

PALESTINIAN ECONOMIC BULLETIN

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Main reports

The United States Government announced on 1 February an end to the last remaining US assistance programme to the Palestinian people.

The World Bank Group approved on 7 February a \$30m development policy grant to support the PNA reform programme

Sustainable Development Goals in Palestine – An Interview with Dr. Ola Awad, President of the Palestinian Central Bureau of Statistics.

The French Development Agency announced on 24 January a contribution of €25m to finance renewable energy, energy efficiency and environmental protection projects in Palestine.

Freeze on the Implementation of the Social Security Law

On 28 January 2019, Palestinian President Mahmoud Abbas ordered a freeze on the implementation of a new social security law.¹ Recognising the need for greater public consultation and a review of the contested provisions of the Law, President Abbas's executive order read: "The dialogue between all relevant parties will continue in order to achieve a national consensus about the law and its implementation date." The executive order did not provide a timeline or how the dialogue will be conducted.

The freeze came after months of protests and public demands to suspend the law that had come into force in mid-January. The legislation was contested by both workers and employers, with a range of issues, including rates of salary deductions and employers' contributions, the implications of business formalisation and compliance with labour law, fund management and the additional financial burden it was seen to place on already struggling smaller businesses and lower-income households.

The Social Security Law was first enacted in 2016 by presidential decree, following a long period of national dialogue between the Palestinian National Authority (PNA), the private sector, trade unions and civil society. The discourse around the law focused on the need for a social safety net for private sector employees, who constitute at least 53% of the workforce.²

US Cuts all Aid to Palestinians in the West Bank and the Gaza Strip

On 1 February, the United States Government announced an end to the last remaining US assistance programme to the Palestinian people. US financial aid to Palestine has been gradually declining since 2018, starting with the cuts in US contributions to UNRWA, followed by the termination of USAID programmes in both the West Bank and the Gaza Strip.³ The latest cessation followed new American legislation whereby foreign aid recipients could be exposed to anti-terrorism lawsuits in US courts. The US Congress' new Anti-Terrorism Clarification Act (ATCA) would empower US plaintiffs to sue foreign aid recipients in its courts over alleged complicity in "acts of war". The PNA in turn declined further US funding over concerns of potential legal proceedings emanating from allegations in the US.

USAID was the main body administering US foreign assistance in the Palestinian territories, spending some \$268m on governance, humanitarian, infrastructure, health and other projects in the West Bank and Gaza Strip in 2017. In addition, other US agencies disbursed over \$110 million in 2017, including \$60 million on non-lethal, security-related assistance to the PNA. According to OECD data, since 1993 the US has provided Palestine almost \$7.3 billion in aid (excluding its contribution to the UNRWA budget) and over \$6.9 billions of it since 2001.⁴

1 www.aliqtisadi.ps/article/66050/

2 www.ilo.org/beirut/media-centre/news/WCMS_561898/lang--en/index.htm

3 www.independent.co.uk/news/world/middle-east/us-palestinian-aid-cuts-israel-occupied-west-bank-gaza-usaid-a8758456.html

4 <https://bit.ly/2E9WSNt>

The termination comes shortly after the end of US funding for UNRWA, which had in the past two years already decreased to \$359 million annually. Although UNRWA managed to reduce their funding shortfall in 2018 through alternative donor funding,⁵ the cuts are expected to adversely impact an already challenging socio-economic landscape in the coming year, at least until sustainable alternative donor or public funding for the most vital services affected can be secured.

Sustainable Development Goals (SDGs) in Palestine – Interview with Dr. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS)

Dr. Awad is President of the Palestinian Central Bureau of Statistics (PCBS), following her appointment in 2009. She holds a Ph.D in Business Administration from Liverpool University, an MA in Applied Statistics from Birzeit University and an MBA from Boston University. Dr. Awad currently represents the Arab region in the High-Level Group for Partnership, Coordination and Capacity-Building for Statistics for the 2030 Agenda for Sustainable Development (HLG-PCCB).

As the national statistical agency, what is the role of PCBS in terms of the SDGs in Palestine?

Palestine submitted its first Voluntary National Report (VNR) for the United Nations High-Level Political Forum (HLPF) in 2018, which was meant as a baseline report against which future progress would be measured.

In terms of the statistics for monitoring progress, PCBS is working on providing the baseline data for the widest set of SDG indicators. A total of 109 indicators are available, while still many indicators lack categorisation (e.g. per region, gender, age, etc.). Data collection in Palestine remains highly challenging due to the restrictions imposed on the access of the PNA to certain areas of Palestine, coupled with financial restrictions further limiting indicator availability and categorisation.

The ongoing efforts to enhance the database of the SDG indicators focus on developing the data drawn from public and private institutions' administrative records, which as sources are the weakest part of the statistical system. The implementation of the SDGs follows the global SDG indicators in line with the 2015-2030 Agenda as well as the national list of indicators that align with the National Policy Agenda (NPA) 2017-2022.

It has been said that Palestine's attainment of SDGs under occupation is 'inconceivable' – would you agree and why?

It is obvious that sustainable development cannot be achieved under Israeli occupation, which has a total control over Palestinian resources, especially land, and full control of its borders. Israeli occupation has created

a disabling environment for the Palestinian Government, its institutions and people in all sectors, preventing it from achieving any significant progress in realising SDGs. But that does not mean that Palestine cannot make progress, however curtailed, to achieving those SDGs which are within the reach of the PNA.

Although the SDGs are mutually inclusive, which SDGs from your perspective should be prioritised in the Palestinian context (People, Planet, Prosperity or Peace)?

The State of Palestine has integrated the sustainable agenda within the National Policy Agenda 2017-2022 through 22 sectoral strategies. As the first phase of the SDG's 2030 Agenda, the NPA prioritised some 75 out of the 169 targets. However, the sectoral and cross-sectoral strategies partially consider 30 more targets, thus raising the total number of targets to 105 (out of 169). Identifying and prioritising targets was a national process that considered the population's needs and availability of resources, among other factors. The NPA represents a national programme of action for Palestine focusing on the rights of citizens for freedom, justice, basic services, economic opportunities, safety and prosperity. The overall framework of the strategy clearly reflects the transformation advocated in the SDG's 2030 Agenda in their mutual focus on the marginalised and vulnerable groups and leaving no one behind. It focuses on citizens' needs and greater resilience as well as standards of living for the most marginalised groups of the society amidst the obstacles posed by the occupation. Both globally, and in the NPA, both people and planet are prioritised based on the sheer number of SDGs falling under these categories. SDGs for people's wellbeing - such as no poverty, zero hunger, quality education and gender equality - as well as those for the planet's, are indeed some of the main developmental challenges also in Palestine. As for Peace, it is certainly our all-encompassing and necessary goal if we are to be able to cater to our people and our small corner of the planet.

Explain to us the institutional arrangement for follow-up and implementation of SDGs in Palestine

The implementation of the NPA (and the SDG targets therein) is the responsibility of all state actors, both governmental and non-governmental institutions, including the private sector. Following the endorsement of the SDGs, the Palestinian Council of Ministers formulated a national team that is led by the Prime Minister's Office and representatives from the Government, including the PCBS, as well as civil society organisations and the private sector. The main work for this team is to lead the implementation of the SDGs and support in organising the work. To this end, 12 specialised working groups have been established on the basis of the SDGs.

For monitoring progress, PCBS set up a task force with diverse expertise to lead the statistical efforts and provide the required data on SDG indicators. This team has worked closely with a wide range of experts in different thematic areas and in cooperation with ministries and

⁵ <https://bit.ly/2EgNqGM>

other institutions. Open and big data will be used for statistical purposes for monitoring the SDGs, and even the National Strategy for the Development of Official Statistics (NSDS) is aligned with the SDGs for more efficient monitoring. PCBS participates in the global efforts to promote SDGs as it represents the Arab region in the High-Level Group for Partnership, Coordination and Capacity-Building for Statistics for the 2030 Agenda for Sustainable Development (HLG-PCCB).

New Funding for Renewable Energy Projects in the West Bank and Gaza Strip

On 14 January 2019, the World Bank Group (WBG) approved a \$12m grant to scale up the operational performance of key Palestinian energy sector institutions and pilot a new business model for solar energy in the Gaza Strip.⁶ The new funding builds on the WBG's Electricity Sector Performance Improvement Project, originally approved in July 2017, to address energy shortages in the West Bank and Gaza Strip.⁷ So far, the project has promoted two initiatives: the first aims to improve operational and commercial management of large and medium sized customers through the installation of smart meters, particularly in the commercial and industrial sectors. The second initiative finances the installation of rooftop solar panels for small and medium sized businesses (SMEs) and households in Gaza. The consumers repay the cost of the solar panels in monthly instalments over two to four-year periods to ensure the financial sustainability of the model. A complementary initiative will finance solar rooftop systems for select hospital and health clinics.

Ms. Monali Ranade, World Bank Senior Energy Specialist, said: "Increasing solar system installations in Gaza can provide an important safety net for meeting critical electricity needs. Protecting small and medium enterprises from electricity shortage is important to enable them to provide more jobs and contribute to economic growth."

Launch of a Green Finance Fund in Palestine

On 24 January 2019, the French Development Agency (AFD) announced a contribution of €25m to finance projects in the fields of renewable energy, energy efficiency and environmental protection, through the Bank of Palestine (BoP) and Cairo Amman Bank (CAB). The fund will be disbursed in the form of long-term affordable financing to individuals and institutions for eligible green investment projects, such as energy efficient equipment and renewable energy production. The announcement for the funding was made at a joint event between AFD, BoP and CAB along with the Palestinian Energy and Natural Resources Authority (PEA) at which AFD's Green Finance fund SUNREF (Sustainable Use of Natural Resources and Energy Finance) was launched in Palestine.⁸

SUNREF helps the private sector in the Southern Hemisphere capture opportunities in energy and environmental transition and encourages local banks to provide the necessary finance. 42 SUNREF projects have been successfully implemented since 2006, in partnership with 70 local banks in 30 countries of operation, for a total commitment of over €2.5bn of loans that have been allocated by AFD.

World Bank to Support PNA Reforms

On 7 February 2019, the WBG approved a \$30m development policy grant to support the PNA reform programme in strengthening fiscal resilience and creating an environment conducive for private investment and job creation.⁹ This grant came as part of the Bank's continued support for the implementation of the Palestinian National Policy Agenda 2017-2022.

Mr. Damir Cosic, World Bank Senior Economist, commented: "While the new grant will continue to support progress to improve the Palestinian Authority's service delivery in energy, water and health, it is also essential to modernise and improve the legal and regulatory business environment to attract investors and entrepreneurs and to build on a new reform momentum in land administration and cashless mobile payments." According to the WBG, the focus on greater transparency in land administration will increase tax collection and provide more available collateral for bank debt financing as only titled land can be used as collateral.

January Trading

In January 2019, the Al-Quds index increased by 0.33%, reaching 531.1 points on the last day of trading.¹⁰ A total of 19.4m shares worth \$33.8m were traded during the month, marking a 143.5% and a 90.0% increase in the number and value of traded shares compared to December 2018. The insurance sector witnessed the highest increase (1.16%), while the banking and financial services sector saw the greatest decrease (2.7%). The fall in the banking and financial services sector came after several lawsuits were filed in US courts against Cairo Amman Bank, Bank of Palestine and Palestine Investment Bank for alleged violations of US anti-terrorism legislation.¹¹ In this regard, Azzam Shawwa, the governor of the Palestinian Monetary Authority (PMA), said that these accusations have no factual or legal base. He further added "all the operating banks in Palestine will continue to be committed to compliance with laws and international best practices to counter money laundering and terror financing."

6 <https://bit.ly/2EAav1WJ>

7 <http://projects.worldbank.org/P148600/?lang=en&tab=overview>

8 www.sunref.org/wp-content/uploads/2019/01/Press-release-EN-Final.pdf

9 <https://bit.ly/2H7fmzN>

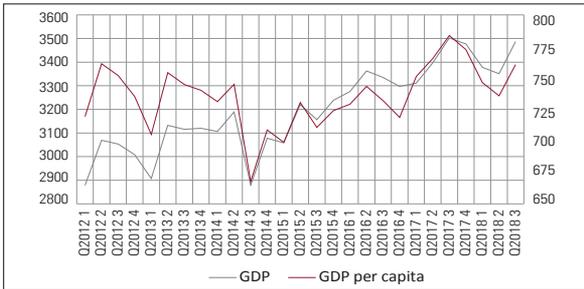
10 <https://bit.ly/2IOGCpA>

11 <http://english.wafa.ps/page.aspx?id=fNcKBCa108117237294afNcKBC>

Palestine Economic Dashboard

Growth

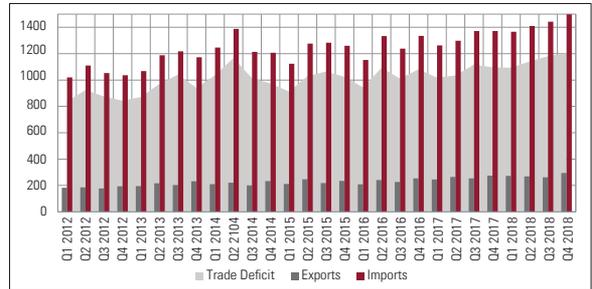
GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2012–Q3 2018



GDP (Q3 2018): \$3,486.5m GDP per capita (Q3 2018): \$760.5
Source: PCBS

Trade

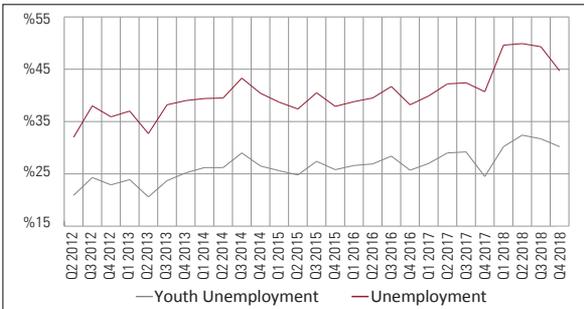
Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2012–Q4 2018



Imports (Q4 2018): \$1,497.8m Exports (Q4 2018): \$294.2m
Trade deficit (Q4 2018): \$1,203.6m Source: PCBS

Unemployment

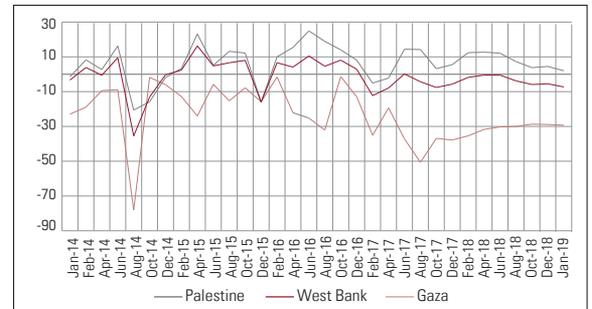
Unemployment & Youth Unemployment in Palestine, Q2 2012–Q4 2018



Unemployment rate (Q4 2018): 30.2% Youth Unemployment rate (Q4 2018): 44.7%
Source: PCBS

Business Cycle Index

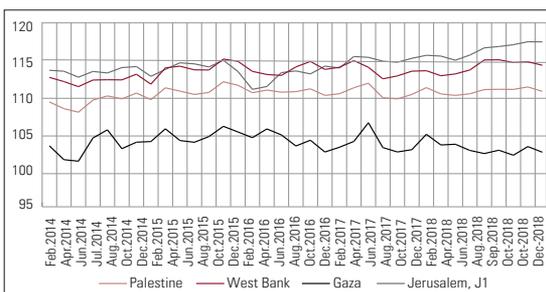
Palestine Monetary Authority Business Cycle Index, February 2014–December 2018



Palestine (December 2018): -5.5 West Bank (December 2018): 4.5
Gaza (December 2018): -28.9 Source: PMA

Inflation

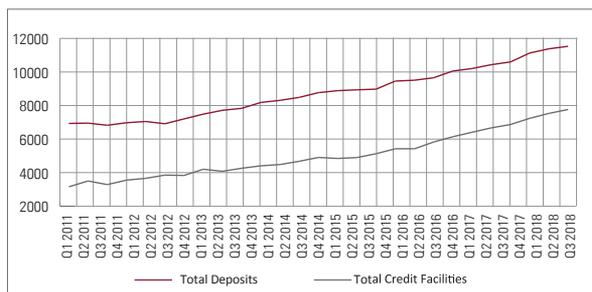
Consumer Price Index (Base year = 2010), February 2014 – December 2018



Palestine (December 2018): 110.85 West Bank (December 2018): 114.44
Gaza (December 2018): 102.49 Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2011–Q3 2018



Total Credit Facilities (Q3 2018): \$ 8,293.6m Total Deposits (Q3 2018): \$12,194.2m
Source: PMA

The Portland Trust



The Palestinian Economic Bulletin is prepared by the Palestine Economic Policy Research Institute (MAS) and edited by The Portland Trust. Please send any comments, suggestions, or complaints to feedback@portlandtrust.org

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