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GLOSSARY:

Gaza Crossings : For the names and brief overviews of the Gaza crossings referred to in this report, see Annex 2.

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 3 .

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 built 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

The ability to rebuild Gaza and revitalize its economy is highly dependent on fully opening the commercial crossings to permit inbound movements of industrial inputs, construction materials, and equipment. This is not yet occurring.

Imports are around a quarter of their pre-closure levels (i.e., before June 2007). This month a total of 2,665 truckloads of commercial and humanitarian freight entered into Gaza. The large majority of these movements were food and animal feed.

Exports from Gaza continue to be generally banned, with only limited quantities of carnations allowed out of Gaza in 2009. This month there were no recorded exports. (The last shipment of carnations was allowed out on 27 April 2009.)

Al Montar Crossing Conveyer Belt was open for 9 days (around a third of the scheduled days) and processed imports of 642 commercial truckloads of wheat and animal feed.

Karem Abu Salem Crossing was open on all scheduled days and processed imports of 2,023 truckloads, primarily of food.

Sufa Crossing was closed during this month, as it has been closed since September 12, 2008. There are indications that the Israelis intend to stop using this facility entirely, see *OCHA Field Update on Gaza from the Humanitarian Coordinator, Jerusalem, 10 - 16 March 2009*.

Nahal Oz Crossing processed imports of 9.22 million liters of industrial gasoline and 5.2 million kg of cooking gas, not including imports for UNRWA. These imports are markedly below estimated needs, see Fuel Import Performance, Page 4 of this report.

SECTION 1: PERFORMANCE of the CROSSINGS

A OPERATIONS at the CROSSINGS

Out of 24 Scheduled Days of Operation for this month, Al Montar and Karem Abu Salem Crossings were open for 9 and 24 days respectively. Table 1 below presents the operating days and cargo movements during May 2009.

Table (1): Summary of the performance at Crossings during May 2009

	Al Montar	Karem Abu	Total
Scheduled days for operations	24	24	-
Scheduled closure days ¹	7	7	-
Unscheduled closure days ²	15	0	-
Actual days for operation	9	24	-
Total exports (truckloads)	0	0	0
Total imports (truckloads)	642	2,023	2,665
Humanitarian imports (%)	0	30%	-
Commercial imports (%)	100%	70%	-
Daily average of imports of opened days (truckloads)	71	84	-
Daily average of imports of days scheduled for operations (truckloads)	27	84	-

¹ Crossings were closed on Saturdays (May 2, 9, 16, 23 and 30) and Israeli Official Holidays (May 15 and 29)

² Al Montar was closed for unknown reasons

SECTION 1: PERFORMANCE at the CROSSINGS continued

B CARGO ACTIVITY

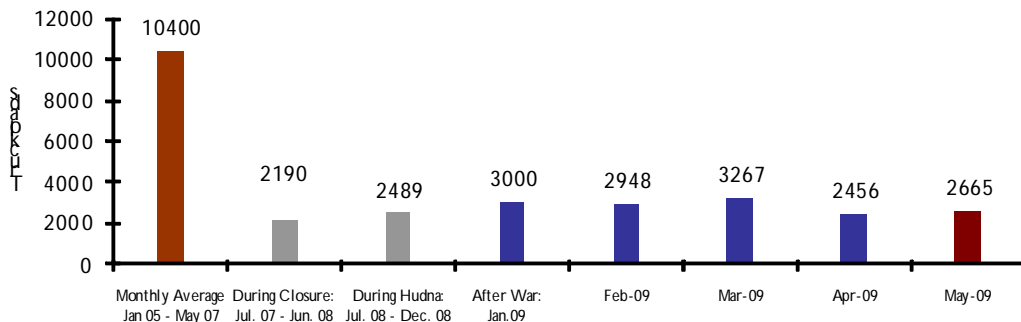
B.1- Export Activity

No export activity was recorded in this month. During the period from February – April 2009, only (684,000) flowers of carnations were exported through Karem Abu Salem Crossing representing only 1.7% of the produce planned to be exported this season (Nov. 2008 – May 2009). It should be noted that monthly average exports in the period before the crisis was 1,380 truckloads per month (60 truckloads per day), composed of furniture, garment, cash crops, vegetables, processed food, metal products, handicrafts, and other types.

B.2– Import Activity

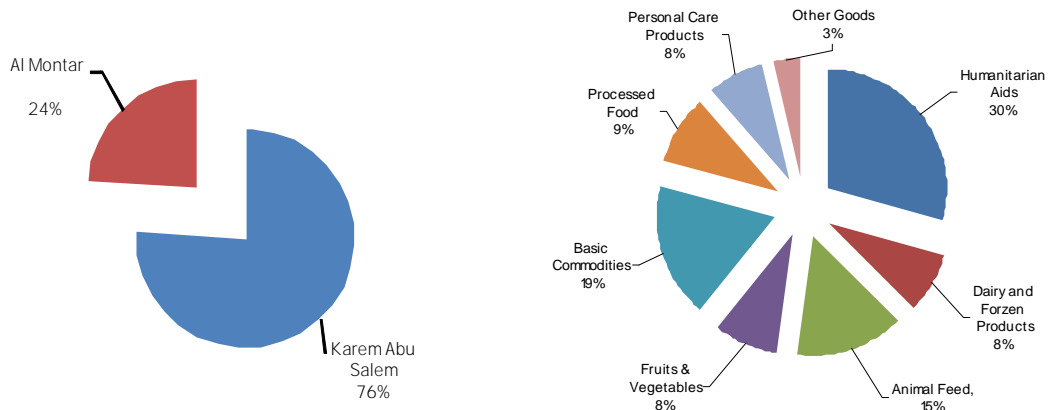
A total of 2,665 truckloads entered into the Gaza Strip in May 2009. Since June 2007, import volumes have been between a fifth and a third of pre-closure levels, see Figure 1. The dire economic and humanitarian implications of this are obvious.

Figure (1): Imports into Gaza in May 2009 monthly averages of different periods.



The distributions of imports across crossings and by cargo type are presented in Figure 2 .

Figure (2): Imported goods through all crossings in May 2009



SECTION 1: PERFORMANCE at the CROSSINGS continued

C FUEL IMPORTS PERFORMANCE

Severe shortages in fuel supplies have been experienced since October 2007 . The Government of Israel limits supplies of all fuels, including cooking gas for household uses. While there was some increase in May supplies of cooking gas, shortages remain severe.

Except through special arrangements by the United Nations Relief and Works Agency (UNRWA) and Ministry of Health (MOH), diesel and benzene have not been allowed to cross into Gaza since November 2008.

Fuel imports through the Nahal Oz Crossing are presented in Table 2.

Table (2): Summary of fuel and gas imports in May 2009 compared with the current needs

Type	May 2009 Imports	Estimated monthly needs ¹	Imports as percent of estimated needs
Petrol (liter)	30,000 (for UNRWA)	1,700,000	2%
Diesel (liter)	100,000 (for MOH)	10,000,000	1%
Industrial Gasoline (liter)	9,226,440	11,000,000	84%
Cooking Gas (kg)	5,375,920	8,000,000	67%

NOTE: 1. Based on estimates by the Petroleum & Gas Station Owners Association-Gaza.

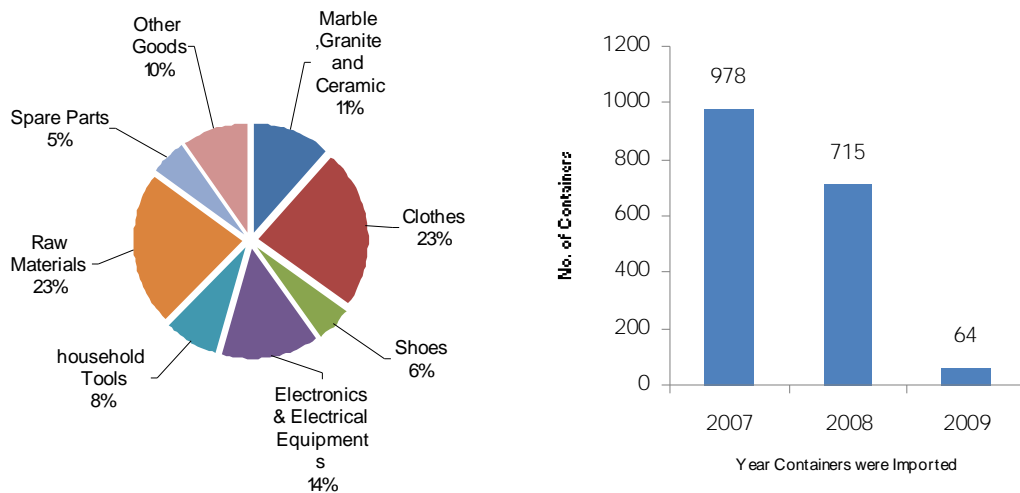
Undetermined amounts of fuel were smuggled into Gaza via the tunnels from Egypt. The smuggling primarily involved benzene and diesel, but also included some cooking gas.

SECTION 3: ISSUE OF THE MONTH

Gaza Importers ' Containers Banned from Entry and Stuck in Warehouses and Stores

A recent study prepared by the Palestinian Chamber of Commerce of Gaza Governorates (PCCGG) indicated that due to the current closure (since June 2007) around 1757 containers destined to Gaza are still stuck at Israeli ports or stored in the West Bank and not allowed entry into Gaza Strip. An exceptional number of containers were allowed entry during the 6 months truce period from June 19 – December 19, 2008, including clothes, shoes, and utensils. This led importers to order more shipments, erroneously thinking that the Gaza closure was ending. This, in turn, has doubled the original number of stranded containers. In Figure 3 is presented the distribution of types of goods and the year the containers were imported.

Figure (3): The Distribution of Types of Stuck Containers and the Year the Containers were Imported.



As a result, the importers have incurred US \$10 million in demurrage and storage costs, as estimated by PCCGG. In addition, for two years the importers have had to bear the frozen investments of the containers and their cargoes, estimated at US \$100 million.

Another aspect of "indirect" losses that the Gaza's traders suffered is losing their foreign suppliers' trust and the cancellation of many privileges given to them including losing their agency/dealership agreements.

Case Study:

The Mohammad Naim Company, a wholesaler of electronics and appliances located in Gaza, has 57 40-foot containers imported during the period from June -August 2007, and stuck in Israeli ports for a period of time. Later on the company moved 47 containers to a store in the West Bank and 10 were moved to stores nearby Karem Abu Salem Crossing ready to cross in when allowed. The company has incurred demurrage and storage cost of US \$150,000 through May 2009, an average of about US \$120 a month for each container. In addition to these direct costs, is the opportunity cost of the US \$1,100,000 invested in these containers that has been frozen for about two years.

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 and Fourth year; is being provided by the Norwegian Consultant Trust Fund under the supervision of the World Bank (MNSD Finance and Private Sector Unit).



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ANNEX 2: GAZA CROSSINGS OVERVIEW

There are six crossings at 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 200 truckloads, and the *Karem Abu Salem / Kerem Shalom* crossing was used for the crossing of humanitarian aids that comes from or through Egypt with an average of 70 truckloads. The *Beit Hanoun/Erez* crossing was used occasionally for imports of medical supplies.

June 12, 2007- June 18, 2008

Closure Period

Beginning June 12, 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 animals 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.

June 19, 2007- Dec.19, 2008

Truce or Hudna Period

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 at 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 imports of humanitarian supplies.

Jan. 19, 2009 May. 31, 2009

Post War Period

No improvements were witnessed on the crossings performance, where statistics illustrates that only 9,345 of truckloads of commercial goods (mostly food) and humanitarian aids entered into Gaza, as well as the minimal exports of 15 truckloads of carnation flowers

ANNEX 4: REFERENCES AND SOURCES

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