

PALESTINIAN ECONOMIC BULLETIN

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Main reports

The Palestinian Minister of Agriculture, Riyad Atari, announced on 28 October that the Israeli authorities had approved the import of 10,700 calves to Palestine from abroad, through Palestinian traders

Palestine's 16th Expotech Technology Week, titled "The Rise of Fintech and Blockchain", took place in Ramallah between 4 and 5 November

Al-Quds index reached 519.5 points on the last day of trading in October 2019, an increase of 0.36% from the previous month

In this issue of the bulletin, we interview Ahmad Ramahi, a leading entrepreneur who recently co-founded WeDeliver, the first crowdsourced "on-the-way" delivery service for businesses in the MENA region

Developments in Palestine's International Trade

The Palestinian National Authority (PNA) has been working intensively to encourage domestic production and strengthen economic cooperation with neighbouring countries in line with its efforts to reduce dependency on imported goods and services from Israel.¹ Since the announcement of the economic disengagement strategy in May 2019, there has been a rise in trade tension between the Government of Israel (Gol) and the PNA. This tension has been compounded by the lack of agreed communication channels on economic issues between the two sides. Under the Paris Economic Protocol signed in 1994, a Palestinian-Israeli Joint Economic Committee (JEC) was established to follow up the implementation of the agreement and to arbitrate issues related to the economy.² However, the Committee has been inactive since the early 2000s despite some attempts to reactivate it.³ The recent partial resolution of the 2019 clearance revenue dispute between the PNA and Israel was supposed to include the reconvening of some technical committees within the JEC framework and a reconsideration of the Paris Protocol, but no progress has since been announced on these issues.

Halting Import of Calves from Israel

On 28 October, Riyad Atari, the Palestinian Minister of Agriculture, announced that the Israeli authorities had approved the import of 10,700 calves to Palestine from abroad, through Palestinian traders. He stated that 1,680 calves will be imported in the next few days, and the remainder gradually introduced into the market in batches until mid-November.⁴

Palestine imports around 120,000 calves from Israel annually; 20,000 from Israeli farms, and 100,000 from Israeli traders importing from abroad.⁵ On 16 September, Atari announced the Government's plan to halt all calf imports from Israel or from Israeli importers, and he called upon all regulatory bodies to follow up on implementation.⁶ The Government's announcement came as part of its wider economic disengagement policy, whereby Palestinians would be able to import calves directly from abroad through Palestinian traders rather than through Israeli importers or from Israeli farms.

However, the Gol has meanwhile threatened to halt the entry of Palestinian agricultural products (approximately 280-300 tons per day) into the Israeli market if a "boycott" of livestock imports from Israel is pursued.⁷ The Palestinian Government has since condemned this interpretation of its recent moves, and affirmed its right to diversify sources of imports.⁸ Palestinian traders have informed the Palestinian Ministry of Agriculture that the Gol and the Israeli veterinary department have held up clearance of the first shipment of calves at Israeli ports under the pretext of non-compliance with health standards, which will result in a 25-day delay to complete necessary health checks.⁹ The Gol also rescinded Businessman Cards (BMCs)¹⁰ of Palestinian direct

1 <http://palestinecabinet.gov.ps/Website/AR/ViewDetails?ID=43725>

2 www.paltrade.org/upload/agreements/Paris%20Economic%20Protocol.pdf

3 <https://bit.ly/2rVbpZy>

4 www.alhadath.ps/article/108478/

5 www.alhadath.ps/article/108478/

6 www.palestineconomy.ps/ar/Article/15482

7 www.haaretz.com/opinion/.premium-israel-palestinian-authority-economy-boycott-1.7991256

8 <https://bit.ly/32gFgIC>

9 quarantine is usually 8 days; <https://bit.ly/35i7IRD>

10 A magnetic permit that allows a limited number of Palestinian business executives to move between the Palestinian Territories and Israel. The permit is valid for a six-month period and includes overnight stay in Israel

importers of calves, in addition to freezing their import permits.¹¹ Israel Channel 11 has reported that the Gol is considering applying economic sanctions, including banning the entry of international aid to the West Bank and of Palestinian exports of dates and olive oil.¹² Atari said that he has only heard about export bans by Israel from the media and had not been informed of anything via official channels.¹³

The decision to halt calf imports from Israel also faced opposition from Palestinian butchers and meat wholesalers, who protested that it was implemented hastily without adequate prior research and consultation of stakeholders.¹⁴ The Palestinian Butcher Stores Union stated that this new policy measure will result in a shortage of calves in the market and an increase in meat prices, possibly creating a monopoly for the few traders who have the necessary licenses and financial means to import calves from abroad.¹⁵ The MoA and other official government bodies have re-affirmed to farmers that the market has enough reserves of calves to cover demand for the next four months, and that it will take the necessary measures to avoid any monopolistic behaviour.¹⁶

Olive Imports from Israel

On 2 October, Al-Atari announced that the Government will allow the import of 3,600 tons of Manzanilla olives from Israel, Egypt and Jordan; 2,000 tons from Israel and 1,600 tons from Egypt and Jordan. The statement was criticised by Palestinian farmers and activists, who cited the negative impact on Palestinian olive farmers and the inconsistency of this policy with the Government's declared strategy of economic disengagement from Israel.¹⁷

In response, the Ministry of Agriculture (MoA) clarified that this specific variety of olive is not grown in the local market, and hence the local olive crop would not be affected. Furthermore, these imports are needed to maintain the operations of pickling and packaging factories operating in Palestine that depend on this variety, which enjoys a steady demand for re-export, including to Israel.¹⁸ The statement also noted that conditional approvals for importing olives for pickling are given annually after a comprehensive review of applications submitted by pickling plants.¹⁹

Pursuing Trade with Iraq

After a ministerial visit to in mid-October headed by Prime Minister Dr Mohammed Shtayyeh, Palestinian Government spokesperson, Ibrahim Melhem, announced the Government's interest in strengthening economic relations with Iraq, especially in the energy sector. According to Minister of National Economy, Khaled Oseili, the PNA has formally requested Israel's approval to import Iraqi oil through Jordan.²⁰

11 <https://bit.ly/373mV57>

12 <https://bit.ly/2QE5GSt>

13 <https://bit.ly/2KCxUx3>

14 <https://bit.ly/35hqqMs>

15 <https://bit.ly/2KBBcwj>

16 <https://bit.ly/2NZxHRj>

17 <https://themedialine.org/top-stories/palestinian-farmers-say-no-to-israeli-olives/>

18 <https://bit.ly/32fAFq0>

19 <https://bit.ly/2X1yMvW>

20 <https://bit.ly/33iKyVj>

Palestine is almost entirely dependent on oil and gas imports from Israel to meet local demand, with \$700m annually (approximately 800 million litres), representing about 20% of total Palestinian imports. The Paris Protocol allows Palestinians to import gasoline from Jordan and Egypt, on condition that these imports meet quality standards in the European Union or the USA.²¹ Jordanian standards are still inferior to European and US standards and it would be costly for the Jordanian refinery under its current configuration to produce the higher quality petrol products permitted under the Paris Protocol.²²

Pursuing Trade with Egypt and Jordan

On 7 October, Prime Minister Shtayyeh visited Egypt to discuss bilateral cooperation.²³ The two sides agreed to form a joint economic and trade committee to work on enhancing economic cooperation, trade and joint investments.²⁴ In July, Shtayyeh paid a similar visit to Jordan where three memorandums of understanding were signed between Palestine and Jordan on energy, health and transportation.²⁵

These visits come on the heels of the PNA's recent efforts to procure medical services from Egyptian and Jordanian hospitals to replace those provided in Israel.²⁶ In 2018, about 88% of Palestinian patients transferred to hospitals outside Palestine were referred to Israeli hospitals, at a total cost of NIS 181m.²⁷ The remaining patients were transferred to Egypt (2.1%), with a cost of NIS 5.3m, and to Jordan (0.03%), with a cost of NIS 140,268.

Expotech 2019: The Rise of Fintech and Blockchain

Palestine's 16th "Expotech Technology Week" took place in Ramallah between 4 and 5 November. The annual event was organised by the Palestinian Information Technology Association (PITA) in partnership with the Palestine Information and Communications Technology Incubator (PCTI).²⁸ This year's event was titled "The Rise of Fintech and Blockchain" and included four symposiums to demonstrate new technologies within the financial sector.

Within the financial technology (FinTech) space, there was a particular emphasis on blockchain technology, due to its high potential for sectoral disruption. Blockchain is a decentralised electronic ledger that records financial transactions and data, without the possibility of retroactively modifying the information.²⁹ The symposiums focused on various dimensions of FinTech, including the impact of laws and regulations on FinTech, how to build an inclusive FinTech investment environment, international experience in FinTech and blockchain technologies,

21 www.paltrade.org/upload/agreements/Paris%20Economic%20Protocol.pdf

22 <https://bit.ly/37hyZ2R>

23 <http://english.wafa.ps/page.aspx?id=2msH6La113710689675a2msH6L>

24 <https://bit.ly/33j99cv>

25 <http://english.wafa.ps/page.aspx?id=zxdf99a110863044699azxdf99>

26 <http://english.wafa.ps/page.aspx?id=qdesbra113738290512aqdesbr>

27 <https://bit.ly/35h0vj9>

28 <http://expotech.ps/about/years-expotech-totally-different>

29 <https://bit.ly/34dDg5m>

and the expectations of and challenges for companies providing FinTech services.³⁰

During the policy session, Mr Azzam al-Shawa, the Governor of the Monetary Authority (PMA), explained the PMA's interest in adopting FinTech as an efficient solution to lack of access to financial services, as well as other political and financial challenges faced by the Palestinian economy. He stated that the PMA's future vision for FinTech will be announced before the end of the year, and will include providing appropriate incubation to support all emerging initiatives in this field and finding technological solutions to issues in financial operations. He also noted that legislation and regulation for organising electronic payment methods is currently underway, and that the PMA has been studying the needs of the Palestinian market in terms of access to financial services, having opened the field to the private sector at the end of last year to invest in FinTech.³¹

Interview with Ahmad Ramahi, Co-founder of WeDeliver

Ahmad Ramahi is a computer engineer with 9 years' experience in senior positions in the tech sector. Ramahi co-founded several startups including Digital360, SocialStudio and ConceptsTech, and has recently co-founded WeDeliver, the first crowdsourced "on-the-way" tech-driven delivery service for businesses in the MENA region. Before launching WeDeliver, he was the operations manager of Careem in Palestine.

Palestinian Economic Bulletin (PEB): What is WeDeliver?

Ahmad Ramahi (AR): WeDeliver, established in January 2019, is a tech-driven delivery service for businesses that utilises crowdsourcing. The startup uses innovative technology to help businesses deliver their items through utilising the extra space in crowdsourced drivers' vehicles. This optimises the capacity of drivers which results in a faster, more cost-efficient solution for businesses, particularly startups that need a reliable and fast delivery solution. To further improve efficiency, WeDeliver has already established its first network of crowdsourced hubs which include easy to find places (Gas stations, shops, stores, supermarkets, etc) that are used as collection and pickup points by the crowdsourced drivers. WeDeliver is constantly developing its algorithms to enhance order-dispatch, route optimisation and vehicle tracking.

Since its establishment, WeDeliver has maintained double-digit growth month-on-month, serving over 270 businesses in Palestine and has turned out to be one of the fastest growing startups in Palestine, with a multi-million dollar valuation. The startup is planning to expand into Saudi Arabia next quarter, aiming to fulfill a million deliveries and generating more than USD 5 million in sales next year. WeDeliver is currently raising USD 1.2m in a seed round, most of which has already been committed by local and regional VCs, alongside a UK based VC and some angel investors.

In October 2019, WeDeliver was voted the top startup among hundreds of startup applications from 166 countries that were submitted to Startup Istanbul, a regional event which brings together founders, investors, executives, business angels and venture capitalists from Asia and Europe.

PEB: How would you describe the tech startup ecosystem in Palestine?

AR: The Palestinian eco-system is still immature, as it has not seen successful market exits yet, and it needs to see more startups founded by professional people with experience who can take their startups to regional and maybe a global level. Also, even though the government and the private sector often publicise their support for entrepreneurship and a tech-based environment, little progress has been seen in terms of regulations and investment in startups. Nonetheless, I have to say that the general scene is getting better but the development is very slow compared to nearby countries. Having a big success story coming out might inspire others and shed light on the potential of startups in Palestine, bringing more change on the ground.

A huge challenge for entrepreneurs to establish their startups in Palestine is the small talent pool and lack of experience for building scalable regional business and products, and if the required talents are found, it is very hard for startups to acquire them because they are highly paid, and they are often employed by large companies or international organisations and non-governmental organisations. Also, the political environment and the high unemployment rates make it very risky for talented individuals to quit their secure jobs and join a sector with a zero success rate so far.

PEB: What advice can you give young entrepreneurs seeking to establish their own tech startups in Palestine?

AR: Don't start before having enough experience to take the risk and start your own venture. Think regional and global from start, build scalable ideas that are not only designed for the Palestinian market. You also need to be very agile and lean in your startup. Start with small product and continue building the process and product on the way while operating because you will learn a lot from the field and you need to keep pivoting as you learn more. It is normal to face many problems, don't let this frustrate you, in my opinion, good entrepreneurs are good problem solvers.

October Trading

In October 2019, Al-Quds index reached 519.5 points on the last day of trading, an increase of 0.36% from the previous month.³² During the month, a total of 4.9m shares worth USD 10.8m were traded, marking a 57% decrease in the number and 46.8% drop in the value of traded shares compared to the previous month. The industrial sector witnessed the worst performance, with a 2.2% decrease to 98.1 points during October. The insurance sector experienced the largest increase, growing by 1.8% to 95.1 points.

³⁰ <http://expotech.ps/about/expotech-2019-conference-symposiums>

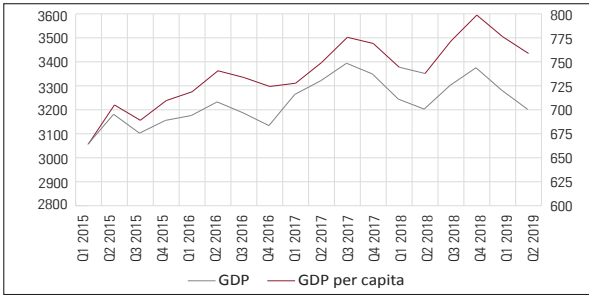
³¹ <http://maanews.net/Content.aspx?id=999614>

³² <https://bit.ly/2CTMEiO>

Palestine Economic Dashboard

Growth

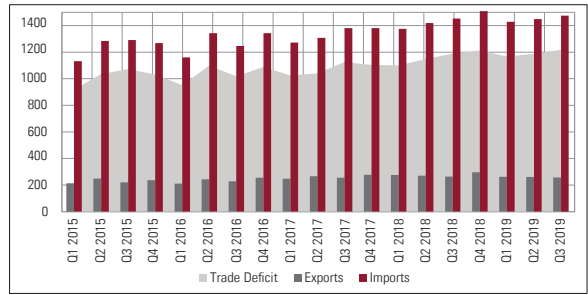
GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2015 – Q2 2019



GDP (Q2 2019): \$3,434.7m GDP per capita (Q2 2019): \$735.5
Source: PCBS

Trade

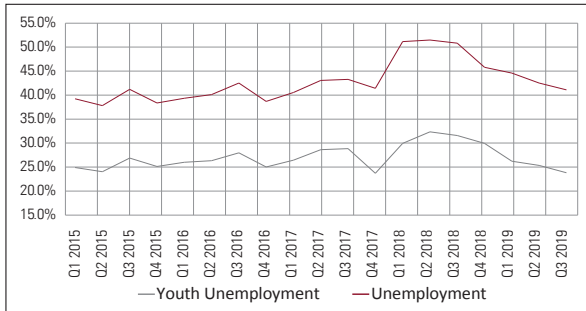
Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2015 – Q3 2019



Imports (Q3 2019): \$1,464.4m Exports (Q3 2019): \$255.1m
Trade deficit (Q3 2019): \$1,209.3m Source: PCBS

Unemployment

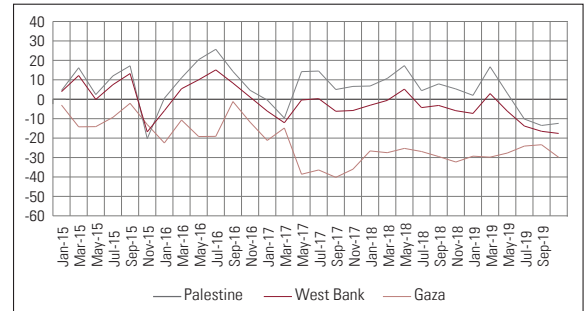
Unemployment & Youth Unemployment in Palestine, Q1 2015 – Q3 2019



Unemployment rate (Q3 2019): 24.6% Youth Unemployment rate (Q3 2019): 40.4%
Source: PCBS

Business Cycle Index

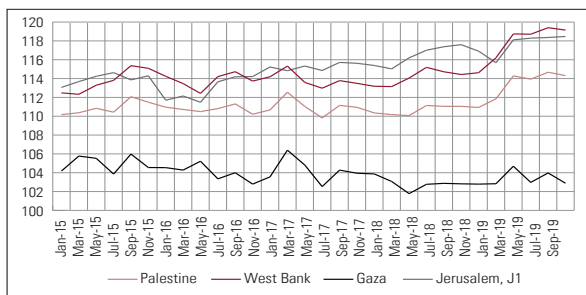
Palestine Monetary Authority Business Cycle Index, January 2015 – October 2019



Palestine (October 2019): -17.6 West Bank (October 2019): -12.4
Gaza (October 2019): -29.9 Source: PMA

Inflation

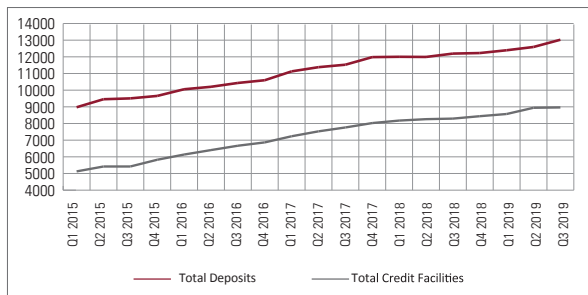
Consumer Price Index (Base year = 2010), January 2015 – October 2019



Palestine (October 2019): 114.3 West Bank (October 2019): 119.2
Gaza (October 2019): 102.9 Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2015 – Q3 2019



Total Credit Facilities (Q3 2019): \$8,963.9m Total Deposits (Q3 2019): \$13,025.5m
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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