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المركز الفلسطيني
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**A Report on the Economic Deterioration in the Gaza Strip Caused by
the Israeli Occupation's Military Aggression and Closure Policy**

**The Israeli Military Aggression on
the Gaza Strip: Economic Sector
Destruction**

September 2021

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Introduction

In its May 2021 military aggression against the Gaza Strip, the Israeli occupation forces (IOF) deliberately targeted economic establishments such as factories, vocational workshops, shops, tourist facilities, as well as agricultural lands; exacerbating the fragility of the Gaza economic conditions, which has been under closure for 15 years, during which it has suffered through four major military operations and crises such as the Palestinian political division and the outbreak of the Covid-19 pandemic.

Official data indicate that 2,134 economic establishments were systematically destroyed during the 11-day military aggression, of which 450 were totally destroyed, 270 sustained substantial partial damage and 1,414 were partially damaged. During the aggression, the economy came to a standstill, due to the lack of access to economic facilities, which led to a decrease in GDP by about \$75.8 million compared to last year, a 3% drop. This serious deterioration worsened the dire situation of economic establishments that lost almost 50% of their operational capacity before the aggression due to the Israeli closure policy and restrictions on exports and imports to and from the Gaza Strip.

Moreover, infrastructure, electricity, water, and communications networks were severely damaged during the aggression, negatively impacting other economic facilities in the Gaza Strip. This fact, together with the destruction of economic establishments, resulted in 7,500 workers in all economic sectors to lose their jobs, spiking the already high unemployment rate by 2%. According to the data of the Palestinian Federation of Industries, the number of workers in the industrial sector decreased from 130,000 workers to about 12,000 workers only, due to the closure, the destruction and disruption of industrial facilities.

As aggression ended on 21 May 2021, the Israeli occupation authorities renewed its strict measures and restrictions on the Kerem Abu Salem crossing, which is the only commercial crossing for the Gaza Strip. These restrictions have accelerated the deterioration of economic and social conditions in the Gaza Strip, and affected all economic sectors, especially factories, due to the decrease in the stock of goods and various raw materials necessary for the operation of these facilities. Almost a month after the end of the aggression, Israeli authorities announced loosened restrictions allowing for the entry of goods via Kerm Abu Salem; however, facts on the ground contradicted these allegations as the crossing continued to operate at partial capacity, as an only 30% entry rate was recorded of goods Israel permits entry to Gaza in comparison to pre-aggression data. Also, Israel continues to link its permit to export and import goods into and out of the Gaza Strip to its security assessments.

The implications of the recent military aggression are not limited to the direct damage inflicted on economic establishments, but they will extend for many years, especially in light of the obstruction of the reconstruction process by the occupation authorities. This situation prompted thousands of business owners to shut operations, especially that they did not receive any financial compensation for the heavy losses they incurred. Additionally, some business owners had to pay out of pocket to reconstruct their destroyed facilities. This is demonstrated by the numbers from the 2014 Israeli military operation on Gaza, as to date there are 1,033 destroyed economic establishments that await reconstruction; as the vast majority of these establishments were not compensated for damages. A less than 7% of estimated damages value was offered in financial aid to damaged economic establishments. Consequently, the long-term impact on unemployment and poverty rates in Gaza was substantial with the rates growing to 45% unemployment and 63% poverty.

This report addresses the Israeli attacks on economic establishments such as factories, vocational workshops, shops, tourist facilities and agricultural land during the military aggression against the Gaza Strip and highlights the repercussions of the military aggression on all economic sectors that have been suffering from deteriorating conditions for 15 years due to the Israeli closure. The report also reviews the impact of the tightening closure and economic strangulation policy on the Gaza Strip, and the imposition of restrictions on exports and imports after the end of the aggression on the performance of economic establishments that were not destroyed during the aggression and continue to operate at low capacity.

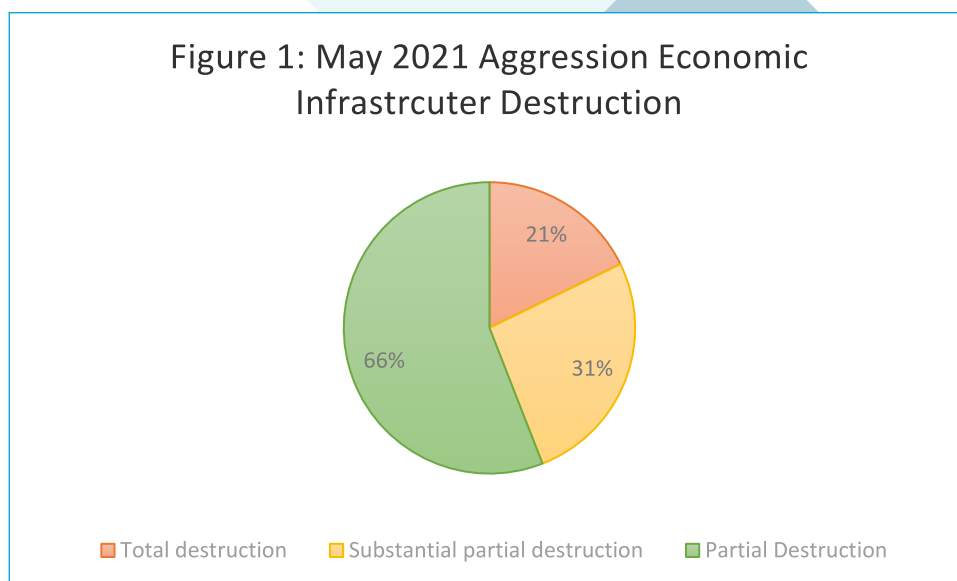
The report includes official data and statistics that document the losses of economic establishments, in addition to data obtained by PCHR's fieldworkers through the efforts of investigation and field research. PCHR researchers also conducted interviews with officials in the concerned official bodies, members of different industrial unions, and owners of affected economic establishments.

I. Attacks on economic infrastructure during the 2021 military offensive

During the 11-day May 2021 IOF aggression on the Gaza Strip, the occupation targeted the Palestinian economy as IOF recruited their warplanes to target and destroy civilian objects, including the economic, governmental, and vital facilities and infrastructure. The offensive has complicated the economic conditions of the people in the Gaza Strip, who are already economically exhausted due to the 15-year Israeli closure imposed on the territory, the internal division and Covid-19 pandemic. According to official statistics published by the Ministry of National Economy, Israeli warplanes destroyed 2134 factories and economic installations; 450 of them were completely destroyed, 270 of them were partially but severely damaged, and 1414 were partially destroyed. The affected facilities were classified according to the damage into completely damaged facilities (21%), partially but severely damaged facilities (12.6%) and partially damaged facilities (66.2%). According to initial data, the direct damage to buildings and property were estimated at 74.2 million dollars, thereby directly and indirectly affecting the different economic sectors, mainly the workforce as the unemployment and poverty rates increased.¹

¹ PCHR researcher interview with Dr. Usama Nofal, General Director of Planning and Research at the Ministry of National Economy on 04 August 2021.

Figure 1: May 2021 Aggression Economic Infrastrcuter Destruction



The affected facilities according to the economic sector were distributed as follows: 302 facilities within the industrial sector, 1120 facilities within the commercial sector and 712 facilities within the service-providing sector. See table 1 below:²

Table 1

Sector	Total destruction	Substantial partial destruction	Partial destruction	Total	Total damage/Million USD
Manufacturing	55	55	192	302	36.9
Commercial	211	135	774	1120	27.2
Service	184	80	448	712	10.1
Total	450	270	1414	2134	74.2

² Data (not published) obtained by PCHR research from the Ministry of National Economy.

II. Impact of the military offensive on the Palestinian economy in the Gaza Strip

The Israeli military offensive in May 2021 had catastrophic consequences that led to the serious deterioration of the economy and the conditions of the industrial, commercial, and service facilities, increasing the suffering of both the owners and workers at these facilities. Moreover, all the people of the Gaza Strip have been affected considering the Israeli authorities' tightening of the closure on the Gaza Strip following the offensive and as of the writing.

- **Direct and indirect impact of the military offensive on the Gaza Economy**

The Israeli aggression on the Gaza Strip in May 2021 has aggravated the deterioration of the different economic sectors and destroyed thousands of economic facilities. Also, tightening the closure imposed on the Gaza Strip for 15 years has worsened the conditions of the facilities that were not affected by the offensive as the Israeli occupation continued to impose tightened restrictions on the movement of goods into the Gaza Strip. This constitutes a collective punishment policy against 2 million Palestinians living under exceptional circumstances in the Gaza Strip.

Usama Nofal, Director General of the Planning and Studies Department at the Ministry of National Economy, said to PCHR's fieldworker that the Gross Domestic Product (GDP) decreased by around 75.8 million dollars comparing to last year (i.e., 3%,) as production stopped during the offensive and due to not being able to reach the economic facilities. The latter have already lost around 50% of its operational capacity before being destroyed during the latest offensive due to the Israeli closure policy and lockdown due to the state of emergency imposed to combat the outbreak of the Covid-19 pandemic. Nofal

added that many workers lost their jobs after being discharged, especially from facilities that were completely destroyed, leading to a 2% increase in the unemployment rate after around 7,500 workers were suspended in all the economic sectors.

Nofal elaborated that destruction of the economic infrastructure of the different economic sectors such as power plants, gas stations, waterlines and sanitation networks increased the fixed costs of the economic facilities incurred during the offensive, including workers' wages and the operating and service costs. All of this came along with the 40% decline in the import rates and suspension of imports and exports during the offensive as well as 35% decline in the export rates following the offensive.

Nofal pointed out that tightening restrictions at "Karem Shalom" commercial crossing has completely suspended the movement of goods into and out of the Gaza Strip during the offensive. As a result, storage of many goods and commodities decreased, and the prices increased due to the supply shortage. The Gross Domestic Income (GDI) declined by 105 million dollars (i.e. 0.5% of the normal average as the GDI losses were estimated at 75.8 million dollars during the offensive, and 29.2 million dollars were the losses after workers lost their jobs due to the complete or partial damage of the facilities they work at.

In terms of the indirect impact of the military offensive, Nofal said that the cost of the materials necessary for the re-operation of the partially destroyed facilities has increased as the Israeli occupation obstructs the entry of the equipment and machines, claiming they are "dual use items." These facilities also lost 70% of their market share while the market share of the imported

products increased at the expense of the domestic product, diminishing the competition for the latter, particularly after repairing the damage.

- **Impact of the military offensive on Palestinian workers in the Gaza Strip**

The Israeli offensive has entrenched the crisis of the Gaza Strip workers, who have suffered over the past years from the deteriorating economic conditions triggered by the recurrent military offensives that targeted the economic facilities and the closure imposed on the Gaza Strip since 2007. During the latest military offensive, around 5,000 workers lost their jobs because the factories they worked at were destroyed while around 20,000 workers were directly or indirectly affected.

Moreover, the living conditions of tens of thousands of workers and their families aggravated after they were suspended from work during the offensive, which coincided with the holiday season that is of great commercial importance. Thus, this significantly affected daily-paid workers in the different work sectors.³ Moreover, the Israeli offensive affected the workers at the different economic sectors that incurred damages estimated at 6.36 million dollars distributed as follows: 2.10 million dollars in the agriculture sectors, 1.74 million dollars in the industry sector, 0.90 million dollars in the tourism sector and 0.90 million dollars in the service sector and 0.73 million dollars in the commercial sector as shown in the following table:⁴

³ PCHR researcher interview with Sami al-Amassi, Head of the Workers Union on 15 August 2021.

⁴ Data (not published) obtained by PCHR research from the Ministry of National Economy.

Table 2: Effect on workers' wages in different sectors⁵

Work sector losses	Economic activity	Number of workers	Median wages in USD	Compensation per month in USD million
	Agriculture	7000	300	2.10
	Manufacturing	4341	400	1.74
	Tourism	3000	300	0.90
	Service	2990	300	0.90
	Commercial	2435	300	0.73
	Total	19,766		6.36

III. Consequences of the military offensive on the different economic sectors in the Gaza Strip

- **Industrial Sector**

The industrial sector sustained huge losses after its facilities and factories were targeted by IOF during the 2021 May offensive. The total number of affected factories is 302; 55 factories were totally damaged, 55 sustained severely partial damage and 192 sustained partial damage. The industrial sector incurred losses estimated at 36.9 million dollars, which is the worst among all sectors, while the losses incurred by the offensive due to suspension of work were 6.6 million dollars in addition to 41.3 million dollars for the indirect losses, according to the initial data obtained by PCHR fieldworker from the Ministry of National Economy as shown in the following table:

⁵ Data (not published) obtained by PCHR research from the Ministry of National Economy.

Table 3: Summary of losses and damage inflicted on the industrial sector in the May 2021 Israeli aggression⁶

	Damage/losses	Estimated worth/Million USD
1.	Direct damage	36.9
2.	Losses due to suspension of work during the aggression	6.6
3.	Indirect losses incurred in 1-year of no operations at damaged facilities	41.3
	Total	84.8

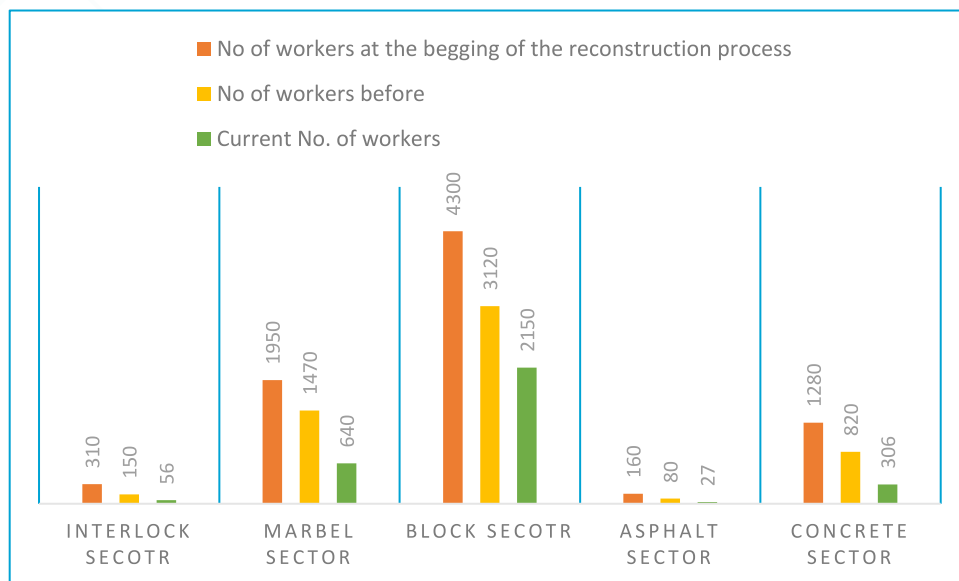
The industrial sector in Gaza is made up of 5,480 factories where 26,000 workers work. It should be noted that the industrial sector incurred huge losses between 2000 and 2021 due to the Israeli-imposed closure and recurrent military offensives, missing an opportunity for the reconstruction over the years.

The construction industry is considered one of the most affected sectors due to being directly targeted in the offensive on the Gaza Strip and was also negatively and greatly affected after the offensive due to IOF's restrictions imposed on the entry of the reconstruction raw materials. Fifty-six construction factories sustained damage ranging between moderate and severe due to the May 2021 offensive as the construction industry incurred losses estimated at around 3 million dollars. The current productive capacity of the construction factories following the offensive is only 6% of its total capacity as a corollary to

⁶ Data (not published) obtained by PCHR research from the Ministry of National Economy.

IOF’s systematic destruction of the economic installations and infrastructure of different economic sectors in the offensive on the besieged Gaza Strip. This of course increased the unemployment rate among those working in the construction industry sector and reached its peak after IOF tightened the closure and restrictions on the entry of construction materials via Kerm Shalom crossing, which is the sole outlet for supplying the different economic sectors with the necessary raw materials to continue operating.⁷

Figure 2: Number of workers comparison (current, past, upon start of reconstruction)⁸



⁷ PCHR researcher interview with Eng. Farid Zaqout, Director of Construction Industries Union, on 15 August 2021

⁸ Data (not published) obtained by PCHR research from the Ministry of National Economy.

If the reconstruction starts, it is expected that the employment rate will rise to up to 25% after the raw materials enter and the owners of the industrial facilities are compensated for the damage incurred due to the 2014 and 2021 aggressions on the Gaza Strip.

- Sa'id Mahmoud al-Sultan (61) married and living in Jabalia, northern Gaza Strip, owns a factory that was destroyed by IOF during the May 2021. He said to PCHR's fieldworker:

“Late in the night of 12 May 2021, an Israeli warplane targeted a plot of land near the company on Yafa Street; it is of 2 barracks in addition to the administration building, causing partial damage to one of the barracks. Two days later, on 15 May 2021, the Israeli warplanes targeted a smithy adjacent to the company; as a result, a barrack was destroyed while the block machine in the factory sustained damage, inflecting huge financial losses. Twelve workers work in the company and all of them lost their jobs after the work at the factory was suspended immediately following the offensive. I have not so far received any compensation payments to repair the damage, so I cannot rebuild what was destroyed in light of the soaring prices of steel and materials necessary for the reconstruction due to the IOF restrictions imposed on the importation of construction materials, thereby increasing the prices of the materials available at the local market. I hope that we will be compensated as soon as possible to return to work, and we will incur more losses if the situation stays as it is.”

In the food sector, 102 facilities sustained damage. The number of workers at those facilities before the offensive was 3,408 and decreased immediately after the offensive to 2,015 as many factories sustained damage and IOF closed the crossings. Meanwhile, the number of facilities in the food industry sector in the Gaza Strip is 787, including factories for fruits and vegetable; dairy, cheese, flour mills, organic foddors, sesame butter “Tahini” halva and

sugar products, biscuits and chips, soft drinks and juices, cake, pastries, and other products.⁹

- Hamdi 'Abdel Hamid al-Sersawi (52), married and living in al-Shuja'yia neighborhood, owns "Bonjour" Coffee Factory related to al-Sultan Spices Company, which was destroyed when IOF warplanes targeted the building, where the factory is located. He said to PCHR's fieldworker:

"At approximately 01:00, I received a call from the owner of the building, which was on Street 10 near Kuwait Square, telling me that IOF warplanes targeted and destroyed the building, where the factory is located, after receiving a call from the Israeli Intelligence to evacuate. The factory is on the ground floor of the 2-storey building of 330 sqms; the building was residential and housed 4 families. The factory was destroyed with all the equipment and machines used for coffee roasting and packaging as well as newly imported raw materials. I incurred heavy losses while 18 workers lost their only source of income. Following the offensive, I reoperated the factory from a new place with 10% capacity and simple capabilities while only 4 workers got back to work. I only used the materials available in the local market due to IOF's ban on the entry of the equipment and machines necessary for the production and packaging. We registered at the competent authorities to assess the damage, but we did not receive any compensation payments to help us return to work again. This would slow down the factory's return to work with full productive capacity, cause around 14 workers to lose their only source of income, and double our losses in the local market."

- Nehad Ziad al-Sawafiri (45), married, owns al-Sawafiri Furniture Company that was destroyed by IOF in the PEDCO industrial zone in eastern Shuja'yia said to PCHR's fieldworker:

⁹ PCHR researcher interview with Mohammed Ayesb, Executive Director of the Food Industry Union in Gaza, 25 July 2021

“On 20 May 2021 during the Israeli offensive on the Gaza Strip, IOF stationed east of Gaza fired incendiary shells at PIEDCO industrial zone, hitting the 500-sqm company and completely destroying it with all the goods ready to be delivered. As a result, we incurred heavy losses after all the materials, machines and equipment were destroyed. 36 workers worked at the company, and each was paid 80 shekels. The company manufactures different types of home and office furniture. I contacted the competent authorities and filed the necessary papers, hoping to get compensation payments in order to re-build the factory.”

- Hussein Mahmoud Abu Halimah (53), married and living in Gaza City, owns a company that was destroyed by IOF warplanes during the May 2021 said to PCHR fieldworker:

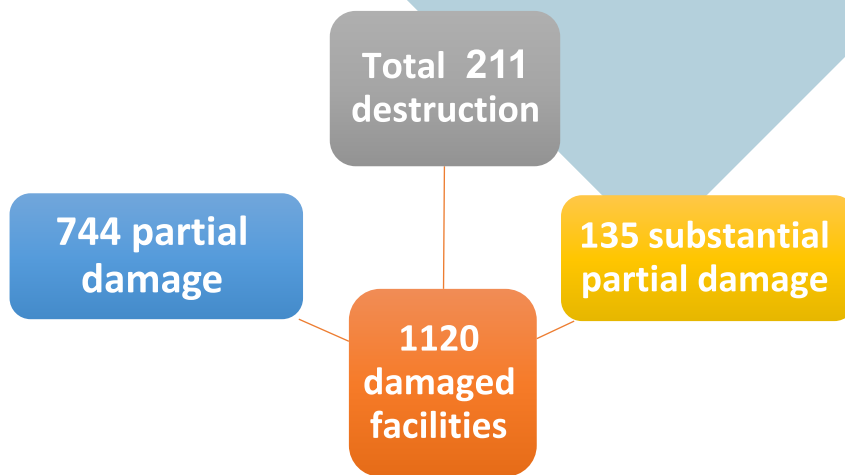
“I own Abu Halimah Iron Trade Company of 1.5 dunums on Salah al-Deen Street next to al-Shawa Gas Station. At around 02:00 on 14 May 2021, someone living near the company called to tell me that IOF ordered him to evacuate the area surrounding the company before it was directly targeted. An hour later, it was targeted and destroyed while the nearby building sustained varying damage. I incurred heavy financial losses, including the goods inside, as I bought steel and raw material just right before the offensive. I registered the losses at the competent authorities hoping to be compensated, but so far I have not received any money.”

- **The commercial sector**

The commercial sector sustained severe damage during the 2021 May offensive on the Gaza Strip, where the commercial facilities were directly targeted as well as the buildings and residential neighborhoods housing commercial stores in different parts of the Gaza Strip. The number of affected commercial facilities is 1120; 211 sustained total damage, 135 sustained severe and partial damage and 774 sustained partial damage. The total losses were 27.2 million dollars according to the initial data published by the Ministry of National Economy in Gaza.¹⁰

¹⁰ Data (not published) obtained by PCHR research from the Ministry of National Economy.

Figure 3: damage commercial facilities by type of destruction



The Israeli airstrikes on the commercial buildings such as al-Shorouk Commercial building on ‘Omar al-Mukhtar and the residential buildings that house commercial stores on al-Wehdah and al-Thawrah Street caused large destruction in the most significant commercial areas in Gaza City.

Maher al-Tabba’a, Director of Public Relations in the Gaza Chamber of Commerce, said to PCHR’s fieldworker that the Israeli occupation intended to destroy tens of commercial stores and facilities in the 2021, emphasizing that hundreds of commercial facilities on al-Wehdah and ‘Omar al-Mukhtar Streets sustained varying damage in one of the most commercial seasons: ‘Eid al-Fitr and the beginning of the school year. As a result, hundreds of these facilities were closed after the offensive due to IOF’s tightening of the closure imposed on the Gaza Strip and ban on the entry of thousands of commodities via the crossings. Thus, thousands of workers at those facilities were suspended from work and become unemployed.

- Ahmed Mahmoud Sha'ath (52), a person with disability married and living in al-Mawasi area in Khan Younis, owned al-Amani Center for Wedding Dresses. He said to PCHR's fieldworker:

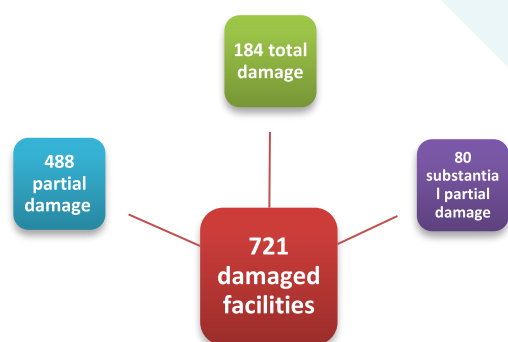
"My 36-year-old brother, 'Omar, and I rented a center for selling and renting wedding dresses. The center was comprised of 3 shops on the ground floor of a residential building near Palestine Production Bank in Khan Younis. On Thursday morning, 13 May 2021, which coincided the first day of Eid al-Fitr, I received a call from the building's owner telling me that IOF's warplanes targeted the Production Bank in the nearby building, causing severe damage and extensive destruction in our shops. I could not reach the area due to the ongoing offensive in Gaza. When a cease of fire was reached on 21 May 2021, I headed there to find all my goods, including the new dresses we bought for the weddings season, lost under the rubble. We incurred heavy losses and 3 workers, including a woman, lost their jobs after the shops were destroyed as they used to receive 800 to 1000 shekels as a monthly salary. I hope that we will be compensated soon so we can get back to work as it was a heavy loss."

- **The service sector**

The service sector sustained severe damage during the 2021 May offensive on the Gaza Strip as IOF targeted the residential and commercial buildings as well as the infrastructure. The number of affected service-providing facilities is 721; 184 sustained total damage, 80 sustained severe and partial damage and 448 sustained partial damage. The total losses were 10.1 million dollars according to the initial data published by the Ministry of National Economy in Gaza. ¹¹

¹¹ Data (not published) obtained by PCHR research from the Ministry of National Economy.

Figure 4: Damaged service sector facilities per damage type



During the offensive, the infrastructure of the internet and communications networks in many neighborhoods in the Gaza Strip were directly targeted, causing severe

damage after several airstrikes targeted the residential buildings and main roads. This poorly affected the cellular and landline network as well as the internet networks in some areas in the Gaza Strip. Moreover, the communication and internet services were suspended in and near the targeted areas.

IOF warplanes destroyed several residential buildings, where antennas are fixed on the roofs to provide houses with internet services. As a result, the networks of the internet providers sustained severe damage and had to disconnect the internet services were suspended for tens of thousands of internet users all over the Gaza Strip.

Table 4: Communication sector losses in the May 2021 aggression¹²

	Damage	Estimate value/Million USD
1.	Equipment, tools, external networks	7.6
2.	Operational losses	3.8
	Total	11.4

¹² Data (not published) obtained by PCHR research from the Ministry of National Economy.

Khaled Abu Hasnah, Director of Fusion Internet Company, said to PCHR's fieldworker that IOF targeted al-Jawharah building, which included equipment and machines for his company. All the equipment and machines on the ground floor of the building were destroyed as the technical teams could not evacuate them because IOF targeted the building only few minutes after warning the owner of their intention to target it. As a result, tens of thousands of internet users were affected after the main fiber cables, which provide them with the internet, were cut, disconnecting them from the outside world. Also, people living in the houses near the targeted areas suffered from internet disconnections, thereby affecting the medical teams' responsiveness in cases of emergency.

Due to the offensive, the transportation sector sustained extensive damage as hundreds of vehicles and dozens of facilities belonging to this sector were affected, such as car showrooms, spare parts shops, driving schools, automobile repair garages, gas stations, and others. The number of vehicles destroyed was 81 while 871 vehicles sustained partial damage. Meanwhile, 13 facilities were destroyed, and 71 facilities were partially destroyed, with a total loss of 2.34 million dollars as shown in the following table:

Table 5: transport sector losses in the May 2021 aggression¹³

	Damage type	Degree	Number	Value/million USD
1.	Vehicles	Total	81	0.74
		Partial	871	0.85
2.	Facilities	Total	13	0.2
		Partial	71	0.48
3.	Northern Gaza Licensing office	Partial	1	0.07
Total			1037	2.34

PCHR documented the destruction of service organizations working in the law field, news agencies and media offices, and engineering and consulting offices located in the towers and civilian objects that were targeted by IOF's warplanes during the offensive on Gaza.

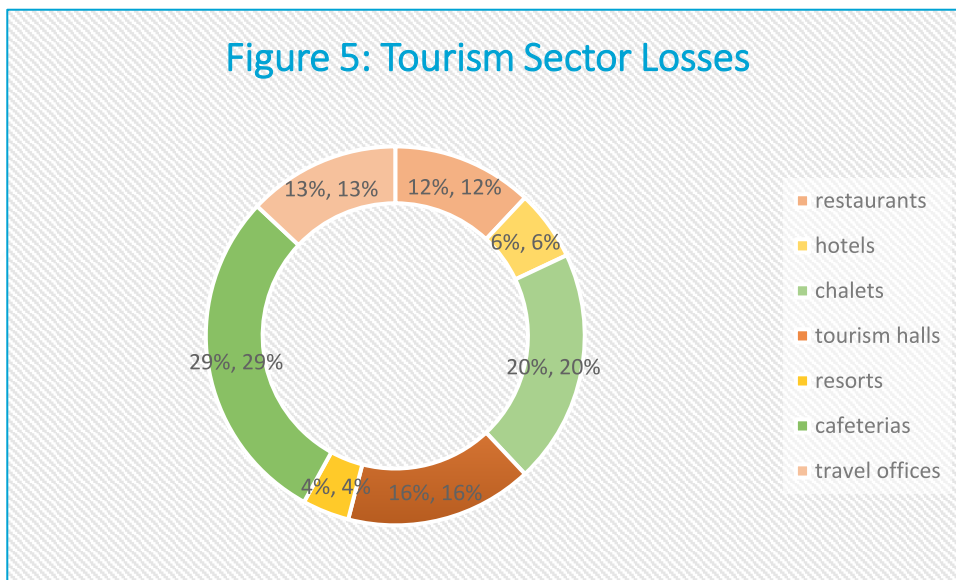
Table 6: damaged service facilities (media, law, engineering)¹⁴

Type	Total
Law practices	33
Media agencies and press offices	22
Consulting and engineering offices	15

¹³ Data (not published) obtained by PCHR research from the Ministry of National Economy.

¹⁴ PCHR Fieldwork Unit's data, PCHR

The tourism sector, as one of the most significant service-providing sectors in the Gaza Strip, has been affected by the deteriorating economic situation in the Strip either by the repeated offensives or by the imposed closure that prevents tourists from visiting the Strip and enjoying the services of tourism facilities over the 15 years of the closure. In the latest offensive on the Gaza Strip, the tourism sector sustained damage estimated at around 3.6 million dollars that were distributed as follows: 12% in the restaurants, 6% in the hotels, 20% in the chalets, 16% in the halls, 4% in the resorts and industrial zones, 28% in the coffee shops, and 13% in the tourism and travel agencies.



Also, the Israeli aggression on the Gaza Strip has deepened the deteriorating conditions of tourist facilities, which have suffered from measures imposed by the government since March 2020, to curb the outbreak of Coronavirus (COVID-19). The tourism sector witnessed a semi-collapse status due to the early closure in specific hours, as well as the closure of restaurants, hotels and chalets for many months, and other measures taken to curb the spread of the pandemic. Those measures have had catastrophic consequences on tourism conditions, including recreational and historical, as all archaeological sites have been closed.

Table 7: Tourism Sector Losses in May 2021¹⁵

Type	Direct losses/million USD	No. of workers	Number of facilities
Restaurants	0.75	160	13
Hotels	0.60	70	7
Chalets	0.45	100	20
Tourism halls	0.40	80	17
Resorts	0.14	20	4
Cafeterias	0.45	100	30
Tourism and travel offices	0.85	80	13
Total	3.64	610	104

- Ahmed Hussain Abu Jaber (61), married, living in Gaza Seaport area, west of Gaza City, and owning Gaza International Hotel that sustained severe damage after targeting Hanady nearby tower, said to PCHR's fieldworker that:

¹⁵ Data (not published) obtained by PCHR research from the Ministry of National Economy.

“At approximately 18:00, 12 May 2021, while we were staying at home waiting for breakfast “Iftar”, we heard noise outside and later knew that Hanady Tower located near Gaza International Hotel will be targeted. It should be noted that I own Gaza International Hotel established in 2000 and live in it. After the guard of Hanady tower confirmed the news, we evacuated and headed to the east, where there was a safe place. At approximately 20:00, Israeli warplanes targeted Hanady tower and completely destroyed it. An hour later, I headed to see what happened to my hotel. I was shocked by the severe destruction that caused to the wedding hall of the hotel, in addition to severe damage to the hotel’s rooms. As a result, all services in the hotel had completely stopped, which inflicted heavy losses on me. The hotel was employing 20 workers; all of them lost their work. I hope that I can get compensation from the concerned authorities in order to reconstruct the hotel and the wedding hall, which was renewed in 2017 to work on summer seasons and celebrate happy events.”

- **Agriculture and Fish Wealth Sectors**

The agriculture sector was systematically destroyed during the last Israeli aggression on the Gaza Strip in May 2021. According to the 2019-2020 agricultural season, the agricultural sector is one of the most vital economic sectors of Gaza's domestic product, contributing at least 6.6%, (\$458 million). Throughout 11 days of Israeli aggression on the Gaza Strip in May 2021, the Israeli authority deliberately targeted agricultural lands and facilities, forcing the Palestinian farmers to leave their lands fearing for the indiscriminate bombardment. As a result, the farmers became unable to reach or work on their agricultural lands and facilities, so thousands of dunums planted with crops were damaged, either due to the direct targeting of them or cutting off water that irrigates the crops during the aggression.

Moreover, livestock breeders (poultry, ruminants, fish farming and beekeeping) have incurred heavy losses after a large number of birds and animals died as their feed was unavailable in Gaza due to the closure of crossings. Therefore, marketing capacities for many products became weak or insufficient, as farmers' access to their lands has been obstructed or denied, and markets have been closed as well as exporting goods has been suspended. Accordingly, the prices of agricultural products had sharply decreased, causing heavy losses on agricultural sector.¹⁶

These situations have deteriorated the living conditions of thousands of farmers, who have become unable to meet the basic needs of their families due to poverty caused by their inability to work freely as well as hundreds of became unemployed. According to the Ministry of Agriculture in Gaza, losses in the agricultural sector during the 2021 aggression have been estimated at \$78 million.

Table 8: preliminary estimate of losses inflicted on the agricultural sector¹⁷

Agricultural sector	Total/million USD
Produce	65.2
Animal production	8.2
Water	1.9
Fish	2
Facilities and equipment	0.9
Total	78.2

¹⁶ PCHR researcher interview with Eng. Wael Thabet, Director General at Ministry of Agriculture in Gaza, on 02 July 2021

¹⁷ Data (not published) obtained by PCHR research from the Ministry of Agriculture.

- Hani Mahmoud Khudair (37), married, living in al-Sifa area in Beit Lahia, north of the Gaza Strip, and owning Khudair company for agricultural tools, which was destroyed during the 2021 Israeli aggression on Gaza, said to PCHR's fieldworker that:

“My brothers and I own a company for pesticides and fertilizers, which covers 60% of farmers’ needs in the Gaza Strip. The company was comprised of 6 barracks built on an area of 7 dunums. At approximately 09:00 on Thursday, 13 May 2021, while I was practicing my work inside the company main warehouse near my house, the warehouse, which is 2km away from the border fence, was targeted by Israeli artillery shells, causing white smoke with very unpleasant odors in the area. As a result, I was forced to leave fearing for being harmed and I took my family to stay in my relative house located in al-Naser neighborhood in Gaza City. At approximately 16:00 on the same day, we knew from media about the ignition of chemicals inside the warehouse, so we phoned the civil defense to control the fire, but in vain because of the lack of capabilities. Firefighting teams’ efforts lasted for several days. On 16 May 2021, the Israeli artillery targeted the warehouse again, burning it completely. It should be noted that the warehouse included 250 tons of chemicals, 4000 tons of fertilizers and 400 tons of plastics. Also, 40 employees lost their source of income and became unemployed after the company has been targeted and incurred heavy losses. Additionally, the local market was significantly affected after Khudair company's warehouses have been targeted and destroyed. This was aggravated by the continued closure of crossings, which obstructed the importation of agricultural supplies.”

Furthermore, fishermen and owners of fishing farms have incurred heavy losses due to the aggression, as Fish Wealth Sector is subjected to varying damage that affected fishing farms due to the Israeli bombardment against military sites located near those farms. Also, the closure of Kerem Shalom crossing for more than one month after the aggression has ended and restrictions that banned the exportation abroad increased the losses of

fishermen and fishing farms' owners. The Gaza Strip includes only two fishing farms established for economic and investment purposes. Both of them produce about 500 tons per year, while there are other fishing farms ponds, according to the Gaza Ministry of Agriculture.

- Hasan Mahmoud al-Sha'ir (55), married, living in Qizan al-Najjar area in Khan Younis, and owning a fishing farm "Fish Fresh", said to PCHR's fieldworker that:

"I have a bream fish breeding farm. It includes 37 ponds and a restaurant, where 70 employees are working. During the Israeli aggression on the Gaza Strip, the restaurant has been closed, while some employees remained to care of fish. At approximately 09:00 on Saturday, 15 May 2021, Israeli warplanes targeted an area near the farm, destroying all the kitchen's windows and roof and damaging the solar panels. The damage has estimated at \$2000. I immediately repaired some of that damage after the aggression has ended. After the aggression, we encountered many problems which affected our work in the farm due to the aggression repercussions and the continued closure of crossings. Since the beginning of the aggression, we have 10 tons of feed for fish, so we have been forced to reduce the quantity of feed we provide for fish from 2 tons to 1/4 ton in order to keep the quantity of feed as long as possible. As a result, 1500-2000 fish died per a day from the 3rd day of the aggression. Reducing the quantity of feed providing for fish has affected the size and weight of the remaining fish, and instead of selling the fish at half a kilo, we are selling it at 350g. in addition, the electricity in the farm was cut off due the Israeli bombing, so we relied on generators that consume fuel worth 5,000 shekels per day. To date, we are facing a major problem in the marketing and selling fish, owing to the ban on exports to the West Bank, which has been receiving the equivalent of a ton of fish on a daily basis. Also, there has been a severe weakness in local marketing because citizens in Gaza have been suffered from tough economic conditions as a result of the economic decline. All these data have increased our financial losses, which are estimated at 200,000 US dollars so far."

Table 9: Direct damage and losses inflicted on the agriculture sector¹⁸

Sector	Damage type	Unit	No. of damaged units	Sector	Damage type	Unit	No. of damaged units
Animal	Cattle barns	Farm	100	Water	Agricultural wells	Well	70
	Dead cattle	Cow	150		Agricultural pools	Pool	80
	Dead sheep	Sheep	600		Solar power	Unit	100
	Poultry total damage	Farm	90		Pipes	Km	70
	Dead chickens (egg producing)	Chicken	40,000		Irrigation networks	Dunum	150
Fruits and produce	Dead chicken (for meat)	Chicken	1,000,000	Agriculture	Water tanks	tanks	7
	Dead rabbits and birds	Bird	50000		Partial damage	Dunum	2100
	Beehives	Beehive	7000		Crops in greenhouses	Dunum	2000
	Milk	Liter	330000		Total damage greenhouse	Greenhouse	5
	Fruit trees	Tree	14730	Seedlings destroyed	Seedling	1000000	
	Produce	dunum	25000	Pits	Pit	220	
	Crops	dunum	8310	Fertilizers	Ton	150	
	Total damage greenhouses	dunum	20	Pesticides	Liter	1000	

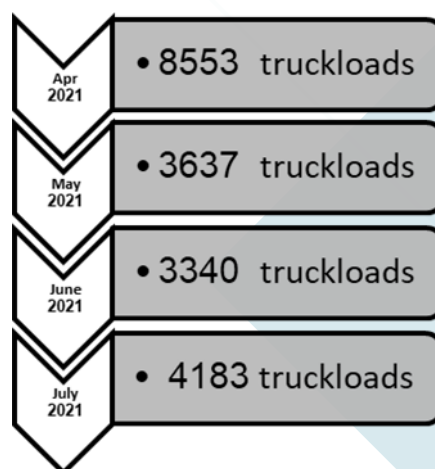
¹⁸ Statistics obtained by PCHR fieldworker from the Planning and Policy Department at the Ministry of Agriculture.

IV. Tightened closure policy and restrictions on crossings after the 2021 aggression

Before the beginning of the 2021 aggression, Israeli authorities completely closed the one and only commercial crossing in the Gaza Strip “Kerem Shalom” crossing and banned the entry of all basic goods into the Gaza Strip. Also, it closed Beit Hanoun (Erez) crossing, which is dedicated to individuals’ movement, and banned the entry of all limited categories that were previously allowed to travel, including patients referred for treatment abroad. Moreover, Israeli authorities completely closed the sea and banned fishing.

Israeli authorities continued to impose tight restrictions on Kerem Shalom crossing, even after declaring to re-open it partially on 22 May 2021. As a result, the work of manufacturing facilities has been suspended, and the goods’ prices have significantly increased, which warn of a humanitarian catastrophe if collective punishment policy imposed on the Gaza population continues.

Figure 6: Truckloads Entering Gaza



Despite the Israeli authorities announcement to ease these restrictions at the end of June 2021 by allowing the entry of foodstuffs, UNRWA aids, Qatari funding designated for the Gaza Power Plant fuel, and expanding the allowed fishing area to 9 nautical miles, it continued to ban the entry of raw materials, important equipment to the water and electricity service and construction materials, which exacerbated the situations in commercial, industrial, and agricultural facilities.

After the aggression, there was a significant decrease in the number of trucks entering the Gaza Strip, comparing to the month preceding the aggression, as the Israeli authorities allowed the entry of 8,553 trucks in April, while in May 3,637 trucks were allowed, representing (42.5%). June exports were 3,340 trucks (39%), and only 4,183 trucks (48.9%) in July

Moreover, IOF reduced the exportation of the Gaza Strip's products to the lowest levels after it was allowed to export only very limited quantities; mostly agricultural products before the latest offensive. As 124 trucks were exported in May, representing 35.3% of April exportations when 351 trucks were allowed for exportation, representing only 2.7% of the monthly exports before the closure in June 2007 when around 4,500 trucks were allowed for exportation monthly. While June exportations were only 7.6% comparing to April, and 0.5% of the monthly exportations before the closure, and 30.1% in July comparing to April and 2.3% of the monthly exportations before the closure.¹⁹

¹⁹ PCHR monthly update on the status of crossing points June and July 2021

The merchants and factories' owners sustained heavy losses due to piling up their goods in the Israeli harbors and imposing additional fees on them. As a result, financial burdens on them have increased and they have forced to stop working after losing millions of dollars. Also, this affects thousands of workers, increases the unemployment rate, and doubles the number of families who are in urgent need for aid.

Also, citizens have remarkably suffered from the lack of various goods and its alternatives in the local market, especially those required for construction and contracting business, as thousands of families are in urgent need to reconstruct their houses after the last Israeli aggression on the Gaza Strip. Regarding to the continued restrictions imposed on the crossings, the prices of many goods such as clothes, furniture, woods, construction material, pesticides and fertilizers, and technical and technological equipment have increased.

In the latest developments pertaining to tightening closure on the Gaza Strip, the occupation authorities imposed impossible conditions on merchants and farmers from Gaza demanding they remove the green stem off tomatoes before export. This condition follows a ban on exports for over a month following the conclusion of the Israeli aggression on Gaza, costing farmers USD 16 million losses, on top of the losses incurred due to the Israeli airstrikes against lands and agricultural facilities.

Senior agricultural merchants believe that the Israeli occupation is combating their products with this condition, incurring additional expenses on farmers as tomatoes are spoiled much faster when the green stem is removed. On top of

that, this condition is incompliant with the demands of external markets who request tomatoes to be in the shape of sprigs that show it is a fresh product.²⁰

Moreover, among restrictions that imposed after the aggression, the occupation authorities detained more than 1000 vehicles estimated at \$ 40 million in its harbors, inflicting heavy losses on the merchants and on the owners of car showrooms. Isma'il al-Nakhalah, Director of Vehicle Importers Association, said that the customs duties of 600 vehicle have completely paid, but the occupation authorities banned the entry of those vehicles into the Gaza Strip for 3 months after the aggression. Thus, the car showrooms' owners have forced to suspend their work partially and lay off workers. As a result, the vehicles' prices have increased to more than USD 3,000 per car.

At the beginning of September 2021, Israeli authorities decided to increase the fishing area in Gaza Sea from 12 to 15 nautical miles, re-open Kerem Shalom Crossing completely to enter goods and equipment, increase the quantity of water supplied to 5 million cubic meters, and expand entry permits for Gazan businesspeople via Erez crossing from 5000 permits to 7000. It should be noted that easing restrictions and providing facilities are related to the assessment of the security situation in the Gaza Strip; however, these facilities are insufficient to change the economic life in the Gaza Strip for the better.

²⁰ PCHR press release, *"Israeli Occupation Oppress Palestinian Farmers and Produce Violating their Rights,"* 27 June 2021: <https://pchrgaza.org/en/israeli-occupation-oppress-palestinian-farmers-and-produce-violating-their-rights/>

V. Deterioration of economic sectors before the 2021 aggression

The economic indicator in the Gaza Strip has significantly declined, owing to a number of reasons, including the tight closure, the 14-year division and its repercussions on various economic sectors, as well as the Coronavirus pandemic and imposing closures and precautionary measures. All of this has led to a sharp decline in economic activity and all economic sectors have been affected by these crises. Moreover, in the second quarter of 2020, economic growth contracted by (4.9 %) on a quarterly basis, compared to the fourth quarter of 2019. Also, the Gross Domestic Product (GDP) in the Gaza Strip contracted by (6.1%) during the first quarter of 2020, below the average of previous years.²¹

Furthermore, Gaza Strip has faced numerous Israeli aggression that directly and indirectly affected the economic sector and facilities over the past years due to direct bombardment or hostilities during the 2008, 2012 and 2014 military operations. Damage caused by the 2008 Israeli aggression has estimated at \$ 37,997,182, while losses in the 2012 aggression were \$ 4,652,405. In 2014, there was more damage, which has estimated at \$194,983,974, as the military operation had lasted for 51 days.²²

²¹ Palestinian Bureau of Statistics data

²² Data (not published) obtained by PCHR research from the Ministry of National Economy.

Table 10: Economic sector losses in previous Israeli military attacks, as per the Ministry of National Economy

Date of damage	No. of damage files	Total value/million USD
Damage before 2007	1490	40,857,193
2007 – 2008	101	4,925,122
2008 Israeli military offensive	1590	37,997,182
2009 – 2012	87	1,665,737
2012 Israeli military offensive	267	4,652,405
2014 damage	2	28,500
2014 Israeli military offensive	6597	194,983,974
July 2018	30	364,922
November 2018	106	5,735,389
October 2018	29	846,400
March 2019	20	65,040
May 2019	130	2,774,790
December 2020	12	263,752
	10,461	295,160,406

The last Israeli aggression not only caused direct damage to manufacturing and economic facilities, but also has had more impacts that would continue for coming years due to the lack of compensation and the obstruction of

reconstruction by the occupation authorities. As a result, the owners of factories have been forced to close after waiting the compensation, while others reconstructed their facilities at their own expense.

Since the 2014 aggression, 1,033 facilities in the industrial sector are still awaiting reconstruction, as most of the factories destroyed in the 2014 aggression have only received 7% of compensation from the Ministry of Economy. Also, the factories reconstructed after 2014 have not worked in its full capacities, affecting unemployment and poverty rates for the long term. According to the Palestinian Federation of Industries (PFI), the number of workers in the industrial sector reduced from 130,000 to at least 26,000, owing to destruction of industrial facilities and suspension of its work.²³

Additionally, the 15-year Israeli closure imposed on the Gaza Strip, tight restrictions on imports, a near-total ban on exports, severe restrictions on the movement of merchants and owners of economic establishments have deteriorated economic conditions in the Gaza Strip. Also, the occupation authorities have intensified the measures of economic suffocation by canceling the Harmonized System (HS) Codes since the beginning of closure on the strip. Due to this, they denied the entry of all goods into the Gaza Strip as part of collective punishment policy against Palestinian civilians in the Gaza Strip. Also, they imposed restrictions on importing raw materials needed for economic sectors, which has led to suspending or reducing the work in 90% of economic establishments and laying off thousands of workers who became unemployed.

²³ PCHR researcher interview with Eng. Mohammed al-Mansi, Manufacturing Union, in Gaza on 15 July 2021.

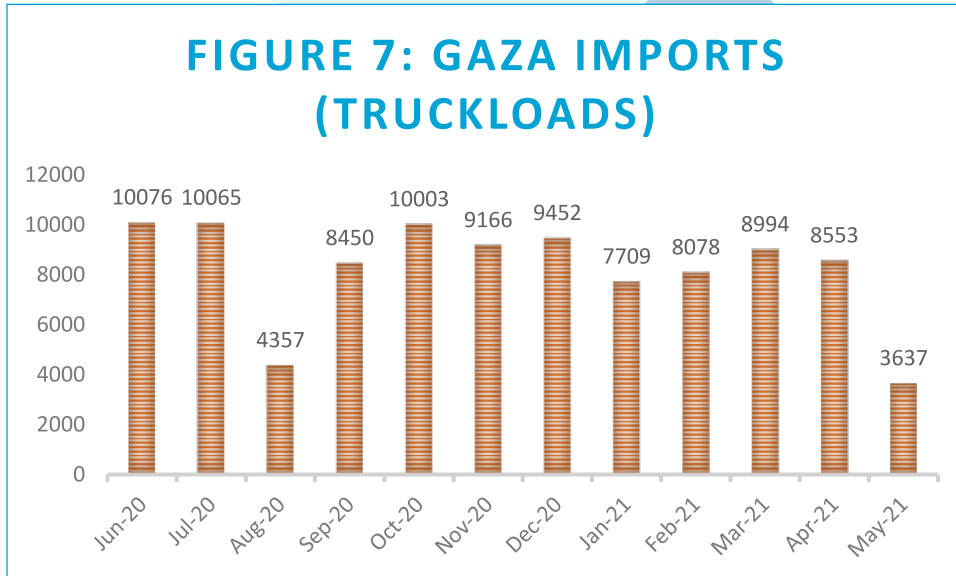
Imports and exports from and into the Gaza Strip have faced several obstacles, including the frequent closure of the only commercial crossing "Kerem Shalom," which has led to closing or reducing work in hundreds of industrial establishments. The Israeli authorities continued to impose tightened restrictions on the list of items classified as "dual-use." The dual-use items include 62 types and hundreds of goods and commodities that are essential to the life of the population. Imposing these restrictions caused infrastructure, economy, healthcare, and education to deteriorate severely. These items include communications equipment, pumps, big generators, iron bars, iron pipes in all diameters, welding equipment and welding rods used in welding, various types of wood, UPS devices that protect the electric devices from breaking down when the electricity suddenly cuts off, X-ray machines, cranes and heavy vehicles, elevators, types of batteries and several types of fertilizers.²⁴

Israeli authorities continued to ban the Gaza Strip exports. However, in a limited exception, they allowed the exportation of extremely limited types of goods; most of which are exported to the West Bank and the rest are exported to Israel and other countries. In May, the Israeli authorities allowed the exportation of 124 truckloads (61 to the West Bank, 56 to Israel, 7 abroad). Those truckloads included agricultural products, fish, furniture, animal skin, aluminum scrap, clothes, and furniture. The exports during the reporting period constitute only 2.7% of the total monthly exports before the closure was imposed in June 2007 (4500 truckloads/month).²⁵

²⁴ PCHR May 2021 State of the Crossings update

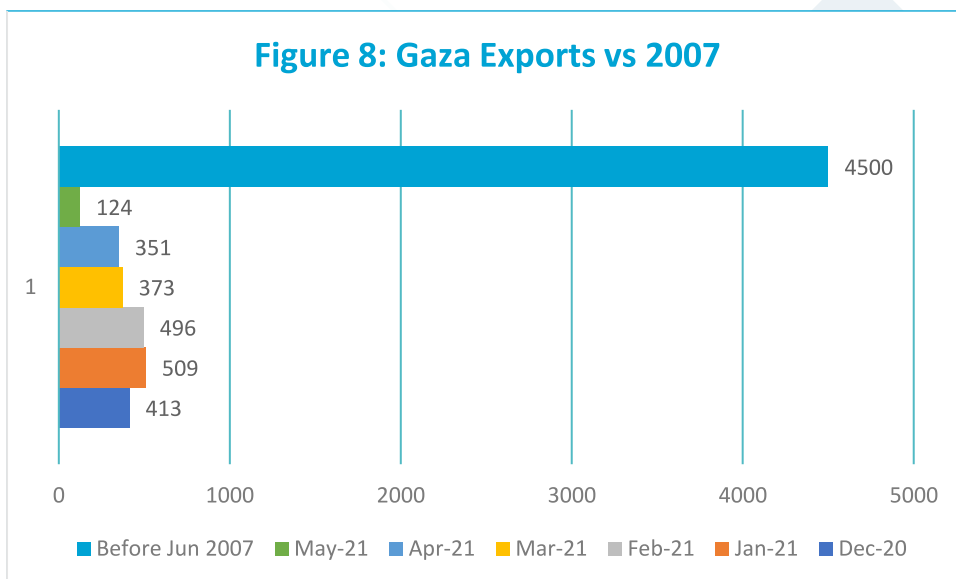
²⁵ Ibid

FIGURE 7: GAZA IMPORTS (TRUCKLOADS)



Also, since the year 2000 and during Israeli hostilities in 2008, 2012, 2014, agricultural and fish wealth sectors have been subjected to numerous military attacks that targeted properties, infrastructure, workshops, factories, agricultural lands, public and private utilities, in addition to the ongoing razing of border areas. The Israeli hostilities are series of attacks targeting agricultural lands whether uncovered lands or plastic greenhouses, in addition to livestock projects and small and medium production units.

Figure 8: Gaza Exports vs 2007



The agricultural sector has not been able to recover from the repeated Israeli attacks, which significantly doubled the damage, as until 2014 the damage has estimated at one billion three hundred million, while in the 2014 aggression losses have estimated at \$ 550 million. Also, the percentage of agricultural activities and supportive interventions was only 30% of the total direct damages in 2014, a low percentage that hampered the recovery and growth of the agricultural sector from the Israeli attacks effects, particularly the ongoing attacks on the agricultural sector, the latest of which was May 2021.²⁶

Before the 2021 Israeli aggression in May, a global health crisis has discovered affecting economic conditions, especially after the spread of Coronavirus (COVID-19) pandemic. This crisis left impacts which worsened economic conditions in the Gaza Strip due to imposing emergency measures by the government to curb the outbreak of COVID -19 and fully-closure in August and September 2020. As a result, the conditions of factories and economic facilities' owners has aggravated, as this pandemic has completely suspended work in tourism and handicrafts sector , while manufacturing footwear, leather and clothing has partially suspended.

²⁶ PCHR research interview with Eng. Wael Thabet, in Gaza on 2 July 2021

Conclusion and recommendations

The report reached the conclusion that IOF intentionally targeted the Gaza Strip's economic sector during its May 2021 military offensive. This was evident through the destruction of economic facilities (manufacturing, commercial and service), causing extensive damage on the territory's economy, which was already in a devastating state due to the Israeli closure policy, and its restrictions on imports and exports. This reality forced business owners to shut down or reduce operations, which translated into an unprecedented spike in unemployment and poverty rates in the Gaza Strip.

IOF attacks on economic facilities is a flagrant breach of social and economic rights as per international covenants and treaties, as they enjoy the protection granted to civilian objects under international law; as per Article (52) of Annex I (Protocol) Additional to the Geneva Conventions 1977. Also, IHL and the Rome Statute stipulate that these actions require accountability. Hence, PCHR:

- Calls upon the High Contracting Parties to the Fourth Geneva Convention of 1949, to take practical steps, in accordance with their legal obligations, to compel Israel, by all legal means, to immediately lift all forms of the unjust closure, to allow the rapid entry of construction materials in a manner that responds to the drastic needs created by the devastating damage caused by the military aggression; as agreed to be the only solution among all parties involved in the reconstruction efforts.

- Demands neutralization of industrial and economic establishments, civilian facilities, and homes from military operations, as per all international laws.
- Demands prioritization for completely destroyed economic establishments, as this group has not received any type of compensation or construction materials to reconstruct their lost facilities.
- Demands immediate commencement of reconstruction efforts of the economic sector in all its fields, especially industrial, commercial, and agricultural, to halt the increase in unemployment and poverty rates.
- Calls upon on all Arab and international parties and the United Nations to pressure the Israeli occupation to protect civilians in Gaza, and to stop its aggression and violations that targeted various walks of civilian life.