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Paying a Price

Coping with Closure in Gaza City



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Former Palestinian construction workers in Israel selling
vegetables on a street corner in Gaza City

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Contents

| | |
|---|-----------|
| Measures, Currency and Abbreviations | 5 |
| Summary | 6 |
| Acknowledgements | 8 |
| 1 Introduction | 9 |
| Methods | 9 |
| 2 The City | 13 |
| 3 The Closure and “Current Conditions” | 15 |
| Timeline | 15 |
| Movement Restrictions | 18 |
| The Internal Closure of the Gaza Strip | 21 |
| Closure of Gaza Waters | 23 |
| Damage to Property | 25 |
| Violence and Clashes | 26 |
| Fear | 29 |
| 4 Organisation of economic life | 33 |
| Transport of goods | 33 |
| The Demand Shock | 37 |
| New opportunities: Income substitution | 39 |
| The response of private enterprises | 40 |
| Public services | 41 |
| Labour markets | 46 |
| 5 Coping With Closure | 49 |
| Managing income generation | 49 |
| Reducing Consumption | 53 |
| Credit, savings and selling assets | 54 |
| Depending on Remittances and Aid | 56 |
| 6 The Consequences of Closure | 67 |
| The Households | 68 |
| Service Provision to the Population | 69 |
| Insecurity | 69 |
| The Future: If the Closure Goes On...Or is Lifted | 70 |

Measures, Currency and Abbreviations

Measures

A dunum is a measure of acreage that stems from the Ottomans. It is now usually considered 0.26 acres or 10 ares, i.e. 100 square meters while its original definition was 0.22 acres or 9 ares, i.e. 900 square meters.

A gallon is a measure used for olive oil that appears to be about 19 litres.

Currency

Confusingly Israeli New Shekel (NIS), Jordanian Dinar (JD) and US Dollars (USD) are all used as tender in the West Bank.

The approximate exchange rate at the time of fieldwork was that:

1 USD \approx NIS 4.2 \approx JD 0.7

Abbreviations and Acronyms

| | |
|--------|---|
| DCO | District Co-ordination Office |
| IDF | Israeli Defence Force |
| OPT | Occupied Palestinian Territory (The West Bank and the Gaza Strip) |
| PA | Palestinian Authority |
| PECDAR | Palestinian Economic Council for Development and Reconstruction |
| PLO | Palestine Liberation Organisation |
| PRCS | Palestinian Red Crescent Society |
| PSF | Palestinian Security Forces |
| UNDP | United Nations Development Programme |
| UNSCO | United Nations' Special Co-ordinator's Office |

Area A: In these areas Palestinian Authority has full civil jurisdiction and responsibility for internal security.

Area B: These areas are under Palestinian civil jurisdiction, but a joint Israeli-Palestinian security regime.

Area C: These areas remain under full Israeli civil and military administration.

Summary

“Closure” means Israeli restrictions on Palestinian movement of persons or goods across the border between the West Bank or Gaza Strip and Israel or other countries, and also internally within the Occupied Territory.

This study reports the findings of a fieldwork carried out in late May and June 2001 in Gaza city. The purpose was to understand how the closure of the Gaza Strip following the start of the second Palestinian *Intifada*—that started in September 2000—impinges upon the economy and daily life of the people in Gaza City, how they are affected by the closure and how they cope with the situation. The study covers roughly the period from September 2000 to June 2001.

The closure of the Gaza Strip is much more complete than that of the West Bank, in that hardly any workers are able to enter Israel from the Gaza Strip and because transport of goods into and out of the Gaza is severely curtailed.

Work in Israel normally is the chief source of income for 14 percent of the Gaza Strip’s labour force, and the wage rate in Israel is about twice that which can be obtained in the Gaza Strip. Therefore the closure has resulted in a substantial income drop for many families, and indirectly also led to a reduction in demand for the goods that businesses in the Gaza Strip sells.

The combined effects of reduction in demand, difficulties of importing or exporting goods through or to Israel and the problems for internal distribution caused by the internal closure have made many businesses in Gaza City go out of business or made them reduce their operations. Because this has led to even more unemployment or reduced wages, the demand has diminished even further; creating a spiral that steadily exacerbates the economic malaise.

A number of externally financed development projects have been postponed, thereby depriving the community of improved quality of life in the medium term and work in the short term.

The public sector, in particular the Palestinian Authority, UNWRA and international NGOs, still pay wages to its staff. This is a significant, but not impenetrable, barrier against further reduction in demand, but depends on external financing.

Basic services such as electricity and water have been maintained, but especially electricity supply has been unsteady. Difficulties in getting spare parts through the Israeli checkpoints, and problems with access to parts of the grid located in areas of confrontation, have caused delays in vital repairs and hence black-outs have occurred in various parts of Gaza City from time to time.

The education and health sectors have significantly more difficult working conditions than before, but are still able to function.

External aid to individual households has been handed out occasionally, but do not appear to have a scale that make a difference for a large number of households.

Remittances from relatives abroad, in the Gulf states in particular, was an important form of assistance during the first *Intifada* (1987-1993) but even though there are examples, remittances do not seem important during the present *Intifada*.

If the closure lasts, and especially if the reduced economic activity erodes the Palestinian Authority's economic basis so much that wages cannot be paid, then the consequences will be much more dire than they have been so far.

Similar studies have been undertaken in Jericho City, and the two West Bank villages Rantis and Beit Furik. Taken together, these case studies provide a more complete picture of the mechanisms of the conflict and the way it affects ordinary people's lives.

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The fieldwork was undertaken by the Fafo researchers Mona Christophersen and Pål Sletten, and organised by Hani El-Dada of Fafo's Gaza office. Hani El-Dada also provided contacts, local goodwill and practical arrangements. We are thankful to Laurie Blome Jacobsen, researcher at Fafo, for comments and language editing.

The work has been commissioned by United Nations Special Coordinator Office (UNSCO) and we would like to take the opportunity to express our gratitude to the staff for all help and facilitation.

In spite of all this help and contributions, Fafo bears the total responsibility for the work and this report, including all analyses and conclusions.

1 Introduction

In the Israeli-Palestinian conflict, the mechanism of *closure* has a particular significance. “Closure” consists of Israeli restrictions on Palestinian movement of persons or goods across the border between the Occupied Palestinian Territory and Israel or other countries, and internally within the West Bank or Gaza Strip. Closures have been intermittently applied since 1993. The Israeli Defence Force (IDF) enforces the closures by means of checkpoints where permits to pass are examined and un-manned physical barriers – roadblocks and trenches.

This report is one of a series of three studies looking at the effects of closure on the Palestinian economy and organisation of daily life. The present study considers Gaza Strip, and in particular, Gaza City. The other two studies in the series deal with the effects of closure on two villages on the West Bank, and the closure of Jericho. A significant difference between the West Bank and the Gaza Strip is that closures of the Gaza Strip have always been more strictly enforced than those of the West Bank. While evasion of checkpoints is possible in order to pass from the West Bank into Israel, this is not so from the Gaza Strip.

The fieldwork for this study was conducted in May and June 2001. Since then, conditions in Gaza City, and elsewhere in the Gaza Strip and West Bank, have become more difficult. Violence, clashes and combat have intensified and the closure has not been relaxed. The report describes the situation in Gaza City during the period of September 2000 to June 2001, and is, to some extent, a snapshot of the conditions at the end of May 2001. The reader should bear in mind that snapshots are but pictures of an instant, and that the situation is constantly developing. There is little reason to believe, however, that this situation has improved.

Methods

The main body of data used for this report was produced through a short field work taking place during the first part of June 2001. Two researchers – one anthropologist and one economist – lived in Gaza City for two weeks. Most of the fieldwork was carried out as interviews. In addition, a number of methods derived from Rapid Rural Appraisal were used, such as organization mapping and focus groups. The study team also included one senior researcher at Fafø’s home office in Oslo, Norway

who, each day during the field work, received the field notes by email and gave suggestions and guidance back to the field workers.

Altogether, the field workers carried out 57 formal interviews, lasting from about 30 minutes to several hours each. The respondents were chosen in order to both maximise information at each stage in the fieldwork process and deepen, crosscheck, verify or falsify the continually developing understanding of what was going on in the city. For example, when the Chamber of Commerce reported that certain enterprises were currently experiencing better business than prior to the *Intifada*, field workers searched out such enterprises to discover why.

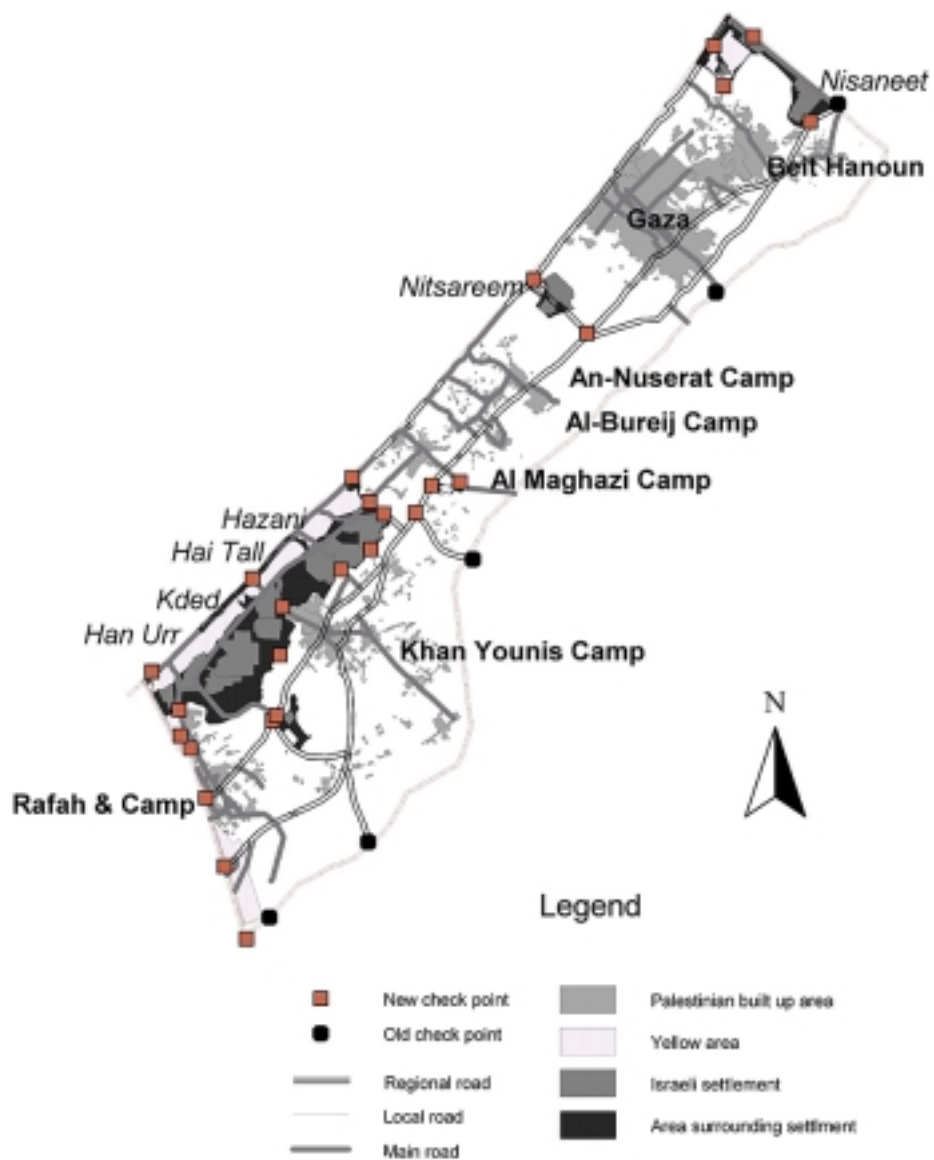
A consequence of this approach is that we do not presume to present a representative picture of Gaza City in a quantitative sense. The reader will not find statements in this report that “Of the households with one or more members has lost his or her job, 16 percent has started some informal business”. We rather try to discover the processes by which, for example, alternative economic options are exploited, or what factors that are important constraints for people’s choices.

The basic premise for the analysis is a simple one, namely that people who act do so in relation to their perception of how their world is ordered. Even if the closure plays havoc on people’s lives, it does so in a manner that can be perceived and understood by actors. As long as there is a structure or order to what is happening, responses can also be structured and ordered, according to both the resources and opportunities people have when they respond, and how they perceive their resources and options. To a large extent, we can map out these responses, actions and views through interviews, especially those eliciting case histories. A case history in this context is a description of a sequence of actions that can be seen as belonging together. The report is replete with examples. The running of a school when teachers are stuck at a checkpoint is such an example and how a man gets a permit for working in Israel is another. When people carry out acts, they must relate to the order of their world, just as a person who speaks must relate to the structure of the language and the words available to be understood. Although social organisation seldom is structured as tightly as language, the analogy may still be apt. What we are trying to do in this report is to understand some of the ordered ways in which people respond to the closure.

The use of qualitative methods and case studies in a context as large as a city poses particular problems. The main one is that of variation. The life courses and experiences in a city are diverse, and people react in their own ways to similar circumstances because of their different vantage points and resources. Nevertheless, the fact remains that the closure is something that impinges on the life of everyone in systematic and similar ways. Even so, we cannot claim to have exhausted the range of adaptations and responses to the closure during our short field works. Another issue is that it is much more difficult to cross-check and verify information in a study

of a city than in a study of a small village. The reader will note that many of the case histories that we relate may have aspects that probably would have been expressed in different ways by other respondents. Some may even have the status of urban myths. However, these stories can be read on two levels: one level is the factual content, the other is that of the overall perception and interpretation of the situation by people in Gaza City. It is to a large extent the latter perspective we aim at understanding in this report.

The text is largely structured as a running comment and interpretation of statements, descriptions and observations made by respondents during interviews. Because of their importance in the text, some explanation of the respondents' status should be given. Although they mainly are formulated in the first person, they are not direct transcripts of what the respondents said. This is partly because the statements have been translated from Arabic, and partly because the interviews were not tape-recorded. Therefore, the quotations from the respondents are edited from the field worker's notes.



2 The City

Gaza City is located at the northern end of the Gaza Strip, and is by far the dominant city in the strip, with some 370 thousand of the total 1.02 million inhabitants. Approximately 190 thousand of the inhabitants are refugees. The Beach Camp refugee camp is a part of Gaza City, but refugees live everywhere in the city. Jabalya refugee camp lies to the north of the city and to the south are the “middle camps” – the refugee camps of Bureij, Nuseirat, and Deir Al Balah. One of 15 Israeli settlements in the Gaza Strip, Netzarim is located between Gaza City and the middle camps, with some 300 settlers¹. The Oslo II agreement stipulates that all of Gaza City is an A-Area, implying that the Palestinian Authority has sole civil jurisdiction and responsibility for internal security.

Gaza City is both a Governorate and a Municipality, with identical borders. In addition, Gaza City is also the seat for several of the ministries and central government institutions of the Palestinian Authority.

Compared to the other three localities studied (Jericho City, Rantis, and Beit Furik villages), Gaza City stands out by its sheer size. There are two universities, a

Table 1 Gaza City at a glance

| | | |
|--|---------|----------|
| Population in 1997 (Households) | 367,388 | (52,515) |
| Population younger than 15 years in 1997 (percentage) | 180,613 | (50.2%) |
| Refugee population in 1997 (percentage) | 187,768 | (52.2%) |
| Economically active population in 1997 (percentage) | 75,601 | (33.0%) |
| Percentage of households with agricultural land (1997) | | 4.9% |
| Percentage of households with agricultural land with 0–9 dunums of land (1997) | | 82.1% |
| Percentage of employed persons working in Israel (1997) | | 11.2% |
| Percentage of employed persons working in Israeli settlements (1997) | | 0.8% |
| Piped water, percentage of households connected to public network | | 96.5% |
| Sewage, percentage of households connected to public system | | 86.1% |
| Electricity, percentage of households connected to public system | | 98.0% |
| Telephone, percentage of households connected to Paltel fixed network | | 26.9% |

Source: Palestinian Central Bureau of Statistics. 1997. Population, Housing and Establishment Census 1997.

¹ Foundation for Middle East Peace settlement database at www.fmep.org

number of ministries, many international organisations, embassies, large corporations, banks, and so on. On one hand, this may make Gaza City more self-sufficient than a small village in the West Bank. On the other hand, many of the institutions of a city normally serve and depend on access to the rest of the Gaza Strip, and the economy needs markets.

Street life in Gaza City



3 The Closure and “Current Conditions”

The inhabitants of Gaza city speak perhaps more of “current conditions” than specifically about the closure. And by “current conditions” they mean the closure, the violence and the stress of coping with their effects.

After the start of the Al-Aqsa *Intifada* at the end of September 2000, external closure was imposed on the Gaza Strip immediately, and it has remained in place ever since. Moreover, Gaza City has been cut off from the southern part of the Gaza Strip for prolonged periods. At the time of fieldwork, Gaza City had been shelled from air, sea, or land on seven occasions, and 89 residents of Gaza Governorate had been killed in *Intifada*-related violence since 28 September 2000. This chapter describes different aspects of the closure and war-like situations in Gaza City.

Timeline

The table below summarises some of the important events of the period from 28 September 2000 until June 2001². The aim is not to provide an exhaustive list of every incident, but to give the reader a brief overview of the confrontation history. Clashes have taken place regularly since the beginning of the *Intifada*, as has IDF bulldozing of Palestinian farmland and buildings.

| | |
|---------------------------------|---|
| September 28th 2000 | Likud MK Sharon leads a group of Likud MKs into the Haram al-Sharif/ Temple Mount in Jerusalem. |
| September 30 th 2000 | 12-year old Muhammad al-Dura and an ambulance driver trying to rescue him are shot dead during clashes between Palestinians and the IDF close to Netzarim junction. Widely broadcast footage recorded by France 2 shows the boy and his father pinned down by gunfire for 45 minutes. |

² Source: Journal of Palestine Studies, Vol. XXVIII-XXX, 2000-2001.

| | |
|--------------------------------|---|
| October 8 th 2000 | At Netzarim junction, the IDF demolishes 2 apartment buildings, a factory, an office, a water well, and a 20-dunum orange grove. |
| October 9 th 2000 | The IDF extends the closure of the OPT indefinitely, and cancels all permits issued to Palestinians working in Israel. |
| October 12 th 2000 | In response to the killing of IDF soldiers by Palestinian rioters in Ramallah, Prime Minister Barak seals the borders with Egypt and Jordan, and authorises air strikes against Arafat's headquarters in Gaza City and Gaza port, as well as a number of other locations in the OPT. 43 Palestinians are wounded, and Palestinians in Gaza City pack belongings into cars, preparing to flee. |
| October 26 th 2000 | The IDF blocks the main north-south road in the Gaza strip, effectively dividing the strip in two. |
| January 11 th 2001 | Israeli-Palestinian clashes abate significantly. Israel reopens the Rafah crossing, Gaza airport, and the main north-south road in the Gaza strip. |
| January 14 th 2001 | Israel breaks off talks with the Palestinian Authority after a Jewish settler is found fatally shot near Khan Yunis. The IDF reseals the Gaza Strip, closing the Rafah and Karni crossings, shutting the airport, and closing the north-south road. |
| January 17 th 2001 | 3 masked gunmen assassinate Palestinian Broadcasting Corp. head Hisham Makki in a restaurant in Gaza City. |
| January 30 th 2001 | A mortar is fired at the Netzarim settlement. This is the first time mortars are fired at Jewish settlements. |
| February 13 th 2001 | The IDF kills Force 17 commander Massud Ayyas, firing 4 air-to-surface rockets at his car as he drove through Jabalya. |
| February 14 th 2001 | A Palestinian bus driver rams his vehicle into a bus stop full of Israelis, killing 7 IDF soldiers, 1 Israeli civilian, and injuring 17 other Israelis. In response, the IDF closes the Rafah crossing and Gaza airport, and suspends VIP travel privileges for Palestinian Authority officials. |
| March 28 th 2001 | In retaliation for a Palestinian suicide bombing, Sharon orders air, land, and sea strikes against Force 17 targets |

- in a number of locations, including Dayr al-Balah and Jabaliya.
- March 30th 2001 Palestinian workers at Erez industrial zone riot, prompting Israel to close the zone, an unprecedented move since the purpose of the zone is to make Palestinians who work there and the businesses that employ them immune to closures.
- April 1st 2001 Israeli commandos enter a Palestinian Authority-controlled area A for the first time, capturing 6 Force 17 members.
- April 3rd 2001 Palestinians fire 3 mortars at a Jewish settlement in the Gaza strip, injuring a 10-months old boy. IDF helicopter gunships and tanks shell Palestinian Authority targets in Gaza City, near Deyr al-Balah, Khan Yunis, and Rafah.
- April 10th 2001 After Palestinians fire 3 mortars at the Gadid settlement, causing no injuries, the IDF shells the Palestinian Authority facilities and intelligence headquarters in Gaza City, killing one PSF doctor and wounding 18 PSF members.
- April 14th 2001 A bomb explodes in the Gaza City home of Muhammad Nassar, a bodyguard for Hamas spiritual leader Shaykh Ahmad Yassin, killing Nassar, injuring 4.
- April 16th 2001 After a meeting of Sharon's inner cabinet, the IDF carries out 4 hours of land, sea, and air strikes against Palestinian Authority security posts across the Gaza Strip, hitting Gaza City's main police headquarters, and at least 7 Force 17 posts in Dayr al-Balah and Gaza City. 1 PSF officer is killed, 36 Palestinians are injured. The IDF sets up roadblocks dividing the strip in three parts, and closes the Rafah crossing.
- April 17th 2001 Overnight, the IDF sends tanks and bulldozers into the Gaza Strip, to reoccupy a mile-wide strip of Palestinian Authority-controlled territory in the north-eastern part of the strip, marking the first reoccupation of territory ceded to Palestinian rule under the Oslo accords. The IDF pulls out after Israel has been rebuked by the USA.

| | |
|-----------------------------|---|
| April 30 th 2001 | In Gaza City, 2 Hamas members are killed when a bomb explodes in their garage, destroying the building and wounding 4 bystanders. Israel claims a car bomb exploded prematurely. Hamas, noting that 2 IAF helicopters were reported in the area the time, claims the IDF assassinated the pair with a remote-controlled device. |
| May 10 th 2001 | The IDF shells Gaza City, targeting and severely damaging Fatah and PSF offices, the Palestinian Authority Ministry of Transportation, and the PSF central prison. |
| May 13 th 2001 | IDF helicopter gunships and navy boats shell across the Gaza Strip, specifically targeting and destroying 8 PSF APCs. |

Movement Restrictions

Travel between the Gaza Strip and Israel is crucial to the inhabitants of Gaza City. The Ben Gurion airport near Tel Aviv serves as the stepping-stone to the rest of the world, and one must also travel to Israel in order to go to the West Bank or Jordan. But Israel is not only a way station; but a destination for numerous Palestinian workers and businessmen. Moreover, the Israeli market serves both as an outlet and supplier of goods, and Israel is a transit stop for exports and imports to Gaza City.

People can only cross between Israel and the Gaza Strip through the Erez crossing in the northern part of the strip. Only holders of either a permit issued from Israeli authorities or a foreign passport may cross. The security checks have always been strict, and during the current confrontation they include, but are not limited to, checking every car for bombs and weapons, verifying every passport and permit, and requiring all passengers to get out of vehicles.

The so-called “safe passage” crossing is also located at Erez. This crossing point was designed to be an easier checkpoint for Palestinians transiting to and from the West Bank. It has been closed since the outbreak of the current *Intifada*.

For those wanting to travel abroad there is the possibility of going through the Erez checkpoint, then boarding a flight at Ben Gurion Airport. The drawback with this procedure is that permits are only issued the day before the flight and it is by no means certain that they will, in fact, be issued. This leaves two other options. Gaza Airport, located in the southern part of the Gaza Strip which in principle has international flights, was either partially or totally closed by the IDF for 221 out of

273 days in the period from 1 October 2000 to 30 June 2001³. Finally, the Rafah border crossing to Egypt is open for international travel, but respondents report travellers from Gaza City using this border-crossing point have been denied re-entry to the Gaza Strip. In contrast, travellers arriving at Tel Aviv airport have apparently not experienced such re-entry problems.

Work Migration and the Permit System

Palestinians wanting to work in Israel or Israeli settlements need permission from Israeli authorities. The Palestinian *Civil Affairs* office, a Palestinian Authority institution, receives applications for such work-permits from these potential workers, and forwards the applications to the local Israeli DCO. The DCO then issues a permit or rejects the application via the Civil Affairs after a security check. An Israeli employer may also apply directly to the Israeli authorities for permits for specific workers. Permits are of various types, for example, valid only for work in agriculture, or valid for long- or short-term periods.

The attraction of work in Israel is easily stated: It brings much higher wages than what can be had in the Gaza Strip. Despite the need to leave home long before dawn and return at nightfall, plus incurring associated transportation costs, many Palestinians chose to work in Israeli agriculture, construction or tourism industry. As one worker tells it:

I stopped school in 1974. I had taken loans to pay for my education, but when I started working in Israel I earned good money, and I paid back all my loans in three years. I worked as a manager for construction projects. I have worked for the same Israeli manager since the first Intifada. I have worked many places for this firm, in Ashdod, Eilat, and Tel Aviv – there we built the house for the Ambassador from Yugoslavia.

I got my last salary one week before the Intifada. Until then we had a good life. We bought this land and built this house. I had money for the children's education, and everything we needed. – Worker

Today, hardly any workers receive a permit, although the number of workers allowed into Israel has varied somewhat since the *Intifada* started (see Figure 1). In the third quarter of 2001, the Palestinian Central Bureau of Statistics estimates that around 3,000 workers entered Israel from the Gaza Strip. In contrast, about 30,000 workers

³ UNSCO Closure update Oct 1st 2000 to June 30th 2001

entered during the period before September 2000⁴. The loss of employment corresponds to about 14 percent of the 194 thousand strong labour force⁵.

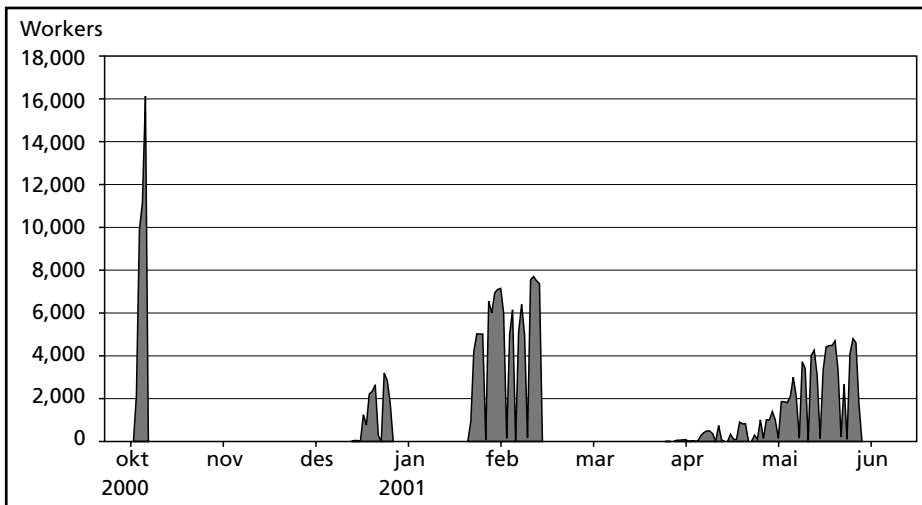
A worker who used to work in Israel presents the history in this way:

Before the first Intifada we could go to Israel without a permit. Everybody could do this – there were no checkpoints. During the first Intifada they started to put up checkpoints. Since then there have always been problems with permits. If you had any security problems, you were not allowed to go to Israel. It was not only if you had such problems, but also if any in your family or your friend had such problems or were members of Hamas or anything they didn't like. At the same time, already in 1987 the business with permits started. Before that it was easy, we could even sleep in Israel. – Worker

In addition to the need for people to cross into Israel, Gaza city also depends on goods crossing the border. At Erez, freight is not allowed. In contrast, the Karni/Muntar crossing permits freight but not people. For international transport of goods there are two options: Via Karni/Muntar crossing to Ashdod port in Israel, or via Rafah border crossing to Port Said in Egypt.

The total transport of goods across the borders has always fluctuated somewhat, but it dropped sharply after September 2000 (Figure 2). In February 2001 truck-

Figure 1 Palestinians going to work in Israel and settlements from the Gaza Strip, October 2000-June 2001

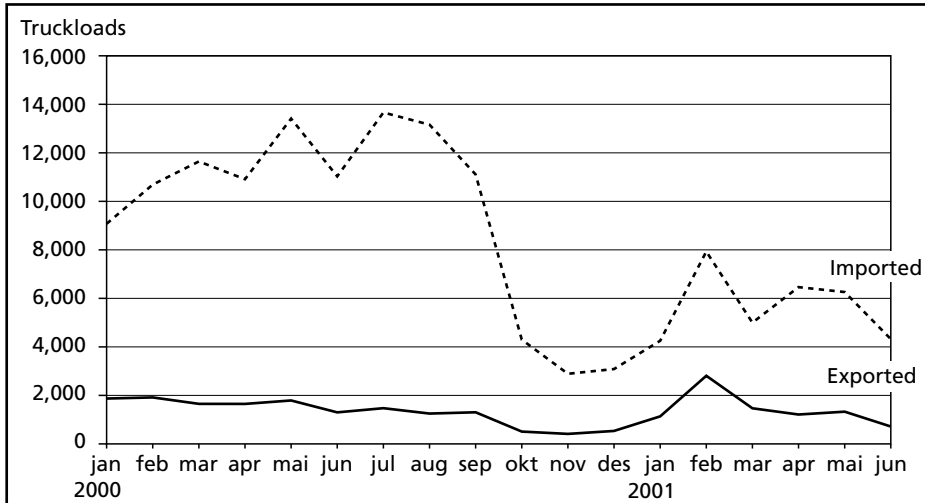


Source: UNSCO Regional Economic Affairs Unit, unpublished data

⁴ PCBS Labour Force Survey, Round 18 at www.pcbs.org

⁵ PCBC Labour Force Survey, Rounds 18 and 19

Figure 2 Monthly truck movements between Gaza and Israel through monitored commercial crossings (January 2000 – June 2001)



Source: UNSCO Closure update Oct 1st 2000 to June 30th 2001

loads into the Gaza Strip were at half their former level, but thereafter dropped again to about a third. Truckloads out of the Gaza Strip are normally 10 – 20 percent of those into the area. The exports reached a higher than normal level in February, possibly because of the backlog caused by the near total closure during the preceding months.

Before the *Intifada* goods could be transported on Palestinian trucks with permits to enter Israel. During the closure of the Gaza Strip, Palestinian trucks have not been allowed to enter Israel. Therefore, an Israeli carrier must cater for the transport within Israel, and the goods must be transferred between Palestinian and Israeli trucks at the Karni/Muntar crossing.

The Internal Closure of the Gaza Strip

The main north-south road in the Gaza Strip crosses the settler roads leading from Israel into the settlements of Netzarim, Morag, and Gush Katif, and there has on several occasions been stone-throwing and shooting against settler cars. The IDF response has been to restrict Palestinians from entering a zone on both sides of the settler roads and has secured the restricted zones through uprooting trees, and demolishing buildings. The IDF has also put up checkpoints at the intersections with the main north-south road. At times these checkpoints have been closed, and the

Gaza Strip becomes, thus, divided into three parts: One northern part, comprising Gaza City and the Jabalya refugee camp, one middle part comprising the middle camps, and two southern parts, with Khan Younis and Rafah separated. In this way, an internal closure of the Gaza Strip has been instituted.

The Gaza Strip is tightly integrated economically and socially. For example, many people from the southern and middle areas work in Gaza City. This is the case for many teachers.

Nine of the teachers in our school live in Gaza City. The other 15 come from Nusseirat, Bureij, Deir Al Balah, Khan Younis and Rafah. When there is internal closure usually the three teachers from the Rafah and Khan Younis cannot come. But sometimes the closure also makes it impossible for the teachers from the middle areas. We have made an emergency plan for this situation.

In the beginning when only Rafah and Khan Younis was closed, we covered for these teachers ourselves by using the different teacher's free time between their lessons to teach for the absent teachers. But when they closed Nuseirat, it was a very big problem. We had to make a new plan:

We only teach the basic subjects, Arabic, English, Maths and Science (and religion her children adds). We have two shifts in the school, and when the teachers cannot come to Gaza City, we teach four periods in each shift instead of six. This means that the students have fewer lessons that day, but the teachers teach more than usual. Some of them teach up to seven classes in a day. They never get any overtime or extra money, even if the work is double of what they are supposed to do.

We have changed the emergency plan three times, it is very difficult because the situation changes all the time. In the autumn, during the three first months of the Intifada, I think we had internal closure for 3–4 days. In January it was closed for 11 days. The next two months I think it was closed for one week, and in April I am not sure – I think it was 5 days. In May it was open, and in June the summer holiday started. The children are very happy when we use the emergency plan because we send them home early. Sometimes we send them home at 10:00 instead of 13:00. – Headmaster girl school

The internal closure also hinders economic activity, as this example from the oil company mentioned above demonstrates

When I am on the road, and Palestinians and Israelis are fighting in front of me, or behind me, I am very afraid. The road I used before the Intifada is totally closed. If the internal borders are open at all, I have to go new roads that are much longer. And there are new checkpoints, so the soldiers will stop me.

Yesterday when I wanted to go to Khan Younis, I was in Deir Al Balah at 08:30. Usually it takes me three minutes to go from there to Khan Younis. Yesterday it took me four hours! I didn't arrive Khan Younis before 12:30. I was two hours in Khan Younis, and left around 14:30. Then I was waiting at the checkpoint from 14:30 to 17:30 and I didn't come home before 18:00. All this time I spent for very little work. But I go very seldom these days, both because of lack of oil and because the road is very difficult. – Marketing co-ordinator of oil company

A similar case from a computer vendor illustrates the point on a smaller scale:

It has been difficult to ship goods to the south. Thus we get less business from our customers outside of Gaza City. Here are 10 computer monitors [he points to the monitors] that are to be sold to a customer in Rafah, and it is at the moment impossible to get this shipment through. We have already paid for these goods, and we're of course very anxious to get an easing of the internal closure so that we can get the goods to the customer and get paid. – Owner of computer company in Gaza City

The company was unable to sell ten monitors to a customer from Rafah because the customer would not come to Gaza City to pick up the merchandise. Yet it was possible to travel between Rafah and Gaza City on the day in question. The customer did not come to Gaza because he feared that something might go wrong: He could get stuck at a check-point, unable to travel to Gaza City, and thereby lose the money spent on renting a van; he could arrive in Gaza, but be unable to return; he could get stopped in a checkpoint by soldiers inspecting his cargo and breaking a monitor in the process; and so on and so on. It is not only the reality of being stopped at a checkpoint that affects the way people act, but also the perceived risk of being stopped.

The direct effects of the internal closure are quite similar to that of the external: Increased costs, difficulties in obtaining inputs, uncertainty and unfeasibility. Nevertheless, due to the size of Gaza city in relation to the rest of the Gaza Strip, the external closure is perhaps more important than the internal one.

Closure of Gaza Waters

Fishing is not among the important sectors of the economy of Gaza and less than one percent of the workforce is employed in the fisheries. Nevertheless, fishing is the mainstay of the livelihood for those who work in the sector. According to the Interim agreement of 1995 between the Israelis and the Palestinians, Palestinian

fishermen may fish inside a zone that stretches 20 nautical miles off the coast from Gaza. But under the closure, this zone has been partially or totally closed by the IDF. When partially closed, the Palestinians may fish inside a three-mile zone in the northern part of the strip. The leader of a fisherman collective in Gaza City describes this in the following terms:

There are about 500 fishermen in Rafah and Khan Younis, and they have not been able to fish one single day since the Israelis closed the sea in the south. One of the fishermen from Rafah was desperate, and tried to swim out to fish with his net. The soldiers shot him, and he was bleeding from seven in the evening to seven in the next morning. Nobody could go to help him. There is a check-point before the beach, and nobody could go down there like we did before.

The days we are allowed to fish north of Deir Al Balah, we are not allowed to go more than three miles from the shore. But there is no fish so close to the beach. This area is only for swimming.

There are 3,200 fishermen in the Gaza Strip. Our association has direct communication with the Israelis. There have never been any security cases or any other problems among the fishermen. The fishermen only work to get food for

Fishermen mending nets, hoping to be able to go fishing



their families and children, and if they go further out than the Israelis allow them, they will be arrested and not be able to continue to fish. When they are arrested they will be held for a few days, then they will be released at the industrial zone at Erez. First they have to pay a fine, NIS 150, and they are accused of violating the law. In Gaza City there are 600 boats and 1800 fishermen. Since February 24 fishermen from Gaza have been arrested. – Leader, Gaza fisherman co-operative

The above description is quite typical of many we received during the interviews. It provides a glimpse into the general situation, but also recounts a concrete case of a person that was injured by the soldiers. We have no way of verifying if the story is true or not. What it does tell us, is how “current conditions” are perceived by the inhabitants of Gaza City.

Damage to Property

Although the Gaza Strip has been the scene for some of the most intense confrontations of the second *Intifada*, there has been limited damage to property in Gaza City itself. Nevertheless, due to Israeli firing at targets, such as installations belonging to the Palestinian Authority, some damage has occurred. In addition along the road to Netzarim settlement, IDF has limited entry to or destroyed agricultural land, olive trees, and buildings. An extreme example is that of the Al Safady cement factory.

Our factory, located near the Netzarim junction, produced ready-made concrete. At the 2 October, the factory was closed by the IDF, who didn't allow any Palestinians to use the road leading to Netzarim, and declared the area restricted. Over the next four months, I contacted all relevant Palestinian and Israeli authorities, but to no avail – not one of our 50 employees could go to the factory. The company was losing money during this period, as it was not producing concrete, but still had to service its debts.

At the 30 January, at approximately 23:00, the IDF started to raze agricultural land and demolish facilities on both sides of the road leading from Netzarim junction to Karni/Muntar, claiming that Palestinians had attacked Israelis along this road. The factory was completely demolished over the next four days. The only equipment salvaged were the trucks, which hadn't been in the factory on 2 October. It had not been possible for anybody from our company to get to the factory since October, and it had therefore not been possible to get any sort of equipment out, such as computers or lab equipment – even the financial records

were destroyed. – Yasser Al Safady, General manager of Al Safady Ready Concrete Co.

The economic loss when a whole factory is destroyed is, of course, very large. Otherwise, the loss is quite variable. For some, the land was used to produce crops that were the largest (or only) source of income, for others, this was a side income. But the losses also have an emotional aspect:

We are refugees from Jaffa. We left because they [Israelis] bombed and there was a war, and went to Gaza because my father was living here. We didn't stay with him, but moved into the Beach Camp.

My father's family has had land in Gaza for 200 years. Some of this land was close to Netzarim. The land was empty when we came here, but I have planted olive trees on the land, and I have been working this land for 52 years now. I have 24 dunum with olive trees close to the settler road into the Israeli settlement. I think we had about 50 olive trees. On the other side of the road we have 10 dunum where we grow wheat. We produced oil both for our own consumption and for sale. We kept two gallons of oil and two gallons of olives for ourselves, and sold the rest. I think we used to sell around 30 gallons every year.

When the Intifada started we had only picked some of the olives from our trees. We had picked 150 kg, and I think about 300 kg was left on the trees. On October 1st, the Israelis came and destroyed all our land. They didn't just cut the trees; they destroyed them totally with the roots and everything. We cannot go to our land now. It is too dangerous. We haven't been there for six months. – Owner of land close to Netzarim

Violence and Clashes

The heaviest fighting in the Gaza Strip has taken place in the southern part of the strip, near the refugee camps of Rafah and Khan Younis, but there have also been incidents in Gaza.

In Gaza City a number of installations belonging to the Palestinian Authority have been fired at on several occasions. This has often taken place subsequent to a terrorist attack inside Israel, and is often aimed at police stations and buildings belonging to Palestinian security forces, although other buildings, such as the Fatah headquarters, also have been hit. As a result all the police stations were empty during our fieldwork in the city, and policemen were sitting on the street corners, or in

empty warehouses or shops. They feared using the buildings since the Israelis had announced that police stations were one of the non-civilian targets they would hit.

The conflict has also hit children. Altogether eight schoolboys from seven different schools in Gaza City have died during the conflict. During the conflict 89 people from Gaza Governorate has been killed and 863 have been injured. Of the injured, 132 have been chronically disabled and 190 are school children. This means that in nearly every (boy) school one or more of the students have been injured.

Israel pursues a policy of strikes on individuals believed to be organisers of terror against Israel. For example, Force 17 commander Massud Ayyas was killed with four air-to-surface rockets fired at his car as he drove from Gaza City to Jabalya on 13 February 2000.

In Rimal District close to the sea and the areas where all the hotels by the beach are located, there used to be a house. It was destroyed in April. A mother and three of her children lived there. Her fourth child, a daughter, had newly married and moved out. The house is now only rubble.

My sister's husband is a chemist. He used to import chemicals from Israel. A few months ago he had received some gallons with some chemicals he stored downstairs in our house. This was the second time he stored something in our house.

Destroyed house in the Rimal District



My younger brother, Muhammad (16), was moving the chemicals from one place to another when he realised that one of the containers was much heavier than the others. The containers used to be 50 kg, but this one he couldn't move alone. It turned out to be 86 kg. We believed we had got some extra chemicals, and hoped to take out some of it and sell it in the market. We wanted to fill it in a plastic bag. Usually the chemicals are covered with nylon inside the container, but in this it was no nylon. It turned out the material was solid, not liquid. We tried to break it in pieces, to be able to sell it, but it was impossible. We asked my sister's husband about it, but he didn't understand what it was, and called his dealer in Israel. The Israeli dealer didn't understand either, but promised to find out and call back. When he didn't call, my sister's husband called him once more the same afternoon. The Israeli dealer said: "I don't know what I can tell you..." and hung up. My sister's husband got very suspicious and worried, and went to tell us to not touch the material. But he didn't make it before it had exploded. – Abu Khaled family

Three persons were killed in the explosion. The inhabitants claimed that the container had been filled with explosives and detonated with a remote control device by the Israelis. According to IDF a car bomb exploded prematurely in the house of the Abu Khaled family. We were unable to check the story, but such incidents make Gaza City feel like a war zone.

A particular consequence of the lack of security is that one specific type of input disappears from the Gaza Strip. That is the foreign expert who has to leave Gaza City for security considerations made by himself, his employer, or the home country's embassy.

As part of the Generation Master Plan, a power plant is supposed to be built in the Gaza Strip, in Gaza Wahdi. After the Intifada started, the work on the power plant stopped, because all the expatriates left. We have the equipment – although it took three months to get it through Ashdod – but all the experts have left because of the security situation. Some 50–60 people were working on the plant, hired by the contractors, and these have now been laid off because the project has stopped.

The Master Plan also calls for the construction of two substations plus a transmission line in the Gaza Strip in order to distribute the power produced by the plant. Two main contractors undertook the work: ABB Switchgear and an Egyptian company. Swedpower acted as consultants to the project.

This work has also been stopped, due to security considerations, lack of equipment, lack of cement, and lack of expatriate experts. The Egyptians have managed to come back, and one of the substations has been completed. We are now

discussing with the contractors on who will cover the costs incurred – the contractors are of course claiming force majeure. – Engineer at the Palestinian Energy Authority.

Fear

Fear is a significant feature of the situation in Gaza City. Gaza City repeatedly has been the scene of clashes and armed confrontations during the *Intifada*. The day after the suicide attack at the Tel Aviv Dolphinarium on 1 June 2001 Palestinians in Gaza City feared Israeli retaliation. The Palestinians expected bombing in every Palestinian City including Gaza. The streets were deserted. Every public building was emptied, and meetings were cancelled. Nevertheless, Gaza City was in general regarded as calm and safe compared to Rafah and Khan Younis.

Those who must travel between the areas for professional or private reasons report they are very afraid when they pass the checkpoints. There are Israeli tanks lined up along these roads, sometimes following the cars with their guns as they pass. People also report incidents in which people were shot and killed because they misunderstood the command from the soldiers, or because they were not quick enough to pass.

For people living close to the settlement at Netzarim, the security is a problem. During the fieldwork, three Bedouin women were shot dead by tanks in this area. This incident made people very angry as they considered that “Tanks are not made to fight human beings like this, but to destroy buildings and other human constructions.” People were also even more upset because they said that the victims were vulnerable and innocent civilians close to their homes.

The Ministry of Education operates a primary school close to Netzarim. This school has 600 students, but has very irregular operation. When there is shooting in the area, the school is not open. The parents are very afraid to send their children to school on such occasions, and there is no alternative school in the area. Other schools in Gaza close to settlements or hot spots have been temporarily or totally evacuated. In these cases, the students have been transferred to other schools.

The Ministry of Education believes the schools are affected by the difficulties in different ways. Many children have developed concentration difficulties and poorer performance. There is also an increase in behavioural problems. They expect a drop in results, but this will be estimated locally in each school, and they have not received the results yet. As holding responsibility for security in all schools, the ministry has taken measures to implement emergency plans. All schools have social workers employed who help the children cope with traumatic experiences.

The principal in a girls' school, provides the following description:

When the students come to school they are very often afraid, sometimes they haven't slept because there has been shooting or bombing during the night. Our school is close to the Muntar crossing, and sometimes the soldiers shoot after the students when they go to school. One of our girls came to school one morning and told us that the soldiers had been shooting after her and her cousin on their way to school that morning. They had run for their lives, her cousin had fallen, and she didn't know if he was dead or what had happened to him. It was later that we learned he was injured and taken to the hospital.

Many students and teachers in our school have martyrs and injured in their families. None from our school has been killed or injured. There are only girls in our school, they don't go to demonstrations. Only the boys go and throw stones. I know for sure that one of the teacher's brother was killed, and one of the brothers of a student. I remember very well, because I went to the funerals. I think also a third student from our school lost a brother.

Our school has not been hit by any shells. But our neighbour school, Hadijia Bent Khouailid close to Netzarim, is very damaged. Many schools are damaged, but mainly the schools close to Netzarim or Karni.

The results from this years' exams were so-so. They were better last year. I also think that the students have more fear than before. In my school we have an observation committee, we also have a social worker who work with fear in the children. Generally I have told my teachers to behave like mothers towards the children in this situation. They have to be kind and very understanding. We use drawings to help the students to express their feelings, so they don't keep everything inside. We also let them play. We let them make small balls of paper as make-believe-stones, and allowed them to throw them to help them release their anger.

The Ministry of Education has encouraged us to help the students in this situation. They have sent us a brochure called "educational guiding", and they have sent a supervisor for the social worker to guide us in the care for the students during the *Intifada*. They have told us what we should do, and we also had a seminar for the teachers.

Sometimes we will use time in the beginning of a lesson to talk about the situation, but we don't have special lessons for this. When some teachers are absent, the social worker goes to this class and talk about difficult matters. Otherwise this is up to the individual teacher. If some of the children are unable to concentrate on the matter she is teaching, the teacher will start a discussion in the

class about the reason behind this lack of concentration. – Headmaster girls' school

During the fieldwork, the final exams for high school took place (twadjie). There has been a big fear that the exams could be disrupted by the closure. Many students have been afraid they will be stopped by Israeli soldiers on their way to the exams and arrive too late. Therefore, the Ministry of Education decided that all the exams would start at ten in the morning this year, instead of at nine as usual. It was also decided that the students were not required to go to their own school for the exams but could meet at any school available on that specific day.

We start the exams one hour later this year, to give the students a chance to come in time for the exams. Many students are afraid to be stopped at the checkpoints, and denied access to school. Since many schools have been closed for some periods, some courses have been cancelled. The exams have also been made a little easier this year, still I believe that the results will be poorer than previous years.

I came back from the exams two hours ago, I have been watching over students at a school close to Karni. All day planes were flying above our heads. I think it was F-16 and some spy planes. I think it disturbed the students a lot, and many had problems to concentrate over the exams. We tried to close the windows, to keep the sound from the planes a little lower, and we are available for the students to calm them down when the planes comes. – English teacher

Five days earlier we met with a student preparing for these exams.

We have not been to school all the time this year because of bombing and so on. I have been to some demonstrations at Nuseirat during the first four months of the *Intifada*. And for two months we didn't go to school at all. Because of this the school has reduced the courses for the exams. The exams are also earlier this year, because the authority are afraid the schools will be bombed.

Lately there have also been police at the school to prevent us from leaving the school during the day. This is both because they want to prevent us from going to the demonstrations. But also because the Israelis have threatened to bomb the schools. Then the authorities were afraid all the students would run away from school. I think the Israelis do this because they want to frighten us, and that they believe that we will stop to throw stones if we are frightened. – High school student

During our interviews many stories were told to illustrate a feeling of fear. The stories function like urban legends and they are impossible to verify. Among such widespread stories figure kidnappings of school children, spreading of poisoned sweets

in schools, and even exposure to depleted uranium. The story about the poisoned sweets has been vehemently denied by IDF⁷, but they still add to popular fear and suspicion.

⁷ See <http://www.idf.il/english/announcements/2001/august/20.stm>.

4 Organisation of economic life

The closure of Gaza City, as described in the previous chapter, has dramatic consequences for the organisation of economic life, both in the private and public sector. This chapter details the mechanisms that are at work.

Transport of goods

There are at least four main consequences of the problems facing the transport sector, namely cost increases, lack of inputs, unpredictability and unfeasibility. We will deal with these in turn.

Cost Increases

First, there are the cost increases entailed by the security related delays.

Prices for all sorts of materials have gone up. For example, base course used to cost USD 8 per ton, it now costs USD 20. Before the Intifada, it was possible to send convoys of Palestinian Authority-registered trucks to the quarries in Israel, with IDF guards escorting the trucks. Now, we need to do back-to-back loading at Karni. Of course this increases the prices. – Engineer at Gaza Municipality

Another company – a shoe importer – tells that the cost of one truckload from Ashdod to Muntar crossing has increased from NIS 600 to NIS 2000, or 333 percent. Another cost cited by the same company is that of storage in Ashdod: when they cannot get the goods immediately into Gaza City from the port, they have to pay for the storage.

Lack of Inputs

Given the limited size of the Gaza Strip, the economy of Gaza City is largely dependent on purchasing supplies from outside. Obviously, this is the case for all types of advanced machinery and equipment, such as computers and cars, but also for

commodities such as cement and base course for construction. During the closure, it has become more costly and time-consuming to import such supplies, and in some cases, become outright impossible.

[The owner and his brothers founded this company in 1993, at the time when the Palestinian Authority was established. It sells all sorts of construction materials. Cement was the most important commodity sold before the Intifada, totalling 50% of the turnover, with monthly sales around 2000 tons.]

When the Intifada started, stocks of cement lasted only one day, and then business stopped for 30 days because of lack of supplies. Supplies (and therefore sales) of tons of cement on a month-by-month basis were as follows:

| | Pre-Intifada | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|----------------|--------------|-----|-----|-----|-----|-----|-----|------|------|
| Tons of cement | 2000 | 150 | 50 | 50 | 20 | 20 | 20 | 1300 | 1300 |

The imports are hard to get into Gaza City because of the security checks at Ashdod, Rafah, and Muntar. [One of the men present breaks in, and says that there was a dispute at Muntar: The Israelis wanted to let only foodstuffs in, and

Owner of cement wholesale company in his empty warehouse



no cement – and wouldn't let Palestinian exports out. The Palestinian Authority didn't accept this, and wouldn't let the Israeli food enter the Gaza Strip.]

I ordered some goods from Egypt in the beginning of the Intifada, but I haven't been able to get them through at Rafah. I've already paid, and the Egyptians refuse to pay me back. It is also impossible to get the goods through at Ashdod.

The result is an increase in the price of cement – one pack now costs NIS 20, whereas the price used to be NIS 15. Similarly, the price of aggregates has gone up from NIS 35 to NIS 80 because of higher import costs. Also, the prices for ready-made concrete are up. This is due in part to higher demand than the supply, and in part to increased importers' costs. – Owner of cement wholesale company

The lack of cement has slowed construction, bringing to a standstill even those building projects with money (such as international projects) — for periods up to a month. Sometimes cement was available, but work stopped because some other type of building materials were unavailable.

Uncertainty

The third effect of transport restrictions is that of uncertainty. It is impossible to know how long the delays will be. The uncertainty is especially difficult in the case of perishable goods or urgently needed spare parts.

An important problem is getting spare parts in from Israel. Before the Intifada we would often source from local merchants, who in turn would source from Israel. Now, key parts are often delayed for long periods by IDF checks. We needed an electrical soft-starter for a pump, and we knew that we could get it from an Israeli supplier. The device is small enough to fit in a handbag but sophisticated. Because the device is sophisticated, security checks take longer time, and we cannot get the pump to work without it. This meant that we were facing a shutdown of one of our pumps for an unknown period of time, which would be critical. In the end we asked an international company that works for one of the donors to carry it through Erez for us, which they did. – Engineer at Gaza Municipality

Uncertainty also creates problems in that businesses used to being able to order goods and obtain more or less immediate delivery cannot easily operate.

When we needed to order more oil before the Intifada, we called the Egyptian branch in Suez in the morning, and the oil would come to Rafah in the afternoon. There was a man who was responsible for collecting the oil in Rafah when

it arrived and take it to our station here in Gaza City. My work was to sell the oil to shops and gas stations all over Gaza. In the morning I collected the oil from our station, then I went to all the places, Rafah, Khan Younis and everywhere to sell it.

When I order oil now, it can take 2–3 months before it comes through the Rafah border. The oil is stuck at the Egyptian side. The Egyptian branch even has to pay fees while the products are waiting, but we can do nothing. We heard that they should open both the border and the Karni crossing today (6/6–2001), but we have tried to call both places today and they say it is still closed. Our gas station had to close yesterday, because we had no more petrol. We are also out of motor oil. The last time we received petrol was 3–4 days ago, before the Tel Aviv bomb in the Dolphinarium. It has been one and a half months since we got motor oil from Egypt. There is no change in the closure as they promised after the cease-fire; it is only propaganda for the media. – Marketing co-ordinator of oil company

Factory owner with pasta he was unable to export



Unfeasibility

The fourth effect of the transport restrictions is that some transactions become unfeasible. Security checks at the Israeli port city Ashdod and at the crossings have made exports and imports so expensive and time-consuming that several enterprises have given up altogether.

I received an order for 300 tons of pasta from Ecuador in August. I didn't get a letter of credit, but the customer was working on this, and I was confident that it would come through. I wanted to ship the 300 tons in one shipment, and began to transfer pasta to a warehouse in Ashdod just before the Intifada started. Because of the Intifada it was not possible to get the rest of the pasta to Ashdod, nor was it possible for me to go to Ashdod to complete the paperwork. I called the buyer in Ecuador to explain this, and the buyer cancelled the order due to the delays. The pasta already in the warehouse thereafter got damaged due to poor storage conditions, and had to be destroyed – for which I had to pay a destruction fee, on top of storage fees already incurred. – Factory owner

The factory owner had now given up his production of pasta, which was aimed at the export market, using wheat from the Gaza Strip. Asked whether it would be better to ship goods via Rafah and Port Said, and avoid passing through Israeli territory, the factory owner told us that this was not a solution.

No, this is not a possibility. It will be even more expensive than Ashdod, because of the long delays due to the Israeli security checks and all controls. The Israeli capacity for handling such checks at Rafah is very limited, and the IDF is not inclined to try to make it easier – the Israelis want to keep the transport via Ashdod for economic reasons. – Factory owner

The story was similar to what we heard from every businessman in Gaza City that we interviewed: Import and export of goods have become extremely difficult, time-consuming, expensive, and unpredictable. According to the businessmen, this makes it impossible for enterprises in Gaza City to compete in any export market. It also creates difficulties for production aimed at the local market, as most enterprises depend on imports of raw materials and intermediate goods, as well as machinery and spare parts.

The Demand Shock

Even though the problems of daily operation that followed directly from the closure and clashes were important, the most important problem for private enterprises

in Gaza City appeared to be a collapse in local demand. As households face increased uncertainty and a dramatic drop in income, they postpone investments and reduce their expenditures. Enterprises do the same – no company in Gaza City will invest in new buildings or buy new computers these days if the cost can be avoided. The result of this is that demand for many types of merchandise has collapsed.

The main impact of the Intifada is the fall in demand. Sales of furniture to individuals slowed little by little because people didn't believe that this situation would last for more than a month. So, at the beginning of the Intifada, I could still sell, but then less and less and less. At the same time, demand from the public sector has stopped, although I've had one big delivery to the Ministry of Education during the Intifada.

Before the Intifada, monthly sales were USD 20–30,000, now they are down to USD 2,000 per month. The best time for selling furniture was during the first year of the Palestinian Authority: There were 5,000 new Palestinian policemen in Gaza, who all came to get their bedrooms furnished. In those days, I could sell for USD 10,000 per week. This last week, I've only sold to 2 married couples, for a total of USD 700, even though this is the marriage season. – Owner of furniture company

Those worst affected are those businesses selling goods that are considered luxuries or where purchase easily can be postponed: Furniture, new clothes, cars, and construction of housing. However, even groceries report a sharp fall in demand, indicating that households are cutting costs wherever possible.

I used to be a taxi driver, but opened this shop about a year ago, together with my two brothers. It is only my brothers and me who work in the shop. We get our supplies from around 20 dealers that come to his shop with different goods. I normally pay 30 percent of the delivery in cash and the rest in instalments.

[The shop caters to foreigners and employees of the ministries that are located in this area, and appears to be rather up-market. It has a large selection of cigarettes, including Davidoff cigarettes at NIS 12 per packet, 15 different brands of wafers, and 18 different types of pasta – all in a rather small space.]

When the Intifada started, sales dropped by 60 percent. Yesterday I sold for NIS 1,500, before the Intifada I could sell for NIS 3,000 in one day. [He seems confident about the first number – yesterday's sales – as he enters all sales on a mini-calculator, and says he does the total at the end of each day. Unfortunately, he doesn't keep records.] People have also changed their consumption patterns, and buy cheaper goods these days. Take this tin of tomatoes – now people only buy the cheapest kind, which is a Palestinian (Gaza produced) brand.

The reason for this is that people have less money, having lost their jobs in Israel. Also, because my store is located on the road going to the beach, I used to get business from people on their way to the beach (tourists), and this has stopped. – Owner of grocery store

The two-year old company selling computer hardware and services in the Gaza Strip that also illustrate the demand crisis:

The most important impact of the Intifada is the drop in demand. The primary reason for this is that both consumers and enterprises are cutting down on IT expenditures under the economic slowdown. In particular, we feel the collapse of activities in construction, leading to lower demand from engineering companies – we are not selling cartridges for the big laser printers any more.

It is, however, notable that the computer vendor did not see a dramatic drop in demand before some months after the strict closure was imposed. Although sales did decrease immediately, the sharp drop did not occur before January 2001.

In addition to the collapse in local demand, enterprises in Gaza City have been cut off from markets outside of the City – foreign markets, Israeli markets, and to some extent even markets in the southern part of the Gaza Strip.

New opportunities: Income substitution

The closure of the Gaza Strip means that markets are segmented differently from previously, and this presents business opportunities. Such businesses are far from numerous, but one is a producer of soft-drinks.

The good thing is that local demand is increasing. We are now producing 3000 cases daily, compared to 2000 pre-intifada. The demand for our product is picking up because the product is Palestinian; it is cheaper and consumers have less money; and because prices for Israeli products have increased due to the closure, and some products have become unavailable.

On the other hand, we are producing less than the 5,000 cases we *could* have produced if the factory was operating at full capacity. The reason for this is that we have problems getting our supplies from Israel. Today, two out of three production lines are closed because we couldn't get gas for the carbonated drinks. But things are better. Before the intifada, we were beginning to lay off workers, and now we don't have to. – Chief Executive Officer

Nevertheless, the company also experiences problems because of the closure, because nearly all of its inputs come from Israel or further abroad. It currently also exploits a particular niche of consumers, namely those who still demands soft drinks, but who cannot pay for or cannot get foreign ones. If the characteristics of the closure changes for better or for worse, this group of consumers may well disappear.

No import substitution can provide the goods and services that the inhabitants of Gaza City have become accustomed to. Although some of the goods normally imported can be produced locally, Gaza has a modern economy that depends on trade with the rest of the world for raw materials, intermediate goods, and capital goods, just as for finding outlets for its production.

The response of private enterprises

The problems of increased transport costs, uncertainty and unfeasibility combined with the collapse in local demand, will for most types of enterprises by far outweigh the possibilities for engaging in import substitution strategies. The result will be lower turnover and lower profitability for most of the private enterprises. The response will be to scale down operations, in order to adjust to the new level of demand, and try to cut costs – i.e. to lay off employees.

After the outbreak of the intifada, demand for our products has disappeared. We used to sell 320 – 420 tons of soybean oil every month, and in May we sold only 12 tons. [He shows us the empty tanks used to store the oil, and explains how oil was repackaged here and sold to retailers around the city.] We have stopped importing large quantities of oil now, and only buy a little from another wholesaler. It is more expensive, but I can't sell enough any more to import myself. I am considering selling the company truck to get cash – as the situation is now, we don't really need it. And we need the cash: I have given many of the small retailers credit, and they haven't paid me back.

I tried to keep the 18 employees as long as possible – they all have families to feed – but as of May 1st, I had to let them go. Now it is only my two sons and I that work here. – Owner of soybean oil company

This company illustrates three strategies companies can pursue: Try to establish production at a lower volume, in line with actual demand; cut costs through lay-offs; and sell assets. It also illustrates how some enterprises sold their output by extending credit to buyers, in the hope that the *Intifada* would be a passing problem that it would be possible to ride out.

An interesting point is that while the company laid off its employees, it continued operating with only family members working there. This phenomenon was observed in several medium-size enterprises: When it became necessary to scale down production, wage employees were the ones who left, while family members stayed on. This may reflect low opportunity costs on one hand, while on the other hand it is a strategy that keeps the wheels turning, so that the enterprises survives and may be re-activated if the situation changes. The only two large enterprises visited were semi-private, and may therefore not be entirely comparable to the small and medium-sized enterprises. It is nevertheless interesting to note that these enterprises had not begun to lay off workers at the time of the fieldwork.

It is difficult to anticipate how the strategies adopted will work in the medium term. People gave different assessments of the outlook. While some expressed pessimism, others told that war and conflict had always been a part of the business environment in Gaza City. “I have lived in British, Egyptian, and Israeli times, and I’ve always done business – but these are the worst times I have ever experienced,” a businessman reported.

We haven’t laid off any workers, but all workers now work only half time (3 days a week, and not very long hours), and are also paid a correspondingly lower wage. It all depends on sales, and how much work there is. The shop will survive for another year under this situation, but not for two years. But I will not go back to Saudi Arabia, even if I have to close this shop!

[We ask about what will happen if the intifada ends.] It is not a question of the intifada ending, but a question of getting a Palestinian state. I have a plan to export. I want to import new machines, and then produce furniture and export it – not to Israel, but to Egypt, Jordan, and Saudi Arabia. Then I am free, not in a prison like now! – Owner of furniture company

Public services

Public services include infrastructure for water, sewerage, electricity and telecommunications; in addition to the provision of health and education services. Public services have continued to be provided during the closure, but not without problems. Public service providers face similar problems as private businesses, with the crucial exception that the wages are primarily paid with public funds. The only exception to this is in the case of public services charging user fees, such as water and electricity. Regardless of the economic situation, since such service provision is

considered crucial by the Palestinian Authority, scaling down public services as a response to lack of funds is not considered an option.

Water and wastewater treatment

The water supply of Gaza City is located within the City, where the municipality operates a total of 28 wells – as opposed to the southern part of the Strip, where water is imported from Israel. Some areas of Gaza City only have water 3 days per week, due to the limited capacity of these wells, but this is not related to the *Intifada*.

Wastewater from Gaza City is treated at a facility close to Netzarim. Sewage is pumped to this plant from the households and factories. Since the outbreak of the intifada, there has been shooting close to the plant on a weekly basis. This has caused damage to the plant, and has also made it dangerous for technicians to go there for work and for repair.

Since the intifada started, the Municipality of Gaza has been forced to cut costs, and has shut down some pumps for certain periods. At other times, the pumps have been out of operation because of the increasingly frequent electricity shuts, or due to lack of spare parts. The result of this has been that raw sewage has instead been pumped into the sea, causing environmental damages.

Roads

A large project for developing the infrastructure of Gaza City is organised by the Municipality along with different international organisations and donors. It covers sewage, water and roads. Before the *Intifada* 28 sub-projects were underway, and all are now almost halted due to lack of, or increased price of, materials and equipment imported from Israel.

The Municipality also is responsible for maintaining existing roads within the city.

For the maintenance, we also need materials: Aggregates, asphalt, cement, tiling... all of which was sourced from Israel. Now this is either unavailable or very expensive. There are two asphalt factories in the Gaza Strip, but they haven't got materials. Because of this, we are repaving the roads with a substitute mix based on cement. It is less good, and will only slow the deterioration of the roads.

Some of the roads have been dug up by the IDF, when they make ditches for closing the road. We try to fill them, but we haven't got the right materials. There are three places where the IDF often make ditches. Here, the road have been dug up and repaired maybe ten times. – Engineer, Gaza Municipality

Electricity

Electricity is being delivered to Gaza City by the Gaza Electricity Distribution Company (GEDCO), which buys from the Israeli Electricity Corporation.

As mentioned previously, the construction of a power plant in Gaza has been interrupted because of the closure, thereby effectively postponing the development of a Palestinian self-sufficient energy infrastructure. In terms of delivering electricity to Gaza City, the major problem since the outbreak of the Intifada has been the increase in households' non-payment of electricity bills. The total monthly bill from Gaza Electricity Distribution Company to the households is around 18 million NIS. Before the Intifada 90–95 percent of this amount was paid on time, and this percentage has now dropped to 60–80 percent. In order to be able to pay the Israeli Electricity Corporation for the electricity supplied, the Palestinian company has run up huge bank debts, which are refinanced every month.

Before the *Intifada*, we would disconnect customers who didn't pay their bill. However, under the *Intifada*, we must balance two considerations: On one hand some people are in a situation where they cannot pay, and we don't want to disconnect them, as this would increase their hardship. On the other hand; if there were no enforcement, nobody would pay their bills. 50–60 percent of the consumers pay as before. 30–40 percent we have to ask to pay. And maybe 10 percent are hardship cases that cannot pay.

What happens is that our technicians go to the customers premises to disconnect, and then evaluates on-site whether this is a hardship case or not. If it is a hardship case, the technician doesn't disconnect. No policeman is sent with the technician. We try to be friendly with the people. We disconnect less now than before the Intifada. We realised that these are very hard conditions. You know, in our popular quarters, there are many people who will fight the technicians. It is not like in a village. – Engineer, Gaza Electricity Distribution Company

This system has the advantage of shielding the poorest from being disconnected, and in this way represents a transfer to these households. However, it is unclear how long the Gaza Electricity Distribution Company can continue to build up debts and refinance it every month – and if the Palestinian company cannot pay the electricity delivered by the Israelis, the electricity supply of the entire Gaza Strip might be at risk.

Telecommunications

Telecommunications are provided by Paltel (fixed network) and its subsidiary Jawwal (mobile network). In addition, Israeli mobile operators also cover the Gaza Strip.

Even though the Israeli companies are not licensed to provide services in the areas under jurisdiction of the Palestinian Authority, many Palestinians in Gaza City use the Israeli networks.

Generally, telecommunications have been available to most households who can afford them throughout the Intifada, with no major network failures. However, infrastructure around Gaza City has been damaged. In particular fibre-optical cables that have repeatedly been broken because of the trenches dug by the IDF. Network repair and maintenance are hampered by the lack of various types of equipment (all of which is being obtained from producers outside of Israel) and by the internal closure that restricts technicians' access to sites.

Education

The supply of education is not much affected by the external closure, since the most important input to education are the teachers and students. However, teachers, like everyone else, are affected by the internal closure and some are unable to come to work. Moreover, schools are closed, often as a result of clashes, Israeli military activities or other security problems. Students normally live in the near vicinity of the schools and are usually able to get to school despite internal closure, and therefore, are not much affected in this regard by the internal closure.

Above we have discussed the situation of the schools with respect to the context of fear and the feeling of insecurity in which they must operate. This is perhaps the most important impact of the closure on the educational system. Students' and teachers' being in constant fear of possible events is not conducive to a good learning environment.

Health services

Health services in Gaza City are generally provided through four types of organisations. That is the Palestinian Authority through its public health system; UNRWA who especially caters for refugees; a variety of non-governmental organisations; and finally, private practitioners. Similar to education services, in general health services have not been disrupted apart from the overall problems that people experience arriving at work due to clashes and internal closure.

For the most part, health officials report that they cope quite well with the closure, although particular effort from the emergency services is required. For this reason, elective surgeries have been curtailed.

The two owners of a private pharmacy and clinic of a private clinic reports the following:

I bought this pharmacy one year ago (July 2000), and I had another pharmacy before that.

Some of the medicines in the pharmacy are produced locally, in Beit Hanoun. But most of it is produced in Israel or West Bank or abroad. All this has to come through Israel. After the intifada many medicines have been difficult to get, and there are some medicines we cannot get. It is not because they are too expensive, but because they are not available in Gaza. An example is some medicines for skin disease. But we have substitutes; there are only some brands we can't find. We usually have most of what we need.

We give more credits than before the *Intifada*. When people come here with a prescription from the doctor, and ask if they can buy only the most important medicines, and asks for credits, I can't say no. Before the Al Aqsa Intifada, we hardly gave any credit to customers. At that time our daily turnover was NIS 800, now it is about NIS 400, and about half of this is on credit. I think we provide credit to about 50 customers' from the neighbourhood. These customers are not our basis customers. Most of our customers comes from outside, and they pay cash.

If one of these customers comes here with a prescription for medicines for NIS 100, maybe he can pay only NIS 20, and tells me he will pay the rest after one month. But after some time he comes back and needs more medicine, and tells me he cannot pay. Then his credit will increase. This happens to chronically ill patients. They need new medicine every month, and if the medicine is not available in the hospitals, their credit will increase every month as long as the situation is difficult.

Altogether, people owe us about 4000 NIS now. Of course this creates problems for us. I now have to pay from my own salary, when we buy more medicines for the shop. But I am sure we will get the money back. It may take one year or two years, and in the meantime I can manage by using my salary from the hospital. I can't stop to give these credits.

When we buy medicines from the dealers, we usually pay 70 percent cash and 30 percent on credit., but this becomes more and more difficult. If we bought a large amount of medicines before the Al Aqsa Intifada – maybe as much as NIS 1000 – we paid a little by little. The dealer comes two times a week, and I used to pay him NIS 100 every time. Everything had to be paid after one month, that was the limit. Now I have to pay all at once, and if I haven't paid everything, I don't get new products. Because of the economical situation all the dealers demands cash when they deliver. – Owners of Pharmacy and Clinic

The pharmacy and clinic is an interesting example of how credit can be managed by the doctor using his other income in order to finance it. However, credit in the health sector may be more difficult to handle than credit for other purposes, since the consequences may be dire if it is withheld.

Labour markets

Labour markets statistics confirm the findings from the qualitative fieldwork, and demonstrates the massive impact of the closure on the labour markets of Gaza City. The total employment decreased from around 70 thousand persons in the third quarter of the year 2000 to around 45 thousand persons in the fourth quarter, a 36 percent drop in the number of persons employed. Wage work in Israel was reduced from more than 9 percent of the workforce during the third quarter of 2000 to less than 1 percent after the start of the *Intifada*. The statistics also show the immediate response from the private businesses as the employment in the private sector dropped at the same time from 42 to 26 percent of the workforce, decreasing from 42 thousand employees to 26 thousand.

The reported unemployment rate stood at 14 percent in the third quarter of the year 2000. As an effect of the closure it rises to 34 percent. Employment in the public sector is relatively stable at around 18 thousand persons during the whole period till the second quarter of 2001.

The labour market statistics indicate that largest absolute and relative decrease in employment takes place within construction – which is where many of the workers in Israel are employed. Other sectors that experience above-average decreases are

Population 15 Years and Over, Participation Rate, Employment, Employment-Population Ratio, and Unemployment Rate in Gaza Governorate: 1999–2001 (1000,%)

| | 2000 | | | | 2001 | |
|--|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Population 15 Years & Over (000's) | 198.50 | 200.75 | 203.22 | 205.91 | 208.60 | 213.00 |
| Participation Rate (%) | 36.9% | 39.2% | 40.1% | 32.7% | 33.3% | 32.9% |
| Employment (000's) | 64.02 | 69.80 | 69.84 | 44.78 | 47.72 | 45.80 |
| Employment in Public Sector (000's) | 19.27 | 19.75 | 18.37 | 17.69 | 19.47 | 18.80 |
| Employment in Private Sector (000's) | 37.83 | 41.32 | 42.25 | 26.10 | 27.34 | 26.00 |
| Employment in Israel & Settlements (000's) | 6.91 | 8.73 | 9.22 | 0.99 | 0.91 | 0.93 |
| Unemployment Rate (%) | 12.0% | 11.3% | 14.3% | 33.5% | 31.3% | 34.5% |

Source: PCBS Labour Force Survey Bulletin Series (No. 21) April – June, 2001

mining, quarrying and manufacturing; transportation, storage and communications, as well as agriculture and fishing. The sectors that experienced below-average decreases are services and other branches, as well as commerce, hotels and restaurants. In these sectors we find the public services, but most probably also unemployed persons trying to engage in small-scale service activities.

Employed persons in Gaza Governorate by economic activity

| | 2000 | | Change | |
|--|-------|-------|-------------------|-------------------|
| | Q3 | Q4 | Absolute decrease | Relative decrease |
| Agriculture, Hunting, Forestry & Fishing | 4.55 | 2.43 | 2.11 | 46 % |
| Mining, Quarrying & Manufacturing | 13.57 | 5.37 | 8.20 | 60 % |
| Construction | 11.79 | 1.15 | 10.65 | 90 % |
| Commerce, Hotels & Restaurants | 12.36 | 9.96 | 2.40 | 19 % |
| Transportation, Storage & Communication | 3.48 | 1.88 | 1.60 | 46 % |
| Services & Other Branches | 25.29 | 25.12 | 0.17 | 1 % |
| Total | 71.05 | 45.92 | 25.13 | 35 % |

Source: PCBS Labour Force Survey Report Series (No.18) July – September, 2000 and PCBS Labour Force Survey Report Series (No.19) October – December, 2000

5 Coping With Closure

The closure has become a part of daily life in Gaza City. Households have, in many cases, lost the income of their breadwinners. In the case of businesses, we have seen that the closure has led to a general reduction in demand and severe practical difficulties for operations. Public institutions and service providers see little or no reduction of demand for their services, but experience practical operational difficulties. The topic of this chapter is how people cope.

Household responses to the disruption are, of course, dependent on the situation of each individual household. Those having depended on work in Israel often have lost all their income. Households in which the main breadwinners find their work in the Gaza Strip are typically in one of three situations. The first is that of the situation of employees working for international organisations or the Palestinian Authority. These employees generally have continued to receive wages. Thus although their working conditions may have worsened, their incomes have not suffered. In contrast, the second situation is that of the private sector workers' lack of employment security. Many businesses have laid off workers or closed altogether. The third situation is that of households depending on family businesses that in most cases have had to scale down.

Households' and other actors' options may be divided into four main groups: (1) strategies for handling the changes in income generation; (2) strategies for reducing consumption; (3) using credit, savings or selling assets; and (4) strategies for acquiring income through aid or remittances from others. Of course, many households will pursue various strategies at a time, and a lot of inter-household assistance and support is found.

Managing income generation

One strategy for handling the loss of economic opportunities is just continuing as if nothing had happened despite the difficulties of doing so. We have seen that the fishing in Gaza is severely affected by the closure. The sea has been closed for fishing for long periods during the *Intifada*. Nevertheless fishermen will continue to fish whenever they have the opportunity. They feel they have no other option.

I learned to fish from my father, and got my first boat from him. I had a partner ownership in this boat together with all my brothers. In 1998 I built my own boat. I had saved some money and added my share from my father's boat. I also took a loan in the bank and some credits from relatives. When the *Intifada* started, most of my loans were paid back. Then I was fishing every day. When I am at the sea and get fish, I sell the catch to a dealer when we come back to the harbour.

A day's catch could be sold for NIS 3,000. The expenses for petrol, ice and so on are about NIS 2,000 for a trip. I have a big boat. We are eight people on the boat. The other fishermen on my boat usually get NIS 60 for a day, maybe one of them get more. Since I own the boat and have all the expenses, I will get about NIS 500 for a catch like this.

When the *Intifada* started I continued to take petrol from the association to go to the sea to fish. But usually we came back without fish, because the Israeli patrol boats forced us to go back to the shore before we got any fish. When this happens I have used all the petrol without earning any money. But we try again and again. Some days we get fish, and other days we will be stopped. If I am lucky and get NIS 3000 for a catch, I still can't pay my petrol credits to the fisherman association, because I have to pay salary to the fishermen on my boat, and take money for my family first.

I don't know how much fish I have got during the *Intifada*. We get very little fish when we have to fish inside three miles. When they open the sea after the sea have been totally closed, we might get a NIS 3000 catch, but then all the money goes to the fishermen for their salaries. So I haven't paid ice and petrol since the beginning of the *Intifada*. When there is a total closure at the sea, we can't fish at all, and I have to take credit in the shops. Now it has been closed since 2 June, and we don't know when the Israelis will open the sea for fishing again [date of the interview: 12 June]. – Fisherman

Of course, for households that depend on employment that they have not lost, such strategies are not necessary. For those that have worked in Israel or have lost their employment within Gaza, it is not an option.

Those that have lost their work completely may try to remain in a position to take up their work if conditions should improve. This is a strategy for many of the workers who previously were employed in Israel. They have been totally cut off from their workplaces since the start of the *Intifada*.

Many of these workers continuously try to find alternative sources of income. Not all of them succeed. There is simply not work to be found. Some become discouraged, and give up finding something to do. Even when the motivation for an

alternative is clear, it is not that easy to find an alternative job. Still, there are examples of some who have managed to do something new.

First I worked in a tile factory in Gaza. I stopped to work in this factory because there was little work. We stopped getting salaries, so I quit and started to work in Israel. The first two years after that, I worked for the same Israeli manger. When his business stopped I had to find something else, and worked as a day labourer for a while.

When the *Intifada* started I was totally unemployed for six months. I tried to get a new work permit, but since I don't have a regular manager, nobody wants to apply for me anymore. I don't have good relations to any Israeli who wants to apply for me now. Since I have responsibility for six children, I opened this clothes stall in the market.

[The stall is a small table with a few clothes, mainly for small children and some female underwear. The table is on the sidewalk outside Gaza central market.]

From this business I can get maybe NIS 20 to 30 a day. I buy the clothes from bigger shops or from dealers here in the market. I don't pay for the products before I have sold them, and only then I can keep the profit. The dealers buy the clothes cheaper because they buy in larger quantities. They will sell clothes to different shops, and I buy from different dealers. – Former worker in Israel

The case is a good illustration of how the closure affects the income of an individual. When this man used to work in Israel, his salary was NIS 100 a day, which is three to five times as much as his current salary.

To be able to find work at all, it seems necessary to be quite inventive. Those we encountered who had succeeded in this had started a new business.

I have been working in construction in Israel for 21 years, for the same manager. I was a group leader, and was responsible for eight workers. I brought the workers to the manager, and was responsible for them and guided them in their work. I was not a contractor, because I didn't bring my equipment to Israel. I got a regular salary from the manager of NIS 300 a day, and I got the salary for the workers I brought, NIS 200 a day.

After the Intifada we have faced many difficulties. I have nine children from three to 21 years old. My oldest son already stopped school and got married. He has three children. He works as a taxi driver. I bought a taxi from an Israeli for JD 6,000. My oldest son was driving this car, and could get NIS 150 a day for his driving. After the first month of the Intifada, I had to sell this car. I only got JD 3000 for it, but since I have 9 to 11 people in my household to support, I had to sell it. After I sold the car, my son started to drive for an uncle, but now he

only drives for NIS 20–30 a day. This is not even enough to cover the expenses for the car.

My second son (19 years) is married and has one child. He has stopped school during the *Intifada* to be able to help me with some business. Also my 18-year-old daughter stopped school six months ago even though she has two years left. She got engaged. I don't know when they will get married. Her fiancé has no ability to plan marriage now.

During the Intifada I have tried to think about everything I can do, to get some money. I have to take care of my family and my children. Two weeks ago I started to sell plants and trees. My brother Faiez and his friend Suliman helped me to start this project. The three of us are partners in the business. Suliman and Faiez have invested JD 10,000 in the shop. They both work in the public sector in Gaza, and don't have time to do the work, but they had the money. I am the one who does the work. I spend my time and experience in the project. We have started to earn some money on the project. Usually I sell for about NIS 120 a day. We split this in three parts, and I get NIS 40 a day. This is enough to cover the basic needs for my family.

To have customers in a shop like this, you are very dependent of good relations. Then your relatives and friends will only buy from you, and they will tell others about your shop. This is the way a new shop is known to more people. Our family is already well known for our plants in Gaza, because a good friend and relative have a big farm where he produces plants for gardens and parks. We buy our plants from him. I hope to develop this business, so later we can produce the plants from seed our self, but this require some more equipment.

Our customers are usually people who are working in the public sector in Gaza. You must remember, such plants are not a necessity for people. If they buy such things, they can pay. If they don't have money, they will never come here and buy plants. But there are many such shops in Gaza City, maybe 41 in all. I think there are ten "flower shops" like this only in this district.

Faiez (the brother) says: It is easy to find work for one person like this. But for thousands, like there will be nothing. Like for Faraj here, our neighbour. He used to sell used office equipment from Israel here in Gaza. He did not find new work, and he is in a very difficult situation. – Former worker in Israel, now selling plants

Although inventiveness and drive is crucial to succeed, it clearly also helps to have relatives and friends who are willing to support the initiative. There are very few who are privileged in this way. Most of the unemployed people have very few alternatives, and are just happy when they are lucky in a very competitive situation.

I have been working in construction in Israel for twenty years. My salary was very good, it was NIS 3–4,000 every month. In addition my manager paid my transportation expenses.

Now I drive a bus here in Gaza. I am only the driver. It is easy to get work as a bus driver if you have good relations. My bus is a Hyundai 2000 with seven seats. I don't have regular work, I only work from day to day. My salary comes from the tickets I sell, if I sell for NIS 60 I can keep NIS 20. The car owner keeps the rest, because he pays all the expenses for the car like insurance. I work every day except Friday, and my salary is about NIS 6–700 a month. This is not enough to cover all my expenses. — Former worker in Israel, now taxi driver

People are trying to get work, but they find that some of their efforts meet few rewards. Their productivity is low, and they find that their new activities can barely meet their income needs. Moreover, although the plant vendor was quite optimistic about his venture, a few months later the shop had closed down.

Reducing Consumption

Since many people in the private sector and nearly all the workers in Israel have lost their income during the *Intifada*, it is likely that a majority has had to reduce or postpone consumption. At the same time, it is likely that the number of dependants for those who still have a regular income has increased. In several of the household interviews, the families had started to receive money from a relative with regular income after a shortfall of their own. Even when this assistance is regarded as a loan that should be paid back when times get better, it works as an important safety net.

Palestinians are used to closures and curfews. One lesson learned after the first *Intifada* and other difficult experiences was to store wheat and olive oil in their houses for times in need. It is possible to survive for a long time on this simple diet. But never have they experienced that the closure has lasted for so long, and respondents say that they could not imagine the need to save for such difficulties. Many families tell that they lived in times of prosperity before the *Intifada* started. Those who worked in Israel had relatively good salaries, and could live a good life.

When a family experiences a dramatic decrease in their income, they will find a combination of ways to deal with their shortfall. Reduction of consumption will be part of such a multiple strategy. Most people complained that they had enough money for everything before the *Intifada*, this was not the situation anymore.

We have reduced our consumption. Before the *Intifada* we had a good life, but now it is not enough. Everybody who worked in Israel before the *Intifada* could buy vegetables and fruit every day. We can't do this now. And on Saturdays when we were home, I used to go to the market and buy five chickens. Now I nearly can't buy chicken at all. I bought chicken today, but only one. Now we have to live from smell not from taste. – Former worker in Israel

Credit, savings and selling assets

Most of the people who experienced a reduction in income had compensated their loss by obtaining credit. Fewer had actually sold assets.

Credit

In Gaza, most of the people with difficulties had credit with shops, but there was a clear limit to the amount, and a strict evaluation of the customer before credit was given in the first place.

I have credit in three or four shops. It is about NIS 70 to 100 in each of them. The shops are not willing to give more than that. They usually stop giving credit when it reaches NIS 100. Then, I have to pay some of it before I can get more. If I pay him NIS 50, he will continue to give me credit. Every month I will borrow NIS 300 from my brother when he gets his salary. He is single and still has a job here in Gaza. When I get this money, I pay some of my credit in the shops. In this way I can balance my credit. The shop owners are not relatives, but they are my neighbours. – Former worker in Israel

After my salary was reduced in December, I had problems paying my invoices. I haven't paid my electricity and water since then. The credit for this is now NIS 1000. I also have some credit in the shop, it is about NIS 250 now. All of it is from the same shop, because the other shops have refused to give me credit. This shop is a neighbour who knows me. I pay some of the credit every month when I get my salary. In this way I can continue to get credit the next month. Some months I even pay all of it. – Marketing co-ordinator

It is a common strategy to stop paying for water and electricity when income is reduced. Under normal circumstances, the supply will be cut when the customers stop paying their bills. This was also the situation in the beginning of the *Intifada*. But after protests and appeals for a more flexible policy during times of difficulties, the

companies do not cut off supply to defaulters as quickly as before. Some people will consider not paying their bills in hope that the authority will pay for everybody in the end. But these appear to be the exception.

I have not paid my electricity bills for the last seven months. They came from the Electricity company to cut my electricity. I think this happened around Ramadan (December). Everybody around here, all the neighbours, got very angry when this happened. A large crowd came to my house and started to shout to the people from the company. They threatened to beat the man if he continued his task to cut the electricity. It was nearly 1000 people who gathered for this demonstration. I think the man was lucky to escape unharmed.

When they had prevented the man from cutting our supply, all of them went down to the office of the electricity company to protest. They asked the company to stop doing these things before the situation got better. You see, the whole society has stopped paying their bills.

My bills are still coming from the company, but after this incident nothing has happened. They have not tried to cut my electricity again. My credit to the company is now about NIS 5000. – Former worker in Israel

In the recent months the invoices include a note inviting the customer to contact the company if they have difficulties paying the bill. However, the worker just cited did not see any use in doing so, as he did not have the money anyway.

Many of the persons who had lost their income, told us that they received small amounts every month from relatives who still got their salary. For example a former worker in Israel received NIS 300 every month from his one brother who still has an income. This kind of assistance was viewed as loans to be paid back whenever the situation improved. There is no tradition for taking interest for private loans among Palestinians.

Selling assets

The option selling assets may also be part of such multiple coping strategies, if there are assets to sell. The problem is, of course, that the prices go down during economical crises of the kind experienced by the Palestinians during the *Intifada*.

A man, who used to work in Israel and had now opened a plant shop, had bought a taxi, which provided his son with work. He had sold the taxi during the *Intifada* even though he only got half the money he paid for it. There might have been a combination of reasons for selling the car. He told us that he needed the money. The reason also might be that the expense of operating the car became more than what he earned. Then, it would be more profitable for his son to drive his uncle's

car, so they didn't end up losing money. If this is the case, the money released from the sale of the car is extra bonus for the family in a situation of need.

An owner of a tailor workshop told us that selling assets was one of his coping strategies.

If this continues, I think I will have to close and sell all of my machines. I have already started to sell some of the machines. I had 40 machines before the *Intifada*, now I have only 15 left. We had two departments here, this room and the room next to this. Yesterday I sold the last machines in the other room. The buyer will come to fetch them tomorrow. I have sold the machines in two turns. First I sold 15 machines for USD 8000. Yesterday I sold 7 machines for USD 4000. This is a very low price. When they were new, these machines cost USD 22,000. Some of the machines that I sold are one year old, and the others are only half a year old. The man who bought them is buying and selling machines like a business. He is not going to use them himself, he will sell them again. – Owner of tailor workshop

During the fieldwork we did not find many households that admitted to selling gold and jewellery, and the goldsmiths we consulted also did not tell of many such sales.

Depending on Remittances and Aid

Among the families who told us that they had received aid, very few had benefited from this more than one time. Unless a family was dependant on social welfare before the *Intifada*, we found nobody who had become dependant on such aid because of the *Intifada*. Although it was a welcome supplement for those lucky enough to receive it, it was considered too little to really matter.

Remittances

Several of the families we interviewed reported that they received some economic support from relatives abroad.

An employee at Palestinian Air told us that he still goes to work every day, but he has not received his salary during the last few months.

I go to work every day. My manager has been to the Ministry of Finance and explained the situation for our company. They told him that they will try to pay us, but so far nothing has happened. All the employees are very angry. How can we buy what we need? A few have got work elsewhere, but most of my colleagues

still come here. They have no other option. I don't know for how long the company can continue like this.

I expect to get my salary when the company gets more money, but I have heard some rumours from the secretary that the general manager had said they will never refund the salaries lost.

We are lucky we have some family in Kuwait. It is my wife's family. They have sent us money to cover our basic needs. They have sent us about JD 650. We have not paid the electricity, water and telephone bills since my salary stopped coming. I think we owe about NIS 1000 for these bills now. But we have awaited taking credit in the shops.

Wife: We expect to get money from my family as long as we are in trouble. My sister calls every day, or if she doesn't call, she uses e-mail. Two days ago, the telephone company came here to cut our e-mail line. Then my sister called and asked me to go to the company to reopen the line. She would pay. So we paid this bill to be able to keep in touch. I'm very lucky to have such family. They have good income, even if it is more expensive in Kuwait than before, because now they have to pay the rent for the house and the school for the children, health services and immigration fees. Only petrol for the cars is the same price as before. But, they have enough to send us something when we need it. – Employee
Gaza Air

The family that claimed that their house was bombed by a remote attack from a helicopter said that they were basically surviving on remittances from relatives abroad. In addition to having their house totally destroyed, they also lost their source of income when their equipment was destroyed together with the house.

So far I have got USD 2000 from the Ministry of Social Affairs because Muhammad (16) died in the explosion. All Martyrs' families get this aid. Since our house was destroyed at the same time, we also asked for help to get a new house, but they (the Ministry) could only give us a house in Beit Hanoun (North Gaza) for six months. That is six months free rent, then I had to pay, but how can I pay when I have no income, so I refused the offer. Even with the signature from Mr Arafat and the Minister of Social Affairs they could not help us find a new house.

I was also injured in the explosion, and my neighbour said I could live in his house for free. They live downstairs. This apartment is for their son. He lives in Canada, and only uses the house when he is visiting during the summer. He didn't come this year because of the situation.

All our things were destroyed in the explosion, and we have not got any compensation. I used to work as a tailor, but all my equipment is destroyed. My oldest son works with media, and also all his equipment was destroyed. He made posters for advertisements for shops and other customers, but his computer was totally damaged. Hizam (son/brother): We worked together. He designed the poster on his computer, and I painted it over to walls and big posters. Both our technical equipment and our paint and brushes are gone.

We are refugees, and got some help from UNWRA. They gave us a tent and seven mattresses and seven blankets. That's all. We have heard that UNWRA has plans to rebuild all the demolished houses for refugees, but then the refugees must have land for the house. Since we rented the house, we don't have land for a new house. We have to get this from the Ministry of Housing, but they don't have land to distribute. Land in Gaza costs USD 700 each square meter, so the USD 2000 we have received is not enough to buy land. We will try to collect some money from different institutions and some relatives, but in this difficult situation it is not easy.

We are not only a martyr family, we also lost our house. The USD 2000 we got, is martyr family money. We have heard that there will be some help from Iraq to martyr families, but they have a long list, so we have to wait. This will be USD 10 000. We have to have good relations to get this money. The money from Iraq comes from the Arabic Freedom Association, which is a political association.

We also have heard that Saleh Association (Hamas) is distributing such help, but it takes four months before we will get it. They have a co-operation with the Ministry of Housing, and sends lists with names of the families who have had their houses damaged during the *Intifada*. In the end each family will get USD 2,600.

We have saved the USD 2000 we have got. We hope to receive more money so we can build a new house. We are basically living from the money my brother in Qatar sends us. The last week my son was also able to find work. – Family in bombed/destroyed house

One household received a special form of remittance, a combination of remittance and zakat (giving to the poor).

We have not paid electricity during the *Intifada*, but somebody helped us pay the electricity bill. I have not paid water either, but this they can't cut. The electricity I pay, because otherwise they will cut it.

It was zakat who helped me with the electricity bill. Someone from abroad. They are not relatives, but they come from the same area in Israel, Nalia. They know us, and have sent us money. They live in Qatar, and sent JD 400 for the electricity bill. That was when the company threatened to cut our electricity. The company doesn't care if you are rich or poor. The Qatar family sent the money as zakat, which means it is a gift not a credit we have to pay back later. – Refugee housewife

This was a poor refugee family living in the Beach Camp. The household head is old and sick, and the family was one of the special hardship cases supported by UNWRA. The housewife used to supplement the family income by selling clothes from the market. She walked from door to door and offered mainly children's clothes. After the *Intifada* her business declined and she had to stop. At the same time her four older and married sons lost their work in Israel. Since, she gets extra aid from UNWRA. The sons have also partly become her dependants now.

It is interesting to notice that this poor family has been “adopted” by another family from their native place in Israel that has been better off after the expulsion. Through the system of zakat, an obligation from the Koran to help the poor, they are sending remittances to this family when they are in special need.

Aid to refugees

Because refugees make up a large proportion of the population in Gaza there are two parallel systems of social services. UNWRA runs services for refugees, and the Palestinian Authority also provides services.

UNWRA has long experience in organising relief work for Palestinian refugees. During their first years of operation all refugees received rations. Later the aid program was limited to families with specific needs, called special hardship cases. These families would continue to receive direct aid.

In October we learned that the unemployment rose dramatically and many small businesses failed after the start of the *Intifada*. From before we know that the refugees usually are among the poorest in the Palestinian population, and that there would be an increased need for assistance. UNWRA has its own team of social workers, which rapidly can assess needs among the refugee population. Then they work with individual cases and help according to needs. We believe that 90 percent of the refugees are needy now, and get assistance from us. Those who are employed by UNWRA or the Palestinian Authority do not get this assistance. We have also given some help to non-refugees during the *Intifada*. – UNWRA worker

While there is in fact little evidence that refugees in the Gaza Strip are much poorer than the rest of the population (which, after all, is a small minority) the UNRWA aid appears well organized. A former worker in Israel confirms that he has received such aid after the start of the *Intifada*.

I am a refugee, so I have received food aid three or four times. Then I get 50 kg wheat, four kg sugar, oil and milk powder. But these distributions have not been regular. I have also registered for work at UNWRA, because I heard that they could find work for us. But I didn't get anything. – Former worker in Israel

UNWRA confirms that they have started job creation projects as part of their emergency program. In June 2001 they had employed 3,500 people in such projects. The workers are employed for three months, and the criteria to get the jobs are many children in the family. There is a minimum of six members of the household. The former Israel worker above should qualify for the program, as he has six small children.

Since the aid from UNWRA seems better organised than similar aid to the rest of the population, there is an observable jealousy amongst the non-refugee population towards the refugee population. There are also claims that the aid through

Job creation in Gaza City



Palestinian Authority is less dependable, and that it does not reach the intended recipients.

I have got no help. I am not a refugee, so I don't get help from UNWRA. I have registered many times at the Labour Union, but up to now I have not received anything from them. We don't have a mukhtar in our area, and I have not heard that they are distributing any help. I have not heard that the mosque gives help, and I haven't asked either. Well, the mosque has distributed wheat and so on one time, but when I came there they told me that there was nothing left.

I have been to the Union and to Arafat's office to register. I go there when I hear they will distribute food. But I have got nothing. I have lost my hope. There was some aid from Saudi Arabia, and I got some humus, tea, corn, sweets and oil. I got this in February. It was the mosque that distributed it. You see the refugees get help many times, but we citizens don't get that much help. Everybody prefers to help the refugees, so we nearly don't get any help.

If there comes some help to us, we have also heard that the Israelis refuse to let it pass into Gaza. Anyway there is not enough.

The help that comes to the Palestinian Authority also disappears. They take it and sell it instead. It doesn't come to us. When some persons get some help from the police station [The Palestinian Authority's office is next door to the police station, so many are confused about from where the help comes], they get a coupon to be exchanged for the food. If someone doesn't need the food he will sell the coupon, and someone else can take the food in his name. They will sell these coupons right outside the police station. I know, because I registered to get food, but I didn't get anything. Then I bought a coupon from someone else. I didn't know this person. There were many people who sold their coupons. Some will sell them because they really need something else, maybe some medicines for their children. – Textile worker in Israel

We do not know the extent of the practice described by the respondent. While the refugees often tell that they have received help several times, although it has been irregular, non-refugee inhabitants of Gaza City usually tell that they have received help only once during the *Intifada*. This is despite the fact that they have applied to several institutions several times.

Aid and *Intifada* assistance

As indicated earlier in this paper, there are many actors in the field of aid and assistance to different kinds of *Intifada* victims. As we have seen, UNWRA has its own

system targeting the refugee population. Their main priority has been health and education, and they have a special program for special hardship cases. During the *Intifada* they have also implemented a job creation program and broadened the food aid program to include refugee families that lost their source of income during the *Intifada*.

The other actors in the field do not always differentiate between refugees and the rest of the population. Since many of household difficulties are related to loss of work and income, the Labour Union has taken an important role in registering and helping those families.

Before the *Intifada*, we basically worked with worker's rights. During the *Intifada* we have got a totally new experience. We have many new tasks because many workers lost their jobs, there is increased poverty and many workplaces have been destroyed.

Workers come here to get support. We started to register workers who had lost their jobs. Many came to register because they hoped to get some help from us. In the Gaza Strip alone we have registered 160 000 workers. In the beginning we did this registration manually, now it is computerised. We issue ID cards valid for three months. We co-operate with the Authority and get lists over people employed in the public sector, and the same for people employed by UNWRA. This is to avoid people employed by these institutions registering and getting aid from us. If we find that someone has got aid and is employed in the public sector at the same time, we have an agreement that they will deduct his salary and send us back the money.

An immediate benefit from this registration is free health insurance. They show their ID card in the hospital and get free treatment. If they need any medicine, they only pay one NIS. Since the insurance also covers family members, about one million people in Gaza are insured through this project.

We have established a fund to help families affected by the *Intifada*. The money to this fund has come from foreign countries, basically from the Gulf. All over the Palestinian territories we have registered 360,000 workers, from these we have been able to give assistance to 120,000 families from this fund. We then distribute NIS 600 to each family. The criteria to get priority for this assistance is the number of children or other dependencies supported by the worker. We have a committee that visits the families we have selected from the computer system, to estimate if there is a real need. There is such a committee in each area of Gaza. We also co-operate with the different political fractions to collect information.

We have also distributed some food and clothes, and we have had a job-creation project for unemployed workers. About 10 000 workers have taken part in this project. They get work for ten days in the agricultural sector or for the municipality. We are very proud of all these initiatives. The union has been more known to the workers after this.

The union's main task is to support the workers, but during the *Intifada* many employers also suffer. We don't want conflicts between workers and employers at this stage. If a factory or a business has to close down, the workers have no more work. For this reason we have some projects to support employers and factory owners to prevent them from firing people. We have given some compensation to those who had their factories destroyed. Still, it is important for us to defend workers' rights.

It is now known to everybody that the union has played an important role to help people during the *Intifada*. This is very good for us, because now the workers are putting more pressure on their managers to register them according to the law. Earlier, many managers underestimated these figures to avoid taxes. – Labour union leader

When we interviewed workers who had been to the trade union to register as unemployed after the *Intifada* started, some could confirm that they had received NIS 600 from the union once during the *Intifada*. Others said they so far did not receive anything from the union. The man who used to work in Israel, and now is selling plants, told us that he had registered at the union about twenty times, but so far he didn't receive anything from them, even though he had nine children.

We registered as unemployed at the Labour Union, and my son and me got NIS 600. (Here the wife adds; the money was very little, it was not even enough for sweets for Ramadan.) Since we are Gaza citizens, we don't get any help from UNWRA. We also have registered our names in the Ministry of Social Affairs, but up to now we have not got anything from them. – Former worker in Israel

With eight children, this man fills the criteria to receive the benefits from the Union. Others obtained support although they had small families and even still had work and income. A marketing co-ordinator told us that his work was reduced to three days a week, because there was less work to do. As a result of this his salary was reduced from NIS 1800 a month to NIS 800 a month.

I am a member of the union, and have registered my name. I have got NIS 600 from them, but it was not enough to pay my bills. I am a member but I have no health insurance. If I need a doctor, I go to a private clinic. I have never heard about any free health insurance through the union. – Marketing coordinator

There are other actors providing aid. The zakat committees, the mosques, local mukhtars, political fractions, are all involved in distributing aid during the *Intifada*. There are efforts to co-ordinate with authorities and other institutions to avoid unpredicted and unfair distribution of benefits available. Although most of the institutions involved want this to happen, it is not always the situation. Most of them will work independently and with their own system of social workers and criteria for assessing needs. There also seems to be an amount of distrust between the different institutions involved in aid and assistance.

The Mosque and Zakat

The Koran asks all Muslims to give zakat, i.e. to give of their income to the poor. In the Gaza Strip this can be done directly, or through the mosque. When zakat is provided through the mosque, a zakat committee will be established which distributes the donations among the poor. In Gaza City this is co-ordinated by the Gaza Zakat Committee, which was established in 1990. Gaza Zakat Committee has many tasks. It runs large sponsorship programs for orphans (fatherless) and poor families. The money is mainly collected in the rich Gulf countries. These programs have been increased, as more families have been included during the *Intifada*.

The Gaza Zakat Committee also runs a regular food aid programme and this has also been expanded after the start of the *Intifada*. In addition, the Zakat Committee is a member of an emergency committee, which distributes food aid with money collected from Saudi Arabia. The emergency committee consists of ten NGOs from all over Gaza that co-ordinate and distribute the money according to the number of residents in the different regions of Gaza. About 1500 families have been assisted through this emergency program.

Local Mukhtar: new tasks and conflicts

In traditional Gaza there are eight districts. Each of these districts will have several mukhtars because every family/*hamula* (patrilineal kin group) was asked to elect a mukhtar after the Palestinian Authority came to power. Not all the *hamulabs* have a mukhtar. In this case, a mukhtar from one of the bigger *hamulabs* will take responsibility for this family. In El'Daraj district in Gaza, the biggest and oldest district, there are four mukhtars working together. They represent 20 to 30 *hamulabs* in the district. They will meet together when they need to solve problems in the neighbourhood.

The mukhtar occupy one of three main roles of the government towards the citizens. The municipality is responsible for public tasks like electricity, renovation and security on the streets. The mosque is responsible for the prayers and for funerals.

The mukhtar's responsibility is to the families, needs and conflicts inside and between families. Mediating conflicts is a significant role of the mukhtar, and they will often solve such conflicts through a shula/tiba committee. Agreements and compensations will be formulated in a contract that the parties involved must sign, and the case will then, in principle, be closed. The mukhtars are also usually involved in negotiating marriage contracts. Through this, they achieve detailed information about the families' assets and economical situation. They will also have information about the number of children in each family and know about their social situation. If some people apply for assistance from the Ministry of Social Affairs, they will need a confirmation from the mukhtar that they are poor and in need for this help. In this way the mukhtar is authorised to be a kind of social worker on a quasi voluntary basis.

Since the mukhtars have relevant information about the economic situation for their inhabitants, they have been involved in aid programs during the *Intifada*.

We have registered unemployed people, both those who lost their work in Israel and those who lost their work for other reasons. We also registered those who had their salaries reduced after the *Intifada* started. This list we sent to the Authority to be included in the distribution of aid they have received from different donors.

We have no co-operation with the Union in this registration. Not everybody can go to the Union to register, and the Union will not give help to everybody who comes to them. I believe that only if you know the people in the Union very well, you can get help from them. I know some people who went there to register, but they have got no help up till now. Those who go there to register, also have to register to be tax payers. Only if you pay tax, will you receive help from the Union. If you work in Israel, your salary will be deducted twelve percent. This money will be divided between PA and Israeli authorities. Those who didn't register under the Union, but worked individually in Israel, don't get any money from the Union now. This is the situation for most of the workers with illegal permits (permits they have paid for). The aid then will depend on the relation between the worker and the Union. We register people to help those who don't get help from others.

We also have distributed food two times during the *Intifada*, but it has not been sufficient. We should have done it at least ten times! The food aid contains wheat, sugar, rice, tea and oil. We have a list of families who need help, and start with the poorest families.

During the *Intifada* we have also organised many meetings to provide information about what people should do in this situation. We tell people to hide inside

their houses during Israeli shelling. We also tell people to try to reduce the level of conflict since there are so many difficulties these days. – Mukhtar, *hamula* leader

6 The Consequences of Closure

Despite having severely restricted possibilities for action, Palestinians adapt and try to cope with their situation. They have to secure their livelihood; they have to deal with the problems of their businesses; of the education of their children or the provision of health care. Some even see and exploit the few opportunities that the closure brings.

Palestinians are therefore not just passive victims. The specific ways the closure affects them are mitigated and transformed by their actions. In turn, the actions they take also change the social organisation of their communities. An important part of the analysis presented in this report is to try to depict and explain these actions and how they influence the wider social organisation.

Such a perspective, that the victim is also an agent, is sometimes criticised for focusing the attention away from the transgression. That may be so. It is true that the analysis of the closure itself, and the objectives for it, is not the topic of this report. But the effects are topics. It should be clear that the effects we describe would eventually disappear if the closure was lifted, and the strategies that people employ to counteract the effects would not be necessary.

The important focus of this report, rather than to understand the closure itself, is to try to understand how people cope with the aim of uncovering the crucial factors that their coping depends on. The question that can then be asked is “What can be done to protect these crucial factors?”

Gaza City may, in some ways, be seen as part of the large city of the entire Gaza Strip. The Gaza Strip is host to a city without an economic hinterland. This is by no means unique, many cities of the world are self sufficient in the sense that they depend more on their own internal economy and production of goods or services for the world in general rather than the immediate surroundings. However, such cities without hinterland are extremely dependent on their relation to the external world, and they are vulnerable to changes in these relations. Gaza City and the Gaza Strip are no exceptions.

In fact, given that the main external service that the Gaza Strip provides is that of workers to Israel, and because the internal economy is quite weak, the Gaza Strip is extremely vulnerable. The drop in wage incomes from Israel has led to a

substantial decrease in household incomes, and in turn this has led to a contraction in the private sector. This makes even more workers redundant, and reduces the household incomes further. The vicious circle is quite evident.

The main reason why the consequences of the closure are not worse is that the Palestinian Authority has continued its payment of wages to its employees, as has UNWRA and other international organizations. These are employers that together make up a substantial portion of the labour force in the Gaza Strip. This policy has given the population a basic safety net in that public services have been functioning. It has also ensured that there is sufficient demand for goods and services to keep the private sector functioning, although on a very low burn.

A characteristic of the internal closure of the West Bank is that it isolates villages and other small units. In contrast, the internal closure of the Gaza Strip does not segment the area into tiny units: Gaza City has 370,000 inhabitants. Thus, in principle, the internal market of Gaza City is enough to sustain a number of businesses and industries. However, the decline in incomes from external sources is sufficiently large to create considerable problems for businesses in Gaza City.

The Households

A crisis hits different parts of a population differently. Some are deeply affected, and some are perhaps not affected at all. The crucial factor, of course, is how the income sources are affected by the closure. Thus, work in the public sector is generally not affected. Work in the private sector, including self-employment in small retail shops, is substantially affected. Even if workers are not made redundant, they frequently experience income reduction. Work in Israel has nearly vanished completely as an income source.

It is clear that the least vulnerable households are those that rely on income from the public sector, perhaps in conjunction with subsistence agriculture. At the other extreme, households that primarily rely on work in Israel, employment in fishing, or employment in small firms in the private sector, are extremely vulnerable to the crisis.

Although the large hunger catastrophe seems to be some way off, there is no doubt that poverty is rising sharply and will continue to do so.

The Palestinian population abroad has always been looked upon as an important provider of remittances to the inhabitants of the Gaza Strip. Remittances appear to play a role, but not a large one.

It should be clear from the foregoing analysis that one factor remains fundamental, namely the ability of the Palestinian Authority to pay wages. If that ability disappears, the bottom of the current Palestinian adaptation falls out. Of course, the Palestinian Authority cannot pay wages from its own coffers indefinitely in a situation of closure, simply because the wages paid to workers in the public sector cannot be the tax base for paying the same wages. If extraneous income is not available, then the system will grind to a halt. If that happens, the food aid, which is now largely irrelevant for all but a few households, may become a crucial component of survival for the households.

Service Provision to the Population

The provision of basic services, such as electricity, water, refuse collection, education and health services, has not been very hard hit by the closure. Nevertheless, people cannot pay for the services any longer. To some extent they have simply stopped paying, and the electricity company has been forced to be more lenient than before on defaulters.

The infrastructure development has been postponed, and the existing infrastructure is not being properly maintained.

Education is affected, but schools are still open. The extent and quality of the teaching has probably declined because teachers sometimes cannot come to work. Of course, the service sector works for much the same reason the households do: the Palestinian Authority is still paying its wage bill. There are signs, however, that the private health care sector is experiencing the same decline as the rest of the private sector.

Insecurity

A noticeable characteristic of the situation in Gaza City is the feeling of insecurity. To some extent the communication of this feeling is part of the Palestinian language of conflict. Nevertheless, the fact that the stories of insecurity and confrontation are constantly told and retold in itself adds to the level of insecurity. And, it must be added, this insecurity is also very real. Many people have been killed, houses and properties destroyed and clashes between Palestinians and IDF are nearly daily occurrences.

The Future: If the Closure Goes On...Or is Lifted

Predicting what will happen if the closure goes on is difficult, because it partially depends on what will happen to the Palestinian Authority and its ability to pay its wage bill. If it can pay, it will reinforce the dominance of the public sector in the Palestinian economy. If it cannot pay, then households will lose most of their remaining source of income.

Regardless of whether or not the Palestinian Authority is able to pay its wage bill, the main change will probably be that the private sector will slowly wither away, especially the small manufacturing businesses. The private sector has depended on the income levels that the workers in Israel have ensured, and also the possibility of exporting goods to Israel. At present, the indications are that both households and businesses are accumulating debts, and this cannot go on indefinitely.

Another change that is likely to accelerate if the closure goes on is the “informalisation” of the economy. As incomes decline, and social services collapse, people will be forced to enter into low productivity jobs, like petty trading. Gaza City will be forced to enter into a type of subsistence economy. Nevertheless, given the density of the population agriculture is not an option, and even a subsistence economy would – paradoxically – have to be export oriented. The nature of the closure, of course, precludes such an option.

In principle, workers should be able to go back to jobs in Israel comparatively easily. That also depends, of course, on the degree to which the closure has damaged or changed the Israeli economy, especially the sectors that have used Palestinian labour. It is difficult to say if the social infrastructure for going, such as networks and managers, is still in place, because the closure is so complete. One possible shift that may occur is a change in the market share of workers from the Gaza Strip compared to from the West Bank, as the closure is easier on the West Bank. Thus, Israeli employers may find it easier to employ West Bankers, and the networks these workers use to obtain work will be more simply maintained than those of people from the Gaza Strip.

How easy it is for businesses to re-enter their lost markets around the world is difficult to say. Purchasers will most likely have found other sources to buy from, and the Palestinian producers may face an uphill battle in regaining their market share. However, to the extent that they have used networks of Palestinian businessmen to enter foreign markets, re-entry may be possible.

Furthermore, households and businesses have accumulated substantial debts. These debts will have to be paid before the economy can start to function at its previous levels.

To summarise, even if the closure is lifted, the Palestinian economy has been set back. It is probable that the longer the closure lasts, the longer the recovery will take.

Israeli employers will progressively develop alternatives to Palestinian labour, and in time their inclination to switch back to Palestinians will become less. The structure of the economy of the Gaza Strip will change even more. The debts will accumulate, and as time passes, it will be increasingly difficult to get businesses out of the red again, or for households to repay.

Paying a price

Coping with Closure in Gaza City

Since the beginning of the escalation of the Israeli-Palestinian conflict at the outbreak of the second Intifada in September 2000, Israel has imposed restrictions on Palestinian movement of persons and goods across the border between the West Bank or Gaza Strip and Israel, as well as internally within the Occupied Territory.

This report examines the impact on Gaza City of this closure of the Gaza Strip. The closure of the Gaza Strip is more complete than that of the West Bank. Very few workers are able to enter Israel from Gaza and the transport of goods into and out of Gaza is severely curtailed. The primary data for this report were collected by three Fafo researchers and assistants during two weeks of fieldwork in late May and early June 2001.



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