

PALESTINIAN ECONOMIC BULLETIN

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Main reports

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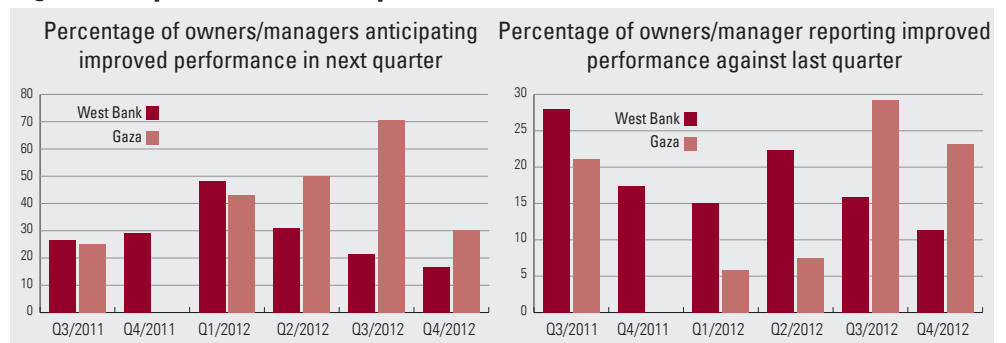
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Business Perceptions

The latest Survey of the Perceptions of Owners/Managers of Active Industrial Enterprises Regarding the Economic Situation indicates a deterioration in the expectations of businesses in the West Bank and Gaza.¹ Following the trend observed during 2012 the proportion of companies expecting to enhance their future performance in the next quarter dropped in the West Bank to 17% in Q4 2012, from the already low level of 22% registered in the previous quarter. In Gaza, only 30% of industrial enterprises expected improved performance for Q1 2013, the lowest level of the year and a sharp drop after two consecutive periods of definite increase. Reported improvements in Q4 2012 are smaller than in the previous quarter both in the West Bank and Gaza.

Figure 1: Expectations and Reported Business Performance



Source: PCBS. Due to the low response rate there was no Q4 2011 figure for Gaza in the Palestinian Central Bureau of Statistics (PCBS) survey.

Enterprises' general performance is measured by indicators such as the value of sales, employees' productivity and businesses' ability to obtain raw materials and inputs. Expectations of businesses can be a leading indicator of GDP growth trends, as those that anticipate a decline in performance are less likely to invest and expand.

Following a long-term trend, the survey also showed weak borrowing activity by industrial enterprises in Q4 2012 as virtually no businesses applied for a bank loan during the period.

Moreover, the survey asked respondents about the institutional provision of services by the Palestinian Authority (PA) and private enterprises. The results show high levels of dissatisfaction with infrastructure and facilities in Gaza, with 57% of owners/managers not satisfied with the roads and more than 96% of businesses not satisfied with the electricity supply. The level of dissatisfaction with water supply is relatively lower. Overall, this suggests there is significant room for improvement in the provision of reliable services to businesses in Gaza, an essential enabling factor to sustain economic growth in the long term.

In the West Bank, businesses reported a much higher level of satisfaction with existing infrastructure than their Gazan counterparts. This reflects the historical gap between the physical business environments in the two areas. Additionally, perceptions of the judicial system and conflict resolution services were particularly

¹ www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_Perceptions_Q42012e.pdf

positive in the West Bank, with only 5.6% of owners/managers dissatisfied with the fairness of the police and nearly 80% satisfied with the effectiveness of the courts.

Table 1: Businesses not satisfied with services (%)

	West Bank	Gaza Strip
Infrastructure and Facilities		
Electricity Supply	21.2	96.4
Water Supply	18.7	26.8
Quality of Roads	22.5	57.1
Transport and Communications	13.5	35.7
Access to Industrial Areas	15.8	19.6
Judicial System and Conflict Resolution		
Fairness of Police	5.6	16.1
Effectiveness of Courts	21.9	16.1

Source: PCBS

Agricultural Losses

Extraordinarily heavy rainfall, snow and storms during the beginning of January caused major damage to the agricultural sector, severely affecting rural households and food provision in the Palestinian Territory. The Ministry of Agriculture (MoA) estimated that a total of 5,700 dunums of greenhouses and open field land in crop farms and 600 animal sheds in the West Bank were partially or completely destroyed by the inclement weather. In Gaza, more than 3,000 dunums of greenhouses, almost 17,000 poultry birds and 173 animal sheds were affected.²

In the aftermath of the crisis around 3,500 farmer households are expected to need food assistance. The implementation cost of such a programme is estimated at \$850,000. Initial calculations of the MoA estimate total damages at NIS45.9m in the West Bank and NIS5.7m in the Gaza Strip.³ Direct losses will have a long-term negative effect on farmers' wellbeing as their lower than expected income this season will affect their ability to buy inputs from suppliers.

Start-up Weekend in Nablus

The second 'Start-up Weekend Nablus' took place during 24-26 January.⁴ Start-up Weekends are 54 hour non-stop, hands-on events aimed at inspiring, educating and empowering entrepreneurial individuals. The weekend brings such individuals together in a vibrant working environment where start-up business ideas are presented, developed and evaluated by a panel of expert judges. The initiative, launched by a global network of leaders and entrepreneurs, is repeated throughout the year in more than a hundred countries around the globe.⁵

In Nablus, under the slogan 'All action, no talk', the event gathered together developers, computer specialists, graphic designers and business and marketing specialists. A total of 120 participants, nearly half of whom were female, grouped

in 17 teams to transform their ideas into start-up businesses.⁶ The top five teams worked on mobile applications and the first prize was awarded to an educational app to help high school graduates prepare for their Tawjihi exams (the general secondary examination in Jordan, the West Bank and Gaza) by offering checklists, infographics and tutorial videos covering different school subjects.⁷

Mercy Corps, the key sponsor of the event, told the Bulletin, 'As an organisation with over 5 years of experience working on the Palestinian technology sector we are delighted to have supported the second Start-up Weekend in Nablus. We firmly believe in the sector's capacity to create more jobs and build a robust ecosystem which will enable ICT entrepreneurs, companies, and start-ups to flourish. This unique event constitutes a great move in this direction.'⁸

PA's Financial Crisis Update

Increased foreign assistance and the temporary resumption of tax clearance revenues by Israel are expected to alleviate the PA's financial crisis.⁹ On 30 January Israel transferred \$100m to the PA, almost all of the monthly amount of tax revenues it collects on its behalf.¹⁰ However, this is said to be a one-time transfer to ease the current crisis as no formal decision has been made by the Israeli Authorities regarding the full resumption of the clearance mechanism in the near future.¹¹

Additionally, the Kingdom of Saudi Arabia made a payment of \$100m to the PA as part of its contribution to the Arab safety net, which was agreed upon during the Arab League Summit in Baghdad in March 2013.¹² As contributions from most Arab countries are still to be met, Saudi Arabia has promised to contribute an additional sum of \$20m on a monthly basis as long as Israel continues to withhold Palestinian tax revenues.¹³

These developments, together with additional assistance from Denmark and the Netherlands (which contributed a total of €7.2m through the PEGASE mechanism), allowed the PA to complete the payment of December's wages on 5 February.¹⁴ However, following the continued delays in the payment of public sector workers' salaries, many strikes occurred across different sectors as labour unions protested during February.¹⁵

Meanwhile, the Ministry of Finance submitted the public budget for 2013 to the government.¹⁶ The draft budget of

2 www.lfd.ps/documentsShow.aspx?ATT_ID=6760

3 www.lfd.ps/documentsShow.aspx?ATT_ID=6781

4 www.nablus.startupweekend.org/

5 www.startupweekend.org/events/ and www.yourmiddleeast.com/features/high-time-for-startups-in-nablus_12862

6 Interview with Akram Dweikat

7 www.wamda.com/2013/02/mobile-apps-win-the-day-at-the-second-startup-weekend-nablus

8 www.mercycorps.org/countries/westbankgaza

9 www.maannnews.net/eng/ViewDetails.aspx?ID=557082

10 www.ynetnews.com/articles/0,7340,L-4339038,00.html

11 www.maannnews.net/eng/ViewDetails.aspx?ID=560476

12 www.saudigazette.com.sa/index.cfm?method=home.regcon&contentid=20130121149997

13 www.maannnews.net/eng/ViewDetails.aspx?ID=557478

14 www.eeas.europa.eu/delegations/westbank/documents/news/20130120_press_release_re_csp_december_2012_salaries_en.pdf

15 www.maannnews.net/eng/ViewDetails.aspx?ID=560410 and www.maannnews.net/eng/ViewDetails.aspx?ID=559370

16 www.maannnews.net/eng/ViewDetails.aspx?ID=562464

\$3.6bn, expected to be approved in March, contains a series of measures to increase public revenues, such as the adoption of a united taxation system to avoid evasion and a tax rise on car imports and purchases. The Minister of Finance, Dr Nabil Qassis, stated that a structural solution is needed in order to close the gap between expenses and revenues. In line with the draft budget, the official called for a reduction in public expenditure as a necessary step to decrease the public deficit, currently around \$1.4bn.¹⁷

Red Sea-Dead Sea Link

The World Bank recently issued the final draft of the Red Sea – Dead Sea Conveyance feasibility study.¹⁸ The analysis was developed in the context of a programme jointly undertaken by the Israeli, Jordanian and PA Governments in the year 2005. The aim of the initiative is to halt the rapidly falling water level of the Dead Sea occurring over the past years and to allow its gradual refilling to a feasible level, by conveying water from the Red Sea.¹⁹ The discussion is of core relevance given the Dead Sea's historical, cultural, religious and economic value to the region.

Acting as a technical secretariat to the Study Programme, the World Bank confirmed the possibility of connecting the Dead Sea to the Red Sea using an underground pipeline passing through Jordan. The project cost is estimated at \$10bn.

The study also states that the development of the conveyance facility has the potential to bring tangible environmental and economic benefits to the region. The latter include a boost to tourism, major capital expenditure savings for the chemical abstraction companies operating in the area, and millions of dollars of savings in anticipated infrastructure damage.

However, the conclusions of the study were criticised by the Head of the Palestinian Water Authority, Shaddad Atilli.²⁰ The official expressed reservations on the initiative claiming that the current project has suffered major alterations since its original conception and thus should be re-discussed with the Palestinian people and the international parties involved. He also pointed out that alternatives to the Red Sea–Dead Sea link were currently under evaluation, including the restoration of the Jordan River. Concerns were also raised regarding the lack of clarity on what the Palestinian share in the initiative will be and on the project's high cost.

International Assistance for Palestinian Farmers

The EU, in partnership with the Agricultural Development Association (PARC), the UN Food and Agriculture Organisation (FAO), Oxfam Italy and the Union of

Agricultural Work Committees (UAWC), donated €11.5m for two projects supporting olive and livestock farmers to be implemented in 2013.²¹

The first initiative, to be conducted in Tulkarem, Salfit and Qalqiliya, is aimed at improving small-scale olive and oil-olive producers' business managerial skills, with special attention paid to female farmers. Additionally, in partnership with PARC, the EU will develop pilot farms to produce large quantities of high quality olives in accordance with international standards. As a result, more than 10,000 Palestinian farmers are expected to benefit from comprehensive guidelines to improve grove productivity and olive oil quality.

The second initiative, to be developed by FAO in partnership with the Palestinian MoA, aims to improve the delivery of services to herders' associations and support a market-oriented development of their activities. Households that base their livelihoods on livestock production are among those that struggle the most to secure their food requirements in the Palestinian Territory. In particular, the Bedouin population, one of the most heavily marginalised and food insecure communities, will be specifically targeted.

EU Support for Job Creation in Gaza

On 18 January the EU contributed €14m to UNRWA Gaza Field Office's Job Creation Programme (JCP), aiming to tackle unemployment and improve living conditions in Gaza.²² The fund will help to employ more than 7,000 unskilled and almost 4,000 skilled refugee beneficiaries in short-term placements. Around 5,000 of the new jobs will support UNRWA and its partners in the delivery of education, health and other services to Gazan communities, while the remaining 6,000 will support the private sector's development over the next three years.

The EU and UNRWA expect the newly created job positions to reduce aid dependency, provide valuable professional experience and improve the psychological well-being of workers and fresh graduates.

Exports from Gaza

Between the beginning of the agricultural season in November 2012 and the end of January 2013, a total of 91 truckloads left the Gaza Strip: 80 with human food products (authorised cash crops), seven with agricultural raw materials, three with non-edible consumables and one with education/stationary materials.²³ The traded total is about half the volume exported between November 2011 and January 2012, and represents less than 5% of the quarterly average amount exported prior to the start of the Gazan blockade in 2007.

17 www.maannnews.net/eng/ViewDetails.aspx?ID=558801

18 www.siteresources.worldbank.org/INTREDESEADEADSEA/Resources/Feasibility_Study_Report_Summary_EN.pdf

19 www.siteresources.worldbank.org/EXTREDESEADEADSEA/Resources/Overview_RDS_Jan_2013.pdf?&resourceurlname=Overview_RDS_Jan_2013.pdf

20 www.maannnews.net/arb/ViewDetails.aspx?ID=556790

21 www.eeas.europa.eu/delegations/westbank/documents/news/2013012_pr_eu_olive_oil_and_livestock_support_en.pdf

22 www.eeas.europa.eu/delegations/westbank/documents/news/20130118_eu_contributes_eur_14_million_to_unrwa_jcp_en.pdf or www.unrwa.org/etemplate.php?id=1600

23 OCHA database

Additionally, in an attempt to facilitate trade with Gaza, Jordan has granted 200 no-objection certificates to Gazan traders, which will allow them free entry into the Kingdom for a period of six months.²⁴

Several of the main sectors of Gaza's economy rely on exports, including the textile, furniture manufacture and agriculture industries.²⁵

Continued Support for UNRWA

On 4 February the Saudi Development Fund and the United Nations Relief and Works Agency (UNRWA) re-launched the Rafah Housing Project, an initiative consisting of the building and restoring of thousands of Saudi-funded homes for Palestinian refugees displaced by the 2008-2009 conflict.²⁶ The development, the largest housing project that the UN agency has ever undertaken in Gaza, was first agreed between UNRWA and the Saudi Fund in 2005 but, according to the latter, works did not progress due to the Israeli blockade.²⁷ On 4 February a delegation headed by the vice-chairman of the Saudi Development Fund, Yousef al-Bassam, visited Gaza and pledged \$34m to restore 7,000 homes and \$54m to build 1,100 homes and six schools.²⁸

Earlier in January Germany contributed €7m to UNRWA in response to the Agency's appeal for emergency food aid in Gaza.²⁹ Later that month Belgium donated €6m to UNRWA's General Fund. Currently about 80% of Gazan households depend on food aid.

PEX Companies' Preliminary Financial Results for 2012

On 19 February the Palestine Exchange (PEX) CEO Ahmad Aweidah announced that 47 out of the 48 companies listed on PEX had disclosed their preliminary financial results for 2012. Two-thirds of the companies achieved profits in the last financial year. Total profits before tax equalled \$248.5m.³⁰

24 www.maannnews.net/eng/ViewDetails.aspx?ID=556590

25 www.gisha.org/graph.asp?lang_id=en&p_id=903

26 www.unrwa.org/etemplate.php?id=1615

27 www.unrwa.org/etemplate.php?id=1615

28 www.thepeninsulaqatar.com/latest-news/224620-saudi-arabia-opens-housing-project-in-gaza.html

29 www.unrwa.org/etemplate.php?id=1590

30 www.pex.ps/psewebsite/NEWS/19022013-1.pdf

As in 2011, the three companies that attained the highest profit levels are PALTEL (\$149.1m), Bank of Palestine (\$50.0m) and PADICO HOLDING (\$20.4m).

November Foreign Trade

In November 2012 Palestinian exports increased compared to both the previous month and November 2011. At the same time imports decreased, which resulted in a 16% decline in the trade deficit from \$293m in October to nearly \$246m in November.³¹

Table 2: Trade in Goods for November 2012

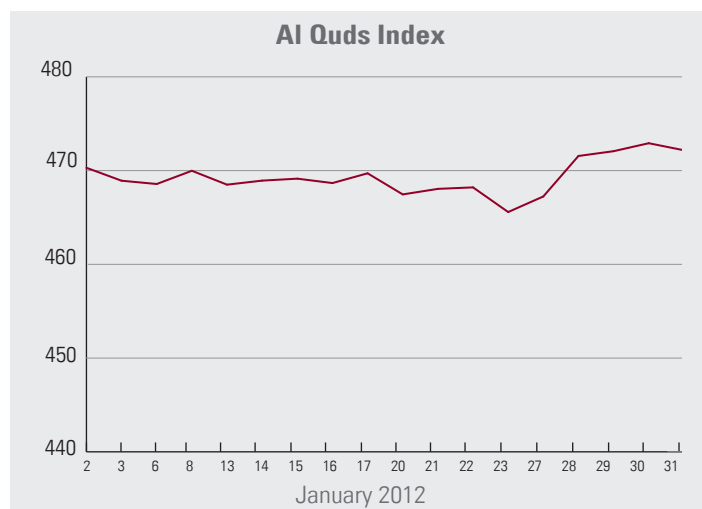
	Exports	Imports
Level	\$69.4m	\$315.2m
Change from 10/2012	+12.5%	-11.1%
Change from 11/2011	+15.9%	-4.5%
Trade deficit		\$245.8m
Change from 10/2012		-16.1%

Source: PCBS

January Trading Data

In January the AI-Quds index declined by 1.15% and closed down at 472.17 points. The index reached its lowest (465.17) and highest (472.92) levels on 23 and 30 January respectively.

A total of 7.9m shares worth \$15.7m were traded in 18 sessions. Market capitalisation was \$2.8bn.



Source: PEX

31 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_RegExTrd112012E.pdf

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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