North Gaza Industrial Zone – Concept Note

A Private Sector-Led, Growth and Employment Promoting Solution

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Executive Summary

The purpose of this concept note is to propose a politically and economically feasible solution that can start the economic revival of Gaza.

This solution is designed to create an enabling eco-system, in a designated economically-strategic geographical area. Being confined to a relatively small, easily controlled, geographical area, this solution will enable administrative and security arrangements, which (a) will satisfy the security concerns of Israel; and at the same time (b) will be politically acceptable to the Palestinian and other concerned parties.

Successful application and performance of this solution would encourage the parties to advance a new political envelope, and application of wider economically enabling measures, which will open the way for further advancement in the economic revival of Gaza.

The core of the suggested solution is the North Gaza Industrial Zone (NGiZ), which will be assigned a large area of about 5,000 dunams (5 square KM.), in the northern part of the Gaza Strip.

NGiZ will be administered by a special, autonomous authority - the North Gaza Industrial Zone Municipal Authority (NGiZMA). NGiZMA will govern economic and other affairs of this region.

NGiZ will be given free-trade status, and other wide-ranging investment and export benefits. The UAE’s free trade and industrial zone system, and Jordan’s ASEZA (Aqaba Special Economic Zone Authority), will be used as models, with necessary adaptations. The legal and administrative practices developed in these two countries will serve as guidelines for the specific regulatory framework, and the enabling eco-system of NGiZ.

NGiZMA will be mandated to maintain the security and other special arrangements that will be agreed upon for NGiZ. NGiZMA will include international and Arab representation; and it will be given strong international guarantees, which will enable it to function effectively vis-a-vis the various concerned political parties.

NGiZMA will be assigned with the operation of the Palestinian side of the Gaza-Israel Erez Crossing compound on the eastern boundary of NGiZ; where NGiZMA will develop a major land transportation centre, in cooperation with the Israeli authorities. The NGiZMA will also be assigned with the development and operation of a new Gaza Sea Port compound, to be built on an offshore site, on the western boundary of NGiZ.

All projects and activities under the responsibility of NGiZMA will be contracted by it to the private sector for development and operation (ideally, consortiums of experienced international or Arab companies with local private-sector partners).

The NGiZ will serve as focal point of employment for the northern and central parts of the Gaza Strip. It is expected to generate a total of some 200,000 new jobs, in 5
years. Close to 100,000 direct jobs inside its industrial, agricultural and other compounds; and more than 100,000 additional indirect jobs in the Gaza Strip – with service providers, related infrastructures, suppliers, sub-contractors, etc. The NGIZ could triple the present rate of new job creation in Gaza, which would bring unemployment in Gaza down, from close to 45% in 2016, to around 16%, in 5 years.

Overall contribution of the NGIZ to the GDP of Gaza can be expected to be at the magnitude of USD 2 Billion, in 5 years – about two thirds of the GDP of Gaza in 2015. In GDP growth terms, this would be translated to real GDP growth of 15%-20% per year, for a period of 5 years.

Nonetheless, even after 5 years of such fast growth, the GDP per capita in Gaza will still be 35%-40% lower than the present (2015) GDP per capita of the West Bank.

As for exports, the overall contribution of the NGIZ (including export of services) can be expected to be USD 1.2-1.5 Billion, in 5 years (compared to negligible exports at present).

At that magnitude, the exports of Gaza will still be 40%-50% lower than the present export level of the West Bank.

*Are such high GDP, export and employment growth figures realistic?*

This concept note presents sufficient evidence, from neighbouring economies and from Palestinian economic history, of similarly fast growth - in the first years from shifting towards economic revival, or from introduction of fundamental economic changes.
Introduction: Purpose and Structure

The purpose of this concept note is to propose a politically and economically feasible solution that can start the economic revival of Gaza.

This solution is designed to create an enabling eco-system, in a designated economically-strategic geographical area. Being confined to a relatively small, easily controlled, geographical area, this solution will enable administrative and security arrangements, which (a) will satisfy the security concerns of Israel; and at the same time (b) will be politically acceptable to the Palestinian and other concerned parties.

The most important aspect of the suggested solution is enabling restoration of Gaza's normal trade relations with Israel, the West Bank and the rest of the world. This solution combines a set of trade-facilitating and growth-and-employment enabling measures, in the designated area; under special economic arrangements which can be agreed by Israel and the Palestinians, and gain the support and cooperation of Arab parties and the international community.

Successful application and performance of this solution would encourage the parties to advance towards wider economically enabling measures, which will open the way for further advancement in the economic revival and political stabilization of Gaza.

The concept note starts with an overview of the current realities of the Gaza economy and its private sector (Chapter One). Then, after detailing the proposed solution (Chapter Two), the concept note ends with a short analysis and estimate of macro-economic effects it would have on Gaza – in terms of economic activity and employment, improvement in household incomes and poverty, and the fiscal situation of the Palestinian Authority (Chapter Three).

In the formulation of the suggested solution, we have taken lessons and insights from successful application of such solutions in other Middle East countries.

This concept paper has also benefited, significantly, from the comprehensive research and analysis presented in the Portland Trust's "Global Palestine, Connecting Gaza";¹ and other fundamental works, which were published over the last few years, including the Office of the Quartet's "Initiative for the Palestinian Economy", and the Portland Trust's "Beyond Aid".²

¹ The Portland Trust, "Global Palestine, Connecting Gaza: A Spatial Vision for the Gaza Governorates" (April 2016)
² Office of the Quartet (OQ), "Initiative for the Palestinian Economy (IPE)", (April 2014); and Portland Trust, "Beyond Aid: A Palestinian private Sector Initiative for Investment, Growth and Employment", (November 2013).
Chapter One: Current Realities of the Gaza Economy and Private Sector – Overview

The Macro Economic Anomaly of Gaza: the Role of External Aid, and the Impact of Political Conditions and Restrictions

The Gaza Strip has always been economically dependent on its relations with Israel and the West Bank. Hence, when these relations stopped in 2007, the productive sectors of the economy of Gaza almost entirely collapsed. In fact, Gaza has not been a functioning economy since 2007.

Role of External Aid

Contribution to GDP

External aid is contributing, directly and indirectly, more than half of the total GDP, and approximately two thirds of all jobs in Gaza. The mammoth weight of external aid in Gaza dwarfs all other economic factors. A large part of the dual governmental system (see below) activities and all the activities of the non-government public sector entities are financed by external aid. Moreover, the salaries of public sector employees, and the purchasing power of the aid-financed non-government public sector entities, are the most important engines of the non-public sector economic activity.

Formal National Accounts figures for Gaza reflect this anomaly. The ratio of the public sector (government and non-government public sector entities) to the GDP was 59% for Gaza, in 2014, in comparison to 26% in the West Bank. A deeper look into the economic dynamics and the role of external aid shows that roughly 55% of the formal GDP of Gaza was enabled by external aid (directly and indirectly). If not for external aid, the "real" GDP of Gaza would have been only 45% of formal GDP.

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3. Large part of the overview presented in this chapter is based on a detailed study conducted by the author for The Office of the Quartet (OQ), and presented in the AHLC meeting of September 2015. OQ, "The Palestinian Economy 20 years after Oslo: The Underlying Dynamics of Economic Underperformance and Unsustainability" (unpublished paper, September 2015) – especially pp. 61-64.


5. OQ, ibid, pp. 63-64.
Contribution to employment

The contribution of external aid to employment in Gaza is even higher. If not for external aid, there would be no public sector in Gaza. Hence, most of the 100,000-plus jobs in the dual governmental system of Gaza reflect external aid contribution, in addition to many thousands of jobs in the non-government public sector entities (such as UNRWA). Moreover, a significant part of non-public sector jobs has been kept thanks to direct purchase of goods and services of the public sector (for example jobs in construction); or indirectly, thanks to the purchasing power of the employees of the public sector.

Considering these factors, the analysis shows that roughly two thirds of the 220,000 fully employed people in Gaza in 2014, owe their jobs to external aid.6

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Chart 1.1 - Unemployment in the West Bank vs. Gaza: With and Without the Contribution of External Aid and Work in Israel - Indicative Estimates for 2014 (percent of labour force, ILO standard)

Computed by the author from PCBS, Labour force Survey series; and as per the analyses in OQ, Chapters Three and Four of OQ. “The Palestinian Economy 20 years after Oslo: The Underlying Dynamics of Economic Underperformance and Unsustainability” (September 2015).

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6 OQ, ibid, pp. 64, 67. See also pages 52-60.
The Effect of Political Developments and Restrictions

After the Hamas takeover of Gaza in June 2007, Israel imposed severe restrictions on trade with Gaza. Very few items were allowed entry as imports, primarily on a humanitarian basis. Exports from Gaza were practically banned altogether, except for the occasional export of a few truckloads of agricultural cash crops. These restrictions have been partly relaxed, since 2010; and more significantly since 2015. As a result, imports into Gaza showed considerable recovery. Most of the constraints on exports, however, remained in place; and export activity remained at a very low level.

The political upheavals in Gaza were reflected in an extremely volatile economic growth pattern. Steep falls in periods of intense violence, and high growth rates in periods of relatively relaxed restrictions: average real growth of 9% a year in 1997–1999, sharp fall in 2000-2002, and 17% growth, on average, in 2003-2005. The political events that preceded the takeover of Gaza by Hamas, and the siege that followed it, led to a steep fall of 11% per annum in 2006-2008. In 2009, the trend changed to positive growth, with the development of the Hamas tunnel system; and continued with the partial relaxation of Israeli restrictions that followed the Mavi Marmara Affair of June 2010.

Average GDP growth over 2009-2013 was 10%, and the war in Gaza at the summer of 2014 resulted in a 15% fall in real terms that year. In 2015, the trend changed again, and a growth of 6% was recorded. A similar rate is projected for 2016 (Chart 1.2).

Chart 1.2 - GDP Real Growth in Gaza, in Comparison to the West Bank: 1995 – 2016 (annual percentage change)


The Impact of Gaza on Palestine’s Macro Economic Indicators

The economic and social degeneration of Gaza pulls Palestinian macro-economic indicators down, even with comparison to the poorest Arab countries. As demonstrated in Chart 1.3, the GDP per capita of Gaza in 2014 was lower than that of Sudan; and if not for external aid, it would have been one third lower than that of Mauritania.⁸

Chart 1.3 - Contribution of External Resources to the GDP per Capita: West Bank vs. Gaza and in Regional Comparison
Indicative Estimates for 2014 (US Dollars, current prices)

<table>
<thead>
<tr>
<th></th>
<th>Without external resources</th>
<th>Contribution of external resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Bank</td>
<td>4,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Gaza</td>
<td>1,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Jordan</td>
<td>2,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Egypt</td>
<td>2,500</td>
<td>4,500</td>
</tr>
<tr>
<td>Sudan</td>
<td>1,500</td>
<td>3,500</td>
</tr>
<tr>
<td>Mauritania</td>
<td>1,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Sources: Palestinian data – PCBS, National Accounts Statistics; other countries –IMF, World Economic outlook Database.

Trade Activity

The number of truckloads passing through the crossings between Gaza and Israel is the most important economic indicator in the case of Gaza. The dramatic changes in the number of truckloads were mirrored in the erratic pattern of GDP growth, as shown in Chart 1.2 above.

On the eve of the Second Intifada (1997-Sept. 2000), the total number of import truckloads from Israel to Gaza was approximately 15,000 per month. The number of export truckloads ranged from 1,500-2,000 per month over the same period.

⁸ Though similar external resources play important role in the Jordanian and Egyptian economies too, its contribution to the GDP is a way lesser than in Palestine. Sudan and Mauritania do not enjoy significant inflows of such external resources. See detailed analysis and notes in the OQ, "The Palestinian Economy 20 years after Oslo", ibid, pp. 65-66.
In the 2001-May 2007 period, import figures dropped by about one third (to approximately 8,000-12,000 import truckloads per month), with stronger falls in periods of more intensive violence following the disengagement of Israel from the Strip in December 2005. Exports dropped by one half (to approximately 800 export truckloads per month).

After the takeover of Gaza by Hamas in the middle of 2007, and the abduction of the Israeli soldier Gilad Shalit by Hamas, exports practically ceased (see Chart 1.4). The number of import truckloads dropped to 2,000-2,500 per month in 2008-2009, while at the most violent periods, the number of truckloads dropped as low as 500-1,000 per month. At this rate of imports, Israeli-controlled passages supplied Gaza with less than 10% of imports needed for normal economic activity.

The Hamas de-facto government of Gaza responded with the development of a huge system of tunnels dug between Palestinian Rafah and Egyptian Rafah, as an alternative route for imports. This alternative route provided a critically needed economic lifeline to Gaza. At its height, in the early 2010s, more than 1,000 active tunnels were supporting an annual trade volume of around USD 600-800 million, amounting to more than two thirds of Gaza imports. This alternative trade route was shut down by the Egyptians from 2013.

The revival of economic life, enabled by the tunnel trade route, was reflected in sharp increase in Gaza GDP from 2009 (see Chart 1.2 above). In the middle of 2010, gradual and partial relaxation of Israeli restrictions on imports into Gaza was reflected in an increasing number of import trucks crossing into Gaza: from 2,000-2,500 per month in 2008-2009 to around 5,000 in 2012-2013 (Chart 1.4). This increase was reflected in another sharp jump in GDP, which lasted until the 2014 Gaza War (Chart 1.2). Nevertheless, the ban on exports continued, and at a rate of 20 trucks per month in 2011-2014, the number of export truckloads was only 1% of exports in the pre-Second Intifada period (Chart 1.4).

The positive trends of 2010-2014 have accelerated in 2015-2016 including some relaxation of the ban on exports to Israel and trade with the West Bank. As a result, the number of export truckloads jumped from less than 20 per month in 2013 and 2014, to more than 100 per month in 2015, and approximately 150 per month in 2016. The number of import truckloads increased to 8,000 per month in 2015, and around 10,000 per month in 2016 (Chart 1.4).

Nonetheless, these export and import rates are still grossly below the quantities required for restoring normal economic life in Gaza. Exports of below 200 trucks per month are only 10% of the rate of exports in the pre-Second Intifada period, almost 20 years ago; and well below 5% of the volume required in 2016 for restoring normal economic life in Gaza.

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9 PalTrade Monitoring Reports.
An import rate of 10,000 truckloads per month is still a third below the rate of the pre-Second Intifada period. Given the population growth in Gaza over this period and other considerations including import needs related to the reconstruction of Gaza, this rate of imports provides only one third of the volume of imports required in 2016 for restoring normal economic life in Gaza.

Chart 1.4: Freight Movement between Gaza and Israel 1998-2016: Monthly Average (1)
(Number of truckloads passing through all Israel-Gaza passages)

Notes:
(2) Data on imports from Israel to Gaza in 2001 – 2004 relates to the Karni Crossing only

2000 and 2007 were split into two periods to reflect the start of the Second intifada (September 2000), and the takeover of Gaza by Hamas (mid-2007).

Current Situation of the Private Sector in Gaza

The impact of the severe restrictions of 2007 on import of inputs into Gaza, in combination with the ban on exports, was devastating for Gaza’s manufacturing sectors. In December 2008, 95% of the 3,900 industrial businesses that were active in Gaza in 2005 stopped operation. The number of industrial employees dropped by a similar rate – from 35,000 in 2005 to only 2,000 by the end of 2008. Since 2009 some of the industrial businesses resumed operation, initially thanks to import of some inputs from Egypt, through the tunnels; and later thanks to partial resumption of imports of inputs from Israel.

Nevertheless, the positive effect of these improvements has been limited. In June 2010, the number of employed people in the manufacturing industries of Gaza was below 8,000, and in 2014 it was still as low as 11,000.

Further relaxation of restrictions in 2015 was reflected in faster recovery of private sector activity. As of 2015, the total number of employed people in Gaza industry (including mining and quarrying) was 16,000; and this number grew up to 21,000 by the third quarter of 2016.

Nevertheless, employment in industry was still only 60% of its size in 2005, and no more than 7% of the total number of employed people in Gaza. The equivalent figures for West Bankers (including workers in Israel) were approximately 120,000 employed people in industry - 17% of the total number of employed people.

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Chapter Two: The proposed Solution - North Gaza Industrial Zone (NGIZ)

A New Vision for a Private-Sector-Led Economic Revival of Gaza

Given the multifaceted geopolitical complexities of Gaza, the private sector seems to be the only force that can lead and sustain a long-term economic revival and development process.

Under stabilized conditions, provided under the suggested solution, the private sector could become the driving force of economic revival and development; and enable Gaza to materialize its huge economic potential.

This process will combine revival and development of “traditional” private sector industrial and other activities that worked well in the past, with enhancement of new, advanced industries and other economic activities.

This process of private-sector-led economic development, in the designated area of the NGIZ, would spearhead a more comprehensive process of fast, sustainable economic growth of the Gaza Strip as a whole. As such, the NGIZ needs to be viewed as a first step of a comprehensive strategy for private-sector-driven, export-driven economic revitalization and sustainable growth of Gaza - under a strategy based on the strengths presented below.

An overview of this strategy is outlined in Annex A.

The NGIZ – Concept and Modules

The Concept

The NGIZ is designed to create an enabling eco-system in a designated economically-strategic geographical area; where the strengths of the private sector would be geared towards strong, export-oriented activity. The suggested solution will serve as a launchpad for sustainable, strong and quick economic growth.

Being confined to a relatively small, easily controlled, geographical area, this solution will enable administrative and security arrangements, which will: (a) satisfy the security concerns of Israel; and at the same time (b) be politically acceptable by the Palestinians as well as other parties involved.
This solution assumes a continuation of the present, post 2014 Gaza War, political situation. It also assumes that a successful application of this solution will encourage the parties to advance towards a new, wider political arrangement; and applications of wider economically-enabling measures for the Gaza Strip at large.

Modules of the NGIZ and Related Facilities

The NGIZ would be assigned a large area of approximately 5,000 Dunams (5 Square KM), at the northern part of the Gaza Strip.\textsuperscript{14}

The NGIZ will include the following compounds:

- Industrial compounds
- Agricultural compounds
- Logistical compounds
- Trade and business compounds
- Energy, water and wastewater infrastructure compounds

The NGIZ will connect to the Erez Crossing compound on the east, which will be developed as a major land transportation centre, in cooperation with the Israeli authorities. At the first stage, this land transportation centre will include two new components:

- A large commercial crossing, which will be developed as the main commercial crossing between Israel and the Gaza Strip
- Extension of the Israel railway network to the Erez Crossing, and into the NGIZ

The NGIZ will also connect to the new Gaza Sea Port compound, to be developed on an offshore site (see Map 1 below). The Gaza Port off-shore compound may also serve as a site for some of the water and electricity infrastructure projects planned as part of the NGIZ, and for aquaculture activities.

Security, Administration and Management of the NGIZ

Political and Security Considerations

As mentioned above, the plan assumes a political will to accept practical de-facto arrangements, which will allow structuring of a secure and economically-enabling eco-system, in spite of the political complexities that surround Gaza.

\textsuperscript{14} The area suggested for the NGIZ and related facilities, in the northern part of the Gaza Strip, is part of the "Gateway Gaza" area in the Portland Trust work, "Global Palestine: Connected Gaza"; which is envisioned to become the international gateway of Gaza and of Palestine. The strategy suggested in this plan follows that vision.
Being a closed and secure estate, it will be politically feasible to enable businesses located in the NGIZ exemption from constraints on exports and imports; including constraints such as dual-use, etc.

Politically, it will be easier to reach agreement between all concerned parties on special security and other arrangements required for enabling unconstrained trade, for such a relatively small and confined estate.

The North Gaza Industrial Zone Municipal Authority (NGIZMA) – Responsibilities, Powers and Structure

The development and administration of the NGIZ will be mandated to a special, autonomous authority - the North Gaza Industrial Zone Municipal Authority (NGIZMA). NGIZMA will govern all economic and other affairs of the NGIZ.

Jordan's ASEZA (Aqaba Special Economic Zone Authority) and Dubai's JAFZA (Jabel Ali Free Zone Authority) serve as reference models (with necessary adaptations).

NGIZMA will be mandated to maintain the security of NGIZ under an internationally agreed security protocol; as part of its responsibility for the management of the NGIZ and the various special administrative and economic arrangements that will be agreed upon for the NGIZ.

The NGIZMA board of commissioners will include strong international and Arab representation, and it will be given international guarantees, as well as special security powers and capabilities. These internationally agreed guarantees and capabilities will provide NGIZMA with the security, political and trade enabling umbrella necessary for its operation, and for functioning effectively vis-a-vis the various concerned parties.

The management structure suggested for NGIZMA follows the structure that works well for ASEZA, with adaptations, as follows:

- **Board of Commissioners: political policy-making and supervision level**
  In the case of ASEZA, the chief commissioner and the deputy chief commissioner are high-ranking ex-ministers and/or sitting ministers. In the case of NGIZMA it is suggested that high-level international and Arab personalities (representing the GCC countries and Egypt) will be appointed as chief commissioner and deputy chief commissioners. High-ranking representatives of other concerned political parties will be appointed as members of board of commissioners.

- **Executive Management - professional, internationally-backed management team**
  The management team of NGIZMA will develop and operate the different compounds of the NGIZ, and implement the trade and investment enabling measures, entitled to the NGIZ.

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The Economic Regime of the NGIZ and its Development through Public Private Partnership

The NGIZMA will be in charge of developing the industrial, agricultural, logistical and other compounds of the NGIE. It will be also in charge of developing the main transportation compounds that will make this area "the Gateway of Gaza"\(^{17}\): the sea port of Gaza, and the "land-port" in Erez (including the railway connection with Israel).

All these projects will be contracted by NGIZMA to the private sector for development and operation - ideally, to consortiums composed of experienced international or Arab companies, and Gazan private-sector partners.

As a closed zone, the NGIZ can also have free-trade status, which would further enhance its development.

This model of building large industrial and logistics free-trade zones, beside large and modern ports, as generators of trade, business and economic development, has been applied with outstanding success in the UAE. The same model works very well in Aqaba, and it is a corner stone of the Egyptian flagship Suez Canal Corridor mega project too.

The following are the main features of the special economic regime of JAFZA and ASEZA, and their other advantages, in addition to their basic advantage as free-trade zones.

**Jabel Ali Free Zone Authority (JAFZA)\(^{18}\)**

Jabel Ali Free Zone hosts more than 7,000 businesses, including offices and facilities of more than a half of the Fortune 500 companies. The presence of these big brands, and so many other big companies, makes JAFZA an attractive business platform for more and more small and medium size businesses as well.

JAFZA is offering a wide variety of company formation options: Free Zone Company, Free Zone Establishment, branch of a company, or offshore formation. It offers a simple and easy business setup procedure. Licenses and activities are categorized into three broad fields of activity: trading, service and industrial.

JAFZA main incentives include:

- Tax-free activity. 0% corporate tax for a period of 50 years (renewable); 0% personal income tax; 0% import or re-export duties
- 100% foreign ownership and unrestricted repatriation of capital and profits

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\(^{17}\) As suggested in the Portland Trust work, "Global Palestine: Connected Gaza"

No currency restrictions, and no restriction on hiring foreign employees

One of the reasons behind the success of Jabel Ali Free Zone is its high quality infrastructures and services. JAFZA enables different types and sizes of pre-built warehouses that meet any type of business needs; fitted with needy equipment. Ramps for forklift, loading docks for containers and trucks, fire exit doors, main entrance for office areas and other features; water supply and electricity at various power ranges, fire alarm and safety measures, and 24 hours security facilities.

Aqaba Special Economic Zone Authority (ASEZA)¹⁹

The Aqaba Special Economic Zone also enjoys special fiscal regulations and investment incentives, as follows:

- Flat 5% income tax on income generated from activities inside the ASEZ or outside Jordan except for banking, insurance and land transport services
- Exemption from import taxes and tariffs on imported goods for individual consumption and registered enterprises (except automobiles and petroleum)
- Exemption from Social Service Tax and from Sales Tax on vast majority of goods and services
- Exemption from land and building taxes on utilized property, and exemption from taxes on distribution of dividends and profits on activities in the ASEZ and outside Jordan.
- No foreign equity restrictions on investment in tourism, industry, retail, and other commercial services (100% foreign ownership allowed)
- No foreign currency restrictions and full repatriation of profits and capital
- Streamlined labour and immigration procedures (a project may employ up to 70% foreign labour as an automatic right).

The NGIZ: Main Economic Features and Benefits

The designated area of about 5,000 dunam, declared as the NGIZ, will be given a free-trade status, and other wide-ranging investment and export benefits – using JAFZA and ASEZA as references, with the necessary adaptations.

Being adjacent to the Gaza port and the main land transportation hub in Erez, connecting Gaza with Israel and the West Bank, the NGIZ will become a focal point for the industrial development of Gaza. Moreover, these advantages would also lure into the NGIZ large Arab companies (and Arab-International groups) that eye the Palestinian and Israeli markets.

The eco-system of the NGIZ will include the following main features:

- Special security envelope and other security measures inside the NGIZ that will satisfy Israeli security demands (advanced security technology, special autonomous security force operating under an agreed protocol, etc.).

- Generous incentives for private investment (Palestinian, Arab, International, and Israeli).

- Generous trade advantages will be granted to NGIZ-located industries in exporting to the US, EU and Arab markets. These trade advantages will be built on the sound basis of already existing Israeli and Palestinian preferential trade agreements with the US and the EU, Palestinian membership in GAFTA, etc. These agreements will be strengthened by various special arrangements, such as widening the Israeli-Egyptian-American QIZ agreement to include the NGIZ, and more.

- Simplified transportation and handling procedures for NGIZ-bound (or originating) cargo, in Israeli ports and border-crossings (based on agreed security protocols).

Successful application of these models to NGIZ (with necessary adaptations) would enable the envisioned fast development of trade. This, in combination with the simultaneous development of the planned transportation and logistical infrastructures, would enable NGIZ to start tapping the potential of Gaza, as a hub of regional transit trade on the Mediterranean.

Properly planned, a large industrial zone of about 5,000 dunams such as NGIZ, can also serve as focal point of employment for the northern and central parts of the Gaza Strip. It is expected to generate a total of more than 200,000 new jobs, in 5 years. Close to 100,000 direct jobs inside the NGIZ's industrial, agricultural and other
compounds; and more than 100,000 indirect jobs outside - with service providers, related infrastructures, suppliers, sub-contractors, etc.\textsuperscript{20}

\textbf{Trade and Investment Enablers}

As a closed zone, and given the special security arrangements of the NGIZ, it will enjoy a constraint-free economic environment; namely, free flow of imports and exports, except for an agreed limited set of security-related restrictions.

The special-status arrangements of the NGIZ will also include relaxation of other economic restrictions, such as:

\begin{itemize}
\item Relaxation of constraints on import of "dual use" items (except for agreed limited security-related restrictions).
\item Revision of lists A1, A2 and B\textsuperscript{21}; and free import of raw material and other inputs and products, including import of fuels and other products from Arab countries, except for agreed limited security-related restrictions.
\end{itemize}

Local, Arab and international businesses located in the NGIZ will enjoy relaxed export procedures, and a special set of export incentives.

This set of incentive will be based mainly on the Israeli export-promotion measures and systems, with necessary adaptations.

Additionally, these businesses will enjoy enabling measures and incentives for Investment, including:

\begin{itemize}
\item "Fast track" approval procedures for import of industrial machinery and equipment.
\item "Fast track" approval procedures for entry of Arab and other investors to the NGIZ.
\item A program of investment incentives, based on existing proven incentive packages, which have been developed in Israel, the Gulf and Jordan; and will be applied to the NGIZ, with necessary amendments.\textsuperscript{22}
\item Expanded political risk insurance program (to be offered by the Multilateral Investment Guarantee Agency (MIGA), and other political risk insurance agencies).
\end{itemize}

\textsuperscript{20} Approximately half of these new jobs are expected to be generated in NGIZ's various industrial compounds, and the rest in its agricultural and other compounds. The feasibility study that was prepared in 1977 for the much smaller "old" Al-Muntar estate (Gaza Industrial Estate, which was planned on an area of 480 dunam), estimated that it would employ 20,000 workers, and would generate indirect employment of additional 30,000 jobs (World Bank, Gaza Industrial Estate Project: Project Appraisal Document, December 1997, p.2, 20. http://documents.worldbank.org/curated/en/162801468762310492/pdfs/multipage.pdf

\textsuperscript{21} Lists A1, A2 of Annex V on the Interim Agreement on Economic Relations between Israel and the Palestinian Authority specify a list of commodities that the PA can set an independent import policy including import taxes, standards and other import restrictions and/or conditions. List B to the same Annex V includes a list of raw materials, machinery and machinery parts to which the PA can set a different level of customs than Israel.

\textsuperscript{22} This and other recommendations for incentives are directed mainly to the donor community.
Industrial Compounds

The development and operation of the various compounds of the NGIZ will be commissioned by the NGIZMA to the private sector; preferably joint ventures between the private sector of Gaza and international or Arab companies specializing in management of such industrial estates. It is recommended to consider experienced companies that already manage large, diversified, industrial estates in the UAE and Jordan.

As mentioned above, it is expected that the NGIZ will be a focal point of industrial and economic development for the northern and central parts of Gaza. As such, the industrial compounds of the NGIZ will host relatively larger enterprises, which will also generate massive indirect employment outside the NGIZ (with sub-contractors, suppliers, service providers, etc.).

With these guidelines in mind, it is suggested that the NGIZ include the following industrial compounds:

**Conventional light manufacturing industries compound:**

- The envisioned new eco-system of the NGIZ will enable revival of main “traditional” industrial sectors: textile and garments, and furniture. The NGIZ will host the relatively larger factories, mainly those exporting to Israel, and subcontracting to Israeli companies. However, given the decline of these industries in Israel, the volume of subcontracting to Israeli companies will be much lower than in the pre-Second Intifada period.
- The main growth engine of traditional industries is expected be new QIZ-style and other preferential trade arrangements with the US and European countries. QIZ-style arrangements could be as effective in Gaza as it have been in Egypt and Jordan. In both countries it resulted in about USD 1 million a year growth in exports to the US, in less than 5 years. Application of similar arrangements to the NGIZ, can lure into it dozens of large textile and garment (and other) Arab and international companies; which would generate hundreds of new jobs each.
- The larger factories located in the NGIZ will reflect on other parts of Gaza, and generate development of a wide network of smaller workshops outside the NGIZ: suppliers and sub-contractors working for the larger plants; in addition to workshops producing for the local market.

**Advanced industries compound:**

This compound will host high-tech, clean-tech and other advanced, clean industries, service-oriented activities, etc.

It is suggested to focus on two main fields of advanced industry in this compound:

- **Advanced small-scale distributed industrial production and niche activities:**

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23 These suggestions are in line with "Global Palestine: Connected Gaza", pp. 66-67.
o Israeli access to the secured area of the NGIZ would enable the development of various niche industrial activities – for export or sub-contracting to Israel.

o The plan envisions development of hubs of such advanced manufacturing activities in this compound. These hubs, in turn, will generate development of a network of small-scale workshops all over the Gaza Strip; using new digitally-enabled production technologies.

o Some of these networks will expertise in various high-value products (final and semi-final) – mainly as part of advanced Israeli manufacturing supply chains

o The plan suggests implementing an aggressive program of incentives, which may encourage fast and strong development of these activities.

❖ Information Technology and Other Advanced Services 24

Dozens of Palestinian software and other information technology (IT) firms have been established since the mid-1990s. The Palestinian IT industry has already developed a professional and technical base, as well as marketing foothold in the fast-growing Gulf software market, and close relations with the Jordanian IT industry.

In this field too, the enabling eco-system of the NGIZ would facilitate cooperation between Gazan IT firms and the relatively giant Israeli IT industry, which may open promising opportunities, including:

o Cooperation in software development contracts for US & EU markets. The combination of Israeli professional base, reputation, and international marketing capabilities, with Gazan competitive workforce, would put such joint efforts in position of comparative advantage, against US and European, and even East-Asian competitors.

o Subcontracting and gradual transfer of certain production activities from Israel to Gazan IT companies.

o Cooperation in development of Arabic-language software products and applications.

o Donor-supported IT incubators, in cooperation with leading international and Israeli IT companies. Such cooperation will bring large software development projects to the NGIZ IT companies.

The plan suggests that these and other projects will be encouraged by donor-supported public-private venture-capital system, specializing in Palestinian and joint Israeli-Palestinian advanced technology companies and projects. The Israeli strong venture-capital industry can substantially contribute to that system.

24 In line with the suggestions of "Global Palestine: Connected Gaza", p. 72.
Construction material and other basic industries:

The plan suggests leveraging the huge demand for housing and other construction projects (generated and financed by the Gaza Reconstruction Program) for developing Gaza as a centre of Palestinian construction material industry.

- The main driver of this process will be import substitution inside Gaza. However, the construction material industry of Gaza will help substituting imports in the West Bank as well; and will also aim at exports – principally to the Israeli market, but to Arab markets as well.
- The enabling constraint-free eco-system of the NGIZ will enable it to become a focal point for this process too.
- Under the enabling umbrella of the internationally and Arab supported NGIZMA, the construction material and basic industry compound of the NGIZ would be able to attract strong Egyptian and Gulf companies in various fields of the construction material, metal and other basic industries; which eye the Gazan and West Bank markets, as well as the Israeli market.
- The NGIZMA may also be helpful in facilitating import of sand and development of quarries in Sinai for cheap supply of the large quantities of aggregates and other basic materials for construction, which will be required in Gaza. This will replace purchasing relatively scarcer and more expensive sand from Israel, and aggregates from the West Bank.

All in all, the industrial compounds of the NGIZ are expected to generate more than 50,000 new direct and indirect jobs.

Agricultural Compounds

The agricultural compounds of the NGIZ are planned to be the focal point for revival of high-value export-oriented agriculture in the northern and central parts of Gaza.

The plan builds on successful past experience, such as a Joint Israeli – Palestinian project for production and export of vegetables (mainly strawberry) and flowers to EU and US markets in the first half of the 2000s. Though this project was relatively small, it proved to be most successful. In 2004, the project covered more than 3,000 dunams. It generated exports of about USD 10 million, and provided close to 10,000 direct jobs, plus thousands of indirect jobs.25

According to the long-term estimates presented in "Global Palestine: Connected Gaza", it is expected that around 65,000 dunams of main agricultural areas will be retained in Gaza by 2050.26

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25 The former Israeli-controlled Gush Katif, which encompassed approximately 10,000 dunams of intensively cropped agricultural lands, generated sales (exports to and through Israel) of about USD 100 million.

26 "Global Palestine: Connected Gaza", p. 64.
These farms will be developed by the private sector, through joint ventures between local farmers (mainly through farmers associations) and Israeli or foreign companies, which will provide the required financial, professional and marketing-related assistance. This program will be developed simultaneously with the development of irrigation-water resources, as detailed in the section on water and wastewater treatment below; and can be completed in 3-5 years.

The projects suggested for the agricultural compound of the NGIZ include:

- **Large, modern packing house complex**, which will take fresh agricultural products directly from the fields in the northern and central parts of the Gaza Strip (all relevant fields are very close, no more than 20 KM from the NGIZ). These fresh products will be graded and packaged according to the strictest standards required by high-value export markets.

- **Refrigerated and chilled storage complex**, where the packed products will be waiting for shipping. Then, the products are shipped on refrigerated trucks, and sent directly to the ship for export, under a "fast track" uninterrupted process.

Since all these processes will be done inside the closed area of NGIZ, required security checks of the fresh and packed products will be done in cooled places (as part of the agreed security protocols), without breaking the “cooling chain”. This aspect of immediate transfer of the fresh products to the properly cooled packinghouse, and strictly keeping uninterrupted "cooling chain" from the packinghouse to the ship, is critical for high-value products.

- **An agricultural research and instruction centre**, which will provide the required agricultural research, professional support and instruction services to farmers.

- **About 1,000 dunams of cropped area inside the compound** – for testing and demonstration of new, advanced cropping and irrigation methods; and as a nucleus of the new, envisaged high-value, export-oriented agriculture of Gaza.

- **A sub-compound for agricultural inputs and services**: where suppliers of inputs and services (fertilizers, pesticides, irrigation equipment, sale and maintenance of agricultural machines, etc.), will have shops and service stations.

Another, separate part of the agricultural compound will be an offshore aquaculture compound, which will be developed nearby the off-shore port:

- The Gazan fishing industry is suffering from dwindling fish population in the Mediterranean (a global problem shared by fishing industries worldwide).
- The only way of keeping this important industry alive is development of aquaculture. Furthermore, given huge and growing demand for fish in many neighbouring countries, aqua-culture can be developed as an important export industry.
- Hence, it is suggested to develop this industry, in designated marine areas that will be part of the offshore compound under the responsibility of the NGIZMA.
- The on-land agricultural compound will have the required facilities for cold storage, processing and packaging of fish – for export.
All in all, these agricultural activities enabled by the agricultural compound of the NGIZ are expected to develop, in 5 years, into export industries of about USD 100 million per year; and generate tens of thousands new jobs (mostly outside the NGIZ).

Logistical Compounds

The NGIZ will have large logistical compounds, serving the storage and various other logistical needs of the seaport, as well as the on-land import and export trade. These logistic services will include, inter alia: general long-term and short-term storage, cold storage, other specialized storage (for example – car storage, grains, etc.); a separate compound for handling "unclean" building and other materials; and more.

Trade and Business Compounds

As indicated above, Gaza has unique location advantages, which can transform it into an important regional trade and business centre. The NGIZ is ideally placed to attract large part of this envisioned activity.

The activities suggested for the trade and business compounds are outlined below. These activities are expected to start the development of the NGIZ into the envisioned multi-level trade and business centre:

- Internally, as the main point of trade and business exchange with the West Bank
- Vis-à-vis Israel, as a main centre of Palestinian-Israeli trade and business exchange
- Regionally, as a centre of trade and business relations between Palestine and the Arab world; and in time, an important gateway on the Mediterranean for regional transit trade
- The supporting security and economic envelope described above would enable starting this transformation process.
- A principal task of the NGIZMA will be to help the private sector of Gaza in working together with Arab and international companies that have the required knowledge and experience, as well as the professional and financial capacities, for making this transformation.

Wholesale Israeli-Palestinian trade compound:

This compound will host wholesale trade activities directed by Gazan companies (and in time also West Bank and Arab companies, doing business in the NGIZ) towards the Israeli market; as well as wholesale trade activities directed by Israeli companies towards the Gazan market; including:

- Showrooms and warehouse of Palestinian companies, using the free and secure access of Israeli business and institutional buyers, and for immediate delivery of products from their warehouses to the clients.
- In time, large Arab companies too (Jordanian, Gulf and other) will find the NGIZ as a convenient base for doing business with the Palestinian and Israeli markets. These companies may either open their own offices or showrooms in the NGIZ, or work through Palestinian agents.
Similarly, Israeli companies eying the Palestinian market, and contacts with Arab markets, may use the same advantages of NGIZ, and make it their base of operation vis-à-vis the Palestinian market.

**Retail trade compound:**

The secure environment of the NGIZ may also enable revival of retail trade, directed towards the Israeli market (probably in a special, designated compound). This compound will host shops of Palestinian and Arab suppliers, in categories such as household products, home appliances, furniture, garments, food products, etc. Judging from previous experience, such a compound may become quite popular; and may even be attractive enough for leading Arab retail networks (in fields such as food, digital products, and more) to open shops in it. This compound may also include an open weekend market, etc.

**Technical supplies and services compound:**

Gazan industrial and construction businesses, and businesses in other fields, purchase many of their inputs and equipment in Israel; as well as wide range of technical support and other services.

The secure environment and free access of the NGIZ will encourage Israeli suppliers to open sales and service points in it; thus making their products and services easily accessible for their Gazan clients, and gain more business in Gaza.

Hence, the technical supplies and services compound may host Israeli businesses such as:

- Maintenance and repair services for various types of machinery and equipment (for complicated service, where specific expertise or equipment is required)
- Technical support and repair services for consumer electrical and electronic appliances (for complicated service, where specific expertise or equipment is required)
- Laboratories providing advanced testing services in various fields
- Specific advanced professional services for industry, such as galvanization (for metal products, advanced packaging in clean rooms, and more.

**Offices, business and personal services compound:**

This compound will offer office space to diversified business and service activities, including:

- Offices of Gazan companies looking for convenient and accessible location for Israeli, Arab and international clients and business partners
- Similarly, marketing offices of Israeli companies vis-à-vis the Gazan market
- Gazan service providers in fields where price differences would attract Israeli clients, such as: dentists, design and printing services, translation and editing services, etc.
Similarly, Israeli service providers in specific fields, such as: specialized medical services, lawyers specializing in representing Palestinian clients in Israel, etc.

Business services which require convenient location for meetings between Israelis and Palestinians, such as: conference room services, training centres, etc.

Offices of Arab and international companies looking for a location accessible to Israelis and Palestinians.

**Energy, Water and Wastewater Infrastructure Compounds**

Electricity shortages and water supply limitations have become major impediments for industrial and agricultural activities in Gaza. Businesses suffer power outages of 12 hours or more per day; while depletion of the aquifer causes fast and dangerous deterioration in water quality.

Hence, the NGIZ must develop its own independent, sustainable sources of energy and water supply.

As mentioned above, the plan suggests handing the development of these infrastructures to the private sector, under BOT or other financing arrangements. This way has become customary in execution of large infrastructural projects in the GCC, Egypt and other countries in the region.

In the case of the NGIZ, the NGIZMA will facilitate internationally-guaranteed BOT contracts, which will be awarded to a consortiums of strong international or Arab companies with Gazan private-sector companies, for execution of a set of energy and water projects, as detailed below.27

- Construction of a new gas-powered electricity production plant in a designated compound of the NGIZ; which will provide sufficient electrical power to the NGIZ and the northern part of the Gaza Strip.
- Construction of a gas pipeline from Israel to the NGIZ, which will provide the required gas for the NGIZ power plant (at a later phase this pipeline will continue to the Gaza City Power Plant and beyond). This pipeline will also supply gas to relevant industries (and other activities) in the NGIZ, which can switch from expensive electricity or fuels to use of natural gas.
- Development of several small and medium-size solar PV fields in the NGIZ, as well as a network of roof-top PV panels wherever possible in the NGIZ.
- Construction of a large seawater desalination plant (possibly in the off-shore compound); which will serve as independent source of water for domestic and other non-agricultural uses of the NGIZ, and surrounding areas.
- Launching a large-scale wastewater treatment program; using new, advanced natural-biological technologies, and based on diversified approach. Namely, a network of small wastewater treatment plants, which will cover the entire northern part of the Gaza Strip. This network would produce enough high-quality irrigation water for the agricultural project described above, while significantly decreasing use of water from the dwindling aquifer, and enable its recovery. At the same time this

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27 Partly in line with the suggestions of "Global Palestine: Connected Gaza", pp. 132-145, 196-203.
project will solve the major environmental and health problem of presently untreated wastewater that flows into the ground water.

All these projects will be contracted by the NGIZMA to consortiums of experienced international companies and local private-sector partners.

The Erez Land Transportation Compound

Erez will be developed by the NGIZMA as a major commercial crossing. It will serve the large import and export trade, which the NGIZ is expected to generate; as well as the growing volume of trade between Israel and the central and northern parts of the Gaza Strip at large.

The Erez Commercial Crossing will be connected to an adjacent logistical compound of the NGIZ; which will support its activity, and enable it to function as a large, efficient land port.

The extension of the Israel railway network to the Erez Crossing, and into the NGIZ, would enable direct transportation of export and import shipments by railway to Israel and the Ashdod port.

The design of this first phase of the Erez Commercial Crossing, and the railway connection to Israel, will also take into consideration the future plans for this compound, namely:

- The Gaza Gateway major multimodal transportation inter-change, which will be integrated with the Erez Crossing.
- Extension of the railway to the south, along the eastern border of the Gaza Strip, as well as the seaport.
- The Gaza-West Bank railway link, which will go from the Erez Crossing to the Tarkumia Crossing on the West Bank border with Israel.

The Gaza Off-Shore Port Compound

The main part of this compound will be the Gaza Seaport. It will be connected to an adjacent on-land logistical compound of the NGIZ; which will support its activity, and enable it to function as an efficient seaport.

The offshore compound will also embrace various other marine elements, suggested to be built on offshore sites, as mentioned above.
Map 1: Indicative Master Plan of the NGiZ
Chapter Three: Macro-Economic Effect In Comparison to Relevant Case Studies

The NGIZ will serve as a focal point of employment, for the northern and central parts of the Gaza Strip. It is expected to generate a total of about 200,000 new jobs, in 5 years. Close to 100,000 direct jobs inside its industrial, agricultural and other compounds; and more than 100,000 additional indirect jobs in the Gaza Strip at large - with service providers, related infrastructures, suppliers, sub-contractors, etc. These new jobs will be created in the revitalized export-oriented industry and agriculture; and by enabling growth of new fields of advanced services, international trade, transportation, and other business services.

The surge in industrial, agricultural, trade and other business activities will have weighty macro-economic effects; namely, significant increase in employment, exports, and GDP. Furthermore, it would fundamentally change the economic structure of Gaza, towards a private-sector-powered economy.

Effect on Employment

As shown in Table 3.1, the average annual number of new jobs created in Gaza is less than 20,000 (2010-2016 data). The number of new entrants into the labour force was almost double. Unemployment rate increased from 30% in 2005, to 38% in 2010, and close to 45% in 2016.

The 200,000 new jobs, which the NGIZ is envisioned to generate in 5 years from start of operation, would triple the present rate of new job creation in Gaza.

As shown in Table 3.1, this jump in job creation would bring unemployment in Gaza down, to around 16%, in 5 years – slightly lower than the unemployment rate in the West Bank.\footnote{Unemployment rate in the West Bank ranges between 17%-20% over the last 10 years. This relative stability has been enabled by continuous increase in the number of West Bankers working in Israel; which has grown almost fourfold over the last ten years. At more than 110,000 in 2016, West Bank workers in Israel account for more than 15% of West Bank employment. If not for work opportunities in Israel (and Israeli settlements), unemployment rate in the West Bank would have been above 30% (computed from PCBS, Labour Force Surveys).}

Furthermore, since most of the new jobs generated by the NGIZ will be in industry, agriculture, trade, and other private sector businesses, the share of public sector
employment (public administration and public services) will decrease steeply. This share is expected to decrease from the present very high ratio of 53%, to around 35%, in 5 years. That ratio will still be higher than the 30% ratio of the West Bank; but, it would definitely reflect a shift from the present predominance of the public sector, to an economy led by private sector activity.\textsuperscript{29}

Effect on Exports and GDP

Agriculture

This NGIZ plan would enable development of high-value, export-oriented farms, at a total area of about 20,000 dunams, in the northern and central parts of the Gaza Strip. Additionally, an off-shore aquaculture compound will be developed nearby the planned off-shore port.

Table 3.1 - The Gaza Strip: Labour Force and Employment 2005 – 2016 and the Expected Effect of the NGIZ (number of people)

<table>
<thead>
<tr>
<th>Year</th>
<th>Labour Force</th>
<th>Employment</th>
<th>Average annual change of Labour Force</th>
<th>Unemployment</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>251,000</td>
<td>175,000</td>
<td></td>
<td></td>
<td>30.3%</td>
</tr>
<tr>
<td>2010</td>
<td>311,000</td>
<td>193,000</td>
<td>12,000</td>
<td>3,600</td>
<td>37.8%</td>
</tr>
<tr>
<td>2014</td>
<td>444,000</td>
<td>249,000</td>
<td>33,250</td>
<td>14,000</td>
<td>43.9%</td>
</tr>
<tr>
<td>2015</td>
<td>471,000</td>
<td>278,000</td>
<td></td>
<td></td>
<td>41.0%</td>
</tr>
</tbody>
</table>

\textsuperscript{29} computed from PCBS, Labour Force Surveys, and Table 3.1
Past experience in Gaza and other indications shows that such high-value, export-oriented crops, grown under irrigation and advanced cropping methods, can yield USD 3,000-5,000 per dunam (see evidence and case studies below).

Hence, the agricultural activities enabled by the NGIZ (including various processing and supplementary activities, as well as aquaculture) are expected to generate exports of about USD 100 million per year, in 5 years.

Value-added in Palestinian agriculture is relatively high (for plants, not livestock, where value added ratio is lower). Therefore (and considering aquaculture, sales to the West Bank and the Gaza domestic market, and supplementary activities), the agricultural compounds of the NGIZ are expected to add more than USD 100 million to the Gaza GDP.

The present level of Agricultural GDP in Gaza (total value added in agriculture, forestry and fishing) is around USD 150 million. Hence, the NGIZ project is expected to add more than two thirds to the Gaza agricultural GDP, in 5 years.

### Manufacturing industry

According to detailed quantitative analysis of the growth potential of Palestinian industrial exports (under a new growth and export supporting economic regime), total Palestinian industrial GDP is forecasted to jump threefold – from about USD 1.6 billion (2015

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figures), to USD 4.7 billion, in 5 years. Industrial exports are forecasted to grow fourfold - from about USD 800 million (2015 figures), to USD 3.3 billion.  

Given the present very low level of industrial activity in Gaza, the set of growth engines detailed and analysed in that work would facilitate much stronger growth of industrial production and exports in the NGIZ.  

The 100,000 new jobs in manufacturing industry generated by the NGIZ (direct and indirect jobs), are five times the present number of employed people in manufacturing industry (21,000 in 2016, see Chapter One above). Even if the productivity of these new workers will be similar to the present level of USD 10,000–15,000 a year per worker in manufacturing (in Gaza or the West Bank), their total value added is expected to be USD 1-1.5 billion. Namely, 4-6 times the present USD 250 million of manufacturing value added in Gaza. At that level, the value added (and employment) of industrial manufacturing in Gaza will be at the same magnitude of the manufacturing sector in the West Bank – around USD 1.5 billion.

Being more export-oriented than the West Bank industry, the NGIZ industrial compounds are expected to generate larger volume of exports than the USD 800 million industrial exports of the West Bank (2015 figures).

**Overall Effect on Exports and GDP**

In all, and considering the additional value added from trade, services, transportation, infrastructure and other activities, the overall contribution of the NGIZ to the GDP of Gaza can be expected to be at the magnitude of USD 2 billion, in 5 years - about two thirds of the GDP of Gaza in 2015. In GDP growth terms, this would be translated to real GDP growth of 15%-20% per year, for a period of 5 years. This magnitude of growth, for the first period of economic revival in Gaza, is in line with the quantitative analysis mentioned above. That analysis projected annual real GDP growth of 15%-18% for the Palestinian economy as a whole, over the first 5 years from shifting towards a growth-supporting economic regime.

Nonetheless, even after 5 years of such fast growth, the GDP per capita in Gaza will still be 35%-40% lower than the present (2015) GDP per capita of the West Bank (USD 2,200 – 2,500 in Gaza, compared to close to USD 4,000 in the West Bank).

As to exports, the overall contribution of the NGIZ (including export of services) can be expected to be USD 1.2-1.5 billion, in 5 years (compared to negligible exports at present). At that magnitude, the exports of Gaza will still be 40%-50% lower than the

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32 See the analysis in Nashashibi, Gal, and Rock, pp. 62-64.
33 PCBS, National Accounts Statistics 2015, p. 52.
34 ibid.
present export level of the West Bank (total export of goods and services of USD 2.3 billion in 2015).  

**Are Such Changes Realistic? Evidence and Case Studies**

Though the expected GDP, export and employment growth figures mentioned above are high (and may look too optimistic), there is sufficient evidence for occurrences of similarly fast growth - in the first years from shifting towards economic revival, or from introduction of fundamental economic changes.

**Jordan's and Egypt's QIZs**

The Jordanian Qualifying Industrial Zone (QIZ) system started in 1997 by trilateral Jordan-Israel-US agreement. The QIZ agreement opened the US market to Jordanian garment exports, under most favourable terms, and generated the evolution of a large export-oriented textile and garment industry in Jordan. By the early 2000s the Jordanian QIZ was already a thriving international business. It attracted garment producers from all over the world (especially from of East-Asian countries), alongside a fast-growing group of investors from the Arabian Gulf and Jordanian-owned plants.

Total Jordanian exports of textile and garments grew from c. USD 50 million a year in the mid-1990s, to USD 1 billion exports a year by 2004. Exports to the US grew from USD 10-20 million a year in the second half of the 1990s, to over USD 1 billion a year by 2004. This newborn industry accounted, in 2004 and 2005, for about one third of total Jordanian domestic exports (one quarter including re-exports). The QIZ textile and garment export-industry developed into one of the main growth engines of the Jordanian economy.

As of end-2004, the overall number of jobs created by the QIZs was estimated at 80,000-90,000. Approximately 60,000 workers were employed in about 90 large plants (each employing hundreds of workers), and tens of smaller plants inside the QIZs (35,000-40,000 Jordanians, and 20,000 – 25,000 foreign workers). 20,000-30,000 more jobs were created outside the QIZs - in transportation and logistics, catering, and with various other service providers; with local suppliers of various inputs, etc.

The Egyptian-Israeli-US QIZ system started in 2005, on a different background than that of the Jordanian QIZ. Textile industry was traditionally the most important manufacturing industry in Egypt. As of 2004 it employed about one million workers; It was also a leading export industry, with total exports of close to USD 500 million a year to the US, and similar magnitude of exports to the rest of the world.

Until the end of 2004, Egyptian textile exports to the US were protected by the US quota regime on imports from China, Turkey and other global textile powers. As of 2005 this regime had to be phased out, according to a new international agreement; and Egyptian

37 PCBS, Balance of Payments Statistics, 2015, p. 27.
38 Yitzhak Gal, "Qualifying Industrial Zones (QIZ) in Jordan and Egypt" (unpublished paper, November 2012)
exports to the United States became exposed to global competition. The US-Egyptian-Israeli QIZ agreement was designed to protect Egyptian exports to the US from global competition. Furthermore, the QIZ agreement was expected to enhance these exports, as it put Egypt in an advantageous position, in comparison to other textile-exporting countries.

The effect of the QIZ agreement in Egypt was as strong and fast as in Jordan. Hundreds Egyptian textile and garment companies, which were already exporting to the US, joined the new QIZ arrangement almost immediately. Many more joined in coming years. By the end of 2011, the number of companies exporting to the US under the QIZ arrangement was as large as 820. Textile and garment exports to the US doubled, in 5 years, to about USD 1 billion.39

**Fast Export Growth in Egypt, Turkey and Jordan**

Surges of exceptionally fast growth in industrial production and exports were recorded in other Middle Eastern countries during the first years of recovery following periods of economic crisis or stagnation. In Egypt, the manufacturing industry recorded 38% annual export growth between 2004 and 2007 after a period of economic stagnation. In Turkey, 31% annual export growth was registered between 2001 and 2004, the first years of recovery following a long period of Turkish economic crises and stagnation. 40

Jordan is probably the most relevant case for comparison in relation to Palestinian economic growth potential, as it is quite similar to Palestine in terms of its basic resource base. Moreover, the Jordanian economy and exports too were relatively very small, as Jordan stated its process of economic recovery, at the end of the 1990s. As shown in Chart 3.1, total Jordanian export of goods, which were as low as USD 2 billion a year at the end of the 1990s, jumped to USD 8 billion over the first decade of economic recovery.

**Chart 3.1 - Jordan Exports of Goods 1995-2008 (million USD, current prices)**

Source: Jordan – Central Bank

39 Ibid.
The fourfold jump in Jordanian exports, over the first period of economic recovery, demonstrates the large growth potential of a small economy, once strong and sustainable economic recovery takes place.

Evidence from Palestinian and Gazan Economic History

Palestinian economic history too provides illuminating examples of remarkable growth potential in periods of relatively stable political environment. That is shown, very clearly, in Chart 1.2 (Chapter One).

The West Bank registered high real growth of about 15% per annum, on average, in the relatively relaxed period of 1997-1999. Then, after the steep fall in the early years of the Second Intifada (2000-2002), an upward correction of 10%-12% growth came in 2003-2004. The data for 2006-2009 shows the high growth in the West Bank under the Fayyad governments. All in all, the relatively calmer period of 2003-2012, enabled this region to achieve an impressive real growth rate of 9%, on average, for a period of ten years.

Furthermore, in the relatively restriction-free period of the 1970s and the early 1980s, the Palestinian Territories (West Bank and Gaza, then under Israeli direct rule) registered average annual real GDP growth of close to 15% over a period of 12 years.41

In Gaza too, the short periods of relatively relaxed periods were characterized by double-digit growth rates: 10% on average in 1997-1999, and 17% on average in 2003-2005. In 2010-2012, the very partial relaxation of restrictions following the Mavi Marmara Affair (June 2010) was reflected in average GDP growth of 12% (or 10%, on average, for 2010-2013).

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Annex A: Private Sector Led Economic Revival of Gaza – Overview

Introduction: The Economic Potential of Gaza

Gazan GDP per capita today is one quarter below its level in 1994, over 20 years ago (measured in constant prices). At this level it is 60% below the GDP per capita of the West Bank, compared to a gap of only 15% in 1994. These figures represent lost GDP of huge magnitude. According to various analyses, if not for the political misfortunes of Gaza, its GDP per capita would have been today 100% to 200% higher (in constant prices).

This lost GDP is forecasted to be regained over a period of 7 to 10 years from returning to normal economic conditions. In conjunction with other growth engines, Gaza is expected to show long term GDP growth of around 10% a year (on average). Its GDP per capita is forecasted to triple over 10-15.42

At this fast pace of growth, total employment in Gaza (number of employed people) is forecasted to triple too over this period. This is expected to reduce unemployment from the present rate of above 50%, to below 20% in 10 years, and about 10% in 15 years.43

Weaknesses and strengths of the Private Sector in Gaza

Weaknesses and impediments

A recent comprehensive work, presenting the findings of Enterprise Surveys conducted in eight economies in the MENA region, helps in putting the weaknesses and constraints of the Gazan private sector (and Palestinian firms at large) in regional perspective.44

Unsurprisingly, political instability has been identified by Palestinian firms as the most significant impediment. However, only one third of Palestinian firms singled out political

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43 Portland Trust, “Global Palestine, Connecting Gaza”, p. 79; and Nashashibi, and Gal, and Rock, p. 43.
44 World Bank, European Bank and European Investment Bank, “WHAT’S HOLDING BACK THE PRIVATE SECTOR IN MENA? LESSONS FROM THE ENTERPRISE SURVEY” (July 2016). This study summarizes surveys in 8 MENA non-oil economies, which were conducted in 2013 – 2014.
instability as their top obstacle; in comparison to 50%-60% in other politically-troubled economies (Egypt, Tunisia, Yemen and Lebanon). \(^{45}\)

This may indicate the relative severity of other impediments that the Palestinian private sector is facing.

Unreliable provision of electricity is the second most damaging impediment in Gaza. Firms in Gaza have been facing 29 electricity outages per month, on average, in comparison to only two outages per month in the West Bank. Losses due to power outages averaged over 22% of annual sales for firms in Gaza, in comparison to 5% on average in the eight MENA countries which were surveyed (in this respect the situation in the West Bank is much better, with just above 1% losses due to power outages). Access to financial services is another major obstacle for Gazan and West Bank firms. Banks account for only 3% of finance for working capital, which is well below the average of 10% of the eight MENA countries which were surveyed. Approximately 30% of Palestinian formal private sector firms do not have a check or savings account and so cannot use the financial system. Only 6% of Palestinian firms have made use of loan facilities or a line of credit, compared with MENA (eight countries) average of close to 30%. \(^{46}\)

These weaknesses combine with Gaza's complex network of administrative, political, security and other constraints - generating a most unfriendly environment for the business sector.

**Strengths**

Notwithstanding the weaknesses mentioned above, the Gazan economy has noticeable strengths. These strengths can enable and sustain strong long-term growth, under appropriate political and economic conditions.

- **The Small Size of the Gazan Economy**
  The size of the Gazan economy is less than 1% of the Israeli economy or one third of the West Bank, in terms of GDP. Development-wise the smallness of the economy, and the small geographical size of Gaza, is a great advantage. It enables planners to approach the task of developing Gaza as a medium-scale regional development project.
  This conceptual observation implies that a small set of well-chosen local projects can make a dramatic difference.

- **Resilience and Ample Unemployed Resources**
  The private sector of Gaza has shown remarkable strength and resilience, whenever the political situation allowed economic forces to work.
  Under appropriate political and economic conditions, this resilience will be translated into speedy mobilization of ample, unused production capabilities: (1) ample and

\(^{45}\) World Bank et al, ibid, p. 21.

highly educated workforce, (2) high percentage of unused production capacity in industry, construction, agriculture, and other productive branches of the economy, and (3) other resources and capabilities that can be used or re-activated (elaborated below).

- **Close Connections with the Large, Advanced, Israeli Economy**
  Under stabilized security and political conditions, the relatively giant Israeli economy provides huge economic-growth opportunities for Gaza: (1) Israel is an immediate, ready market for Palestinian exports, sub-contracting to Israeli industries, etc., (2) Israel can re-absorb large numbers of Gazan workers (as it has done with West bank workers), (3) Israel is a ready reservoir of technical know-how, and marketing channels, and (4) cooperation and partnerships with Israeli companies in export-oriented joint-ventures vis-à-vis other markets.

- **Access to Arab Markets**
  Under stabilized security and political conditions, Gaza too will be able to benefit from its access to the large Arabian Gulf import-markets. Additionally, various possibilities of economic cooperation with Egypt and other Arab markets as well.

- **Favourable Trade Agreements with all Important Potential Trading Partners**
  Gaza too can benefit from the wide network of favourable trade agreements of the PA with the EU, EFTA, the USA, Canada, and others; in addition to the Palestinian membership of GAFTA.

- **Exceptionally Large International Economic Support**
  The international donor community is ready to support, in a most generous way, the rehabilitation and economic development of Gaza.

- **Geographical Advantages**
  All these strengths can be enhanced by the multiple location advantages of Gaza, which can be leveraged to: (1) making Gaza the main international gateway of Palestine, and one of the main outlets for regional transit trade on the Mediterranean; (2) developing Gaza as a focal point for Palestinian trade and cross-border economic cooperation with Egypt (especially the Suez Canal Corridor, which is expected to be the fastest growing region of Egypt over the coming decades) ; and (3) developing trade and economic cooperation with the southern parts of Israel (especially the Israeli Negev, which is expected to be among the fastest growing parts of Israel over the coming decades).

## Development Strategy Based on Leveraging Strengths

The private-sector-led development strategy is based on leveraging these strengths – as per the following guidelines:

- **Harmonize traditional strengths of the Gaza private sector with new capabilities.**
- **Expand the private sector of Gaza to include new strong players from outside:**
  - Encourage joint ventures and other forms of cooperation between the local business community and Arab, international and Israeli companies.
  - Encourage major companies from the West Bank, as well as large Arab and foreign companies, to join forces with local Gazan companies, and work together on projects in Gaza.
• Use the Gaza Rehabilitation Plan\textsuperscript{47} as a historic opportunity for strengthening the private sector:
  o Let the private private-sector lead reconstruction and rehabilitation projects in all sectors; including energy, water and other fields of infrastructure as detailed below.
  o Enhance private sector leadership in implementation of the already approved and budgeted Gaza Rebuilding Projects.
• Enable the business sector of Gaza to expand out of Gaza, by taking part in the vast opportunities opened by regional economic and business cooperation in various fields and areas:
  o Work together with foreign and Arab companies to promote projects and enterprises which require cross-border or regional cooperation
  o Enable the business sector of Gaza to take part in Egypt's Suez Canal Corridor flagship development plan and Sinai development projects
  o Enable the business sector of Gaza to take advantage of Saudi and other Gulf countries' support to these projects
• Apply lessons from Gazan economic history (with required adaptation to the new conditions and economic environment), mainly successful export-driven agricultural and industrial activities.
• Apply lessons from successful private-sector-led, export-driven development strategies in Jordan and other countries in the region
• Use the following strengths as the mainstays of private sector re-structuring and growth strategy
  o Gaza's young and educated population and high-quality work force.
  o The proven resilience and the dynamic and entrepreneurial spirit of Gaza's business community.
  o Gaza's historical extensive trade-relation networks with Israel, and the wide-ranging business network of Gazan business people in other regional markets.

\textbf{Political Envelope and Economic Policy Enabling Measures}

Successful implementation of the strategy suggested in this report, would require a political and economic eco-system that will support and enhance private sector activity, trade, and particularly revival of exports from Gaza.

The plan outlined here assumes a political will to accept practical de-facto arrangements, which will allow structuring of such an eco-system, in spite of the political complexities that surround Gaza. This assumption is based on the common interest of all parties in avoiding the high political, security and human risks associated with the continuation of the present situation.

The security considerations, embedded in the solutions outlined in this annex, will be developed and tested, at first, in relation to the designated area of the NGIZ. Then, following successful application in this designated area, it will be easier for the parties to

\textsuperscript{47} http://www.lacs.ps/documentsShow.aspx?ATT_ID=21974
agree on expansion of economic and trade enabling measures to other parts of the Gaza Strip.

Trade Policy Enablers

**Stabilization and rationalization of the regulatory framework that govern the foreign trade of Gaza**

Though constraints on trade with Israel and the West Bank have been considerably relaxed, Gaza's external trade with and through Israel is still subject to severe restrictions, and frequent changes; while trade through Egypt is almost entirely blocked. **Required enabler:** continue relaxing trade constraints, at an accelerated pace; aiming, ultimately, at free flow of imports and exports of Gaza with and through Israel and Egypt, except for an agreed set of security-related limitations. This process will advance in parallel to the implementation of the security guarantees that support the envisioned long term truce.

**Extensive expansion of lists A1, A2 and B**

Given the economic border that has been built between Gaza and Israel, Gaza can be allowed higher degree of freedom in applying independent customs tariffs and other trade policies that are better suited to Gaza's economic situation and development needs.

The experience gained from the development and application of an independent Palestinian customs tariff system in Gaza, will also serve the PA and Israel in future discussions on a new economic regime that will replace the Paris-Protocol-based regime.

**Allowing free import of fuels and other energy products from Arab countries**

Import of fuels from Israel hurts the competitiveness of Palestinian industry; contributes considerably to the higher cost of living in the West Bank and Gaza; and constitutes a heavy macro-economic burden. Prices of fuels are substantially lower in the Arabian Gulf. If allowed to import fuels from there, the Palestinians would be able take advantage of even more favourable prices. Furthermore, they may be able to receive part of these fuels as grants. The Gulf counties have done this in recent years for Egypt (at a scale tens-times larger than the Palestinians may need), and in the past also for Jordan.

**Required enabler:** allow free import of fuels from Arab countries into Gaza – starting with import through Egypt and Israel; and later on shifting to direct import through a designated terminal in the Gaza port (see the section on the Gaza Port below).

**Allowing free import of construction materials into Gaza**

Significant relaxation of constraints on entry of construction material into Gaza, especially since the first half of 2015, has facilitated a jump in import of building
material into Gaza; which accelerated progress in reconstruction. As of the middle of 2016, close to one half of completely destroyed houses were already rebuilt or under construction; and 60% of approximately 170,000 housing units that were damaged had been repaired.

However, the mechanism which was set up in cooperation between Israel and the PA under United Nations supervision, (the GRM - Gaza Reconstruction Mechanism) could not ensure continuous and sufficient flow of construction material. In the second quarter of 2016 Israel banned entry of cement for almost two months in response to reports of materials being syphoned to the black market. The ban put a near halt to construction work in Gaza, causing financial damage and the temporary loss of thousands of jobs. In the following months a 42% drop was recorded in the volume of cement going into Gaza. Other obstacles that have held back the reconstruction process included, inter alia: limited number of vendors and contractors authorized to engage in reconstruction as part of the GRM, restrictions on the amount of construction materials entering each day and restrictions on entrance of other items on the dual-use list.48

Required enabler: streamline the operation of the GRM in a way that will allow uninterrupted flow of construction material into Gaza. This streamlining process can also advance in parallel to the implementation of the security guarantees supporting the envisioned long term truce.

Relaxation of constraints on import of "dual use" items

The present "dual use" system that applies to Gaza is in place since the middle of 2010. Under this system, Israel allows entrance of most civilian goods into the Gaza Strip, while blocking a list of forbidden products (prior to this, all items were blocked save for a list of permitted items). The "basic list" that applies also to the West Bank includes weapons and internationally recognized dual-use materials and technologies, plus more than 50 additional other items described as "materials and equipment that are intended for civilian use and are also suitable for military use". Among these additional items: fertilizers, chemicals and raw materials for manufacturing, metal pipes, lathes, optical equipment and navigation and surveying accessories.

On top of this "basic list" of blocked items, Israeli authorities published lists of items forbidden only to enter Gaza (except with individual permits). The first Gaza-specific list was published in 2010, Additional Gaza-specific lists were published in March 2015 (48 more items) and in November 2015 (adding 13 more items). Some of the items are specific, such as ammonium chloride, graphite powder, asphalt, castor oil, asbestos insulation, or wood panels more than 2 cm thick and wood planks thicker than one centimetre and wider than 5 cm. Others are broad categories of products, including communications equipment, watercraft, heavy vehicles, building bricks of all kinds, UPS components, smoke detectors, cranes and heavy lifting equipment, heavy machinery, and more.

48 Gisha, “Two Years, 360 degrees” part 1: construction; Gisha, " Two years later: The long road to reconstruction and recovery" (August 2016), pp. 2-3, 5.
These restrictions affect almost every industry and many aspects of daily life in Gaza. The ban on import of wood planks, in addition to lacquers and glues, has crippled the furniture industry of Gaza. Shortages are reported of items like wooden doors, and manufacturers are finding themselves unemployed. The construction industry is hampered by restrictions on import of critical equipment, such as cement mixers and pumps, moulds, and wood; and so on in other industries.49

**Required enabler:** revision of "Dual Use" list. Base the revised list on the internationally agreed lists of weapons and dual-use materials and technologies50; while screening and reducing additional items.

**Enabling trade and economic relations between Gaza and Egypt**

**Required enablers:**

- Open the Rafah-Sinai border for free movement, in parallel to the implementation of the security guarantees supporting the envisioned long term truce.
- Enable and encourage trade of Gaza with and through Egypt, as an additional trade route that supplements trade with and through Israel.
- Enable and encourage cross-border economic cooperation between Gaza and Sinai.

**Export and Investment Promotion Measures**

**Export promotion**

Support and enhance the renewal of exports from Gaza, following the first steps which were taken in 2015:

- Continue improving processes, and removing impediments, for exports from Gaza to Israel; to and through Jordan via the King Hussein Bridge; and sales to the West bank.
- Develop and rapidly implement a set of export incentives for exports from Gaza to Israel, as well as Arab and international markets.

**Incentives for Investment in Productive and Export-Oriented Branches of the Economy**

- Set "fast track" approval procedures for import of industrial machinery and equipment.
- Set “fast track” approval procedures for entry of Arab and other investors to Gaza.
- Develop and quickly implement a set of investment incentives to Palestinian, Arab and international industrial and agricultural companies expressing interest to invest

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49 Gisha, "Two Years, 360 degrees", ibid; Gisha, "Dark-gray lists" (2016), pp. 3-6

50 Defined and detailed under the international "Wassenaar Arrangement", which was incorporated in the Israeli Minister of Defense Directive on Defense Export Control (Monitored Dual-use Equipment) of 2008.
in Gaza. Start immediately with a program based on existing proven incentive packages, which are applied in other countries, and amend the program as it develops.\textsuperscript{51}

- Expand, diversify and apply to Gaza the political risk insurance programs offered in the Palestinian territories by the Multilateral Investment Guarantee Agency (MIGA); as well as other risk insurance programs.

**Solutions for the Medium and Longer Terms**

Successful implementation of the suggested solution in the designated area of the NGIZ is expected to open the way for a wider set of solutions for the medium and longer terms:

- **Additional industrial Estates**
  The Eastern Industrial Estate (EIE) on the Gazan-Israeli border east of Gaza City; and The Rafah Industrial Estate (RIE) on the Egyptian border, in the south-western part of the Gaza Strip

- **Widened Network of Commercial Crossings**
  As Gaza will gradually shift towards normal economic conditions, the volume of import and export trade that passes through the commercial crossings with Israel would grow steeply. The daily number of export and import trucks may jump 4 to 6 times in 2-3 years, and then continue growing at a double-digit pace for probably a decade. Thus, the development of a network of large, modern and efficient commercial crossings, which will serve and facilitate trade, is another corner stone of the suggested plan. Each of the commercial crossings is planned to function as a land-port, which will serve a large adjacent industrial estate, and will be connected to the planned transportation Infrastructure of Gaza.

  **This plan suggests a network of three additional land commercial crossings, which will be developed as large land ports, in addition to the planned Gaza Seaport and the Erez land crossing:**

  - **The Kerem Shalom Crossing** will continue functioning as a major commercial crossing, but will gradually shift to trade with the southern parts of the Gaza Strip, goods related to the RIE (construction materials, etc.), and trilateral trade between Israel, Gaza and Egypt.
  - **The Karni-Al-Muntar Commercial Crossing** will be re-activated as well. It will function as a second crossing serving the central part of the Gaza Strip, and the adjacent EIE.
  - **The Rafah Crossing** will be developed and activated as a full-scale commercial crossing, functioning as the gateway for the Gaza trade with Egypt. It will also serve the RIE and cross-border economic cooperation with Egypt.

  Designated bonded storages (as defined by Israeli customs regulations) will be developed beside each of the Israel - Gaza crossings.

- **Focused Solutions for the Industrial Sector**

\textsuperscript{51} Given the financial difficulties of the PA, this and the other recommendations for incentives are directed to the donor community.
As mentioned above, this plan envisions the industrial estates of Gaza to be the focal points of industrial development. As such, the industrial estates are expected to generate massive indirect employment outside the estates, which will be even larger than direct employment inside the industrial estates.

The guidelines suggested for the development of the industrial sector of Gaza at large relate to the following sub-sectors and activities:

- Construction material industries: driven by import substitution, levering the huge demand for housing and other construction projects (generated and financed by the Gaza rehabilitation program)
  - Conventional light manufacturing industries: reviving and developing the main "old" industrial sectors - textile and garments and furniture.
  - Advanced small-scale distributed industrial production and niche activities.

- **Revival of Agriculture – Focused Export-Driven Solutions**
  The agricultural sector was historically a most important pillar of the Gazan economy, and a major employer. The last decades have seen grave decline of this sector. The decline of agriculture reflects the combined impact of multiple constraints: shortage of water and deterioration in the quality of available water, dwindling availability of land for agricultural use, severe limitations on exports, and more.

  Nevertheless, the potential of agriculture is still large; and the solutions suggested in this plan would enable this sector to tap its potential.

  These solutions build on successful past experience, and combine: (a) creation of new sources of water for agriculture; (2) removal of constraints on agricultural exports and import of agricultural inputs; (3) intensive use of scarce agricultural lands; and (4) focusing on high-value, employment-intensive, export-oriented crops.

- **The Construction Sector as a Generator of Long-Term Sustainable Growth**
  The large-scale Gaza rehabilitation and reconstruction program presents huge opportunities for the construction sector in Gaza. The guidelines suggested aim at seizing these opportunities, and use it as a powerful generator of long-term, sustainable economic growth and employment.

- **Trade and Transit Trade Development, Using the Location Advantages of Gaza**
  As indicated above, Gaza is blessed with unique location advantages; which can transform it into an important regional trade and business centre. More specifically, this plan suggests aiming high in this regard. Namely, leveraging Gaza location advantages to develop multi-level trade services: locally as Palestine’s main

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52 These suggestions are partly in line with "Global Palestine: Connected Gaza", pp. 66-67.
53 These guidelines integrate, inter alia, suggestions presented in "Global Palestine: Connected Gaza", p. 60; and various publications of Gisha, mainly Gisha, " Two years later: The long road to reconstruction and recovery" (August 2016), p. 5
54 These suggestions are partly In line with the suggestions of "Global Palestine: Connected Gaza", p. 68 and elsewhere.
international trade gateway; and regionally, as an important east Mediterranean trade and business centre, and as one of the main gateways on the Mediterranean for regional transit trade.

The industrial estates, in conjunction with the transportation solutions suggested below, would provide the required infrastructure for the transformation of Gaza into such a trade centre. In order to achieve this ambitious goal, the private sector of Gaza must be helped by Arab and international companies that have the required knowledge and experience, as well as the professional and financial capacities, for making this transformation.

- **Private Sector Led Development of Infrastructure**
  Development of basic economic infrastructure is critical for long-term, sustainable economic growth in Gaza. The plan claims that, given the political environment that surrounds Gaza, the best way of implementing these projects is by handing them to the private sector, under BOT or other financing arrangements. This way has become customary in execution of large infrastructural projects in the GCC, Egypt and other countries in the region.

  In the case of Gaza, an internationally-guaranteed BOT contract, which will be awarded to a consortium of strong international or Arab companies with Gazan private-sector companies, would probably be the only feasible way to get financing and to ensure the execution and longevity of the project.

  Furthermore, this would be another way of strengthening the private sector of Gaza, by bringing in strong international and Arab companies in various fields of infrastructure, and empowering the local private companies.

  The plan suggests contracting these projects to the private sector, under internationally-guaranteed BOT (Build, Operate, Transfer) or BOO (Build, Own, Operate) agreements.

- **Information Technology and Other Advanced Services**
  The new, unconstrained eco-system of the NGIZ (and later on also in the EIE) would facilitate cooperation between Gazan IT firms and the relatively giant Israeli IT and other advanced industries.

- **Enabling Re-Entry of Workers from Gaza into Israel**
  In the West bank, where Palestinians are allowed to enter Israel for work, the economic contribution of work in Israel is enormous. Re-entry of workers from Gaza into Israel would have even stronger effect.

- **Cross-Border Economic Cooperation with Egypt and Israel**
  The new eco-system, which is envisioned to develop, would open vast opportunities for cross-border economic cooperation with Israel and Egypt. Some aspects of cross-border cooperation are expected to be of especially high economic importance, including, inter alia:

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55 In line with the suggestions of "Global Palestine: Connected Gaza”, p. 72.
Development of the Gaza Marine gas field, and the integration of Palestine into the new, emerging gas industry system of the east Mediterranean

Involvement of the Gazan private sector in Egypt's flag-ship "Suez Canal Corridor" mega-project; and most important possible synergies with the economy of Gaza at large