

PALESTINIAN ECONOMIC BULLETIN

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Main reports

The Ministry of National Economy, Ministry of Health and Ministry of Agriculture are working together within a new national committee for consumer protection. The committee, announced by Minister Bassem Khoury, will regulate the local market and integrate regulatory and supervisory practices across all three departments.

Fresh produce from the Jordan Valley will be bought by four of the largest UK supermarkets through new start-up charity Moon Valley, which will partner with Fresca Group, a major UK supplier, to coordinate distribution. Sinokrot Global Group will be the primary supplier to Moon Valley. Sales in excess of £20m are expected by 2013.

Israel announced the Allenby Bridge/King Hussein border will open 24 hours a day for commercial shipments. This is forecast to enable transit of 3,000 vehicles a day. Opening hours for passenger traffic have already been extended for a two month trial period.

A repaired electricity generator in Gaza is projected to double internal capacity for power generation. This will provide noticeable improvements for households and the provision of services including water and sanitation, healthcare, medicine storage and waste disposal.

Infrastructure

Minister of Public Works and Housing, Dr. Mohammad Shtayeh, announced that the ministry is working on a comprehensive infrastructure plan for a future Palestinian state. The plan will assign arable land for agriculture and green areas for preservation; determine the social needs for education and health; and consider the increased housing demand. It will also focus on further linking Palestinian governorates, cities and towns with an enhanced road system¹.

The Bulletin spoke with Mr. Fayek Al Deek, Deputy Minister of Public Works and Housing. 'The ministry and USAID are co-chairing the Infrastructure Strategy Group (ISG) which coordinates with relevant stakeholders, such as the Ministry of Planning, Ministry of Local Government, Ministry of Transportation, and the Palestinian Water Authority in preparing the comprehensive infrastructure plan,' Mr. Al Deek said. 'The main obstacle the ministry faces is in planning for infrastructure in Area C,' he added.

In October 2008, USAID launched a five-year \$300 million Infrastructure Needs Program (INP) for basic infrastructure. The first year of funding (2009) includes 16 projects: seven schools, seven roads totalling 50km, and two water systems, creating 110,000 days of employment for Palestinian workers, with a total cost of \$80m. In 2010 USAID expect to construct a further 100km in 20 road segments and another eight water systems. USAID reported that they have been successful in obtaining permits for projects in Area C but the process causes delays and increases costs.

Last month saw many commitments of international support for infrastructure projects across the Palestinian Territory. Announcements included \$100m from the Arab Islamic Fund, \$100m from Japan, \$44m from the Abu Dhabi Fund for Development (ADFD), €45.5m from the German Government, \$12m from the World Bank. According to the Ministry of Planning, a considerable portion of the Arab Islamic Fund's commitment will be channelled towards educational projects. The remainder will be divided between an industrial agricultural zone in the Jordan Valley and the infrastructure, health and housing sectors.² €12.5m of German money is earmarked for improving educational programs, €3m for building primary and secondary schools, €4m for water projects and €1m for solid waste treatment.³ Other waste

¹ See: <http://www.alquds.com/node/167540>

² See: <http://www.alquds.com/node/175845>

³ See: <http://www.alhayat-j.com/details.php?opt=7&id=91003&cid=1558>

treatment projects in Hebron and Bethlehem will benefit from the World Bank assistance.⁴

In addition, \$100m was allocated to the Ministry of Local Government to support local community and municipal projects in a three year initiative sponsored by the World Bank and a number of European countries including Germany, France, Italy, Holland and Norway⁵. 80% of funds will be channelled to infrastructure and construction projects.

Consumer Protection

On 19 July 2009 Palestinian Minister of National Economy (MoNE), Bassem Khoury, announced the creation of a national committee for regulating the local market. He stated that the MoNE and the Ministries of Agriculture and Health (MoA and MoH) are working together within this committee to integrate their regulatory and supervisory resources. The committee has three objectives: first, to promote Palestinian products; second, to strengthen food security, promote good health standards and promote good trade practices; and third to increase Palestinian revenues through more efficient bureaucratic procedures and less smuggling and unauthorized trade.

The MoNE and MoH have already integrated all food inspection laboratories. Dr. Fathi Abu Moghli, Minister of Health, said that it was part of the effort to establish a national laboratory for water, food and drugs to facilitate unified inspection and supervision procedures.

In addition, Mr. Khoury announced that within two months, the ministry will finalize bylaws for the consumer law, adopted in 2005. This will facilitate the creation of the Consumer Protection Council. The MoNE supports an open economy but seeks more regulation and supervision to safeguard public interest. Mr. Khoury said measures would include introducing a certificate for importers and requiring all products sold in the Palestinian Territory to meet Palestinian health standards. Both ministers stressed the importance of enforcing the requirement that all products must have labels detailing ingredients.⁶

Exports

Four of the largest UK supermarkets - Tesco, Sainsbury's, Waitrose and Marks and Spencer - are in advanced discussions to buy fresh Palestinian produce through start-up charity Moon Valley⁷ which will give

Palestinian growers in the Jordan Valley direct access to the UK's £89bn fresh produce market. Produce such as tomatoes, sweet peppers, herbs and dates will be exported to meet demand during the off-season from October to April. The first shipment is expected later this year and total sales in excess of £20m are anticipated by 2013. The project has been spearheaded by Lord Stone of Blackheath, a former joint Managing Director of Marks and Spencer.

Moon Valley was established with support from the Prime Ministerial offices of both the British and Palestinian governments. The management team will be headed by David Job, who has over twenty years experience specific to the UK fresh produce market, while the Board of Directors includes Lord Stone, Baroness Symons, a former British Minister of Trade and Sami Aburoza, the current Economic Advisor to the Palestinian President.

Moon Valley will partner with Fresca Group, a major UK fresh produce supplier, to coordinate UK distribution and provide training to Palestinian growers. Sinokrot Global Group, one of the largest growers in the Jordan Valley, will act as the primary supplier to Moon Valley. 'Sinokrot Global Group is an international supplier the type of which major supermarkets deal with' Lord Stone told the Bulletin. With advanced agricultural machinery and warehouse capacity of 10,000 tons Sinokrot Global Group could easily expand farming and packaging to meet increased demand. Lord Stone explained that Oxfam will also play a key role, acting as an "honest broker" between the larger companies and local level smaller farmers. In addition, Oxfam will create a series of high margin niche products for export from traditional recipes and dips, adding significant value to Palestinian business profitability.

Another promising development for the whole sector is that USAID have brokered successful negotiations with Israel to give priority and preferential treatment for Sinokrot exports at checkpoints. This arrangement makes it possible for high quality and fully refrigerated produce to be delivered to the UK within a week of initial packaging, increasing product-shelf life and thus improving competitiveness.

Allenby Bridge/King Hussein Border

Israel announced that the Allenby Bridge/King Hussein border between the West Bank and Jordan will open for 24 hours on weekdays for commercial shipments.⁸ Opening hours have already been extended for passenger traffic from 07:30 to 21:30 Sunday to Thursday

4 See: <http://maannews.net/eng/ViewDetails.aspx?ID=211905&MARK=>

5 See: <http://www.alquds.com/node/177070>

6 See: <http://www.al-ayyam.ps/znews/site/template/article.aspx?did=117177&date=7/20/2009>

7 This is a working name and may change in the coming months.

8 See: <http://www.jordantimes.com/?news=18261>

and 07:30 to noon on Friday and Saturday for a two month trial period. The crossing previously opened for twelve hours on weekdays and seven hours on weekends.

The Palestinian Border Crossings Authority told the Bulletin that it would 'increase the volume of exports and imports, which will boost the economy,'⁹ and forecast border traffic to be around 3,000 vehicles a day. This is likely to affect a substantial improvement to the number of commercial shipments, of which 16,422 were recorded last year.

Gaza Power

The arrival of a repaired generator in Gaza, with a 70 megawatt per hour capacity, is projected to double the internal generative capacity of the Gaza Strip. Jamal Ad-Dardasawi, head of public relations at "GEDCo", the sole electricity distributor in the Gaza Strip, said that the extra capacity would 'provide a noticeable improvement in services for Gazans, particularly residents of the area's largest metropolis Gaza City,' and reduce the "hours of blackouts" that currently plague inhabitants.¹⁰

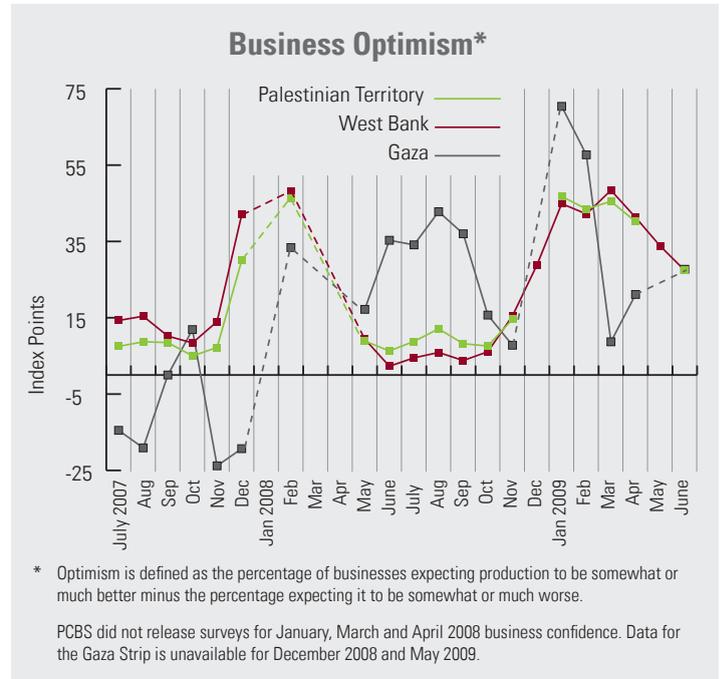
The UN reported that power shortages 'are directly affecting refrigerated foods and air conditioning supplies in individual households, as well as the provision of essential services like water and sanitation, health care and medicine storage, and waste disposal.'¹¹

Currently the Gaza Strip depends on Israeli (120MW) and Egyptian (17.5MW) imports for 66% of its power. Other power comes from the Gaza power plant and backup generators.¹² €25m from the German Government has been provided to sustain electricity generators, fuel delivery, and power plants in the Gaza Strip¹³. The World Bank has recently provided a further \$3m towards improving the power situation.

Business Confidence

The Palestinian Central Bureau of Statistics (PCBS) survey of Industrial Establishments in July 2009 reported that the percentage of businesses in the Gaza Strip expecting production to rise over the medium term (six months) was 27.7% higher than those expecting a decline.¹⁴ Businessmen in the West Bank share similar levels of optimism; 27.4% more believe that there would be an improvement than those anticipating a fall. West

Bank businessmen are however less optimistic than they were in May 2009 (33.8%).¹⁵ 10.8% of owners and managers in the West Bank laid-off workers in June, compared with 6.3% in May 2009. In June 2009, 5.6% of enterprises laid-off employees in Gaza. During the second quarter of 2009, 92.5% of surveyed owners and industrial enterprises refrained from borrowing from the banks.



Israeli-Palestinian Software

The live version of G.ho.st, a free website which enables its users to access the working features of their personal computer from any internet provider, was launched in the Bethlehem area in mid-July 2009. Israeli and Palestinian developers produced the program, which took three years and gained financial backing from major US venture capital firm Benchmark Capital. It is the only joint Palestinian and Israeli technology start-up and includes 20 Palestinian software developers based in Ramallah, with a smaller team in Israel.¹⁶ Dr. Zvi Schreiber, the brainchild of the project, told the Bulletin he saw 'great potential in the project. While there is currently more business experience in Israel, Palestine has great talent, cost competitiveness and some growing experience too.' There are already around 200,000 users for the 'virtual computer'.

9 See: <http://www.jordantimes.com/?news=18261>

10 See: <http://maannews.net/eng/ViewDetails.aspx?ID=212678&MARK=>

11 See: <http://www.reliefweb.int/rw/rwb.nsf/db900sid/MINE-7TZ96A?OpenDocument>

12 See: http://www.pchrgaza.org/files/clouse/english/report1_09.htm#_ftnref3

13 See: <http://www.alhayat-j.com/details.php?opt=7&id=91003&cid=1558>

14 See: http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/Perceptions06-09-E.pdf

15 See: http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/mayEng%202009.pdf

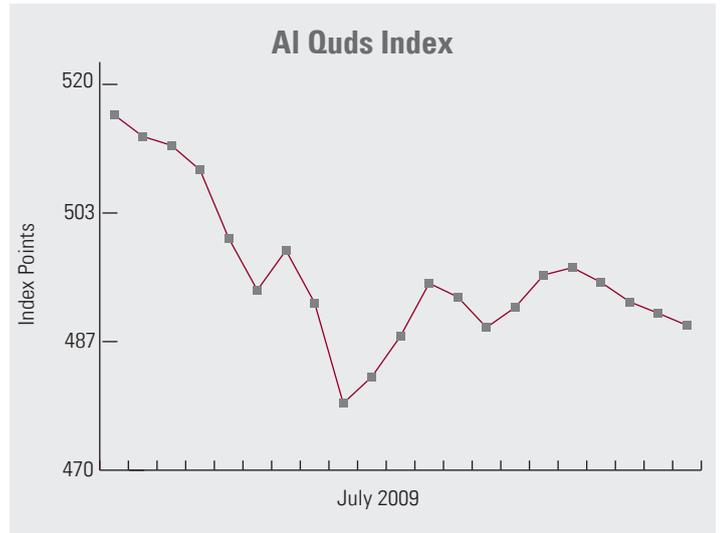
16 See: <http://maannews.net/eng/ViewDetails.aspx?ID=211914&MARK=>

Indices

The Palestinian Consumer Price Index (CPI) reached 123.48 in June 2009, an increase of 0.4% compared with May 2009. The Road Cost Index (RCI) in the West Bank increased by 2.13% in June 2009 compared with the previous month.¹⁷

July Trading

The AI Quds index decreased by 5.3% reaching 488.77 points on the last day of trading in July. In 21 trading sessions, 11.9 million shares changed hand, a decrease of 55.4% from the previous month. The value of traded shares declined by 71.6% to \$19.9m, while market capitalisation fell by 5.2% to reaching \$2.29bn. This decline in market activity is in line with year-on-year trends (see Bulletins from August 2008 & August 2007) and relative to a high-level of activity in June 2009 when two investment funds entered the PSE.



¹⁷ Data from the Gaza Strip was not available, due to the closure of PCBS' offices in Gaza.

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