

PALESTINIAN ECONOMIC BULLETIN

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Main reports

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Renewed Donor Support

The last two months have witnessed significant donor re-engagement in assistance to Palestine, with the release of frozen EU funds, the signing of several agreements with European countries, and the US President announcing new assistance to support Palestinians.

These renewed commitments, including some resources for budget support, are critical for the Palestinian National Authority (PNA), as the public sector wage bill in 2021 was \$2,525.6m, in addition to \$229m disbursed in social transfers.¹ The total budget deficit before financing was \$1,257.8m in 2021. However, whilst this is a significant help for the financially-strained PNA, the fiscal situation will not improve notably as long as the Government of Israel (GoI) continues making unilateral deductions from clearance revenues due to the PNA and releases withheld funds. In the first four months of 2022, the GoI deducted \$235.6m (ILS 812m) from the tax revenues it collects on behalf of the PNA, justified under a variety of purported legal and political controls on financial relations with the PNA.²

New US Assistance

On 14 July, during his visit to Palestine, US President Joe Biden highlighted a number of initiatives and new contributions (totaling \$341m) the United States has pledged in assistance to the Palestinian people.³

1. **\$100m multiyear support package to the East Jerusalem Hospital network:** To improve Palestinians access to healthcare, Biden announced the US Agency for International Development (USAID) would provide a support package, of up to \$100m over several years, of debt relief and technical assistance to the East Jerusalem Hospital Network (EJHN), subject to congressional approval.⁴ The funds will help EJHN modernise its operations and continue to provide advanced health care services to Palestinians, including highly-specialised medical services, such as paediatric cardiac surgery, cardiac catheterisation, nephrology, ophthalmology, neurosurgery, and cancer treatment. East Jerusalem hospitals are a critical component of the Palestinian health care sector referral system, especially for Gaza Strip Palestinians.
2. **\$201 million for UNRWA regular budget:** Biden also announced an additional \$201m for the 2022 regular budget of the UN Relief and Works Agency for Palestine Refugees (UNRWA), to enable it to continue delivering critical services to Palestinian refugees in the West Bank, Gaza, Jordan, Lebanon, and Syria. The renewed US contributions, after a bruising cut-off under the previous Administration, include \$15m in additional humanitarian assistance to tackle the escalating global food security crisis in Palestine. A further \$7.2m has been committed to support collaboration and professional exchanges between Palestinians and Israelis in health, technology and leadership, under the Middle East Partnership for Peace (MEPPA) funding umbrella, of \$50m annually for five years.⁵
3. **\$40 million three-month domestic tourism marketing campaign:** on 28 June, the Arab Hotel Association (AHA) signed an agreement with the USAID-funded SMART project to launch a three-month domestic tourism marketing

1 www.pmf.ps/internal.php?var=11&tab=03

2 www.aliqtisadi.ps/article/88337/

3 <https://bit.ly/3PoFhU3>

4 <https://bit.ly/3AXA0yx>

5 https://mas.ps/cached_uploads/download/2022/05/30/rt3-2022-eng-1653918848.pdf

campaign, promoting visits and lodging options in the West Bank.⁶ The agreement comes within SMART's "Tourism Rapid Recovery Programme", which was launched in November 2021 to support the Palestinian tourism industry by identifying and mobilising potential and existing market demand among Palestinian citizens of Israel, and to support hotels and handicraft producers in recovery from the COVID-19 pandemic.⁷ SMART is a \$40m project between 2021 and 2025 to support Palestinian businesses reverse the losses from the pandemic and put firms on a path toward sustained economic growth.⁸

EU Resumes Support

On 14 June, after a two-year delay, the European Commission approved a new bilateral allocation to Palestine of €224.8m.⁹ This funding, including PNA budget support delayed from 2021, is in addition to €92m disbursed to support UNRWA in October 2021 and €25m in humanitarian funding announced in May.¹⁰

- €145.35m in budget support to help the PNA provide salaries and pensions of civil servants (42.9%), social allowances to vulnerable families (34.4%), referrals to the East Jerusalem Hospitals (8.9%), as well as purchase COVID-19 vaccines (13.8%).¹¹
- €36m to respond to the continued deterioration of socio-political and economic conditions in East Jerusalem.
- €3m to promote gender responsive policies and laws.
- €30.5m for private sector development.
- €10m for two major infrastructure projects in Gaza: the Gas for Gaza pipeline (a project to supply Gaza with natural gas from Israel) and the Gaza Central Desalination Plant.

Cooperation with European countries

June also witnessed the signing of several developmental agreements with Germany and Italy, and the opening of a Belgian commercial representative office in Ramallah.

On 9 June, the Government of Germany signed a €10m agreement with the PNA to support the health sector.¹² The project, implemented by UNDP, aims at strengthening the Palestinian COVID-19 vaccination efforts and the health system's capacity to maintain and improve essential healthcare services, especially in marginalised areas. Activities include deploying more health personnel, supporting mobile health clinics to provide healthcare services to marginalised communities, and procuring and delivering critical medical equipment and supplies to health facilities. In addition, the funds will be used to explore sustainability models and develop knowledge products that can help inform future policies and strengthen the health sector.

On 14 June, the Palestinian Prime Minister, Mohammed Shtayyeh, met with the Italian Prime Minister, Mario Draghi,¹³ and signed six agreements worth €17m on issues related to health, tourism, employment, statistics, and private sector development.

1. Strengthening specialised services for the clinical management of rare blood diseases in Palestine, worth €2m.
2. Enhancement of specialist surgical services for paediatrics at Halhul Hospital, worth €3.8m over a period of 3 years.
3. Conservation and management of the Tel Al-Sultan (Old Jericho) project, worth €2.4m over three years.
4. Support for conducting the national agricultural census (€400,000).
5. A €5m loan for the Palestinian public bank (Independence Bank, currently under establishment). The zero interest loan matures in ten years and has a grace period of eight years during which the Bank does not have to make any payments toward the loan.
6. Support the Palestinian Employment Fund with €3m over three years to enhance the skills of unemployed youth through Continuing Vocational Education and Training (CVET) and to offer grants for creating new businesses.

On 21 June, the Palestinian Minister of National Economy Khaled al Oseili met with the Belgian Secretary of State in charge of Foreign Trade to discuss areas of economic cooperation and mechanisms to increase the volume of bilateral trade between the two countries.¹⁴ Following the meeting, on 23 June, Enabel – Belgian development agency opened hub.brussels in Ramallah, a commercial representative office to consolidate cooperation relations and establish partnerships between businesspersons in both countries, and to explore investment opportunities in various economic sectors.¹⁵ It aims to improve and intensify direct trade relations between Belgium and Palestine, and to strengthen the possibilities for development cooperation.

EU supports the Palestinian energy sector

On 29 June, EU in Palestine announced the launch of a project to strengthen the institutional capacity of the Palestinian Energy and Natural Resources Authority (PENRA) and of the Palestinian Electricity Regulatory Council (PERC).¹⁶

The overall objective of the EU funded €2m project is to support the Palestine energy public sector in ensuring access to affordable, reliable, sustainable and modern energy for all in Palestine responding to citizens' needs, including those of marginalised groups.

World Bank Grant to Support Reform and Human Capital

On 7 June, the World Bank Group approved two grants worth \$37m in total to support reform and human capital, in line with the World Bank Group's Assistance Strategy

6 <https://bnews.ps/index.php/ar/node/19302>

7 www.smartproject.ps/en/Article/6/Tourism-Rapid-Recovery-Program

8 <https://bit.ly/3uNQyF1>

9 <https://bit.ly/3o7mwl1>

10 <https://bit.ly/3oxRtpL> and see B189 for more details.

11 <https://bnews.ps/index.php/ar/node/19257>

12 <https://english.wafa.ps/Pages/Details/129610>

13 www.palestinecabinet.gov.ps/portal/news/detailsEn/52083

14 <https://bnews.ps/index.php/ar/node/19251>

15 <https://business.facebook.com/pg/BEinJerusalem/posts/>

16 <https://bnews.ps/index.php/ar/node/19311>

for the West Bank and Gaza and the Palestinian National Development Plan for 2021-2023.

The first is a \$30m Development Policy Grant supporting reforms in the areas of transparency, inclusion, and the green economy in Palestine.¹⁷ This grant aims to enhance public procurement practice and increase transparency, and to address the needs of vulnerable groups through reforms that enhance financial inclusion and that roll out gender responsive budgeting in key ministries. It also focuses on strengthening Palestine's adaptation and resilience to climate change shocks through reforms to improve governance in the water sector and amendments to the environment protection law to reduce greenhouse gas emissions.

The second is a \$7m grant to provide selected social and mental health services, short-term cash for social services, and online employment opportunities to the most vulnerable populations in Gaza. The project will be implemented by the NGO Development Center (NDC), which will select non-governmental organisations (NGOs) in Gaza to manage and scale up mental health and psychosocial services. The NDC will also subcontract service providers to deliver training and support needed for youth to find employment opportunities as online freelancers.

Digital Economy Developments

Expansion of the digital economy can play a major role in creating new jobs, increasing efficiency and productivity, bypassing physical restrictions and expanding the reach of Palestinian goods and services to new markets. Both local and international institutions are developing and introducing programmes to promote the digital economy, but much remains to be done.

Entry of multinational tech firms into the Palestinian market

On 28 June, Apple, the US-based tech company, announced plans for expanding its research and development centre in Rawabi, without specifying how many additional employees it will hire.¹⁸

Apple first began onboarding employees in Rawabi in August 2018, starting initially with five engineers. In the past four years, this has grown to 60 engineers who work with Apple's Israeli teams on tools and products for developing hardware technologies, including innovations on silicon, such as the M1 family of chips, and the depth-sensing camera that is instrumental to Face ID.

E-Tourism

On 8 June, the Jerusalem High-Tech Foundry (JHF)¹⁹ and Palestine Techno Park launched the first Palestinian Tourism Innovation Summit (PTIS), which included many activities and two workshops that aim to explore the challenges facing the tourism sector and discuss possible technological solutions.²⁰ The summit concluded on 2 July with a three day e-tourism hackathon, where around 140 developers, designers, tourism specialists, and start-ups

came together to develop innovative digital solutions in tourism.²¹ Oxfam Foundation, the Swiss Representative Office and several local and international institutions sponsored the event, and more than 40 local private and public institutions participated in its activities.²² Five winning teams were announced at the closing ceremony, all of which were offered incubation opportunities.

- Project Astronomical Galaxy: aim to spread and promote astronomical tourism in Palestine through networking with tourism offices and a digital application to organise astronomical trips.
- PaAR: designing and programming a digital game that aims to promote and encourage tourism in Palestine.
- Virtual Reality and Leap to Peak: both are apps for organising tours and excursions to internal tourist attractions, trails, archaeological sites, as well as digital eco-tourism and in Palestine.
- Palestine Gate: an app that aims to utilise virtual and augmented reality technology (VR/AR) to introduce foreigners to the archaeological and religious sites in Palestine.

Nabeeh to expand in Saudi Arabia

On 26 June, Nabeeh, a web/mobile app platform for on-demand household and healthcare services, announced its intention to move its headquarters to Riyadh, after securing a six-figure Saudi angel investment and concluding several agreements with similar Saudi start-ups. This is part of Nabeeh's plan to expand in Saudi Arabia and the MENA region in general. Nabeeh's services are currently available in seven Palestinian cities and its platform includes 500 approved service providers.²³ The start-up also announced that the demand for its services had doubled in the past year.

June Trading

The Al-Quds index reached 666.7 points on the last day of trading in June 2022, an increase of 3.4% from the previous month.²⁴ During the month, a total of 32m shares with a total value of \$60.3m were traded, marking a 46.7% decrease in the number and 36.8% decrease in the value of traded shares compared to May 2022.

On 3 July, Arkaan Real Estate Company (ARKAAN) was listed on Palestine Exchange. ARKAAN was established in February 2022 as a subsidiary of the Palestine Telecommunications Company (PALTEL), with an initial invested capital of \$131.6m (\$1 par value) and an asset base of \$375m.²⁵ On 17 May, ARKAAN became a public shareholding company and each investor in PALTEL received the same number of invested shares in ARKAAN following a 1:1 stock distribution. ARKAAN will manage PALTEL's real estate and financial investments, including the Jericho Gate Project.

¹⁷ <https://bit.ly/3080r7r>

¹⁸ www.jpost.com/business-and-innovation/all-news/article-710800

¹⁹ JHF is a local organisation that was founded in 2019 and aims to promote economic and social development through technological innovation and establishing a tech ecosystem.

²⁰ www.aliqtisadi.ps/article/87941/ and <https://bit.ly/3PZGZva>

²¹ www.foras.ps/opportunity/1490?lang=en and <https://bit.ly/3PZYnek>

²² <https://bit.ly/3vfpqz1>

²³ <https://www.wamda.com/ar/2022/06/nabeeh-expands-to-saudi-market-arabic>

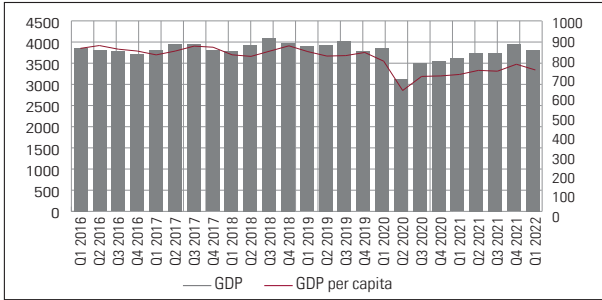
²⁴ <https://bit.ly/31FJZ20>

²⁵ www.aliqtisadi.ps/article/88464/

Palestine Economic Dashboard

Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2016 – Q1 2022

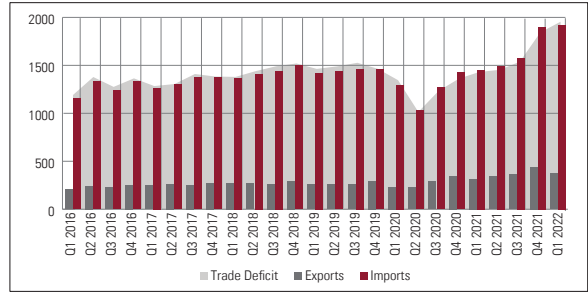


GDP (Q1 2022): \$3,817m
Source: PCBS

GDP per capita (Q1 2022): \$761.8

Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2016 – Q1 2022

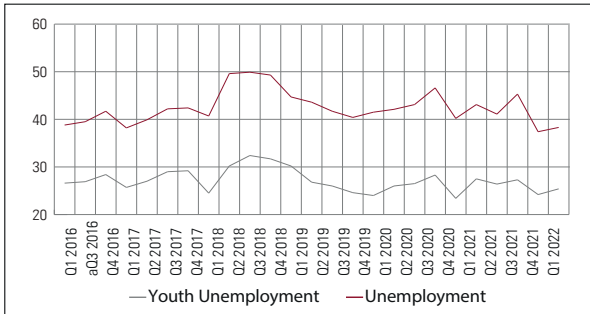


Imports (Q1 2022): \$1,920.8m
Trade deficit (Q1 2022): \$1,547.7m

Exports (Q1 2022): \$373.1m
Source: PCBS

Unemployment

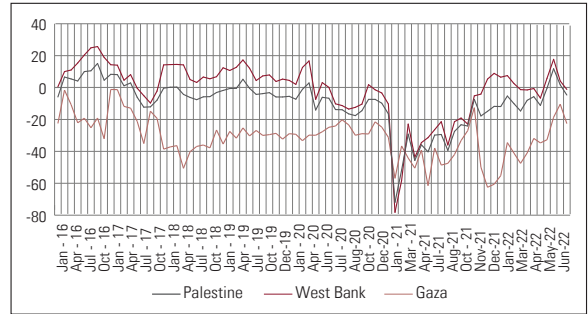
Unemployment and Youth Unemployment in Palestine, Q1 2016 – Q1 2022



Unemployment rate (Q1 2022): 25.4% Youth Unemployment rate (Q1 2022): 38.3%
Source: PCBS

Business Cycle Index

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

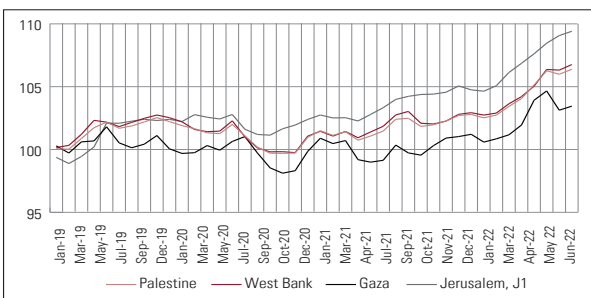


Palestine (June 2022): -4.7
Gaza (June 2022): -22.6

West Bank (June 2022): -1.2
Source: PMA

Inflation

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

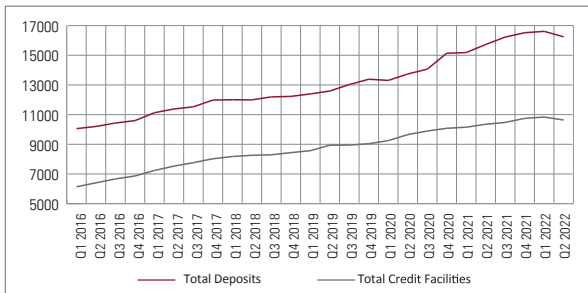


Palestine (June 2022): 106.39
Gaza (June 2022): 103.45

West Bank (June 2022): 106.76
Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2016 – Q2 2022



Total Credit (Q2 2022): \$10,835.09m
Source: PMA

Total Deposits (Q2 2022): \$16,242.29m

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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