39

2– Capacity Utilization

Figure (5): Illustration of Capacity Utilization before and after July 2010.



Capacity utilization from June 2009 – June 2010.

Capacity utilization from July-September, 2010.

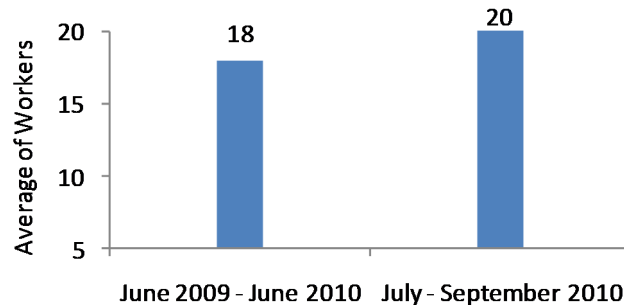
Figure (5) compares the capacity utilization of industrial businesses in Gaza before and after July 2010. As can be seen in the pie charts, the capacity utilization has slightly improved after July 2010. For instance, 8% of businesses has improved their capacity from 10-30% to utilize 51-90% of their capacity.

PRIVATE SECTOR PERCEPTION ON THE NEW PROCEDURES CONT'

3– Workers/Employees

Figure (6) compares the average number of employees in industrial businesses in Gaza before and after July 2010. As can be seen, the number of employees has also slightly increased from 18 to 20.

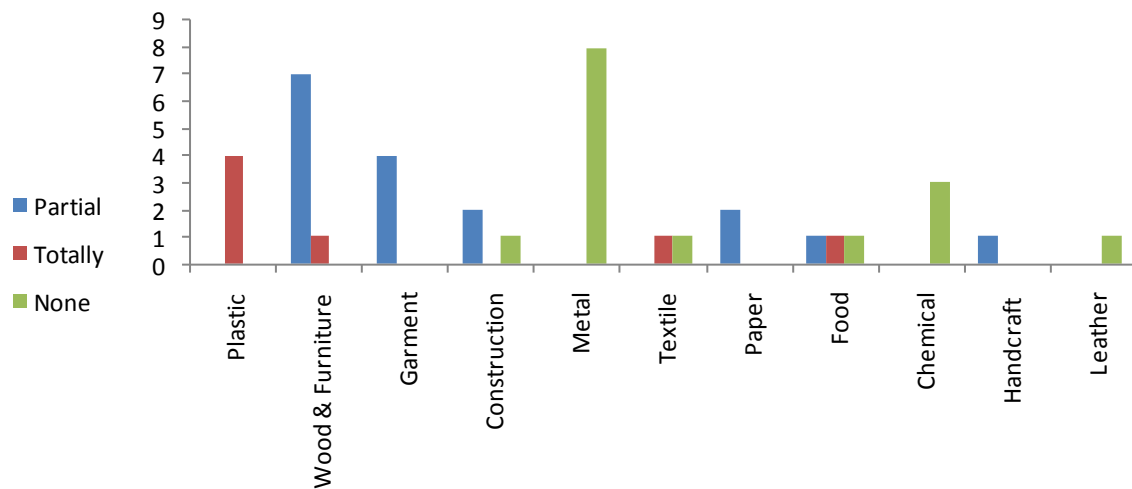
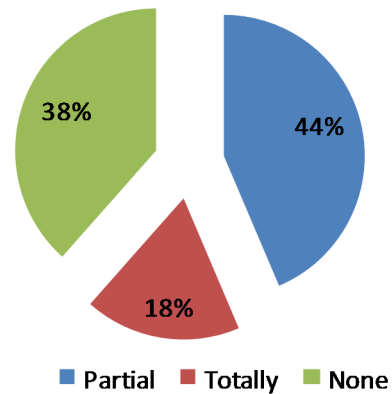
Figure (6): Illustration of Average Workers before and after July 2010.



4– Entry of Raw Materials

Figures (7,8) illustrate the percentage of raw materials entered into Gaza after July 2010. 18% of businesses indicated that the raw materials needed for their businesses have been totally obtained and 44 % of businesses indicated that the raw materials needed for their businesses have been partially allowed entry. On the other hand, 38% of businesses indicated that no raw materials were allowed. This percentage mainly represents the metal, chemical, and leather industries.

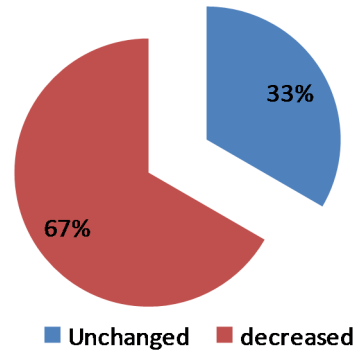
Figures (7,8): Illustration of Average Entry of Raw Materials after July



SECTION 3: PRIVATE SECTOR PERCEPTION ON THE NEW PROCEDURES CONT'**5– Effect on products prices**

Figure (10) illustrates whether the new Israeli policies have affected the product price or not. 67% of surveyed businesses indicated that price has decreased while the rest indicated that no change happened.

Figure (10): Illustration of Products Selling Prices



It is essential to make it clear that the most imported products into Gaza represent consumer products. On the other hand, while the volume of imports into the Gaza Strip has significantly increased since June 2010, the entry of construction materials required for infrastructure needs is still almost totally banned. Moreover, despite some signs of reactivity in the private sector, sustainable growth is not expected to occur due to the ongoing ban on exports and the difficulties on the import of machinery and equipment, as well as industrial raw materials.

ANNEX 1: PROJECT OVERVIEW

Commercial Crossings Monitoring Program—Cargo Movement and Access Monitoring and Reporting Program

Because of its designation as the National Trade Development Organization, PalTrade is the private sector institution with a mandate to promote trade development. PalTrade is a founder and member of the Private Sector Coordinating Council (PSCC), a consortium of all major private sector institutions, and an important partner of industry and service associations. As such, PalTrade has been a member of the Gaza withdrawal technical committees and negotiations team; especially providing the private sector perspectives of the Access and Movement Agreement (AMA) for the cargo movement at the crossings. PalTrade is also a private sector representative in the Crossings' Steering Committee which was formed by the President of the Palestinian Authority to act as the coordination body for the reform and development of the border crossings.

As part of the World Bank project "Facilitating Trade Flows between WBGs and Israel" and the previous "Private Sector Participation in Gaza Withdrawal Coordination Process" project, PalTrade has maintained a physical presence at Al Montar/Karni since August 24th, 2005. As such, PalTrade is the only independent source of crossings information which is used by the Quartet, the World Bank, the US Security Coordinator, UN OCHA and others.

PalTrade's work regarding the Crossings includes monitoring, collection and data analysis.

Financing for the border monitoring activities in the:

- First year; was through a World Bank grant to the PA in association with emergency support during the Gazan disengagement.
- Second year; was through a Post Conflict Fund grant which was closed in September 2007.
- Third, Fourth and Fifth years; is being provided by the Norwegian Consultant Trust Fund under the supervision of the World Bank (MNSSED Finance and Private Sector Unit).



Financed by:

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Under the supervision of:

The World Bank
(MNSSED) Finance and Private Sector

ANNEX 2: GAZA CROSSINGS OVERVIEW

There are six crossings along the Gaza strip boundaries to facilitate imports and exports. Four of the crossings are controlled by the Israeli government. The Rafah crossing is under the joint control of the Palestinian Authority and the European Union. The recently constructed Karem Abu Salem/Kerem Shalom crossing is temporarily being employed for movements between Israel and Gaza, but is intended for trade between, on the one hand, Egypt and, on the other hand, Gaza and Israel.

AlMontar/Karni

Al Montar/Karni crossing is considered to be the primary portal for Gaza's imports and exports. Unfortunately, in recent years its operations have been marred by inefficiency and security threats. As a result, its performance through early 2007 was only a small fraction of that projected by the Access and Movement Agreement (AMA). AMA projected that the crossing should have been able to handle 400 exports per day by the end of 2006, but never averaged more than 70 per day.

Sufa

Sufa, located in the south of the Gaza Strip (east of Rafah City), was used for the imports of construction materials and as a standby for other imports in case of the closure of the Al Montar/Karni crossing. The future of this crossing is uncertain given recent indications from Israel that they intend to abandon the facility.

Karem Abu Salem/Kerem Shalom

The Karem Abu Salem/Kerem Shalom crossing is located in the southeast of the Gaza Strip, 3.6 Km from the Rafah Crossing. Karem Abu Salem/Kerem Shalom is a temporarily being used for movements between Israel and Gaza. The facility is intended for trade between, on the one hand, Egypt, and, on the other hand, Gaza and Israel.

Nahal Oz

Nahal Oz is located east of Gaza City and is used exclusively to facilitate imports of Liquid Fuels and Gas from Israel. The facility consists of storage tanks for petrol and gas on the Palestinian side linked to pipelines from Israel.



Beit Hanoun/Erez

The Beit Hanoun/Erez crossing is located in the north of the Gaza Strip. It is employed, primarily, for processing movements between Gaza and the West Bank. In addition to cargos, the crossing processes civilians, diplomats, businessmen, international organization staff, laborers, and others in and out of Gaza Strip. The crossing is also used for the imports of cars.

Rafah

The Rafah Crossing is located south of Rafah City). It is the only operating border crossing between the Gaza Strip and Egypt. It processes both travelers and cargos. The cargos consist, primarily, of aggregates and food items. Jurisdiction over the border crossing was transferred to the Palestinian Authority in November 2005, after Israel's disengagement from the Gaza Strip.

ANNEX 3: GAZA CROSSINGS TIMELINE

Dec. 2005- May. 2007

Before The Closure

The **Al Montar / Karni** crossing was the main crossing of the Gaza Strip for both imports and exports. An average of 450 truckloads a day used to be imported, and an average of 70 truckloads a day were exported. **Sufa** was used exclusively for the imports of construction materials, with an average of about 160 truckloads, and the **Karem Abu Salem / Kerem Shalom** crossing was used for the crossing of humanitarian aid that comes from or through Egypt with an average of 20 truckloads. The **Beit Hanoun/Erez** crossing was used occasionally for imports of medical supplies.

June 14, 2007- June 18, 2008

Closure Period

Beginning June 14, 2007: the **Al Montar/Karni** crossing was officially closed for both imports and exports. The crossing reopened on June 28, 2007 for limited imports of goods such as wheat and animal feed. Since then, **Sufa** and **Karem Abu Salem /Kerem Shalom** crossings have also been used, primarily for imports of humanitarian goods, including basic food commodities (e.g. wheat flour, rice, pulses, cooking oil), animal feed and medical equipment. The **Beit Hanoun/ Erez** crossing was used on rare occasions for imports of medical supplies.

Truce or Hudna Period

June 19, 2007- Dec.19, 2008

During the truce or "hudna" period, that started on June 19, 2008 and ended on December 19, 2008, commercial goods were allowed to enter Gaza Strip including aggregates, cement, construction metal, wood, car tires, clothes, shoes, and fruit juice. The quantities of imported goods were very limited. For example during this six month period, only three truckloads of construction metal were imported. As a result, supplies in Gaza continued to dwindle and industrial production to slow. Many firms ceased operations entirely. Many of the others operated sporadically, dependent upon unreliable deliveries of inputs via the tunnels between Gaza and Egypt. Even basic humanitarian goods were in short supply, despite some legal imports and other movements via the tunnels.

Dec. 27, 2008 - Jan. 18, 2009

War Period

The restrictions on trade activities did not change during the 23-day war in Gaza. An average of 90 truckloads a day were imported, about 70% of the imports were humanitarian goods, and 30% were commercial cargos deemed essential to avoid a humanitarian crisis. The Rafah crossing was also used during the war for the import of humanitarian supplies.

Jan. 19 , 2009 - sep. 30 , 2010

Post War Period

No improvements were witnessed on the crossings performance, where statistics illustrate that only 57,575 truckloads of commercial goods (mostly food) and humanitarian aid entered into Gaza, as well as the minimal exports of 138 truckloads of cash crops.

ANNEX 9: REFERENCES AND SOURCES

- United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
- United Nation Special Coordinator Office (UNSCO)
- The Borders and Passages General Department
- Agricultural Marketing Cooperatives/Associations
- Wood Industries Union (WIU)
- The Sewing Factory Owners Union (SFOU)
- Informal sources
- The Palestinian General Petroleum Company (PGPC)
- Petroleum & Gas Station Owners Association-Gaza
- Joint Humanitarian Coordination
- Private Sector Coordination Council-Gaza Governorates.
- Palestinian Federation of Industries (PFI)
- The Agricultural Development Association (PARC)
- Palestinian Plastic Industries Union (PPIU)