Small Businesses, Big Dreams

Entrepreneurs in Gaza discuss obstacles to success

Fatmah Ashur, 25, project manager at an IT hub. Photos by Asmaa Elkhaldi.
Introduction

This report looks at small businesses operating in Gaza's private sector against the backdrop of the dire economic situation there. Despite a myriad of challenges, people in Gaza are engaged in entrepreneurship in a variety of fields. The small businesses they run create jobs, drive economic activity and allow women and men to realize their dreams and professional ambitions. Even if each small business contributes in a minute way to macro-economic indicators like Gross Domestic Product (GDP), their cumulative input to the economy is substantial and they provide badly-needed work in a place with one of the highest unemployment rates globally. A healthy, functioning economy, in Gaza or anywhere else, depends to a great extent on a thriving private sector comprised of small- and medium-sized businesses in a variety of fields.

Severe restrictions imposed by Israel on movement of goods and people to and from the Strip as well as obstacles raised by other regional and international actors have created a hostile climate for economic activity. Over the years, Israel introduced minor changes to its policy of closure on Gaza, however, to this day, very few Palestinians meet Israel’s narrow criteria to apply, let alone receive, permits to travel between Gaza, Israel, the West Bank, and abroad. The few who do meet Israel’s criteria for travel in the context of economic activity are primarily a small quota of businesspeople or “traders” who purchase goods in high volume for entrance to the Strip. No general criterion for work-related travel – to attend exploratory meetings, reach professional development opportunities, etc. – exists in the framework of Israel’s regulations for the movement of Palestinians living under its control.

Being eligible to submit a permit application under Israel’s narrow criteria does not by any means guarantee that a person will actually be granted a permit by Israel. Countless permit applications are answered too late, ignored altogether, or denied without explanation. Even the few established business people who do hold trader permits and have traveled to and from the Strip for years often see their permits revoked or their applications to renew an expired permit denied due to Israel’s sudden implementation of “security blocks,” prohibiting their ability to travel without explanation and with no option for appeal.

Even if Rafah Crossing, which was mostly closed for many years and opened for limited travel between Gaza and Egypt in May 2018, were to remain open, travel via the crossing is subject to Egypt’s narrow criteria. What is more, Rafah does not connect Gaza to markets in Israel and the West Bank, on which Gaza’s economy depends.

The research conducted by Gisha for the purpose of this report included in-depth interviews with women and men who own small businesses in the Gaza Strip: A pastry chef, a seamstress, a software engineer, an owner of an embroidery business, a jewelry designer, a cellular phone shop owner, a hair and beauty salon owner, a high-tech project manager, and a digital marketing consultant. Excluding those who work in the field of information and communications technology (ICT), the small business owners we spoke to are beneficiaries of Action Against Hunger, a global humanitarian organization that operates in the Strip. The business owners received initial financial assistance from Action Against Hunger to start their businesses as well as counseling on creating sustainable business plans.
Notably, many of the business owners who participated in our research are women. Faced with an astounding unemployment rate of over 70 percent among women in the Strip, these women are running and managing businesses, and are determined to succeed against the odds.

The people we spoke to underlined the main challenges faced by entrepreneurs from a variety of fields who want to grow their businesses and develop trade ties in Israel, the West Bank and abroad. It emerged from the interviews that many Gaza residents have a sense that it’s impossible to travel and move goods, which acts as a chilling effect and discourages people from applying. Israel’s limited criteria for business-related travel and movement of goods into and out of the Strip create a glass ceiling that hinders dreams and thwarts growth. While the start-up funding that some of the business owners received from Action Against Hunger is helpful, the inability to reach target markets, meet with clients and intermediaries, engage in professional development or attend conferences and trade expos thwart the growth of their businesses.

The report also cites other factors that contribute to economic stagnation in the Strip and reinforce the hostile environment for small businesses, such as global restrictions on money transfers to the Strip, restrictions on travel via Rafah Crossing, dramatic cuts to aid programs, such as the United States Agency for International Development (USAID) and the United Nations Relief and Works Agency for Palestinian refugees (UNRWA), and economic sanctions introduced by the Ramallah-based Palestinian Authority (PA).

At the conclusion of the report, we highlight steps that should be taken by Israel, our main interlocutor, to remove obstacles that unnecessarily and unjustifiably impede small businesses and preclude individuals working in the private sector in Gaza from fulfilling their personal aspirations and professional goals.

Aya Bariqi, owner of a sewing business. People in Gaza are engaged in entrepreneurship in a variety of fields.
Entrepreneurship under closure

Almost two million people in Gaza live under extremely severe restrictions on movement to and from the Strip, including a closure on sea, air and land access. Gaza residents live in a strip of land teetering constantly on the verge of humanitarian crisis, mired in a beleaguered economy, relying on collapsing infrastructure and subjected to the constant threat of war. When Israel's restrictions on the movement of Palestinians to and from Gaza were tightened to the point of closure in 2007, the official objective of Israel's policy was to “topple the Hamas regime.” In practice, however, sweeping restrictions on movement of people and goods enforced to this day primarily harm Gaza's residents, most of whom are children. Small businesses, which rely on selling products or providing services to the local population, fight for their survival under hostile economic conditions.

Diminished purchasing power

In the third quarter of 2018, Gaza’s unemployment rate reached a record high of 54.9 percent (compared to 17.3 percent in the West Bank); 71.1 percent among young people (under 30). More than 70 percent of Gaza’s population receives aid from international humanitarian organizations. In 2018, the United States announced it would cut its funding to UNRWA and to the local operations of its own aid agency, USAID. As poverty rates and basic food insecurity increase, Gaza’s population is more dependent than ever on humanitarian aid.

Salary cuts to employees of the PA in Gaza introduced in 2017 and other economic sanctions imposed by the PA in the past two years have also severely harmed the economy in the Strip. In conjunction with Israel’s sweeping restrictions on movement, these have led to an acute cash flow crisis, as unemployment has soared and purchasing power within Gaza hit new lows.

Shadi Salameh, who runs a small business repairing and selling cellular phones, says that due to the dire economic situation people prefer to invest in essential commodities rather than spend money on luxury items like cell phones. Naturally, this has had an adverse impact on his business and others like it. Those who do buy phones tend to prefer used devices to new ones. Ghada Mudalall, who runs a beauty salon, says: “Things were not this bad two years ago. Customers were coming in every day. Now women don’t have money for things considered ‘luxuries.’” Mudalall, who uses what little money she manages to make to support her family, adds: “There’s no sense of security in the future. We feel like we don’t know what tomorrow might bring.”

Jewelry designer Sumah Al Nahal shared that when she started her business in 2013, there was great demand for the product she designs, but demand dropped significantly when the salary crisis began in 2017. “A successful business usually grows over time. In Gaza, it’s the opposite. Even if people like your products, as long as there’s no money in the local market, you have to scale down production and often shut down the business.” Al Nahal’s jewelry business initially garnered a profit of between 800 and 1000 ILS per month (approx. 210-265 USD). Now she barely reaches 300 ILS (80 USD). Fawzia Mubarak, a pastry chef, says the financial hardship affects her business too: “Many in Gaza worry about not being able to provide their families with the most basic food. People pass by the shop, look inside, but don’t buy anything.”

The dire socioeconomic situation in Gaza has increasingly pushed businesses in the ICT sector to rely on clients from outside the Strip. Fatmah Ashur, who manages the Cooper8up project at the
Palestine Information and Communications Technology Incubator (PICTI), says that the company she runs currently has no clients in Gaza; due to the situation, they work exclusively with companies in the West Bank and abroad.

The electricity crisis and other civilian infrastructure

The ongoing electricity crisis and dilapidated civilian infrastructure impact the activity and profitability of small businesses. Gaza’s chronic power shortage results in long daily blackouts. Gaza residents live with an intermittent and unpredictable power supply, ranging in the last decade between 12 and 20 hours of outages for every 24-hour period. In October 2018, funding for fuel was donated by Qatar, and Gaza’s sole power plant resumed operating three of its four turbines for the first time since January 2017, enabling Gaza residents to receive power in cycles of eight consecutive hours, followed by eight-hour outages. While this has alleviated the crisis to a certain extent, the Qatari donation is only expected to last for six months. In the absence of a long-term solution on the horizon, the electricity crisis and services reliant on electricity like water and sanitation are likely to deteriorate again once funding for fuel runs out.

Erratic power supply impacts many different types of businesses in Gaza. Hanan Khashan, a digital marketing consultant, spoke about the importance of internet access to her business. “Because internet is such a central tool in our work, we had to rent an office in the PICTI building, where supply is guaranteed throughout the day [provided by generator power during outages - Gisha]. Although rent is expensive, we decided we had to find a proper, secure workspace that can provide us with the conditions we need to operate.” Fatmah Ashur, a project manager at PICTI who works in the same building as Hanan, which mainly hosts ICT businesses, acknowledges: “Of course, not everyone can afford to rent a space in the building.”

Sumah Al Nahal, 31, owner of a jewelry and card business

Sumah graduated with a degree in communications studies from al-Aqsa University in Gaza in 2013. She has been interested in art since a young age, and is herself an artist. Given the high rate of unemployment and low job prospects, Sumah decided to start her own business. She opened her business this year and began marketing her products through social media. Sumah makes and sells jewelry, as well as intricate greeting cards for births, weddings, holidays and birthdays, as well as planners for students.

She is always looking for ways to develop and challenge herself with new ideas. When she first started the business, she was pleased with the demand and the revenue. But halfway through the year, Palestinian Authority employee salaries were cut, and her profits plunged by about 50 percent. Art is important, she says, but it is not considered a must-have necessity at a time when people worry about being able to feed their families.

Sumah has never left the Gaza Strip, nor has she ever applied for an exit permit. She says students from Jerusalem have contacted her through her Facebook page, asking for her help with their final projects. She would like to expand her clientele and work with partners in the West Bank, but restrictions on shipping products and receiving payment are major obstacles. She has tried sending her merchandise abroad in the past, but the grief the process involved taught her it was no use pursuing it unless something changed.

“There has to be full access to the West Bank market,” she says, “access that would give us the opportunity to earn a living and to fulfill our potential.”
Software engineer Muhammed Ouda explained that he rents two offices in two different parts of Gaza, working in whichever office has power. When it goes out, he quickly switches to the alternate office. “The logistics are very complicated - charging all the computers when you don’t know when the next power cut is going to happen, and how long it’s going to last,” says Ouda.

**Movement of people**

**Your permit application “does not meet the criteria”**

Of the nine entrepreneurs interviewed for this report, only three have ever been outside the Strip. Other than the few people deemed “humanitarian exceptions” by Israel, its narrow criteria for travel of Palestinians only allow “traders,” “senior traders” and Palestinian Authority employees to submit permit applications. In practice, small business owners are not considered eligible for trader permits.

Under [Israel’s stringent criteria](https://www.gisha.org/en), professionals in most fields, including physicians, educators, academics as well as business people, entrepreneurs, and [staff of civil society](https://www.gisha.org/en) organizations are not eligible to apply for travel permits via Erez Crossing. Countless permit applications filed by professionals in various fields are denied by Israel on the grounds that their application “does not meet criteria.”

Travel abroad via Rafah Crossing is also subject to narrow criteria set by Egypt, and sometimes entails costly “coordination fees.” The long and dangerous journey from Rafah to Cairo acts as an additional deterrent. As stated earlier, Rafah also does not connect Gaza to the West Bank and Israel, its primary markets.

Hanan Khashan initiated a project aimed at increasing women’s participation in the workforce. Her empowerment program has expanded, now operating in Iraq, Syria, Lebanon and Jordan. Khashan says she has never been able to travel to meet with her partners and colleagues working on the project abroad. “I have Skype or telephone conversations, but it’s never enough.” Khashan is in charge of preparing educational materials distributed to women as part of the project, and dreams of meeting the women the project supports. “Meeting the women and my colleagues abroad would significantly optimize what we do,” she says.

**Lack of transparency about Israel’s access policy**

Following prolonged [legal battles](https://www.gisha.org/en) led by Gisha, Israeli authorities (the Coordination of Government Activities in the Territories, COGAT, and its auxiliary unit, the Civil Administration) began publishing, as required by law, the regulations governing access policy in relation to Palestinians in Gaza and the West Bank. While some of the regulations have since been published in both Hebrew and Arabic, others have not been translated into Arabic and have not been officially published as required by law. Even those that have been posted to COGAT’s website are not necessarily known to the people.
whose lives they shape, and many Gaza residents have no information about how to apply for a travel permit from Israel.

Sumah Al Nahal, who owns a jewelry business, has never traveled out of Gaza and says she is not familiar with the process of applying for an exit permit. In fact, like many others in Gaza, she was not even aware that there was one. Hanan Khashan, a digital marketing consultant, has only exited Gaza once in her life, traveling through Rafah Crossing to Egypt, not for business purposes. Khashan is not familiar with the procedure for applying for travel permits from Israel but says she has heard it is a long and complicated process. She says people forgo the coordination process because they are not familiar with the procedures, criteria, and coordination mechanisms.

Software engineer Muhammed Ouda exited the Strip once in his life, while enrolled at university in Gaza. Ouda says he was only able to obtain a permit with the help of the American Consulate, which filed the permit application on his behalf when he studied abroad. Even people who do meet Israel’s criteria for travel often require the help of international institutions and/or human rights organizations in order to navigate the bureaucratic maze that is Israel’s permit regime and exercise their basic right to freedom of movement.

Closure on business ties

The business owners who were interviewed for this report said that without being able to travel, they have real difficulties creating and maintaining connections with their peers and reaching potential customers outside the Strip. Previous trade relations between Gaza, the West Bank, Israel and abroad suffered greatly as a result of severe restrictions Israel imposed on movement of people and goods tightened to the point of closure in 2007.

The fact that Gaza has not been able to regain substantive access to its closest and most natural markets for so long has been a major factor in its economic stagnation. This has been a deliberate political goal of Israel’s “separation policy,” a doctrine aimed at weakening and isolating Gaza’s society and economy. Ghada Mudalall, who owns a beauty salon, spoke of what might have been,
were sweeping restrictions to be removed, given that Gaza and the West Bank share familial, cultural and economic ties: “Once the market opens, and people can move between Gaza, the West Bank and Israel, new customers will come, the economy will become stronger and profits will increase.”

Jewelry designer Sumah Al Nahal says she would have liked to build relationships with West Bank businesses, but that it is difficult to do so when it is impossible to meet. “The only way I have is to make contact over the phone or advertise my products on my website and on social media to try to connect with people from outside the Strip who are interested in my merchandise.” Aya Bariqi also dreams of exiting the Strip and meeting suppliers and businesses in the West Bank to make connections and increase the sales of her sewing workshop. “If that were to happen, I would be able to expand my business, buy new machines and hire more people,” she says.

Fatmah Ashur, manager of the Cooper8up project that supports small businesses, also spoke about the necessity of traveling to the West Bank. Last time she was there, she says, she learned of a similar organization that works to achieve the same goals. “It made me understand how important it is to travel outside the Strip, get to know other organizations and learn about new ways of working. We would be able to cooperate to promote our shared goals and broaden our influence, instead of working separately,” she says. “But it’s impossible when there isn’t any movement.”

Ashur also says that many of the entrepreneurs who work at PICTI freelance for companies based abroad and therefore encounter great difficulties when it comes to receiving payment. There are severe restrictions on money transfers to the Gaza Strip, limiting both bank transfers and online payment services. Banks are weary of transferring money to the Gaza Strip due to concerns about money laundering and terror financing. “We often have no option but to receive our payment in cash from people returning to Gaza from abroad. This is a highly inconvenient and problematic solution.

**No access to workshops, conferences or business events**

One of the major obstacles faced by entrepreneurs in Gaza is the lack of access to workshops, training programs, conferences and trade expos held outside the Strip. Fatmah Ashur spoke about an annual conference held in Dubai for ICT companies from all over the world. “We were invited this year, but couldn’t make it because of Israel’s and Egypt’s narrow criteria, which prevent workers in the sector from traveling. Our Saudi colleagues went in our place.”

Without leaving Gaza, small business owners are unable to keep up to date with changes in their fields and identify new opportunities for growth: Where are the gaps in the market? What new products already exist? What new manufacturing options are there, and what tools need to be developed to attract customers? Aya Bariqi, who owns a sewing business, relies on social media to keep up with the changes in the market. “Sometimes feminist organizations have conferences for women in Gaza, to help them acquire new tools and enter the workforce,” she says. “But it’s not enough. Until we go out and see for ourselves what is going on, until we meet with people up close and find out what the needs and fashions are, we’ll always be one step behind.”

**Movement of goods**

Before Israel tightened the closure on the Gaza Strip, its primary sectors, including textile, furniture, agriculture and processed foods, relied on marketing their products outside Gaza. In 2007, after Hamas took control of the Strip, Israel declared it a “hostile territory,” dramatically intensifying
access restrictions. Entry of goods was reduced to the minimum required to fend off a full-blown humanitarian crisis and exit of goods was completely prohibited. It was not until late 2014, as part of ceasefire agreements reached after Operation Protective Edge, that Israel began gradually allowing limited marketing of textiles, furniture and certain types of agricultural produce from Gaza in the West Bank and later Israel.

**Blanket bans** imposed by Israel to this day on exit of goods from Gaza without explanation or justification continue to serve as major factors in Gaza’s economic paralysis, the failure of many business ventures and the high rate of unemployment. Years of stringent restrictions have stifled the flow of goods into and out of the Gaza Strip and severely impeded the capacity of small businesses to operate and to grow.

**Sweeping restrictions on shipping goods out of Gaza**

The vast majority of traders and business people in Gaza encounter enormous difficulties when it comes to shipping goods to markets outside the Strip. Gaza’s main commercial crossing is Kerem Shalom. Israel has full and exclusive control over movement of goods through the crossing. It is crucial for small businesses in Gaza to be able to engage in trade with their geographically closest markets, the West Bank and Israel, as well as to export abroad.

Israel prohibits the exit of commercial mail and packages from Gaza, and even non-commercial mail services are unpredictable. Israel also prohibits people from exiting the Strip with goods intended for sale via Erez Crossing. While regular mail is transported through Erez, goods transit via Kerem Shalom Crossing via trucks. If you have a business that trades in products which cannot fill an entire truckbed and/or you don’t trade in large quantities, it is virtually impossible to get your products to market, a great hindrance to medium-sized and small businesses. Sewing workshop owner Aya Bariqi says she advertises her business on social media and does occasionally get contacted by customers in the West Bank, but she is unable to send them the products by mail.

Some business owners say they have managed, on a handful of occasions, to send merchandise to clients outside Gaza in the luggage of relatives or acquaintances who received travel permits for other purposes. “It’s a difficult method,” one of them said, “but it’s better than relying solely on the local market. I once asked a textile supplier who ships goods via Erez Crossing to add some of my items to his shipment. He wanted 70 ILS (almost 20 USD) per item, which pretty much cancelled out the profitability of the sale.”

Another business owner said he had also tried to add goods to a supplier’s shipment but was deterred by the high price they were charged. “One of the main problems in this field is shipping. A lot of customers from outside Gaza are interested in my products, but I simply have no way of shipping them out.” Another business owner added that she was able to ship something out of Gaza only once, when she managed to mail a small package to Sweden using a private courier company. The cost was so high, however, that she hardly made a profit. Most of the business owners emphasized the need for access to the market in the West Bank. “The economic situation in the West Bank is better than here in Gaza,” says Ghada Mudalall. “If we could sell there, it would improve the economy in Gaza and open up options for growth and development.”
Israel’s “dual-use” list

In 2010, following the Mavi Marmara flotilla to Gaza, Israel changed its policy on entrance of goods into the Strip. Gisha’s extensive legal work later drew attention to the extent to which Israel had been restricting the entrance of goods to the Strip until that point. From that point then on, most goods were to be allowed to enter via Kerem Shalom, except items requiring a special permit, obtained through a complicated coordination process. The items requiring a permit are considered by Israel to be “dual-use,” in other words, while widely used for civilian purposes, according to Israel, they can also be utilized for military purposes.

Israel’s list of dual-use items is vague and considerably longer than the internationally accepted standard, adding items that are not considered dual-use in any other place in the world, like wood. Large companies have difficulties obtaining certain raw materials, machines, devices, spare parts and more. Small businesses are even less successful, if at all. Many are unaware of what items are on the list or how one would go about coordinating the entrance of items that appear on it.

In the past year, some goods, including “dual-use” goods, have been entering on a small scale via Salah a-Din Gate, on the Gaza-Egypt border. However, this route is only available to a small subsection of well-connected business people.

Shadi Salameh, the cellular phone store owner, says some materials and spare parts he needs are considered dual-use. “There are some high-quality materials I need for work, but I can’t get, for instance nano-ceramic coating for screens. There is also a shortage of parts in the Strip. We have to rely on our ability to restore the parts we have.” One business owner said he was not aware of the dual-use list or the procedure for bringing listed materials into the Strip but did know that some items are banned, which is why he once contacted a senior trader to include the items he needed in his own application for coordination. It took two months, but the items finally came in. This is, however, a rare case. The coordination process remains so vague and complicated that it creates a chilling effect. Those with lesser means do not even try, and either have to find alternatives or reduce the scope of their activities.

Hanan Khashan, 29, digital marketing consultant

Hanan, a university graduate with a degree in computer science, worked in the ICT sector for two years before switching to digital marketing, which is a field she has always loved. Today she works as a digital marketing consultant. She developed a project designed to empower women working in the fields of technology and science. Hanan selects promising women entrepreneurs and provides them with guidance on digital marketing and design.

Her dream is to extend the project to other countries and reach as many women with business potential as she can in countries like Iraq, Syria, Lebanon and Jordan. Women in those countries face similar social, economic and political challenges to those Hanan has faced. She emphasizes how important it is to reach as many women as possible in the hope that they can learn from her experience.

Israel’s permit regime denies Hanan the ability to access her clients in person, which is why, in order to persevere and achieve her goals, she has begun delivering workshops remotely via Skype or facilitators who work with her. In order to stay connected and present for her clients, she needs a consistent power supply, which she gets by renting an office at the PICTI building.

Hanan also faces difficulties in collecting payment for her work done outside the Strip. To get around this hurdle, she wants to open a company in Ramallah which she could run remotely.
Conclusion and recommendations

Restricting the fundamental right to freedom of movement has far-reaching and continuous consequences for the Palestinian population living under Israel’s control in Gaza and the West Bank. Despite the widespread recognition of the correlation between economic development and regional stability, including among numerous officials in Israel’s security establishment, Israel continues to enforce sweeping and arbitrary restrictions on the movement of goods and people to and from the Strip. In so doing, Israel maintains significant control over the Palestinian economy, hindering development and harming Gaza’s civilian population.

Expanding and strengthening Gaza’s private sector depends on the ability of business owners and entrepreneurs from various fields to travel so they can maintain and develop business relations with the West Bank, Israel and abroad. The inability to travel limits the possibilities available to small business owners to develop professionally, exchange opinions and keep abreast of developments in their field. The restrictions on small-scale shipping, commercial mail, and the vague procedures that complicate the process of importing equipment, raw materials, and items considered to be “dual-use,” thwart progress.

Fulfilling the potential of young entrepreneurs and small business owners requires, first and foremost, a dramatic change in Israel’s access policies. Israel and other actors in the region must respect the fundamental human rights of Gaza’s residents. Their political disputes cannot come at the expense of the two million men, women and children living in the Strip.

The following are measures, among others, that can be implemented immediately in order to enable small business owners in Gaza to fulfill their immense potential and contribute to Gaza’s economic development:

- Israel must remove the closure, that is, revoke its stringent criteria and sweeping prohibitions on the movement of goods and people to and from the Gaza Strip.
- Israel must allow people to travel for business purposes and professional development.
- Israel must institute coordination mechanisms that are transparent and accessible to the population they impact, including an appeal process.
- Israel must expand options for shipping goods out of Gaza, including allowing commercial mail, and lift unreasonable restrictions on baggage transport at Erez Crossing.

*As required by law, Gisha is proud to share that as a result of our partnerships with friendly countries and international organizations that promote human rights, the majority of our funding comes from “foreign political entities.”*