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### Main reports

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### World Bank Digital Economy Assessment

On 9 February, the World Bank published its assessment of the Palestinian digital economy. The report evaluates the quality and prevalence of digital technology in the West Bank and Gaza Strip, including the use of digital tools across sectors, and impediments to digital transformation.

Palestine's digital economy has seen positive developments in recent years. Internet service became accessible to 80% of households by 2019, up from 30.4% in 2013.<sup>1</sup> Since the Government of Israel (GoI) allowed the West Bank to upgrade to third generation (3G) technology in 2018, the active mobile-broadband subscriptions per 100 inhabitants increased from 16.3 to 18.9 in 2020.<sup>2</sup> Furthermore, employment in the information and communications technology (ICT) sector almost doubled between 2008 and 2019.<sup>3</sup> The pandemic prompted further growth in digital transformation, with 12% of firms increasing their use of digital technology.<sup>4</sup> During the same period, the Palestine Monetary Authority (PMA) granted licenses to five electronic payment service companies to begin operation.<sup>5</sup>

Despite this progress, Palestine's digital economy and the rate of digital transformation lags behind both the average of the MENA region and developing countries. The MENA average for firms with a website is about half, compared to a third in Palestine. Only about 8% of Palestinian internet users purchased goods or services online in 2019.<sup>6</sup> While internet coverage has seen gains in recent years, only 35% of households have computers or tablets, which limits the extent of remote work and learning.<sup>7</sup>

### Restrictions on infrastructure

The report attributes the relatively slow development of Palestine's digital economy to several factors, primarily restrictions imposed by Israel, which constrain "the entire connectivity value chain". These include preventing Palestinian telecom operators from directly accessing the international network, restrictions on building necessary infrastructure and transmission sites, stalling the spectrum allocation for 4G and 5G mobile broadband, and limiting Palestinian operators to outdated and inefficient ICT equipment. Thus, the entire Palestinian mobile sector experiences a major competitive disadvantage, which includes higher deployment costs and higher prices for customers. Meanwhile, Israeli operators can offer 4G and LTE service through their control of over 60% of the West Bank territory and infrastructure. As a result, Israeli providers have captured 20% of mobile broadband market share in the West Bank, especially the 15% or more of the Palestinian labour force that commutes to jobs in Israel and its settlements.<sup>8</sup>

### Regulatory framework

While the report affirms that a political resolution with Israel, including the removal of these anti-competitive restrictions is necessary, this alone is not sufficient to achieve significant growth in the digital economy. The report notes that weaknesses in the Palestinian regulatory framework hinder development, including the lack of laws on cybersecurity, market competition, and data protection. This adds to the imperative of prioritising implementing the newly approved Competition Law and Companies Law and to amend the E-Transactions Law of 2017.<sup>9</sup> The report also recommends a series of regulatory updates for consumer protection to boost public confidence and participation in digital business.

1 [www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press\\_Ar\\_ITWD2013A.pdf](http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_ITWD2013A.pdf)

2 <https://bit.ly/36DHQzX>

3 [www.pcbs.gov.ps/Downloads/book2537.pdf](http://www.pcbs.gov.ps/Downloads/book2537.pdf)

4 <https://bit.ly/3KHlqwF>

5 [www.bnews.ps/ar/node/18288](http://www.bnews.ps/ar/node/18288)

6 [www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press\\_En\\_17-5-2020-com-en.pdf](http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_17-5-2020-com-en.pdf)

7 <https://bit.ly/314pDbT>

8 Ibid.

9 Ibid.

## Talent development

The report underlines the importance of upgrading the digital skills of Palestinians. Despite growing demand for digital skills across all sectors, the unemployment rate for computer science graduates is higher than that of business, law, natural science and health graduates. This reflects the mismatch between job seekers' skills and employers' needs: over 50% in the West Bank believe their workers have insufficient basic digital skills. Training programmes to bridge the digital skill gap are offered both by the Palestinian private sector, with about 40% of companies in the West Bank and 50% in Gaza offering internal training, and development partners.<sup>10</sup>

At the end of February, Google announced that it would finance a \$10m training initiative for app developers, graduates and entrepreneurs in the technology field.<sup>11</sup> Yet, the World Bank report emphasises that such programmes must be grounded in a clear national strategy to develop digital skills, which is yet to be developed.

## Energy Projects

In February, three agreements were signed to launch electricity generation projects in Palestine. These represent domestic efforts to both diversify and increase the energy supply, as well as to increase domestic energy production relative to dependence on energy imports from Israel.

In 2019, electricity supply amounted to 7,060 GWh, of which 88.5% is imported from the Israel Electric Corporation (IEC), and very small amounts from Egypt and Jordan, due to weak electrical connectivity.<sup>12</sup> As much as 13.3% of imported electricity is lost before it reaches the final consumer, a stark indication of the dilapidated network and inadequate investment in its repair and upgrade. The Palestine Electric Company (PEC) generated 591 GWh or 8.4% using diesel, while renewable energy and self-generation produced 220 GWh (3.1%).<sup>13</sup> In 2012, the Palestinian Energy Authority set a strategic goal to achieve 10% (130 MW) of electricity production from renewable sources by the end of 2020, but production did not exceed 3% until the year 2019.<sup>14</sup>

### Natural gas plant

One of the projects now set in motion is the construction of a natural gas power plant with a production capacity of 250 MW in phase I and an additional 200 MW in phase II.<sup>15</sup> The power plant was approved by the Palestinian National Authority (PNA) and the Palestine Electric Power Generation Company on 9 February at an estimated cost of \$650m.

### Solar power plants

The Qudra Renewable Energy Solutions Company signed Memorandums of Understanding with the Nablus Municipality and the Araba Municipality to finance, design and operate solar power plants on the Municipalities' lands.<sup>16</sup> The Nablus project should yield 10 MW of energy during its first phase, while the solar power plant in Araba will produce 1 MW.

### Enhancements on the Net metering system

Amidst these developments, the Palestinian Electricity Sector Regulatory Council met to discuss amendments to the net metering system, including determining the price

at which energy transferred to electricity distribution companies will be sold.<sup>17</sup> Net metering is a system that allows energy consumers to produce electricity from renewable sources and exchange surplus energy with distribution companies.

Recently, the Palestinian Economic Policy Research Institute (MAS) conducted an assessment on the impact on the public finances of transitioning to solar energy, using the assumption that Palestine will source 70% of its 400 MW target from utility-scale solar power plants and the remaining 30% from net metering.<sup>18</sup> The study estimated that revenues to Palestinian institutions (Government, electricity distribution agencies and independent energy producers) will amount to approximately \$582m for the period 2022-2030. This is about 4.5 times higher than the revenues from taxes on energy imported from Israel's IEC. Furthermore, it estimated the transition to solar energy could reduce net lending by \$187m, assuming 100 MW of energy is produced annually by solar power plants over the next 25 years. These forecasts, which indicate the positive effect of renewable energy on public finances, provide support to a national agenda that prioritises a transition to renewable energy sources.

## Small Business Support Programmes

### USAID SMART Project

On 17 February, the United States launched the Small and Medium Enterprise Assistance for Recovery and Transition Project (SMART) to support Palestinian small and medium enterprises (SMEs) and startups.<sup>19</sup> The \$40m USAID project, which runs until 2025, aims to help these businesses recover from the impacts of COVID-19. It also aims to improve private sector competitiveness, reduce trade barriers, and attract local and international investments. SMART targets more than 100 Palestinian businesses in the first year, through providing small grants, training on new technologies and market access support, prioritising companies led by women, youth and marginalised groups, and those that comply with environmental protection regulations.<sup>20</sup>

### EU – Palestine Investment Review

On 17 February, the third meeting of the EU-Palestine Investment Platform was held, with several senior representatives from Palestinian and European institutions.<sup>21</sup> The Platform was established by the EU and PNA in 2020 to foster policy dialogue on investment and better identify, prioritise, coordinate and promote investment opportunities in Palestine. Officials at the Platform discuss policy priorities and investment projects to ensure alignment of publicly sponsored investments with Palestine's political, policy and reform priorities. The Platform also offers a coordination mechanism to enhance the process of planning, identifying and implementing investment projects. Participating institutions include the Palestinian Energy and Natural Resources Authority, the PMA, Ministry of National Economy, Investment Promotion and Industrial Estates Agency, as well as executives of the European Investment Bank, European Bank for Reconstruction and Development, French Development Agency Group, KfW German Development Bank and the FMO Netherlands Development Bank.

<sup>10</sup> <https://bit.ly/3tUx6FF>

<sup>11</sup> [www.bnews.ps/ar/node/18356](http://www.bnews.ps/ar/node/18356)

<sup>12</sup> <https://bit.ly/3AdhYWI>

<sup>13</sup> [www.pcbs.gov.ps/statisticsIndicatorsTables.aspx?lang=en&table\\_id=528](http://www.pcbs.gov.ps/statisticsIndicatorsTables.aspx?lang=en&table_id=528)

<sup>14</sup> <http://www.pengon.org/uploads/articles/4.pdf>

<sup>15</sup> <https://bit.ly/3JL2f53>

<sup>16</sup> [www.bnews.ps/ar/node/18184](http://www.bnews.ps/ar/node/18184), <https://www.bnews.ps/ar/node/18297>

<sup>17</sup> [www.bnews.ps/ar/node/18289](http://www.bnews.ps/ar/node/18289)

<sup>18</sup> [www.bnews.ps/index.php/ar/node/18431](http://www.bnews.ps/index.php/ar/node/18431)

<sup>19</sup> <https://bit.ly/3JcZtVZ>

<sup>20</sup> [www.bnews.ps/ar/node/18320](http://www.bnews.ps/ar/node/18320)

<sup>21</sup> <https://english.wafa.ps/Pages/Details/128101> and <https://bit.ly/3tXqBBI>

The first edition of the EU – Palestine Investment Review was presented during the meeting. It details and analyses all investment projects promoted by the EU, its member states and European Financial Institutions in Palestine. The Review shows that the size of all ongoing investment projects adds up to €1.42bn, of which around 60% were committed in the last two years.<sup>22</sup> The total amount includes €625m in de-risked private and institutional investment, €605m in development finance and €190m in donor funds.

Most of these investments (84%) are dedicated to boosting access to finance for SMEs, and 14% finance energy projects, including renewables, energy infrastructure, and energy efficiency. The remaining 2% is dedicated to corporate finance. Loans are the most widely used financial instrument (71%), followed by guarantees to de-risk investments (17%), micro-credit (5%), equity investment (2%), grants (2%) and technical assistance (2%).

### RESET Project

On 2 February, Leaders International for Economic Development launched a new EU-funded project, “RESET”, to support green and sustainable businesses in Palestine.<sup>23</sup> The €1m project aims to stimulate and increase the economic, environmental and social impact of green businesses, through capacity building and development of ecosystem support systems at the local, national and regional levels. Over the course of two years, the project will support initiatives that promote green entrepreneurship, promote public policies for the development of green businesses and provide tools for impact and results assessment.

### PIF and Faten

On 16 February, the Palestine Investment Fund (PIF) signed a \$5m loan agreement with Palestine for Credit and Development (FATEN) to finance small businesses in Palestine.<sup>24</sup> The sum allocated for the new agreement was generated from loan repayment through the “Ibda” programme. “Ibda” (“Start” in English) is a \$30m fund launched by PIF in 2017, financed by the Arab Fund for Economic and Social Development. By the end of 2021, Ibda had provided finance to around 3,375 small businesses and new projects and helped create and maintain over 7,200 job opportunities. Around 550 projects are expected to benefit from the new loan agreement.

## Goods Exports

On 3 February, the Ministry of National Economy (MoNE) announced the export of the first container shipment as part of a three-month initiative to ship goods through Al-Karama Crossing/King Hussein Bridge.<sup>25</sup> The Palestinian “Al Ard Company for Agricultural Products” exported its first 20-foot container with an olive oil shipment destined to Malaysia, directly through Aqaba port in Jordan.

Last December, through an EU facilitated meeting, Palestinian and Israeli authorities agreed on the arrangements to launch this pilot initiative to start shipments of containers through the border crossing.<sup>26</sup> Around 15 Palestinian companies showed interest in taking part in this initiative for containerised trade and attended the meeting. Container shipping was not previously possible at the crossing, with all goods undergoing back-to-back transfer on pallets.<sup>27</sup> If the pilot initiative succeeds, it will help save time, transaction costs and reduce damages for Palestinian

traders. As early as 2003, an UNCTAD study (commissioned by MoNE) on alternative maritime and transit routes for Palestinian freight, demonstrated that the use of Aqaba and Port Said for West Bank and Gaza Strip trade, respectively, would be economical and logistically feasible.

### New Security Measures

This positive trade development is outweighed by a negative one. In January, the Gol introduced strict, invasive and costly security measures for shipments crossing the “tunnel” checkpoint, near the West Bank city of Bethlehem, in connection with the “Door-to-Door” programme that was meant to streamline the passage of merchandise from the West Bank to Israel and reduce costs.<sup>28</sup> The new measures include the installation of security cameras on premises to be monitored by Israel, equipping trucks with GPS devices and assisting with security checks on all factory workers. The regulations require cameras to be installed at factory entrances and exits, in production areas and at loading and unloading areas. A security representative must also be appointed by the factory who is a first-degree relative of the factory owner, and the factory is required to have 24-hour security at the site. The plant’s security staffer must accompany every truck to Israel to the border, and the plant must work with Israeli trucks and drivers on a regular basis. In addition, the loading and unloading areas at the plant must be secure and fenced off.

Participating Palestinian factory owners have evidenced that the new regulations neither streamline the process nor reduces costs.<sup>29</sup> The Union of Stone and Marble Industry in Palestine (the leading industry selling to Israel from the Bethlehem area) noted that meeting the new requirements will cost each factory tens of thousands of shekels a year. It also expressed concern that when the increased cost is passed to Israeli customers, it will price Palestinian stone and marble out of the market and so prompt Israeli customers to opt for other suppliers, particularly from Turkey.

Factory owners also complain that even those who have already agreed to the new conditions, and geared up for the changes, have not been approved to use the tunnel crossing nearest to Bethlehem, which their trucks had been using until January.<sup>30</sup> Instead, they have had to ship their merchandise through border crossings further away, resulting in long delays and major additional financial outlays.

## February Trading

In February 2021, the Al-Quds index reached 615.3 points on the last day of trading, an increase of 0.38% from the previous month.<sup>31</sup> During the month, a total of 13.6m shares with a total value of \$24.7m were traded, marking a 33.9% and 8.2% increase in the number and value of traded shares, respectively, compared to January 2021.

During 2021, the net annual profits of PEX listed companies reached \$383.4m, an 82.7% increase from the low base in 2020.<sup>32</sup> Preliminary results for 2021 show that 43 of the 47 listed companies reported profits with a total reported net profit of \$386.7m, a 66.1% increase from 2020. Total losses among the three lowest performing companies reached \$3.3m. One company failed to disclose its results within the legal period. The services sector was the most profitable (\$121m) followed by banking and financial services (\$115m), and investment (\$76m).

22 <https://bit.ly/3i7Logp>

23 [www.bnews.ps/ar/node/18199](http://www.bnews.ps/ar/node/18199)

24 <https://bit.ly/3w3e6Hs>

25 [www.bnews.ps/index.php/ar/node/18205](http://www.bnews.ps/index.php/ar/node/18205)

26 <https://bit.ly/37ubaJS>

27 See B184 for more details.

28 <https://bit.ly/34EJi4z>

29 <https://bit.ly/34EJi4z>

30 Ibid

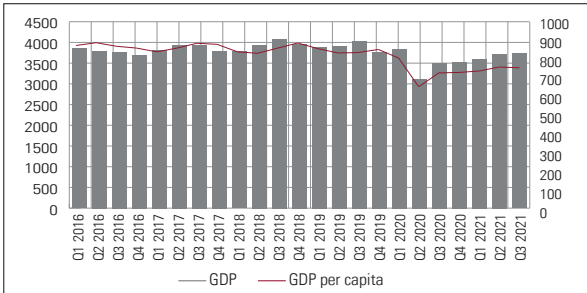
31 <https://bit.ly/3t8YZKX>

32 <https://bit.ly/3KZ40fh>

# Palestine Economic Dashboard

## Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2016 – Q3 2021

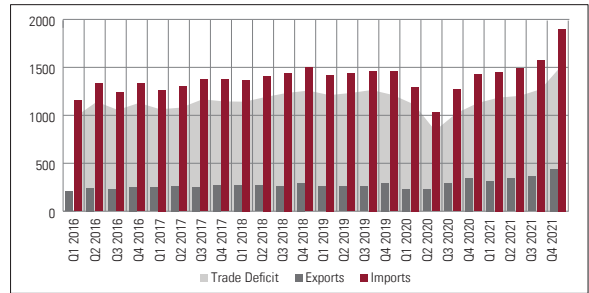


GDP (Q3 2021): \$3,738.8m  
Source: PCBS

GDP per capita (Q3 2021): \$755.5

## Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2016 – Q4 2021

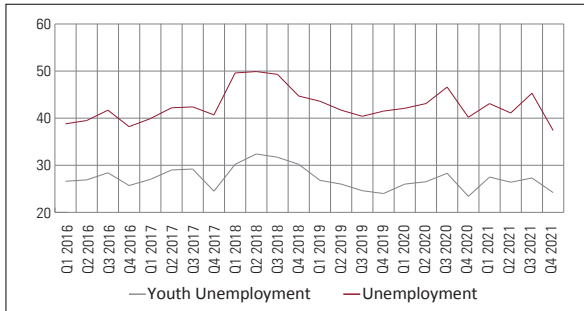


Imports (Q4 2021): \$1,898.2m  
Trade deficit (Q4 2021): \$1,458.5m

Exports (Q4 2021): \$439.7m  
Source: PCBS

## Unemployment

Unemployment and Youth Unemployment in Palestine, Q1 2016 – Q4 2021

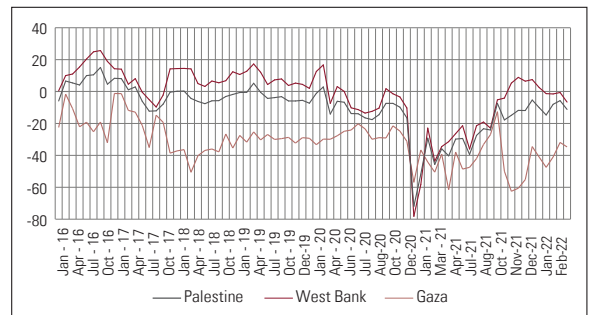


Unemployment rate (Q4 2021): 24.2%  
Source: PCBS

Youth Unemployment rate (Q4 2021): 37.4%

## Business Cycle Index

Palestine Monetary Authority Business Cycle Index, January 2016 – February 2022

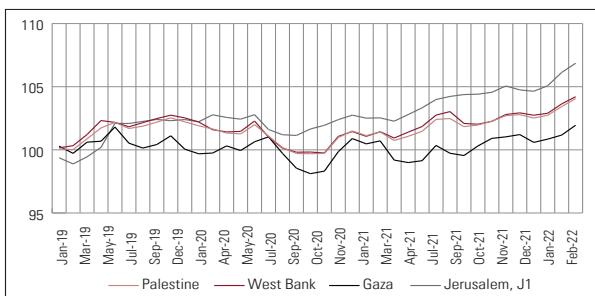


Palestine (February 2022): -11.2  
Gaza (February 2022): -34.7

West Bank (February 2022): -6.6  
Source: PMA

## Inflation

Consumer Price Index (Base year = 2018), January 2019 – February 2022

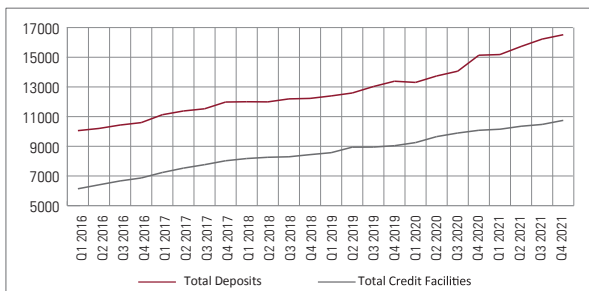


Palestine (February 2022): 104.06  
Gaza (February 2022): 101.95

West Bank (February 2022): 104.21  
Source: PCBS

## Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2016 – Q4 2021



Total Credit (Q4 2021): \$10,747.17m  
Source: PMA

Total Deposits (Q4 2021): \$16,518.13m

## 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](mailto:feedback@portlandtrust.org)

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