

PALESTINIAN ECONOMIC BULLETIN

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Main reports

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The fourth National Economic Dialogue Conference took place in Ramallah

In 2013 total exports of goods from Palestine amounted to \$839.4m, while total imports reached \$4,579.8m

The Palestine Capital Market Authority was admitted as the 124th ordinary member of the International Organization of Securities Commissions

The Centre for Youth Economic Empowerment participated in a week-long social entrepreneurship workshop in Belgium

The second conference on Cooperation among East Asian Countries for Palestinian Development was held in Indonesia

2013 Olive Presses

In 2013 a total of 264 olive presses processed almost 66,000 tonnes of olives (a sharp drop from the 105,000 tonnes processed in 2012), producing almost 17,700 tonnes of olive oil (almost 25% less than the previous year).¹ Employment in the sector during 2013 fell by 8% from the previous year, to reach 1,119 workers. Weak investment during 2013 resulted in a 63% year-to-year drop in the sector's gross fixed capital formation.

Table 1: Olive Press Activity Main Indicators (2012-2013)

	2012	2013	Change (%)
Number of presses in operation	279	264	-5%
Fully automatic	246	230	-7%
Half automatic / Traditional	33	34	3%
Total Employment	1220	1119	-8%
Waged workers	73%	64%	-12%
Compensation	\$1m	\$0.7m	-32%
Pressed olives (tonnes)	104,763	65,829	-37%
Extracted oil (tonnes)	22,951	17,641	-23%
Gross fixed capital formation	\$3.2m	\$1.2m	-63%

Source: PCBS

More than half of the total arable land in Palestine is planted with 8m olive trees. Olive farming and processing constitutes up to 25% of Palestinian agricultural income and supports the livelihood of around 100,000 families (including 80,000 land-owning households and 20,000 waged workers employed during the annual olive harvest).² In recent years, 2006 registered a record high olive processing volume of 160,000 tonnes, while 2009, with only 20,000 tonnes processed, was the least productive year since 2003.

According to Oxfam, increasing restrictions on access to land and natural resources imposed by the Israeli Government over the past decades severely impacted Palestinian olive farmers' yields. In particular Oxfam argues that limited access to land prevents farmers from taking adequate care of their groves, including soil tillage and pruning of trees, regarded as important factors to improve trees' productivity.

Other factors further constrain productivity. A recent study by the Palestinian National Center for Agricultural Research shows that the level of scrap (waste) in Palestinian olive presses is far from optimal. Monitoring of almost 300 presses over three months showed that more than 70% of all presses operate with over 10% wasted oil in peat, above the 5-8% international average. Only 8 presses in Palestine registered less than 5% waste in peat, indicating a large scope for improvement in productive efficiency. Poor maintenance of presses and under-skilled labour were identified as some of the main factors limiting sector productivity. Incentives also play a key role, as the study showed that scrap was lower in presses where labour wages were tied to productivity.

1 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2034.pdf

2 www.lacs.ps/documents>Show.aspx?ATT_ID=7780

Palestinian olive oil exports constitute a very small portion of the world market (Table 2). Improving sector productivity and targeting niche export markets could have significant local impact for the development of the sector.

Table 2: Olive Oil Exports By Country (2012)

Country	Rank	Exports (\$m)	Country	Rank	Exports (\$m)
World	---	5,459	Argentina	7	51
Spain	1	2,377	France	8	39
Italy	2	1,546	Lebanon	14	15
Greece	3	415	Syria	17	11
Tunisia	4	350	Egypt	18	7
Portugal	5	339	Jordan	24	4
Turkey	6	77	Palestine	25	3

Source: [trademap.org](http://www.trademap.org/) / UN COMTRADE

Hotel Activities

During the last quarter of 2013 almost 191,000 guests spent the equivalent of around 490,000 guest nights in 113 hotels in the West Bank (85) and East Jerusalem (28).³ Both the number of hotel guests and the number of total guest nights increased sharply from Q4 2012 (Table 3).⁴ While most hotel guests came from EU countries (35%), the number of guests from the US and Canada more than doubled from Q4 2012, to reach 22,000 in Q4 2013 (12% of the total). During Q4 2013 hotels employed around 2,950 workers, about a quarter of whom were females.

Table 3: Hotel Activities Main Indicators (West Bank and East Jerusalem)

	Q4 2012	Q4 2013	Change (%)
Number of hotels	98	120	22%
(Survey respondents)	98	113	---
Number of rooms	5,393	6,083	13%
Number of beds	12,362	13,889	12%
Room occupancy (%)	28.20%	28%	-1%
Number of hotel workers	2,476	2,950	19%
Number of guests	152,159	190,893	25%
Number of guest nights	362,286	489,517	35%

Source: PCBS

The observed increase in hotel infrastructure accompanied a rise in the number of total visitors, which reached more than 600,000 in 2013, up from 575,000 in 2012. Hotel guests stayed the equivalent of almost 1.5m guest nights in 2013, up by 10% from 2012. Mohammad Zomlot, General Manager of the Grand Park Hotel and a member of the Arab Hotel Association, told the Bulletin *"The strong performance of the hotel sector during 2013 is the consequence of sustained efforts by local providers to expand and improve hotel offerings and services. We see continued investment as the main way of overcoming long-standing challenges in the sector. We opened a second hotel in Bethlehem in September last year and are committed to keep on investing in training and quality service improvement."*

3 http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2037.pdf

4 http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1961.pdf

National Economic Dialogue

In February, the fourth National Economic Dialogue Conference took place in Ramallah. The conference, organised by the Private Sector Coordinating Committee and the Ministry of National Economy with the assistance of the German Society for International Cooperation's Private Sector Development Program, was attended by senior Palestinian Authority (PA) officials, Palestinian business leaders from both the West Bank and Gaza and representatives of the international community. The session was convened to explore options for economic recovery and socio-economic development. Speaking at the opening, Prime Minister Rami Hamdallah said that the government's objectives are *"to protect and enable the private sector to drive growth and create employment opportunities"* as a way of *"laying the foundations for overall national development."*

Following discussions, members of the private sector issued a statement summarising their position and outlining a number of recommendations for improving the general economic environment, enhancing fiscal and investment policies, and for setting adequate private-public sector dialogue mechanisms. Businesses also called for increased support for Palestinian products, easing of government issued licensing guidelines, and a revision of the Palestinian Investment Encouragement law. The critical importance of developing Area C of the West Bank and the urgent need for the Government to cancel its arrears with the private sector were also highlighted in the document.

PA Finance Minister Shukri Bishara announced a number of fiscal policy changes including a reduction in property tax and measures to broaden the tax base. The Minister also stressed the importance of increasing clearance revenues from Israel.

The conference concluded with both parties agreeing to create a permanent committee to maintain regular dialogue, cooperation and to work together in line with the strategic objectives of the PA's National Development Plan 2014-2016.

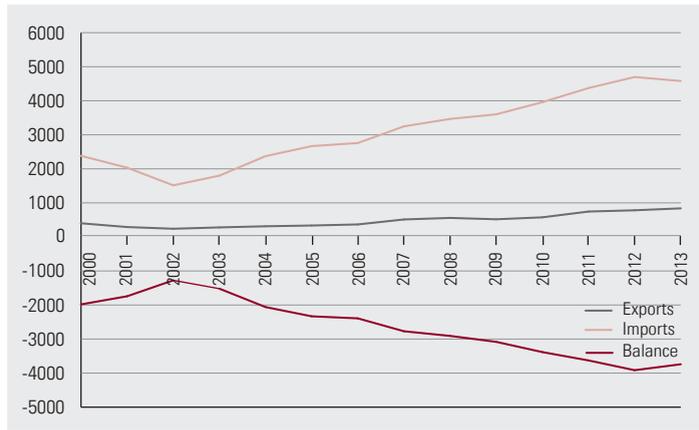
External Trade

In 2013 total exports of goods from Palestine amounted to \$839.4m, while total imports reached \$4,579.8m.^{5/6} Although, at \$3.7bn, the trade deficit continued to be high, it experienced a slight decline from 2012 (-4.4%), as exports increased by 7.3% and imports dropped by 2.5% on a year-to-year basis. With respect to 2011, exports increased by 12.6% and imports rose by 4.7%, resulting in a relative slowdown in the high trade deficit growth observed during the last decade.

5 Annual figures calculated as the sum of monthly data. Annual figures for 2013 are not yet published.

6 <http://bit.ly/1iXLS4e>, <http://bit.ly/1liUS6H> and <http://bit.ly/1rt280M>

Figure 1: Annual Exports, Imports and Net Trade Deficit in Goods, Palestine, 2000-2013 (USD thousands)



Source: PCBS

During 2013 Palestinian trade remained heavily dependent on Israel, which accounted for no less than 86% of exports and 59% of imports, in any month. In this context, there is a critical need to diversify and ensure the sustainability of Palestinian exports, for which a broad relaxation of Israeli-imposed restrictions on movement is a necessary condition.

The implementation of private sector-led, coordinated export strategies aimed at promoting high-potential activities (including agricultural products and IT services) is also critical. Palestinian exports are currently dominated by relatively low-value added industries such as stone, plaster and other related products (20% of total exports, as of 2012), and base metals (14%).⁷

PCMA Development

On 21 February the Palestine Capital Market Authority (PCMA) was admitted as the 124th ordinary member of the International Organization of Securities Commissions (IOSCO) and the 101st signatory to its Multilateral Memorandum of Understanding (MMoU).⁸ Established in 1983, IOSCO is the international body bringing together securities regulators worldwide and setting global standards for the securities sector.⁹ The MMoU subscribed by the PCMA comprises an understanding among signatories to mutually consult, cooperate and exchange information as a way of enforcing regulation of securities markets. CEO of the PCMA Mrs Abeer Odeh regarded the admission to IOSCO as one of the Authority's "most notable achievements", remarking that the lengthy admission process was entirely led by local experts. It is expected that this development will have positive impact beyond the Palestinian securities sector by helping to improve the investment climate in general terms. According to the PCMA the development will increase international and institutional investors' confidence in the securities listed on the Palestine Exchange (PEX), by

guaranteeing that Palestinian securities are regulated in compliance with IOSCO's international standards and principles.

Building Licences

During the 4th quarter of 2013 a total of 2,137 building licences were issued in Palestine.¹⁰ This marked a decrease of 3.7% from the previous quarter, but an increase of 1.8% from Q4 2012. Of the total, only 26 licences were issued for construction in Gaza. Around 80% of the total area of licensed buildings (855,000 m²) corresponded to new buildings, for which 1,364 licences were issued in Q4 2013 (up by 8% from Q4 2012).

Overall, 9,138 building licences were issued in 2013, an increase of 11% from the previous year, marking the highest number on record since 1999.

Youth Entrepreneurship

In February, the Centre for Youth Economic Empowerment (CYEE) participated in a week-long social entrepreneurship workshop in Leuven, Belgium. The event was organised by the CYEE and the Leuven branch of the European Students' Forum (AEGEE), as part of the School of Social Entrepreneurship, an intellectual and cultural exchange programme between the CYEE and AEGEE-Leuven students. The delegation of nine Palestinian participants included engineering, business administration, finance, and pharmacy students from the Al-Najah, Birzeit and Polytechnic universities

During the week-long workshop students participated in practical sessions on starting-up social businesses, risk-coping in entrepreneurial activities and ensuring business sustainability. The Palestinian students learned about social problems in Belgium and were able to share their experience with their European counterparts, including young social entrepreneurs from the Netherlands, Germany, and Switzerland. Amanda Da'na, a Palestinian participant from Birzeit University, told the Bulletin "The workshop was beneficial in all aspects: we learned about and worked on concepts which were new to most of us, such as environmental and economic sustainability in the context of social entrepreneurship". Her fellow participant, Lana Ayed, added: "Participating in the workshop influenced me and my colleagues in a very positive way. It not only raised our awareness of the impact and potential of social entrepreneurship but also helped us improve essential skills. I feel empowered, inspired and better prepared to find creative solutions to tackle some of the alarming social problems we face in Palestine, from increasing poverty to issues in education."

Organisers are working on a follow-up workshop to take place in Palestine towards the end of this year.

7 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2024.pdf

8 www.pex.ps/PSEWebSite/NEWS/IOSCO.docx

9 www.iosco.org/about/

10 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_BuildLicQ42013E.pdf

International Cooperation

In February the second conference on Cooperation among East Asian Countries for Palestinian Development (CEAPAD II) was held in Jakarta, Indonesia. The event, co-chaired by Palestinian, Indonesian and Japanese senior officials, was convened to discuss novel ways of cooperation, with particular focus on capacity-building, infrastructure development and private sector support.¹¹ The conference included a business forum and trade expo involving 30 Palestinian and East Asian companies. Participants included 27 delegations representing 22 CEAPAD countries and five international organisations, including the UN, the World Bank and the Arab League.¹² The Palestinian delegation was led by Prime Minister Rami Hamdallah.

At the Conference Japan made an initial commitment of \$20m to support the development of grassroots projects in Palestine. At the same time, Indonesia and Palestine signed an agreement to form a Joint Business Council.¹³ Additionally, the Palestinian government, the Japan International Cooperation Agency and the Islamic Development Bank signed an agreement to establish the CEAPAD Facilitation Mechanism, a platform to support the development of tourism, agriculture, light manufacturing and ICT in Palestine.¹⁴

In related news, Saudi Prince Al-Waleed bin Talal visited Ramallah on 4 March.¹⁵ Regarded as one of the world's most high-profile investors, Prince Al-Waleed met Palestinian President Mahmoud Abbas to confirm his *"cooperation and strategic alliance (with) the State of Palestine in the investment and humanitarian scope"*. During the visit the PA Ministry of Agriculture and the Al-Waleed Bin Talal Foundation signed a \$4.1m agreement to support agricultural projects in Palestine.¹⁶ The initiative is aimed at supporting an anti-poverty programme consisting of the establishment of small agricultural ventures.

11 <http://bit.ly/1dJICnS>

12 <http://bit.ly/1fdVsv8>

13 <http://bit.ly/1hVMrc1> and <http://bit.ly/1gUKJoQ>

14 <http://bit.ly/1fdVsv8>

15 www.almustaqbal.com/v4/article.aspx?Type=NP&ArticleID=608224

16 www.maannnews.net/ARB/ViewDetails.aspx?ID=678633

EXPOTECH

The 10th annual EXPOTECH Technology Week took place in Jericho in early March, following a similar event in Gaza in mid-December 2013.¹⁷ Organised by the Palestinian Information and Technology Association of Companies (PITA) in cooperation with a range of local and international partners in the ICT sector, EXPOTECH brings together Palestinian and foreign ICT experts and entrepreneurs, leveraging resources and local expertise to brand and better position the Palestinian ICT sector across regional and international markets. The event showcased the latest technology developments to the Palestinian ICT community, while aiming to promote a business-friendly environment. Speakers at the sessions held during the week-long event included several PA Ministers, PITA Chairman Hassan Kasseem, Paltel Group CEO Ammar Aker, Wataniya Mobile CEO Fayez Al Hussein, acting Head of Mission of the Office of the Quarter Representative Mark Singleton, Senior Representative of Ericsson Middle East & Africa Joe Youss Battikh and Tech Journalist Monty Munford (*The Economist*).

February Trading News

In February the Al-Quds index increased by 0.2% and closed at 590.76 points on the last day of trading. The index reached its highest (603.03) and lowest (587.34) levels on 2 and 17 February, respectively. At the beginning of February the index crossed the 600 point threshold for the first time since October 2008. A total of 26.1m shares worth \$54.0m were traded in 20 sessions.

In March the Arab Palestinian Investment Company (APIC) became the 50th company listed on PEX.¹⁸ Established in 1994, APIC owns a group of nine subsidiaries and has operating investments in Palestine, Jordan and Central and West Africa.¹⁹ APIC holds strategic investments in trade, distribution, manufacturing and services. The company had an authorised paid-up capital of \$70m, divided into 70m shares.

17 www.expotech.ps/2013 and www.bit.ly/1eZEbWm

18 www.pex.ps/PSEWEBSITE/NEWS/CircularAM02_APIC%20Listing_20022014.pdf

19 www.sahem-inv.com/reports/researches/en/20140227121644.pdf

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