

## PALESTINIAN ECONOMIC BULLETIN

Issue 27  
December 2008

### Main reports

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*The Palestine Economic Policy Research Institute (MAS) released the results of a migration survey that investigated internal and external migration and the "brain drain". 850 households (2730 individuals) from Ramallah, Al-Bireh and Bitunia took part in the survey. Migration improved employment prospects. 35% are now in full-time work compared to 27% before migration. 30.8% of survey respondents in the health and higher education sectors wished to emigrate, mainly for political and security reasons.*

*The Consumer Price Index remained steady in October with a minimal decrease of 0.1% from September 2008; 1,096 building licenses were issued in the West Bank in Q3 2008 - a decrease of 0.2% compared with Q2 2008; The Al Quds index fell by 24.5% in November to reach 423.5 points on the last day of trading. Accumulative market capitalisation decreased 17.9% from October to reach \$2.03bn.*

### Investment Opportunities

\$510m of projects were announced at the North Forum at the An-Najah University in Nablus in November. This figure is likely to rise as further deals are confirmed.<sup>1</sup> The projects include plans to build a \$300m power plant in the North; a \$100m iron factory in Jenin (\$15m has been allocated in the first phase)<sup>2</sup>; and a \$18m silos project by the Palestine Industrial Estates Development and Management Company (PIEDCO). An MOU was signed between the Nablus Municipality and the Palestine Investment Fund (PIF) to establish a local industrial zone of 120,000m<sup>2</sup>, costing \$25m.

Munib Al-Masri from PADICO said that "the conference [was] dedicated to businessmen from Nablus, Jenin, Salfit, Qalqilia and Tulkarem in the northern West Bank" with the overall aim of boosting business competence in the northern region of the West Bank. 70 projects with thousands of job opportunities across the north of the West Bank were presented in four sessions at the conference.<sup>3</sup>

Over 1,200 participants attended, including foreign dignitaries, the international community, 300 Palestinian and Arab businessmen (200 from the Palestinian Diaspora), 50 Palestinians living in Israel and members of the PLO executive committee. 100 business leaders from Gaza were denied permits and unlike the conference in Bethlehem last May, no Israeli businessmen attended.

Samir Hulileh, general coordinator of the conference, explained that the organisers had targeted Palestinians from the Diaspora to attend the conference. "The Diaspora is an important and largely untapped resource of potential investment. The global financial crisis, which has had a limited impact on the Palestinian economy, has deeply affected many of these people's investments in neighbouring countries," said Hulileh. "We believe that Palestine is a good place for new investments. We guaranteed their smooth entry for the conference and their attendance was crucial to its success".

President Abbas and Prime Minister Fayyad discussed establishing an 'economic revival fund' worth \$50m and funded by the private sector and donor countries. The fund will give assistance to small, emerging companies in the private sector, so often affected by poor movement and access. Prime Minister Fayyad reassured investors that the global financial crisis will have limited impact on the Palestinian economy.<sup>4</sup> A follow-up conference on SME investment will be held next May, with many hoping it will be in Gaza.

Investment conferences in London and Istanbul are also planned. A London Business Forum on Trade and Development will be held on 15 and 16 December. The aim is to strengthen Palestinian-UK trade and economic relations, build further momentum on the economic track of the peace process and to launch

1 See <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33422>

2 See <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33448>

3 See <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33321>

4 See [http://www.themedialine.org/news/news\\_detail.asp?NewsID=23401](http://www.themedialine.org/news/news_detail.asp?NewsID=23401)

the Palestinian-British Business Council. The general director of Palestine Investment and Promotion Agency (PIPA), Jafr Hdaib told the Bulletin that 200 businessmen and officials are expected to attend. The Palestinian delegation will be headed by the Prime Minister and will include 55 Palestinians from the private sector. A delegate from the Palestinian Stock Exchange (PSE) will attend and hopes to attract new investors to the exchange. The conference will discuss opportunities in the infrastructure and housing, ICT, tourism and financial sectors.

The Palestinian Union of Chambers of Commerce and Industry is to twin with the Qatari Chambers of Commerce and Industry.<sup>5</sup> The Qatar Chamber has pledged to provide its Palestinian counterpart with technical assistance and training to enhance service provision and raise the quality of Palestinian products. Trade and investment will be boosted through investment conferences, advertising opportunities and greater facilitation of contracts and transactions. Jamal Jawabreh, Director General of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture, told the Bulletin that "the twinning aims to raise the quality of Palestinian services and products, advertise and facilitate investment opportunities in both countries, and boost Palestinian trade with Qatar."

## **\$10m CISCO Investment**

Cisco and the Palestinian Steering Committee for the Information and Communication Initiative are considering setting up a Financial Incubator Fund,<sup>6</sup> using the \$10 million grant from CISCO announced earlier this year. The incubator fund will transform investment ideas into emerging companies. This will be a three year project to develop the Palestinian information and communications sector.

## **Exports: Best Practice**

The Portland Trust, in partnership with the Palestinian Federation of Industries (PFI) and Paltrade, commissioned a competitive capacity assessment tool developed by local management consultant, Dr Amjed Ghanim, to rate Palestinian companies' export capabilities. An analysis of the results was published in December.<sup>7</sup> The survey (based on 21 companies) reveals that there are some exceptional companies in the Palestinian export sector. Most of the companies assessed (over half) were considered typical and had similar problems affecting their performance. There are three areas that need attention: strategic planning, product development and packaging, and export promotion. None of these problems are insurmountable.

Palestinian companies face extraordinary hurdles in

competing in international markets. Unpredictable export patterns do not induce local companies to raise their game. But the economic turmoil is an opportunity for local companies to focus on their internal weaknesses so that they are export ready when the markets revive.

## **New Branches for Al-Quds Bank**

This month, the Al-Quds Bank for Development and Investment opened new branches<sup>8</sup> in the Hebron and Jenin Governorates. Al-Quds General Manager, Azam Al-Shawa, said that the new branches boast improved banking services such as 'Swift' live inter-bank transactions services. The bank plans to open its thirteenth branch in Ramallah shortly.

## **Public Sector**

The EU channelled €15m through PEGASE in November to help pay for salaries and pensions.<sup>9</sup> An additional €5m was given to UNRWA's 'Special Hardship Case' programme<sup>10</sup>, (to be renamed the 'Social Safety Net' programme in 2009) which provides cash subsidies to vulnerable families in Gaza unable to meet basic nutritional requirements.

Agreement between the Ministry of Education and university staff has been reached following strikes in November.<sup>11</sup> The university staff union went on strike to demand a 30% pay increase (to compensate for rising living costs) a change in the retirement age and better end-of-service bonuses.<sup>12</sup> A sit-in in front of the Prime Ministers' Office in Ramallah raised the strike's profile. A union spokesman, Musa Ajweh, said that because of low wages, many education workers are leaving the country seeking employment elsewhere.<sup>13</sup> The Bulletin spoke to Dr. Khaled Hijazi, President of Al-Najah University Workers' Union and board member of the Federation of Union Workers in Palestinian Universities. Hijazi believes "the strikes [achieved] only the absolute minimum of the workers' requests," adding that "the main outcomes included entry pay-scale to increase by 25%, additional scales to increase by 20% and end of service pay will also rise."

## **Infrastructure Development**

The \$63m North Gaza Emergency Sewage Treatment project was re-launched after delays due to the Israeli closure of the Gaza Strip. The construction of a new treatment plant will benefit approximately 300,000 people. The World Bank and Quartet officials oversaw a test in November to drain a sewage lake of 660,000 gallons of partially treated human waste into nine treatment basins.

<sup>8</sup> See <http://www.alquds.com/node/118382>

<sup>9</sup> See <http://www.delwbg.ec.europa.eu/en/whatsnew/73.htm>

<sup>10</sup> See <http://www.delwbg.ec.europa.eu/en/whatsnew/80.htm>

<sup>11</sup> See <http://maannews.net/en/index.php?opr=ShowDetails&ID=33467>

<sup>12</sup> See <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33038>

<sup>13</sup> See <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33331>

<sup>5</sup> See <http://www.alquds.com/node/117140>

<sup>6</sup> See <http://www.alquds.com/node/116456>

<sup>7</sup> See <http://www.portlandtrust.org/exports.html>

Last year five people were killed when a part of the lake ruptured into a nearby village.<sup>14</sup> “This project is a key example of how all sides can work together to alleviate the situation in the Palestinian Territory, particularly in Gaza,” said Tony Blair.<sup>15</sup>

On a visit to the Jenin Governorate, the US Secretary of State, Condoleezza Rice, announced that USAID will provide an additional \$14m to fund infrastructure projects in the Jenin area. The projects include rehabilitating roads and improving water sanitation. A \$2m co-educational elementary school in Jenin will also be built.<sup>16</sup>

A 10-year strategic development plan for the Jenin Governorate was unveiled last month.<sup>17</sup> It is likely to cost over \$600m. The plan was devised by government, non-governmental, public, private and academic organisations and was funded by Irish Aid. It recommends a wide range of interventions, including establishing a district planning council, improving public recreation and cultural facilities, and investing in the electricity sector, education and agribusiness. UNDP and the Ministries of Local Government and planning coordinated the plan. Ziad Bandak, the Minister of Local Government, said that multilateral coordination will “limit the waste of resources through better coordination of national, regional, and local strategies”.<sup>18</sup>

The Ministries of Planning and Finance held a two day workshop in Jericho<sup>19</sup> to review and update the Palestine Reform and Development Plan (PRDP), launched almost a year ago. The revised plan needs approval in the 2009-2011 Budget. Judeh al Jamal, PRDP team leader in the Ministry of Planning, told the Bulletin that difficult coordination between ministries, capacity issues and timetable problems posed some obstacles to the PRDP implementation.

## Aid Appeals

Core services of the United Nations Relief and Works Agency (UNRWA) have been severely affected by the global financial crisis. Without significant additional pledges in early 2009, it will suffer a shortfall of more than \$87m in the first quarter of 2009.<sup>20</sup> This will bring UNRWA closer to financial crisis than it has ever been’ said the Commissioner General of UNRWA, Karen AbuZayd, at their annual meeting.

The shortfall rises to \$160m if unfunded projects frozen from previous years are included. UNRWA’s projects

include the Work for Pay Programme, which has recently given 65 female refugees in Jenin job opportunities with monthly salaries of \$360, (increasing to \$420 / month next year). The programme enables women to become more independent, acquiring skills and experience in the handicraft related fields. A similar programme is planned for Nablus, focusing on refugees with special needs.

Agencies of the United Nations and governmental and non-governmental organizations have appealed for \$462m for humanitarian assistance programmes.<sup>21</sup> The consolidated appeal (CAP) was launched in response to the ongoing decline in economic productivity in the Palestinian Territory, global rises in food prices, and the proliferation of poverty and unemployment in the Gaza Strip. This is the sixth consecutive annual appeal: last year’s appeal received 69% of the funding required.

There are 159 projects in the appeal – 96 will be run by the NGO sector and 63 by UN agencies. The projects include food aid and food security (\$209m); cash for work and cash assistance (\$133m); security (\$33m); agriculture (\$25m); health (\$19m); water, sanitation and hygiene (\$18m); coordination and support services (\$16m) and education (\$9m).<sup>22</sup>

## Internal and External Labour Migration

The Palestine Economic Policy Research Institute (MAS) released the results of a migration survey in November. The survey investigated the “brain drain” in the health and higher education sectors and studied internal and external labour migration to and from the Ramallah and Al-Bireh Governorates.

The results of the 2007 official census show that between 1997 and 2007 there has been an increase of 25% in the population of the West Bank and a 30% growth in the population of the Ramallah and Al-Bireh Governorates. 850 households (2730 individuals) from Ramallah, Al-Bireh and Bitunia took part in the survey.

73% of respondents saw the Israeli occupation as the dominant reason for moving, particularly the separation barrier and checkpoints. Migration improved employment prospects. 35% are now in full-time work compared to 27% before migration. 43% of the respondents reported an increase in their income, (20% a decrease) and 37% said that their income was stable. Only 17% of full-time internal labour migrants send monthly remittances back home (as many move with their families). Remittances range from 2%-60% of income and is mainly spent on family support. Little is spent on education.

14 <http://www.wtop.com/index.php?nid=105&sid=1510718>

15 <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33049>

16 <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=33109>

17 See November 2008 Bulletin

18 English summary of the Jenin District Strategic Development Plan.

19 <http://www.alquds.com/node/117419>

20 See <http://domino.un.org/unispal.nsf/47d4e277b48d9d3685256ddc00612265/d002f2a31d71cb9a85257506004c35521?OpenDocument>

21 See [http://www.ochaopt.org/documents/ocha\\_opt\\_press\\_release\\_2009\\_english1.pdf](http://www.ochaopt.org/documents/ocha_opt_press_release_2009_english1.pdf)

22 See [http://www.ochaopt.org/documents/ocha\\_opt\\_consolidated\\_appeal\\_2009\\_full\\_english.pdf](http://www.ochaopt.org/documents/ocha_opt_consolidated_appeal_2009_full_english.pdf)

The Palestinian Territory is ranked third amongst Middle East and North Africa countries in term of external migration rates. 30.8% of survey respondents in the health and higher education sectors wished to emigrate, mainly for political and security reasons. Of those, 34.5% would like to move to Europe and 20.7% to the Gulf. Many Palestinian émigrés indicated in other questionnaires that they would like to return to the Palestinian Territory if the political and administrative institutions improve.

## CPI Steady

The Consumer Price Index remained steady in October with a minimal decrease of 0.1% from September 2008. The greatest increase in the CPI was in the textiles, clothing and footwear group (1.1%) followed by the furniture and household goods group (0.4%). Minor declines were recorded in transportation (-1.1%) and restaurants and cafes (-0.6%). While the index increased in Jerusalem by 0.5%, it decreased in the Gaza Strip (-0.6%) and in the West Bank (-0.5%).<sup>23</sup>

## Building Licenses

1,096 building licenses were issued in the West Bank in Q3 2008 - a decrease of 0.2% compared with Q2 2008.<sup>24</sup> The licenses affect 1,397 dwelling units with a total area of 459,000 m<sup>2</sup>.

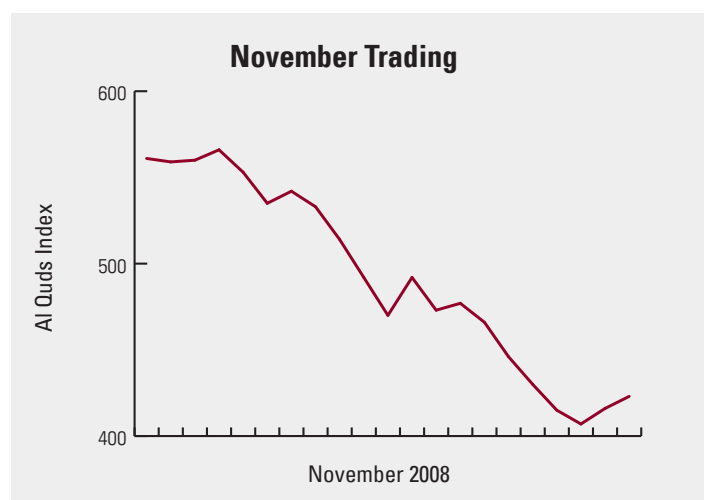
The total number of licensed dwellings increased by 3.8% from the previous quarter and the total licensed area decreased by 14.9%. The total number of licensed dwellings decreased by 29.3% and 45.9% compared with the same quarters of 2006 and 2007 respectively.

<sup>23</sup> See [http://www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/CPI%20\\_E\\_%208.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/CPI%20_E_%208.pdf)

<sup>24</sup> See [http://www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/lic\\_press\\_e.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/lic_press_e.pdf)

## Stocks Fall

Palestinians were not immune to the global financial crisis in November. Reflecting their pessimism for the future, the Al Quds index fell by 24.5% to reach 423.5 points on the last day of trading in November. The index peaked on the first day of trading (561.24 points). In 21 trading sessions, 19.9 million shares changed hands, an increase of 5.4% compared with October 2008 (18.8 million). The value of traded shares in November 2008 decreased by 31.6% from \$58.9m in October 2008 to \$40.3m. Accumulative market capitalisation was \$2.03bn - 17.9% less than October 2008.



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