

## Background

Historically, the agriculture sector has been the largest economic sector in the Gaza Strip and still plays an important role in the economy. This role, however, has declined over time as the sector suffered from a wide array of serious problems, including fluctuations of the political environment and the imposition of disruptive and restrictive rules and regulations. Between 1948 and 1967, agriculture contributed more than one-third of Gaza's GDP, 33-40% of the employment, and 90% of all exports<sup>1</sup>, with citrus and fruits as the main exported products. After 1967, Israeli encouraged Gazan farmers to grow vegetables and strawberries as they are more profitable, especially for export<sup>2</sup>. These crops required new costly inputs and technologies such as greenhouses and irrigation systems with higher costs. The Israeli policies wiped out citrus production through preventing farmers from exporting to Israel, forbidding the planting of new trees or replacing old trees, and encouraging production of some specialized crops, such as strawberries and dates<sup>3</sup>. As a result, the contribution of the agriculture sector to GDP declined from 37% at the end of the 1970s, to 22% at the end of 1980s. The contribution to GDP continued declining after the Oslo agreement, reaching 10% in the 1990s<sup>4</sup>. In the 1990s, Israeli imposed movement restrictions gradually intensified, and Israel institutionalized a general closure on the occupied territories<sup>5</sup>, which affected the marketing and export of agricultural products. This caused further decline in the contribution of the agriculture sector to Gaza's GDP to 7% in 2000, lowering total exports to around 23%, and constituting 14% of the employment<sup>6</sup>. In 2005, Israel withdrew occupation forces and removed settlements from Gaza. In 2006, after the Palestinian elections, a decision was made to introduce a policy of separation between the West Bank (WB) and Gaza Strip<sup>7</sup> that turned into an imposed closure and blockade in June 2007. During the period between 2005 and 2015 the contribution of the agriculture sector to Gaza' GDP fluctuated between 5.6% and 8.5%, reaching 5.7% in 2015<sup>8</sup>. The latest Palestinian Central Bureau of Statistics (PCBS) reports indicate that in the third quarter of 2016, only 4.5% of total workers in the Gaza Strip work in agriculture and fishing, and the agriculture sector recorded the lowest average daily wage at 22 NIS<sup>9</sup>.

## Israel's Separation Policy

During the 1990s, following the first intifada, Israeli placed restrictions on Palestinians movement and travel between Israel, Gaza and the WB. Movement restrictions gradually intensified and became part of an institutionalized general closure until Israeli officially introduced a policy of separation between the WB and Gaza Strip in 2006<sup>10</sup>. Since June 2007, Israeli has imposed a blockade on the Gaza Strip. From 2007 until 2010, the blockade cost the local economy more than \$1.9 billion, which is of 23.5% of its GDP.<sup>11</sup> Policies of separation and restrictions on movement have impeded the ability of merchants and professionals to move between the two parts of the territory. In particular, the separation policy obstruct the ability of Gazans to learn about the WB market and its trends, renew relationships, train

<sup>1</sup> Sara Roy, The Gaza Strip: A Case of Economic De-Development, Journal of Palestine Studies, Vol. 17, No. 1. (Autumn, 1987), pp. 56-88

<sup>2</sup> A focus group meeting with farmers, inputs providers, exporters and representatives of local and international organizations, PalTrade, 2017

<sup>3</sup> Ann M. Lesch, Forgotten Corner of Palestine, Journal of Palestine Studies, Vol. 15, No. 1 (Autumn, 1985), pp. 43-61

<sup>4</sup> MEDAWARE\_country\_profiles, EUROPEAN COMMISSION, <https://goo.gl/nsO32v>

<sup>5</sup> Separating Land, Separating People, Gisha, Jun 2015, <https://goo.gl/qjSZ1C>

<sup>6</sup> Sector Report: Agriculture in WB/Gaza, USAID, <https://goo.gl/KmqQKQ>

<sup>7</sup> What is the "separation policy"?, Gisha 2012, <https://goo.gl/0ieLqK>

<sup>8</sup> Value of agricultural production in the Gaza Strip – season 2014/2015, MoA 2017

<sup>9</sup> Labour Force Survey (Q3/2016), <https://goo.gl/aiafkW>

<sup>10</sup> What is the "separation policy"?, Gisha 2012, <https://goo.gl/0ieLqK>

<sup>11</sup> The economic costs of the Israeli occupation for the occupied Palestinian territory, A bulletin published by the Palestinian Ministry of National Economy in cooperation with the Applied Research Institute- Jerusalem (ARIJ), September 2011

professionally, and initiate business cooperation, not only for the agriculture sector but for all economic sectors as well.

## Restrictions on Exports

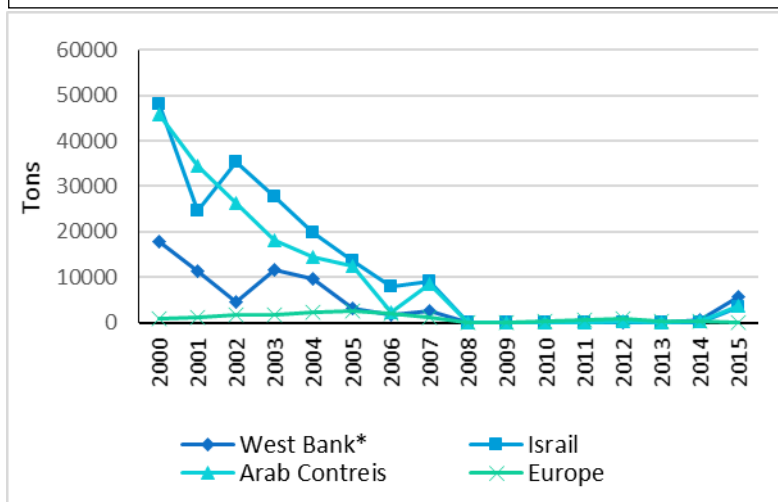
Since 2007, Israel has banned all export from Gaza including shipments to WB, international and Israeli markets with the exception of a limited number of seasonal agricultural crops that were permitted for export to Europe as part of an aid initiative financed by the government of the Netherlands<sup>12</sup>.

Between 2000 and 2007, Gaza farmers sold a monthly average of 2,000 tons of fruit and vegetables to Israel, and 680 tons a month to the WB. In contrast, from 2008 to 2014, only 2,898 tons of fruit and vegetables exited Gaza, or about 32 tons per month, almost exclusively to markets abroad.<sup>13</sup>

On November 6, 2014, Israel allowed the sale of Gaza's agricultural products in the WB. The average monthly export of agricultural products from the Gaza Strip in 2015 was 13.5 truckloads<sup>14</sup>, mainly strawberries and vegetables that were exported to European markets. The monthly average of goods exported from Gaza in 2016 was only 17% of the quantity of goods exported<sup>15</sup> before the imposition of the blockade.

Movement restrictions also cause Palestinian farmers to suffer huge financial losses due to the closing of trade crossing points. In November 2014, Israel allowed certain agriculture products to be exported through Karem Shalom, the sole crossing for goods entering or exiting the Gaza Strip. Karem Shalom (KS) has a low daily export capacity of about 50 truckloads for all types of products. In addition, Karem Shalom is not suitable for agriculture exports with no refrigerated areas to handle agricultural products. In 2015 Karem Shalom worked for 243 days, for 8 hours/day instead of 12 hours per day. 1281 trucks were allowed to leave to the West bank (WB), 1127 trucks were for agriculture products, and in general export from Gaza Strip was less than 3% of what it was pre 2007.<sup>16</sup> In 2016, KS worked for 219 days for exports and 243 days for imports out a total of 312 days scheduled for operations. During which, some 1690 trucks of agriculture products exited Gaza to WB, Israel and international markets recording an increase of 50% from previous year. The significant increase is almost totally due to increase of sales to WB rather than to international markets.<sup>17</sup>

**Fig (1) Agriculture Exports from Gaza Strip (Except Flowers)**



<sup>12</sup> Ibid 10

<sup>13</sup> Made in Gaza, Gisha, March 2015 <https://goo.gl/uLz7SK>

<sup>14</sup> Information provided by Gisha 2017

<sup>15</sup> Gaza in numbers, Gisha <https://goo.gl/8W0Tui>

<sup>16</sup> Ministry of Economic, Annually Report 2015, Gaza, Palestine.

<sup>17</sup> Information from PalTrade, 2017

The process of moving agricultural products from the exporter's location to the importer's destination is subject to difficult and complex regulations and policies, involves significant financial costs, as well as costs associated with lengthy and uncertain delivery times. "Back-to-back" truck transfers and other procedures imposed by Israel led to an increase in the cost of land transport, freight and logistics, causing financial losses to agriculture producers and other economic sectors. Despite it is occasional closure due to security measures, frequently, shipments were returned under accusation of incompliance with regulations or policy<sup>18</sup>. Many stakeholders<sup>19</sup> claimed that the agriculture sector would never survive without strengthening export, as well as facilitating better connections between Gaza and outer markets in order to provide data and information about needs and trends.



Mahmoud Ikhlayel is a farmer from Beit-Lahia and owner of 70 dunums of agricultural land. Before June 2007, he used to cultivate his own land and rent other lands to cultivate because of the high demand on his produce. He cultivated strawberries, flowers, and vegetables. Most of his production was for export given the high profits he earned from exporting and selling his agricultural produce to WB and abroad. His was badly hurt by the sudden banning of exports in 2007. A year later, most of his land was destroyed in the 2008/2009 war. Persistent, he pursued his business, using his capital without receiving any support or compensations from any organization. To add to his misery, 14 dunums of his greenhouses were destroyed in the latest war 2014, but he has been compensated for only two dunums. Despite setbacks and losses, he is doing his best to recover his business by cultivating vegetables and s10 dunums of strawberry to sell to the WB, following Israel's lifting of the ban on selling produce from Gaza to the WB.

**Fig (2) Agricultural Exports from Gaza**



## Restrictions on Imports

In 2002, the Israeli authorities began limiting and restricting the entrance of many agrochemicals and fertilizers into the WB and Gaza<sup>20</sup>. Since then, Israeli has continued to limit the entrance of raw materials, machinery, spare parts, and equipment that are deemed to be "dual-use" list. Israel defines items as "dual-use" if they have a civilian use, but can also be used for hostile purposes.<sup>21</sup> The list grew over time, with other items were added in March 2015 and in November 2015, including wood planks and metal pipes that are essential for establishing and maintaining greenhouses. The "dual-use" list includes essential fertilizers, including Ammonium nitrate, Potassium nitrate, Urea, Urea nitrate, and any fertilizer containing any of Ammonium nitrate and Urea. The inaccessibility of these essential fertilizers led to the use of the permitted (but inefficient) alternative fertilizers, which

<sup>18</sup> Information from PalTrade, 2017

<sup>19</sup> A focus group meeting with farmers, inputs providers, exporters and representatives of local and international organizations, PalTrade, 2017

<sup>20</sup> The economic costs of the Israeli occupation for the occupied Palestinian territory, A bulletin published by the Palestinian Ministry of National Economy in cooperation with the Applied Research Institute- Jerusalem (ARIJ), September 2011

<sup>21</sup> Dark-gray lists, Gisha, <https://goo.gl/oF5CBI>

-are significantly more expensive, leading to an increase of costs with a range of 175% up to 350%<sup>22</sup>. The indirect costs come from the loss of land productivity due to the “wrong” composition of the alternative permitted fertilizers, and is estimated to be an increase in cost of 20%.<sup>23</sup> Needless to say that such an increase in cost reduces products’ competitiveness in export markets. An increase of this proportion in the cost of an essential and significant commodity in a deeply impoverished economy characterized by estimated poverty level of about 40%<sup>24</sup> constitutes an extra burden on the average family forcing it to further reduce its consumption of agriculture goods. It’s also worth noting that demand on agriculture goods, in the Gaza economic context, is relatively sensitive to price changes.

## Destruction of Agricultural Land and Property

Since 2000, the agriculture sector has sustained great losses as a result of the destruction of land and property during military operations and land incursions. Between September 2000 and December 2005, the Israeli military bulldozed 13,454.75 dunums of planted agricultural lands in Gaza and destroyed other agricultural constructions and assets, causing total losses of \$ 295.5 million<sup>25</sup>. More than 1 million trees in Gaza were uprooted following the start of the second intifada<sup>26</sup>. After the withdrawal from Gaza in 2005, Israeli imposed an Access Restricted Area (ARA) along the Israeli borders, which constitutes 17% of Gaza’s total area and 35% of Gaza’s agricultural land<sup>27</sup>. Later on, the agriculture sector in Gaza sustained over \$ 100 million in damages during Operation Pillar of Defense in 2012 and \$ 550 million<sup>28</sup> in damages during Operation Protective Edge in 2014. During Operation Cast Lead in 2008/2009, the agriculture sector sustained damages worth \$ 180.7 million causing almost 30% of the agricultural workers (11,600 people) to lose their jobs.<sup>29</sup>

## Insufficient Financial Support

Between 2001 and 2005, after the establishment of the PA’s establishment and the application of An Investment in Peace-guided aid programs, the budget allocated to the agriculture sector did not exceed 1% of the total PA annual budget.<sup>30</sup> Of the total budget allocated to the agriculture sector, around 85% went to the staff salaried of the Agriculture Ministry.<sup>31</sup> In addition, the amount of international donations and support for agricultural projects during the period 1999-2005, did not exceed \$ 135 million.<sup>32</sup> While international donations in that same period totaled \$ 6,452.64 million<sup>33</sup> the same period, meaning only 2% of donations targeted the Agriculture sector.

In 2006, the Ministry of Planning prepared the Emergency Support Program to the OPT, proposing activities and projects including budgets required by different areas to be funded by different donors. The total required budget was \$748 million for one year. The portion allocated to the Ministry of Agriculture was \$70.25 million forming only 9.4% of total allocated budget.<sup>34</sup> Even after the three wars on Gaza, the agriculture sector that has sustained more than \$ 830 million damages and loses, while receiving only \$126 million as funded projects received between 2009-2012 only, and

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> Report of the Ad Hoc liaison committee, UNSCO 2017 <https://goo.gl/pVUhAC>

<sup>25</sup> 2007\_agriculture\_sector\_review\_arabic\_lr.pdf <https://goo.gl/SenPI5>

<sup>26</sup> The Besieged Palestinian Agricultural Sector, UNCTAD, 2015

<sup>27</sup> Access Restricted Areas (ARA) In The Gaza Strip, July 2013, OCHA <https://goo.gl/UxCsIS>

<sup>28</sup> Gaza Initial Rapid Assessment, OCHA. <https://goo.gl/PIV5mX>

<sup>29</sup> One Year After Report, Gaza Early Recovery and Reconstruction Needs Assessment <https://goo.gl/m76UY6>

<sup>30</sup> Part of policy plan and programs developed by international financial institutions for the developing world in the 1990s, in Palestine aimed to improve Palestinians’ standard of living and encourage them to participate in the peace process.

<sup>31</sup> CAN OSLO’S FAILED AID MODEL BE LAID TO REST?, September 2013, By Jeremy Wildeman and Alaa Tartir, <https://goo.gl/Q0QjSA>

<sup>32</sup> Manifestations of marginalization and distortion in the Palestinian agricultural sector "PECDAR 2007

<sup>33</sup> Data are an excerpt from Aid official development assistance (ODA) <https://goo.gl/lKwzmx>

<sup>34</sup> A Review of the Palestinian Agricultural Sector, 2007, the Applied Research Institute- Jerusalem (ARIJ) <https://goo.gl/SenPI5>

only \$ 76.6 million between 2013-2017. Most of these funded projects were directed to emergency needs and reconstructions efforts.<sup>35</sup>

## Division between Gaza and the West Bank

In 2007, the Palestinian unity government collapsed and the de facto government began ruling Gaza. Certain countries and donors adopted a "no contact" policy<sup>36</sup>, prohibiting contact with the de facto government. The division between the West Bank and Gaza caused the development of two agricultural strategies; one proposed by the official PA Ministry of Agriculture (MoA), and the other proposed by the de facto MoA in Gaza, one for three years and the second for ten years. Each strategy contradicts with the other in vision, approach, and implemented projects<sup>37</sup>. These contradictions have interfered in the ability of both governments to control and direct the sector, as well as in the relevant interventions by INGOs.

## Recommendations

### 1. Farmer and sector members should

- Organize their efforts and cooperate with each other to highlight and advocate for the importance of development of the agricultural sector to revive local economies.
- Work together to lobby for and ensure engagement of relevant associations, funding agencies, and government bodies to play a positive role in supporting the sector financially by allocating sufficient funding for developing the sector.
- Work together to convince the International community to put pressure on Israel to allow the agriculture sector to develop through lifting security restrictions, facilitating the import of materials necessary for agricultural, facilitating export by upgrading crossings and lowering complexity of exporting procedures and regulations.
- Request and lobby for the establishment of emergency funds that can subsidize, recompense and provide relief in cases of unexpected losses.

### 2. The ministry of agriculture (in Gaza and Ramallah) should

- Work together to closely control and monitor the sector
- Put pressure on Israel to lift the blockade, lift restrictions on movement of people and goods, and to abide by its obligations under international law
- Utilize political influence on the international community to encourage investment in the sector and to facilitate exports building on past experiences, such as the Netherland's intervention and support

<sup>35</sup> Ministry of Agriculture, Gaza 2017

<sup>36</sup> OCHA, <http://data.ochaopt.org/content.aspx?id=1010143>

<sup>37</sup> Preliminary Reflections on Palestinian Agricultural Strategies, Working Paper, Taysir Moheisen, PARC 2010

- Establish a specialized marketing body for Palestinian agricultural products to market and



promote agricultural produce in export markets; provide business connections with external markets; collect market data and information about export markets; study export markets' needs, trends and updated technologies; and participate in international related exhibitions and occasions to promote Palestinian agricultural products.

- Establishing an emergency fund that can subsidize, recompense and provide relief in cases of unexpected losses.

### 3. The international community, donors, and INGOs should

- Put political pressure on Israel to abandon unjust policies towards Gaza, lift of the blockade, lift restrictions on movement of people and goods, and to abide by its obligations under international law.
- Work towards the development of a “political risk insurance” on agricultural properties and infrastructure to mitigate political risks.
- Work in close cooperation and coordination with the ministry of agriculture to focus on sector development, provision of sufficient financial support, design and implementation of development projects whenever feasible, and design and implementation of emergency projects that are consistent with developmental approaches.
- Focus on facilitating export of agricultural products by putting pressure on the Israeli government to upgrade commercial crossings to better suit the exporting of agricultural products, and to lower complexity of exporting procedures and regulations.
- Provide funds to implement programs and projects that aim for creation of sustainable export relations between Palestinian agricultural producers/exporters and international markets/importers.