

Bulletin 195 December 2022

Main reports

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The fourth meeting of US-Palestinian Economic Dialogue took place on 14 November, with senior representatives from the US Department of State meeting a Palestinian delegation headed by Minister of National Economy, Khaled Osaily

On 22 November, the United Nations Conference on Trade and Development issued a new report on the economic costs of Israeli restrictions in Area C

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Tourism sector post-pandemic recovery

Almost three years after the pandemic temporarily closed down the Palestinian tourism sector, over 100,000 tourists were expected to visit Bethlehem over Christmas, with an estimated 85% of hotel rooms booked.¹ Rula Maayah, Palestinian Minister of Tourism and Antiquities (MOTA), noted that inbound tourism is on the rise and the sector is finally starting to recover from the impact of the pandemic.

Since March of this year around 600,000 foreign tourists have visited Palestine. In the first half of 2022, the number of domestic tourist visits reached 1.7 million, an increase of 68% compared to the corresponding period in 2021.² As a result, the number of hotel guests also doubled during the first half of 2022 compared to 2021, with 145,000 West Bank hotel guests staying 362,000 nights, 34% of which were in Bethlehem.³

Despite these positive developments, surging travel costs, rising living expenses, a slower international tourism recovery and escalating local political tensions are holding back the sector from full recovery.⁴ In addition, fewer than the 200,000 Russians and 90,000 Ukrainians that visited Palestine before the pandemic will do so next year, due to the ongoing war following the Russian invasion of Ukraine. As a result, while 251,700 foreigners visited Palestine in the first half of 2022, the figure remains well below the one million foreign tourists seen in the first half of 2019.⁵ Similarly, the number of hotel visitors in the West Bank in the first half of 2022 (144,755 visitors) is still less than 40% of the number of visitors recorded in the same period in 2019.⁶

New international channels

On 17 November, the MOTA signed a memorandum of cooperation with the Ministry of Culture and Tourism of the People's Republic of China (PRC). The goal of the initiative is to establish direct linkages between the two counties' tourism sectors and attract tourist groups from China through Palestinian operators.⁷ The memorandum included several areas of cooperation, including tourism marketing and promotion, cross-country private tourism sector collaboration, tourism investment, and the exchange of experiences, information, and knowledge.

Regulating local tourism

On 27 November, MOTA announced the start of the "Tourist Villas Licensing System No. 25 for the Year 2021," which aims to regulate the 'villa rental sector'. This has seen significant growth in Palestine since the pandemic, as a local tourism alternative offered by private owners in Jericho and the Jordan Valley.⁸

A recent report states that there are over 1,200 such residential villas in Jericho alone, with similar projects in other areas near the Jordan Valley.⁹ The estimated average cost of a standard villa in Jericho ranges from \$220,000 to \$300,000, with rental prices averaging \$250-400 for an overnight stay, with higher rental prices on weekends and over holiday periods.¹⁰

¹ <https://bit.ly/3uAUWGX>

² <https://www.pcbs.gov.ps/site/512/default.aspx?lang=en&ItemID=4320>

³ Ibid.

⁴ <https://www.maannews.net/news/2081546.html>

⁵ https://pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_26-9-2019-tour-ar.pdf

⁶ https://pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_TourismDay2022A.pdf

⁷ <https://wafa.ps/Pages/Details/59437>

⁸ <https://www.bnews.ps/ar/node/20258>

⁹ <https://bit.ly/3FgpbrH>

¹⁰ Ibid.

Significant private and public investment is currently being directed towards the construction of residential and rental villas in Jericho and the Jordan Valley. A leading example is Jericho Gate, with a plan to construct 1,400 private villas, 7 shopping centres, a water park, and other recreational facilities.¹¹ The Palestine Investment Fund is also investing \$500m in the “Moon City” project, with a plan to construct 1,500 housing units, 120 rental villas, an industrial zone and several touristic, commercial, and recreational facilities in the Jordan Valley.¹²

Developments in the Tech Start-Up Ecosystem

The Palestinian tech start-up ecosystem suffers from lack of exposure, limited investment, and minimal engagement with foreign markets. The existing support system also remains fragile, as acceleration programmes remain in need of support and there is only one venture capital fund to support early-stage and growth-stage start-ups. Despite these challenges, over a hundred start-ups have been established in Palestine during the past six years, 15% of which are led by women and 34.7% of which were established in 2020 and 2021.¹³

In recent years, international donors have increased their support for this sub-sector, recognising that technology is a human capital-intensive sector that is relatively less sensitive to Israeli restrictions on the Palestinian economy.

Technology for Youth and Jobs Project

On 22 November, the Ministry of Telecommunications and Information Technology presented the latest achievements of its Technology for Youth and Jobs Project (TechStart), funded by the World Bank, EU, Swiss Agency for Development and Cooperation and the Government of the Kingdom of the Netherlands.¹⁴ This \$30m project is designed to support the Palestinian tech ecosystem in upgrading corporate capabilities, to spur employment growth, attract foreign investment and strengthen demand from international buyers and investors.¹⁵

Since being approved by the World Bank in 2020, 23 local firms have benefited from the project’s activities, creating an additional 290 highly-skilled IT services jobs, 90 of which were filled by women.¹⁶ The project also financially supported the recovery of 65 firms from the impact of the pandemic.¹⁷ By the end of 2025, TechStart is expected to have trained 750 individuals, helped 200 local firms, created 1,000 additional highly-skilled IT services jobs, attracted \$2m in foreign direct investment and established 10 new firms through seed grants.

New venture capital investments

On 2 November, Ibtikar, Palestine’s only venture capital fund, announced an initial investment of \$2.4m from its second fund, in Alma Health (healthtech), Algebra Intelligence (renewable energy), and VatrIn (e-commerce and logistics).¹⁸

- Alma Health is a direct-to-patient digital healthcare provider that facilitates healthcare for individuals with

chronic conditions through digital doctor consultations, medication deliveries, and care services. Alma Health is currently active in the UAE and Egypt, and is in the process of expanding to Saudi Arabia.

- Algebra Intelligence is a software company that developed TaQTak, an AI-powered energy management solution that monitors energy consumption, predicts maintenance requirements, and carries out energy reporting and forecasting. It helps customers integrate renewable energy solutions, achieving energy savings of 25%, increasing generation by 20% and reducing maintenance costs by around 25%.¹⁹
- VatrIn is a digital solutions company that simplifies website creation for small business owners and merchants to facilitate online shopping, payments, and delivery tracking.

The first Ibtikar fund made early-stage investments of \$10.35m in 26 startups, including Mashvisor, Gamiphy, Kenz, LogesTechs, 360Moms, and Tawazon.²⁰ Ibtikar’s second fund was launched in early 2022, with a first closing of \$15m out of a target fund size of \$30m.

US-Palestinian Economic Dialogue

In December 2021 the senior-level US-Palestinian Economic Dialogue (USPED) resumed its meetings under the Biden-Harris administration, following a hiatus during the Trump presidency.²¹ The fourth meeting of USPED took place on 14 November, with senior representatives from the US Department of State meeting a Palestinian delegation, headed by Minister of National Economy, Khaled Osaily.²² Participants discussed areas for future economic cooperation, including trade, banking and fiscal issues, foreign direct investment, climate change, natural resources, telecommunications, and humanitarian assistance. They also agreed to establish a technical committee to convene regularly and develop a plan for the implementation of programmes and interventions that include greening and digitalising the Palestinian economy, establishing an IT hub, and enhancing access to Area C for investment in renewable energy.²³

On 16 November, a US delegation met with Palestinian private sector representatives to learn more about obstacles to economic development and necessary interventions.²⁴ Palestinian participants emphasised the need for more developmental investment (particularly in economic infrastructure and selected strategic sectors), for enabling investment in Area C. They also emphasised the need for maintaining the sustainability and stability of the banking sector, and uplifting current risk insurance and loan guarantee programmes. Private sector representatives also sought US support to ease Israeli restrictions on trade, lift the blockade on Gaza and allows for more trade between the West Bank and Gaza, as well as support for the establishment of inland ports for customs clearance.

Gradual improvement of US-Palestinian economic relations

In March 2021, two months after his election, US President Joe Biden set out to resume US assistance to the

¹¹ <https://www.padico.com/en/jericho-gate-investments/>

¹² <https://bit.ly/3v0Q9yW>

¹³ <https://bit.ly/3WpJ0IR>

¹⁴ <https://wafa.ps/Pages/Details/59757>

¹⁵ <https://bit.ly/3HOZYaK>

¹⁶ <https://projects.worldbank.org/en/projects-operations/project-detail/P172571>

¹⁷ <https://bit.ly/3GFUUi4>

¹⁸ <https://ibtikarfund.com/2021/?p=1095>

¹⁹ <https://ibtikarfund.com/2021/?p=1102>

²⁰ <https://ibtikarfund.com/2021/?p=1>

²¹ <https://bit.ly/3htZFHT>

²² <https://bit.ly/3jF79Z0>

²³ <https://english.wafa.ps/Pages/Details/131948>

²⁴ https://www.al-ayyam.ps/ar_page.php?id=15a4147ay363074682Y15a4147a

Palestinian people. Since then, the U.S. Government has announced \$618m in total contributions to United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).²⁵ In addition, the United States Agency for International Development (USAID) provided over \$110m in development, humanitarian, and peacebuilding programmes in 2021, more than \$150m in 2022 and will provide nearly \$270m in 2023.²⁶

During his visit to the region in July 2022, President Biden announced a number of additional initiatives his administration would be promoting in relation to the Palestinians, including:²⁷

- Bolstering the digital economy: accelerating digital transformation and fostering a better connected Palestinian economy by speeding up the long overdue transformation from 3G to 4G in the West Bank and thereafter from 2G to 4G in Gaza. According to the Palestinian Minister of Telecommunications and Information Technology, Ishaq Sidr, Israel has given its approval to allocate frequencies to operate the fourth- and fifth-generation mobile broadband in the West Bank but is delaying implementation despite the readiness of Palestinian companies.²⁸
- Improving the travel experience from the West Bank to Jordan: in November, a trial period began to make the King Hussein Bridge crossing operational 24/7.²⁹ The trial period, which lasted only one week, has now been completed, and no follow-ups or announcements of further steps have been taken.³⁰ The US has expressed reservations regarding the short duration of the trial.
- Re-launching Israeli-Palestinian economic dialogue: persuading Israel to restart dialogue through the Joint Economic Committee, increasing the number of permits for Palestinians in Gaza to work and do business in Israel to 15,500, and approving the registration of 5,500 previously unregistered Palestinians on the population register. The processes of issuing permits for Gazan workers and adding previously unregistered Palestinians on the population register are already underway.
- Ensuring food security for Palestinians: \$15m in funding to the UN World Food Programme and two non-governmental organisations, with the United States providing electronic food vouchers, multipurpose cash assistance, and emergency livelihood support, helping more than 210,000 food-insecure people.³¹

Economic Cost of Restrictions in Area C

On 22 November, the United Nations Conference on Trade and Development (UNCTAD) published a new report on the economic costs of Israeli restrictions in Area C, which covers over 60% of the West Bank and is under full Israeli civil and security control.³²

The report shows that Palestinian economic activity in Area C is considerably lower in intensity than in Areas A and B.

Around 70% of Area C (42% of the West Bank) is currently within the boundaries of the regional councils of Israeli settlements, making it off-limits for Palestinian development. The remaining 30% suffers from additional restrictions on economic activities, over and above those imposed in Areas A and B. According to the report, reducing restrictions in this part of Area C to the levels imposed on Areas A and B would expand the West Bank economy by 25.3%. The estimated cumulative cost of these additional restrictions between 2000-2020 is around \$54 billion (in 2021 prices), equivalent to about three times the West Bank's GDP in 2021.

These estimates were made by applying an innovative methodology that uses night-time luminosity, captured by satellite sensors over several years, to estimate economic activity.³³

Using the same methodology, the report also provides estimates, for the first time, of the average annual contribution of the settlements in Area C and East Jerusalem to the Israeli economy, which is \$41 billion, equivalent to around 11% of Israel's GDP in 2021. The total contribution of these settlements to Israel's growth between 2000 and 2020 is estimated at a minimum of \$852 billion. This GDP, generated by these settlements, is another dimension of the significant costs borne by Palestine and not available to its treasury.

The report concludes by stressing the necessity of lifting restrictions on Palestinian economic activity in Area C. Ending such restrictions would provide the Palestinian economy with a much-needed economic and natural resource base for developing the economy and reversing the current trend of deepening fiscal crisis, which exacerbates socio-economic deprivation. The report also notes these findings are conservative, as they only account for one component of the various costs to the Palestinian economy, which include fiscal leakages, movement and access restrictions, natural resource extraction, property destruction and land confiscation and other economic opportunity costs.

November Trading

The Al-Quds index reached 631.8 points on the last day of trading in November 2022, an increase of 2.15% from the previous month.³⁴ During the month, a total of 15.7m shares with a total value of \$29.4m were traded, marking a 66.7% increase in the number and 32.9% increase in the value of traded shares compared to October 2022.

On 30 November, the Palestine Exchange (PEX) published the results of its Q3 2022 disclosure period, with 42 out of the 48 listed companies reporting profits.³⁵ Total reported net profits reached \$303.6m in the first three quarters of 2021, an 8% increase compared to the same period in 2021. One company failed to disclose within the permitted period. The banking sector recorded the highest net profits (\$105m and a 17% increase compared to the corresponding period in 2021), followed by the services sector (\$99m and an 8% increase over the same period).

25 <https://bit.ly/3HI6Bf5>

26 <https://bit.ly/3jF77jQ>

27 <https://bit.ly/3uZTHRW>

28 <https://www.raya.ps/news/1142948.html>

29 <https://bit.ly/3YwWrnw>

30 <https://bit.ly/3UKtoK5>

31 <https://bit.ly/3VWk9Bm4>

32 <https://bit.ly/3G2acDq>

33 Night-time luminosity (NTL) is a measure of visible night lights on Earth captured by satellites from outer space. NTL, which can be used to reflect economic activity, is increasingly adopted to estimate GDP in countries where economic data are poor and in areas and subregions where such data does not exist.

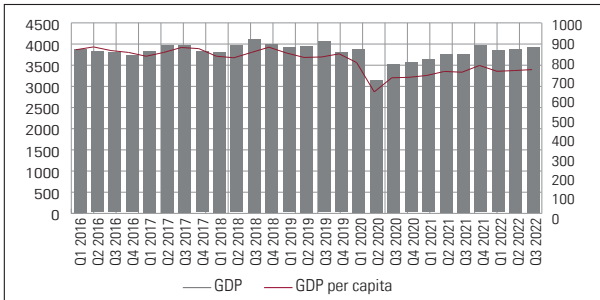
34 <https://bit.ly/3uZd39T>

35 <https://bit.ly/3YKq7Vd>

Palestine Economic Dashboard

Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2016 – Q3 2022

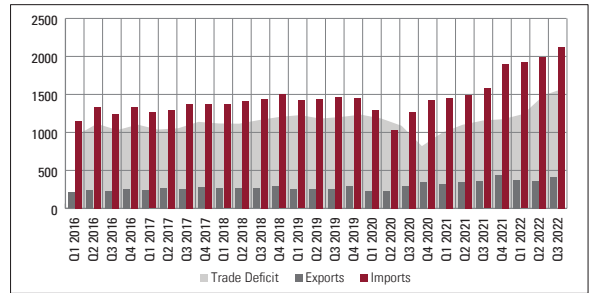


GDP (Q3 2022): \$3910.5m
Source: PCBS

GDP per capita (Q3 2022): \$770.9

Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2016 – Q3 2022

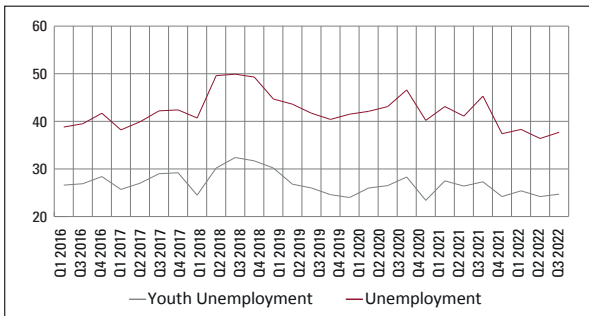


Imports (Q3 2022): \$2,126.7m
Trade deficit (Q3 2022): \$1,721.2m

Exports (Q3 2022): \$405.5m
Source: PCBS

Unemployment

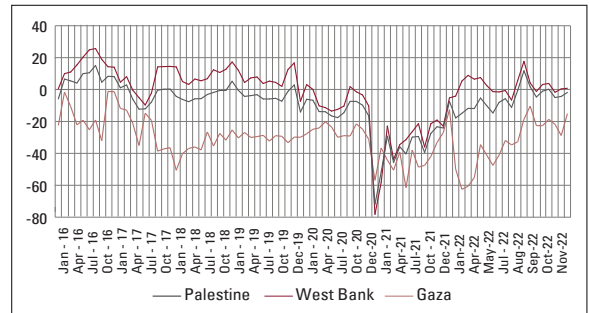
Unemployment and Youth Unemployment in Palestine, Q1 2016 – Q3 2022



Unemployment rate (Q3 2022): 37.70% Youth Unemployment rate (Q3 2022): 24.70%
Source: PCBS

Business Cycle Index

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

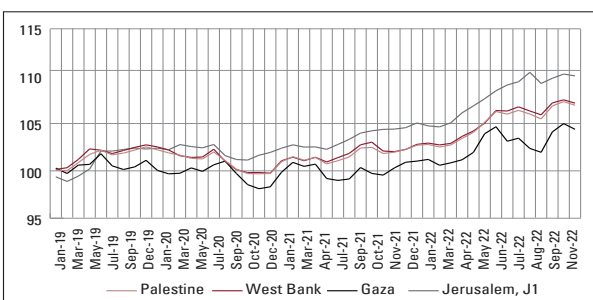


Palestine (November 2022): -1.8
Gaza (November 2022): -15.1

West Bank (November 2022): 0.8
Source: PMA

Inflation

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

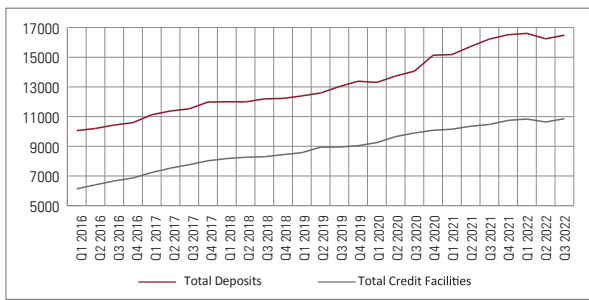


Palestine (November 2022): 106.93
Gaza (November 2022): 104.39

West Bank (November 2022): 107.15
Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2016 – Q3 2022



Total Credit (Q3 2022): \$10,862.82m
Source: PMA

Total Deposits (Q3 2022): \$16,487.59m

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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