

PALESTINIAN ECONOMIC BULLETIN

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Main reports

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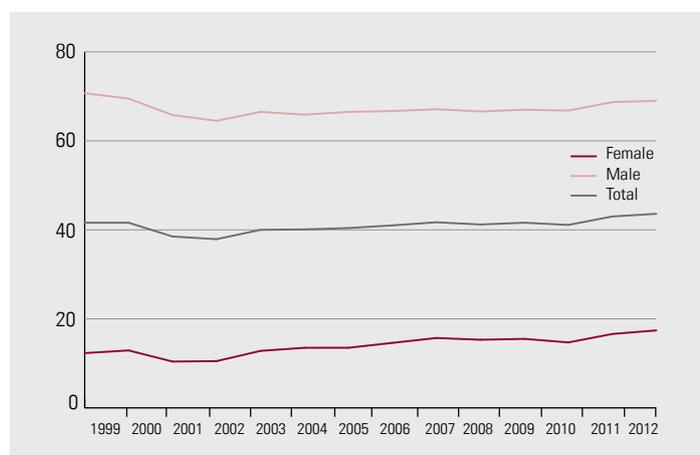
MercyCorps and Rogue Venture Partners announced plans to launch Gaza Sky Geeks, a business accelerator that will be the first of its kind in the Gaza Strip.

Women in the Palestinian Labour Market

Labour force survey results for Q1 2013 show persistent high unemployment and low labour force participation in the Palestinian Territory.¹ Total unemployment reached 23.9% (up from 22.9% in Q4 2012) but was significantly higher among women (35.3%), following a trend that started in 2009. In Gaza more than half of female labour force participants are unemployed, compared to 26.3% of Gazan men.

While the proportion of the population actively looking for a job remained low at 43.4%, female labour force participation continues to be less than a quarter of the men's rate (17% and 69% respectively). In Gaza as many as 85% of women stayed out of the labour force. These figures are relatively low compared to the MENA region level (22% in 2011), and significantly below the global and OECD countries' rates (56% and 62% in 2011, respectively).²

Figure 1: Labour Force Participation in the Palestinian Territory, 1999-2012 (%)



Source: PCBS

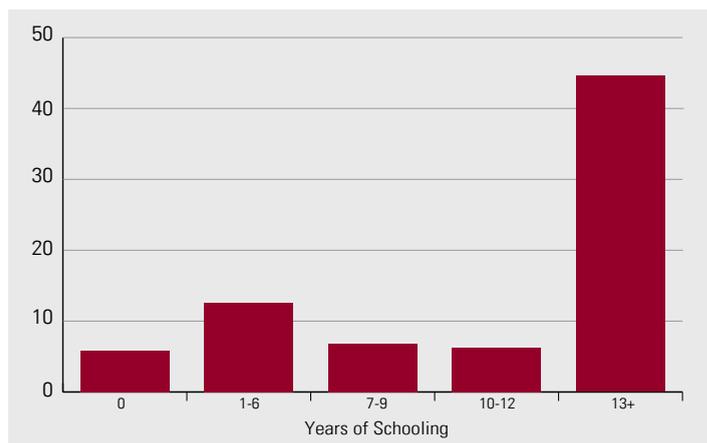
The International Labour Organisation (ILO) identifies education as a key determinant of women's participation in the labour force: among Palestinian women with 13 or more years of schooling labour force participation reached 44.6% in Q1 2013, more than double the general rate for women. In contrast, the participation rate of women with no more than 11 years of schooling has remained low at about 10% during the last decade.

Remarkably, the number of highly educated women in the labour force increased by 150% between 2000 and 2011, which explains the rise in total female participation from 13% to 17% during that same period. In contrast, labour force participation increased by only 18% among women with lower educational qualifications.

1 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_LFSQ12013E.pdf

2 World Bank World Development Indicators

Figure 2: Female Labour Force Participation by Years of Schooling in the Palestinian Territory, Q1 2013 (%)



Source: PCBS

Nevertheless the ILO stresses that, unlike the case of men, a high educational attainment is not enough for Palestinian women to secure employment: female unemployment is higher among better educated workers. In Q1 2013 total unemployment reached a high 46.7% among women with 13 or more years of schooling in the Palestinian Territory, more than double the rate of 17.1% observed for men with the same educational attainment. According to the ILO, high unemployment among female graduates is partially explained by their focus on fields such as humanities, which offer less employment prospects.³ The organisation also identifies weak legal and policy frameworks for job creation and social protection and the private sector's inability to sustainably generate decent jobs as additional explanatory factors for persistently high unemployment rates among women.

As regards gender pay gaps, the ILO points out that occupations more frequently filled by women, such as clerks, administrative assistants, nurses, and teachers, generally receive lower remuneration, but for the same occupation men and women access the same wage. Interestingly, labour force survey results indicate that in Q1 2013 the average wage for those women employed in the West Bank and Gaza was NIS 82.3, 3% higher than that of men (NIS 80.7).

Foreign Aid and Fiscal Crisis

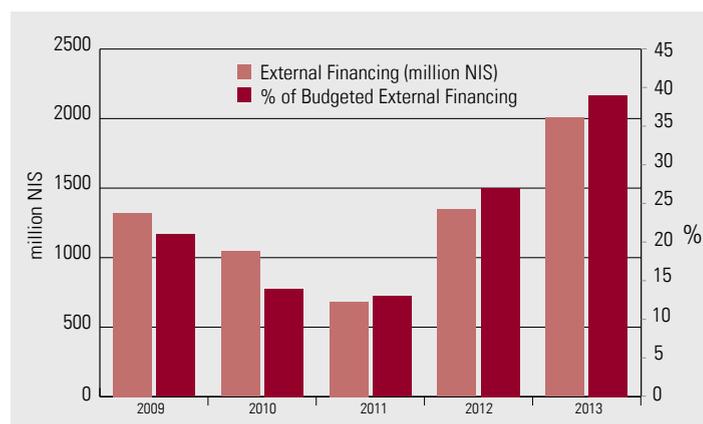
The Palestinian Authority (PA) 2013 budget estimates total external aid at around \$1.4bn, an amount equivalent to the forecasted total deficit. Around \$1.05bn of aid constitutes direct budgetary support, while \$350m is to be allocated to development expenditure.⁴ The budgeted foreign aid for 2013 is almost 130% of the assistance received by the PA as budgetary support during 2012.

Last year's aid as budgetary support was nearly \$800m, 30% below the budgeted figure, resulting in the total deficit being around 20% higher than expected. The shortfall in external aid is among the main reasons for the slowdown in GDP growth observed in 2012, which in turn explains the crucial role of external aid for the PA's finances.

3 www.lfd.ps/documentsShow.aspx?ATT_ID=7186
4 www.pmf.ps/documents/10180/268204/April.2013.eng.pdf

Between January and April 2013⁵, the PA received 47% of the expected budget support for the year, but only 9% of the budgeted development financing assistance. Most of the budgetary aid during the first four months of 2013 came from the US (\$200m), Arab donors (\$154m, the majority from Saudi Arabia), the EU (\$108m, allocated through the PEGASE mechanism) and the World Bank (\$63m). As shown in the figure below, between January and April 2013 the PA received significantly more external financing than in the same period in previous years, both in absolute terms and as a percentage of total budgeted aid.

Figure 3: Total External Financing, January-April 2009-2013



Source: Ministry of Finance

Despite the observed improvement in aid delivery with respect to 2012, the PA's financial position remains fragile. The recently appointed PA deputy Prime Minister for Economic Affairs, Dr Mohammad Mustapha, explained that the crisis is 'more than difficult' and that 'conditions are expected to deteriorate' as the PA currently has a \$4.2bn domestic and foreign debt.^{6,7} Dr Mustapha also said that the newly appointed government would develop a three-year financial plan to overcome the fiscal crisis. Such a plan is likely to include austerity measures and improvements in tax collection in order to enable the government to meet its commitments on time. As reported by the deputy Prime Minister, the PA currently needs to raise an extra \$150m to cover June's wage bill and operating costs. Dr Mustapha also added that, in an extended effort to raise funds, he would soon tour Arab countries to request increased aid.⁸

Use of Information Technology

On World Information Society Day, the Palestinian Central Bureau of Statistics (PCBS) and the PA Ministry of Telecommunications and Information Technology issued statistics regarding the use of Information and Communication Technology (ICT) by Palestinian households and firms. In 2011 nearly half of all Palestinian establishments used a computer: almost 50% in the West

5 Latest available aggregate data from the Ministry of Finance (www.pmf.ps)
6 <http://bit.ly/17FIBDz>
7 <http://bit.ly/18ZPaBc>
8 <http://wapo.st/13XhtcX>

Bank and 41% in Gaza.⁹ The highest and lowest rates by industry were observed respectively in the financial intermediation (97%) and industrial (26%) sectors. Around 30% of establishments with access to the internet conducted e-commerce transactions. While 48% of all Palestinian employees used a computer at work (52.6% in the West Bank and 31.7% in Gaza), 5.2% of all employees in 2011 were ICT specialists.

The use of computers is widespread among Palestinian households, with more than half owning a computer in 2012 (a major rise from around a third in 2006). In addition, in 2012 32% of households were connected to the internet (up from 9% in 2004), 40% had a telephone landline and 96% were mobile phone users. Importantly for the labour market, in 2011 more than half of the youth (15-29 years) used the internet compared with only around a fifth in 2004.

At the individual level, in 2011 41% of Palestinians were internet users, higher than the MENA (31%) and world (33%) averages.¹⁰ Palestinians are also extensive social network users in relative terms: 37% of the West Bank population uses Facebook or other social networks, in contrast to a mere 10.6% of the Middle East population and the world average of 14%.

ICT is a sector regarded as having great potential in terms of employment and growth generation in the Palestinian economy. In 2012 the sector contributed as much as 6.9% of total Palestinian GDP.¹¹ In the same year, there were 944 establishments operating in this sector across the Palestinian Territory¹²: 641 in the West Bank and 303 in Gaza.¹³ While 84% of these establishments employ less than 10 persons, 12 are among the 137 Palestinian companies that employ more than 100 workers.

Palestinian Deposit Insurance Corporation

On 29 May, in a ceremony attended by the PMA Governor Dr Jihad Alwazir, CEOs and managers of banks and representatives of the Banks' Association, President Mahmoud Abbas signed a Decree Law establishing the Palestinian Deposit Insurance Corporation (PDIC).¹⁴ The new company is aimed at safeguarding small depositors of up to \$10,000 and developing a financial security network within the Palestinian banking sector.

Registered banks in the West Bank and Gaza will transfer a certain percentage of their gross deposits to the PDIC as insurance money. The resources will be allocated to and invested through one of the two separate funds created for this purpose: one for traditional banking and one for Islamic banking.

Currently there are 1.1m depositors whose deposits account for 93% of total deposits in registered banks in the Palestinian Territory.

Gaza Business Accelerator

MercyCorps, a global humanitarian organisation, and Rogue Venture Partners, a US private equity firm, announced plans to launch Gaza Sky Geeks, a business accelerator that will be the first of its kind in the Gaza Strip.¹⁵ With the intention of taking promising business ideas to the next level, an initial phase will see six teams of developers selected to participate in a three-month intensive programme. Teams will be provided with working capital and advanced technical training. At the same time participants will be advised by a global network of local and international mentors to help them refine their business plans and prepare for a regional road show.

John Ross, digital economy programme director at Mercy Corps, considers that young people in Gaza "have limited exposure to the outside world, and as a result their understanding of market opportunities is relatively constrained." In this sense, with hundreds of Gazan youth graduating each year in ICT, Gaza Sky Geeks aims to be a platform to support the rapidly expanding technology entrepreneurship network in the area.

Young Arab Women Leaders Conference

The 'Young Arab Women Leaders – The Voice of the Future' conference was held by the Arab International Women's Forum (AIWF) in partnership with PwC on 22 May 2013 at Birzeit University.¹⁶ The event was the first of the young women leaders' series in 2013 and the first to be held in the Palestinian Territory.¹⁷

The aim of the conference was to empower women by identifying and building a network of young businesswomen in the Palestinian Territory, allowing them to share their experience and knowledge. The conference provided key insights into successful leadership, best practices and overcoming challenges in business. Speakers and participants came from various Palestinian and regional entities including the AIWF, PA ministries and agencies, the World Bank and the private sector. Haifa Al Kaylani, Founder Chairwoman of AIWF, considered that enhanced investment in education, training and the development of leadership skills "will help women to reach new levels of competency and confidence and equip them to take roles as leaders and job creators."

Construction Activities

In 2012 construction remained one of the leading economic activities in the Palestinian Territory, contributing 14% of total GDP (10.8% of the West Bank's and 23.4% of Gazan

9 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_ITWD2013E.pdf

10 World Bank World Development Indicators

11 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_QNAQ42012E.pdf

12 This figure excludes auxiliary activity establishments.

13 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1970.pdf

14 <http://bit.ly/11NPavh>

15 <http://bit.ly/14wn8Fz>

16 www.birzeit.edu/news/young-arab-women-leaders-voice-future

17 <http://bit.ly/13YxtLg>

GDP)¹⁸ and employing 15% of total workers (18.6% in the West Bank and 6.9% in Gaza).¹⁹ Last year the total value of construction of new buildings and additions reached \$908.9m, a 2% increase from 2011. 94% of those investments were undertaken by the private sector.^{20 21}

In Q1 2013 a total of 2,281 building licenses were issued in the Palestinian Territory, an increase of almost 9% and 5% from the previous quarter and Q1 2012 respectively.²² The number of licenses issued for residential buildings²³ increased by 10.4% with regards to the previous quarter²⁴ and by 7.8% from Q1 2012.²⁵ On the other hand, the number of licenses issued for non-residential buildings declined by 4.6% and 14.9% from Q4 2012 and Q1 2012, respectively.

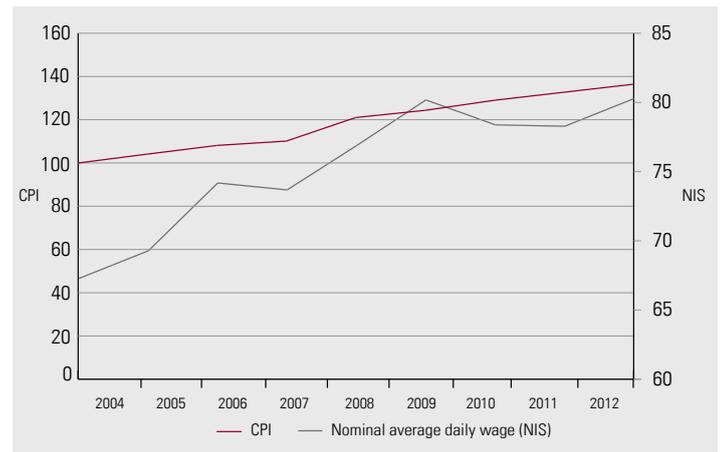
Consumer Prices and VAT Increase

In April the Palestinian Consumer Price Index (CPI) slightly decreased by 0.09% with respect to the previous month and increased by 1.14% in comparison to April 2012.²⁶

Additionally, as of June 2013 the PA increased VAT on all goods by 1 percentage point to 16%, following Israel's decision to raise its VAT rate from 17% to 18%.²⁷ The PA's decision was automatically adopted in accordance with the Paris Protocol conditions, which set the maximum difference in the VAT rates between Israel and the Palestinian Territory at two percentage points. The measure, which affects all consumers, led to protests against the high cost of living in Bethlehem and Nablus.²⁸

Between 2004 and 2012 salaries have not kept up with inflation, as prices have increased by 36% and nominal wages grew by a mere 19.5%. This has resulted in a drop in real wages and a deterioration of the living standards in the West Bank and Gaza.

Figure 4: CPI and Nominal Average Daily Wages in the Palestinian Territory, 2004-2012 (CPI Base Year: 2004=100 / Wages in NIS)



Source: PCBS

March Foreign Trade

Foreign trade in goods experienced a slowdown in March 2013 compared with the previous month. With exports falling at a slightly lower rate than imports total trade deficit, at \$274.6m, dropped by 7% with respect to February.²⁹

Table 1: Foreign Trade in Goods for March 2013

	Exports	Imports
Level	\$64.6m	\$339.2m
To/from Israel	89.3%	69.2%
Change from 02/2013	-6.3%	-6.9%
Change from 03/2012	+4.9%	-0.7%
Trade deficit		\$274.6m
Change from 02/2013		-7.0%
Change from 03/2012		-1.9%

Source: PCBS

May Trading Data

In May the AI-Quds index increased by 0.68% and closed down at 459.98 points on the last day of trading. The index reached its lowest (451.82) and highest (459.98) levels on 16 and 30 May respectively. A total of 18.5m shares worth \$20.9m were traded in 21 sessions. Market capitalisation was \$2.7bn.

29 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_ExRegTrd032013E.pdf

18 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_QNAQ42012E.pdf

19 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_LFSQ12013E.pdf

20 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1979.pdf

21 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1881.pdf

22 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_buildLicQ12013E.pdf

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25 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1888.pdf

26 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_CPI042013E.pdf

27 www.maannnews.net/eng/ViewDetails.aspx?ID=598430

28 www.maannnews.net/eng/ViewDetails.aspx?ID=601100 and www.maannnews.net/eng/ViewDetails.aspx?ID=605157

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