

Issue 26

November 2008

### Main reports

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*The Al-Ersal project was officially launched in October. The project is a multipurpose business complex on 50,000m<sup>2</sup> near the city centre of Ramallah. The project will be financed by the Land Holding Company, set up by the Palestine Investment Fund (PIF) and the Holy Land Company. It has capital of \$45m and expected investment of \$200m.*

*According to the Finance and Insurance Survey in the Palestinian Territory for 2007, the financial sector's total value of output was \$386.5m, an increase of 29.4% from 2006. Gross fixed capital formation (a measure of new investments) was \$23.5m, net taxes on production \$28.3m, and operating surpluses (a proxy for pre-tax profits) were \$128.3m.*

### Global Financial Crisis

With the Palestinian Stock Exchange (PSE) in decline in October following the crisis in the global financial markets, there are concerns over future levels of international assistance to and investment in the Palestinian economy. Minister of Planning, Dr Samir Abdullah, stressed that the impact of the economic downturn would lead to a decline in the commercial sector, decreased remittances from the Diaspora, foreign aid cuts and a reduction in trade. 90% of exports are to markets that are already in recession.

Local banks have not suffered directly from the global economic turmoil because deposits are made into the local financial market which has few links with the wider world. There is little investment by Palestinians in foreign companies and this has protected Palestinian assets. Maher Masri, Head of the Capital Market Corporation Board, told the Bulletin that, 'we are and will be affected, but not in the same magnitude as other, more integrated markets.' The impact, he thought, would largely depend on the policies locally adopted to improve and regulate the financial environment.

The Second Annual Capital Market Forum on Palestinian Capital Markets, held at the end of October and opened by Prime Minister Salaam Fayyad, tackled issues related to the financial crisis. The forum attracted Palestinian and international specialists who reached the consensus that it was important to rehabilitate the Palestinian financial system and show foreign investors that the Palestinian Territory is currently a viable and secure option for projects. Samir Hulileh, CEO of PADICO, said that issues of corporate law, income and corporation tax must be urgently addressed in order to stabilise the internal economy. It was argued that this was not a weak market but rather one with potential. Tareq Shaka, from Lotus Financial Investment, spoke of the need to push companies to be listed on the PSE. Three companies currently account for more than 80% of the total value of the PSE.

There has been speculation over the impact of the financial crisis on donations to the Palestinian Authority (PA). It is possible that as the real value of assets owned by smaller donors falls, the amount of money donated will also decrease. The US Vice-President elect, Joe Biden, has indicated that the necessity to reduce US spending may lead to a re-examination of foreign aid. The EU, according to the French Consul General, Alain Remy, would not allow the financial crisis to affect donor contributions. 'We will do as much as we can to minimise the effect on the Palestinian economy', Remy said during a visit to Bethlehem. A member of the EU Commission explained to the Bulletin that funding was likely to continue as usual, since it was a multilateral fund and therefore less vulnerable to individual member states pressures.

## Aid

The PA finalised its arrears payments in October. The Ministry of Finance reported that by mid-September, \$1.34bn had been transferred in direct budget support in 2008 (30% more than was pledged at 2007 donor conference in Paris).

Despite concerns over the levels of international assistance to the Palestinian Territory, aid continues to flow. At a meeting with the US Consul General and the Director of USAID in Palestine, Prime Minister Fayyad said that the huge increase in international aid to the PA testifies 'to its transparent financial system'.<sup>1</sup> The Japanese government and USAID both transferred \$150m this month to the PA for budgetary support. The Japanese grant 'will be allocated for commodities to be purchased by the PA to relieve economic difficulties'.<sup>2</sup> To date, the US humanitarian, development and budgetary support for 2008 exceeds \$700m.<sup>3</sup> The Italian government signed an agreement to provide the PA, through PEGASE, with €20m. The money will be spent on implementing projects and paying allowances to vulnerable Palestinian families registered at the Ministry of Social Affairs (MOSA).<sup>4</sup>

The EU awarded contracts for a number of projects this month with money pledged in Paris last December. A €4m grant to construct new water distribution networks in the Nablus and Salfet districts and a reservoir in the Hebron Governorate will give 54,144 residents in five municipalities better access to safe water.<sup>5</sup> Six contracts worth €10.15m were awarded for upgrading and rehabilitating the electricity network in the Palestinian Territory.<sup>6</sup> €2.8m will be spent on enhancing the road networks in five municipalities (19km)<sup>7</sup>. A further €5.23m is being used to improve the solid waste sector. The EU has committed €67m to support the development of infrastructure projects in 2008.

## Nablus Conference

Interest in attending the Nablus conference (21-23 November) has exceeded all expectations, according to the main sponsor, PADICO. Around 400 local private and public sector workers, (businessmen, academics, entrepreneurs and government officials) will take part. Over 200 international participants, most of whom attended the Bethlehem Palestine Investment Conference in May and are from Arab countries, are waiting for travel permits from Israel to attend the conference.

1 See <http://www.maannews.net/en/index.php?opr=ShowDetails&ID=32709>

2 See <http://domino.un.org/UNISPAL.NSF/3d14c9e5cdaa296d85256cbf005aa3eb/fafba3c9431b44c185257339005fb5171>

3 See <http://jerusalem.usconsulate.gov/prusgtopa-oct08.html>

4 See <http://www.lfd.ps/NewsReleasePage.aspx>

5 See <http://reliefweb.int/rw/rwb.nsf/db900sid/PANA-7KUK5Q?OpenDocument>

6 See <http://www.reliefweb.int/rw/rwb.nsf/db900SID/PANA-7KMC3S?OpenDocument>

7 See <http://www.reliefweb.int/rw/rwb.nsf/db900sid/MCOT-7KPDDM?OpenDocument>

## Al Ersal Project Launched

The Al-Ersal project<sup>8</sup> was officially launched in October. The project will build a multipurpose business complex on 50,000m<sup>2</sup> near the city centre of Ramallah. It will serve the West Bank and Jerusalem with financial services and retail facilities, including a five star hotel. The project will be financed by the Land Holding Company, launched by the Palestine Investment Fund (PIF) and the Holy Land Company in May in Bethlehem. It has capital of \$45m in order to build the Al-Ersal project and expected investment of \$200m.<sup>9</sup> Completion of the infrastructure is expected by the beginning of 2009. Thousands of Palestinian workers may find employment over the four year building process.

Another project underway by the PIF is the building of a residential area - the Al-Reehan Suburb - that will be built on nearly 250,000 m<sup>2</sup> and will house up to 1,600 units (near the Al-Ersal business complex). This comes as part of the fund's objective to build 30,000 residential housing units in various West Bank Governorates over the next ten years. A similar housing project is taking place in the Jenin Governorate.

## Businessman Cards for Gaza

Israel has approved Businessman Cards (BMC) for 74 businessmen in Gaza, bringing the total number of BMCs to 270. The BMC is a permit aimed at enabling trade and fostering connections with the outside world and Israeli ports. The intention is to facilitate movement through the West Bank and further afield, via Jordan and the Erez crossing with Israel. BMCs are issued every six months for a period of six months.<sup>10</sup>

Ali Al-Hayek, General Manager of the Palestine Federation of Industries, told the Bulletin that, 'the BMC is regarded as a semiannual visa into Israel allowing businessmen and traders some relief from the closure on Gaza. It enables them to purchase products relatively comfortably, follow up with any delays at Israeli ports. It has a positive effect, enhancing local trade in Gaza'.

## Wataniya To Begin In 2009

Alan Richardson, CEO of Wataniya Mobile, announced that the company would begin its business activities in the West Bank at the beginning of 2009.<sup>11</sup> Wataniya Mobile would be the second mobile phone service provider in the Palestinian Territory after Jawwal. Mr. Richardson confirmed that the company had received approval from Israel for its phone service frequencies. Wataniya Mobile has contracted Palestinian companies for their importing and construction

8 See <http://www.pif.ps/english.php>

9 See <http://www.alquds.com/node/112189>

10 See [http://www.al-ayyam.ps/znews/site/template/Doc\\_View.aspx?did=95720&Date=10/15/2008](http://www.al-ayyam.ps/znews/site/template/Doc_View.aspx?did=95720&Date=10/15/2008)

11 See <http://www.palpress.ps/arabic/index.php?maa=ReadStory&ChannelID=45695>

needs. The company is seeking approval from Israel for its service frequencies in the Gaza Strip. Richardson added that the initial public offering will take place once the legal and administrative processes are completed.

## **Second Internet Provider: GlobalCom**

The international communications company GlobalCom plans to provide wireless internet services (WiFi) to the Palestinian Territory.<sup>12</sup> This will bring competition to the only internet services provider, Hadara. GlobalCom hopes to service all urban and rural residential areas in the West Bank during 2009 and will target businesses and residences. Plans for the Gaza Strip are on hold due to the political situation. The company will use a frequency within an international civil frequency range.

The Bulletin spoke to Kamil Qattan, the General Manager of GlobalCom. Qattan explained that services will include local and international phone calls at cheaper rates, 2000 video satellite channels and data services with internet access.

## **Finance and Insurance**

The Finance and Insurance Survey in the Palestinian Territory for 2007, carried out by the Palestinian Central Bureau of Statistics (PCBS), recorded that 48 enterprises were engaged in financial intermediary activities, employing 5406 persons, of which 1368 were female. The total value of output was \$386.5m, an increase of 29.4% from 2006. Intermediate consumption was \$58.4m and gross value added was \$328.1m, increases of 32.4% and 28.9% respectively compared with the 2006 figures. The survey also indicated that gross fixed capital formation (a measure of new investments) was \$23.5m, the net taxes on production \$28.3m, and operating surpluses (a proxy for pre-tax profits) were \$128.3m.<sup>13</sup>

## **Launch of Employment Programme**

The ILO's Palestinian Employment Programme (PEP) was launched on 23 October. Nada Al-Nashif, the organisation's Regional Director, said against a backdrop of a depressed labour market, growing poverty, food dependency and continuing insecurity for citizens, it was vital to provide "decent work for all". The first phase of the project will be completed by the end of 2009. It will include establishing an employment support unit and strengthening the analytical capacity at the Ministry of Labour, formulating a national policy framework for skills development and improving business development services.

In an interview with the Bulletin, Mounir Kleibo, the ILO

Country Director, stressed that the new Employment Unit at the Ministry of Labour was "the backbone" of the project. Kleibo told the Bulletin that he hopes that a Sectoral Working Group dealing with employment and job creation will be added to the existing aid coordination structure in the Palestinian Territory.

## **Micro-Entrepreneur Awards**

The first Palestinian micro-entrepreneur awards were presented at simultaneous ceremonies in Gaza City and Al-Bireh on 15 October. Six cash prizes were awarded for outstanding small business start-ups covering a range of sectors, including agriculture, manufacturing and education. The winner in the West Bank was Ramón Hanouneh for his successful olivewood handicraft project in Bethlehem. Hanouneh started his business with only \$4,000. After four loans, his business now employs 19 people and his \$200,000 factory exports to the US. In Gaza, Jaser Fannoneh won first prize in recognition of his unique project that manufactures electrical and solar water heaters.

The awards were sponsored by PalTel, PADICO and the PIF and were organised by the Palestinian Network for Small and Microfinance (Sharakeh) and PlaNet Finance, in cooperation with The Portland Trust. Delphine Thizy, from PlaNet Finance, told the Bulletin that the awards showcase the achievements of microfinance in the Palestinian Territory. Sharakeh's members have disbursed over 250,000 loans since its establishment, with a total value of over \$300m.

## **Olive Harvest 2008**

The olive oil sector is vital to the Palestinian economy, providing livelihoods for approximately 100,000 farmers. 45% of agricultural land is planted with roughly 10 million olive trees and around 270 olive presses operate in the Palestinian Territory.<sup>14</sup>

This year, which is the peak of the two year cycle, olives and olive oil will make up 18% of total agricultural production with profits of around \$123m. Normally in a peak year, 32,000-35,000 metric tons of olive oil are produced. The Ministry of Agriculture expects that this year olive oil production will only produce 22,000 metric tons. These figures are lower than usual due to poor weather conditions and problems with access as the separation barrier has uprooted tens of thousands of trees and divided farmers from their groves.

Local consumption is around 10,000 metric tons, of which less than 1% is sold in supermarkets. Most of the harvest is consumed domestically, in the informal and local markets. Osama Abu Ali, who oversees the olive oil sector for

<sup>12</sup> See <http://www.alquds.com/node/110658>

<sup>13</sup> See [http://www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/FinPress07E.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/FinPress07E.pdf)

<sup>14</sup> "<http://domino.un.org/UNISPAL.NSF/47d4e277b48d9d3685256ddc00612265/7cf773654f61bed9852574e4006d1759!OpenDocument>"

Paltrade, estimated that Israel will consume up to 8000 tons of Palestine's exported olive oil. 2,000-5,000 tons will be exported in 16kg cans through Jordan to the Gulf.

In January 2008, the EU launched a €4m olive oil support programme to improve quality and increase yields of small-scale farmers by up to 20%. The programme helps cooperatives secure organic and fair-trade certificates so that farmers qualify for an extra 20% premium on the export market. In time, the programme aims to direct an additional 500 tons of olive oil to the European market. Currently, exports to Europe are as low as 215 tons in a weak year and 500-600 tons in a peak year - a fraction of the 3,000 ton tax-free Palestinian oil quota established by the EU.

There is potential for growth in the sector. The Bulletin talked with Ahmad Ibdahh, owner of a new olive oil, pressing, packaging and transportation facility in Jammaein, in the Nablus area. 'Zaytouna' boasts world class machines and its processing machinery offers local olive growers an enhanced quality of oil that is packaged to international standards.<sup>15</sup> The factory, which took two years to build and cost \$1.5 million, opened this month. Ibdahh expects the factory to produce between 40 and 50 tons of extra virgin olive oil this season, which will be exported to Europe and America.

## Indices

The Palestinian Consumer Price Index (CPI) increased by 1.3% in September 2008 compared with August 2008. The main increase in the CPI was in the foods and soft drinks group (2.6%), followed by the textiles, clothing and footwear group (1.7%). Minor declines in the CPI were recorded in transportation (-1.3%) and alcoholic beverages and tobacco (-0.2%).<sup>16</sup> These changes were expected, as consumers shift their spending in Ramadan

15 See <http://domino.un.org/UNISPAL.NSF/47d4e277b48d9d3685256ddc00612265/7cf773654f61bed9852574e4006d1759!OpenDocument>

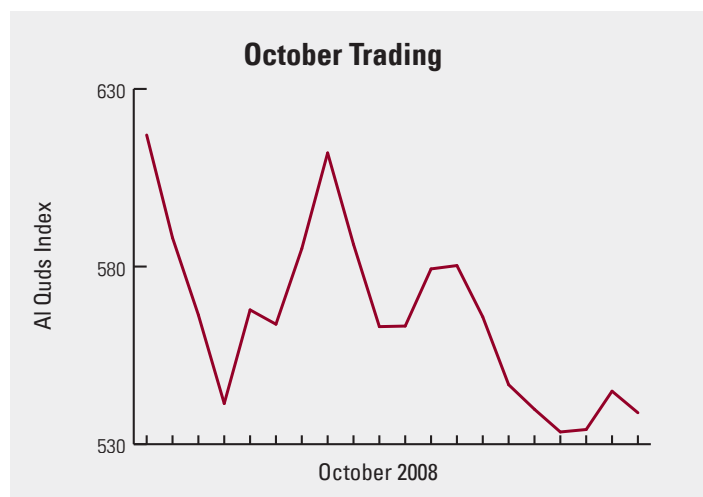
16 See [http://www.pcbs.gov.ps/Portals/\\_pcbs/cpi/Press%20Release%20CPI%20\\_English\\_%20sep%20%202008.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/cpi/Press%20Release%20CPI%20_English_%20sep%20%202008.pdf)

towards food, textile and clothing items and away from alcoholic beverages and tobacco.

The Construction Cost Index (CCI) declined by -1.9% in September 2008 compared with August 2008. Iron dropped sharply by -9.6%, followed by tiles and panels (-3.3%). Increased cost was seen in metal tools (2.8%), hiring of equipments (2.6%) and wages and labor costs (1.6%).<sup>17</sup>

## AI Quds Index

Following the turbulence in international stock markets, the AI Quds index fell by 12.7 % from its peak of 617 points at the beginning of the month to 539 points at the end of October. In 20 trading sessions, 18.8 million shares changed hands, a decrease of 21% compared to September 2008 (14.9 million shares). The value of traded shares decreased by 18% in October from September to \$59.8m. Accumulative market capitalisation stood at \$2.5bn.



17 See [http://www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/prte.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/prte.pdf)

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