

## PALESTINIAN ECONOMIC BULLETIN

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### Main reports

On 6 January, Israel's security cabinet approved new sanctions against the Palestinian National Authority

On 12 January, the Ministry of Local Government signed an agreement to build Palestine's first waste-to-energy plant at the Zahrat Al-Finjan landfill in the Jenin Governorate

On 17 January, the Palestine Development and Investment Company (PADICO) announced that it had rebuilt ten factories in Gaza Industrial Estate

In January 2023, the Al-Quds index reached 644.6 points on the last day of trading, a 0.77% increase from the previous month

### PMA instructions regarding bank fees and commissions

On 2 January, the Palestine Monetary Authority (PMA) issued new instructions regarding bank fees and commissions.<sup>1</sup> To improve the transparency of fees charged by banks and to promote financial inclusion, the PMA cancelled all fees related to opening a personal bank account and waived several account management fees for clients who receive welfare assistance and cash transfers. The new fee structure could also be seen as a response to exceptional increases in banking sector profits during 2021 and 2022. On 30 January, the PMA announced that the implementation of the new instructions will be delayed until the beginning of May 2023.<sup>2</sup>

### Encouraging the use of digital payments by individuals and businesses

To encourage the adoption of online banking and digital payment methods, the new instructions also reduced fees and commissions on electronic banking services. The use of digital financial services is generally low in Palestine, and the use of cash and cheques remains high. In 2017, just 14% of respondents in a World Bank survey reported having made or received a digital payment.<sup>3</sup> The reliance on cash as a primary means of payment is even higher in Gaza than the West Bank. In 2019, a survey by the Palestine Central Bureau of Statistics (PCBS) showed that only 8% of Palestinian respondents had purchased goods or services online (9% in the West Bank and 6% in Gaza Strip).<sup>4</sup>

The PMA also reduced the fees charged on points of sale (POS) to less than 0.5% (from 3%) to increase their use by traders and consumers. The most recent PCBS figures indicate that only around 14% of businesses in Palestine used electronic payment methods in 2021, 17% in the West Bank and 9% in Gaza Strip.<sup>5</sup> Adoption of digital payments by businesses is especially low among small enterprises (employing less than 10 people), with only 12.1% of them reported to have used them in 2021. This compares to 55.6% of large enterprises (employing more than 50 people) and 31.1% of medium enterprises (employing 10-49 people).

Whether the new policy will encourage smaller enterprises to adopt digital payment methods is still unclear, especially since the barriers to adoption are largely structural. Around 75.2% of enterprises that did not use electronic payment methods in 2021 stated that they are unwilling to use them, 19.6% said that they did not know that such services existed in Palestine and 17.3% did not know how to use them. About 18.3% of enterprises that do not use electronic payments cited insufficient and unstable infrastructure (internet connections and the like) as a significant hindrance to the use of digital payments, and 14.8% said that they do not trust the service providers.

### Addressing excess ILS cash in Palestinian banks

The new instructions also introduced new fees on cash withdrawals and deposits. Dr. Feras Milhem, the Governor of the PMA, noted that the newly introduced fees on ILS cash deposits are intended to reduce the amount of excess physical Israeli Shekels held by Palestinian banks.<sup>6</sup> According to Milhem, these fees will only affect 2% of banking customers (those who deposit more than ILS 100,000).<sup>7</sup>

1 <https://bit.ly/3jHW365>

2 <https://bit.ly/3l8Zxqw>

3 <https://openknowledge.worldbank.org/handle/10986/36770>

4 [www.pcbs.gov.ps/post.aspx?lang=en&ItemID=3738](http://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=3738)

5 [www.pcbs.gov.ps/Downloads/book2632.pdf](http://www.pcbs.gov.ps/Downloads/book2632.pdf)

6 The PMA defines excess Shekel cash as Shekel cash in banks' vaults exceeding 6% of short-term Shekel deposits.

7 <http://bit.ly/3XZvsQu>

**Table 2: New fees on cash deposits and withdrawals**

Cash Transaction Range and Currency	Fees
<b>Cash Withdrawals (USD or its equivalent in other currencies)</b>	
Up to 2,000\$	1\$
Between 10,000\$ - 2,001\$	0.05%
More than 10,000\$	0.2%
<b>Cash Deposits</b>	
Between ILS 100,000 and ILS 300,000	0.1% for individuals 0.2% for businesses
Between ILS 300,001 and ILS 500,000	0.2% for individuals 0.3% for businesses
Between ILS 500,001 and ILS 1,000,000	0.4%
More than ILS 1,000,000	0.5%

Source: PMA instruction Number 1 for the year 2023 concerning banking fees and commissions

The core problem is that the Bank of Israel, which issues Shekels, imposes limits on the amount of notes and coins it accepts back from Palestinian banks. This is currently set at ILS 4.5 billion per quarter (ILS 18 billion per year), five times the monthly quota of ILS 300 million (ILS 900 million quarterly or 3.6 billion annually) first set in 2009. Yet, transfers of accumulated ILS cash from banks operating in the West Bank have more than doubled over the last 8 years, rising from ILS 9.6 billion in 2013 to ILS 21.1 billion in 2021. At the end of June 2022, Palestinian banks held excess Shekel cash of ILS 5 billion (equivalent to 7.2% of assets).<sup>8</sup> Banks periodically run out of vault space and so start refusing ILS cash deposits. This issue has long hindered liquidity management and been a significant drag on the profitability of Palestinian banks. Recent periodic large increases in excess cash have created additional risks, raised the costs of the Palestinian banking system, and fostered greater informality due to the use of cash.<sup>9</sup>

## New Israeli Sanctions

On 6 January, Israel's security cabinet approved sanctions against the Palestinian National Authority (PNA) in response to the UN General Assembly's recently adopted resolution, which requested the International Court of Justice (ICJ) to issue an advisory opinion relating to the Israeli occupation of Palestinian territory.<sup>10</sup>

The sanctions add further deductions from taxes Israel collects on behalf of the PNA, including an additional ILS 139 million (\$39 million) to pay families of Israelis killed in Palestinian attacks. In addition, steps were taken to freeze Palestinian construction plans in Area C of the West Bank, and revoke VIP benefits for PNA officials.

Palestinian Prime Minister Mohamad Shtayyeh stressed the detrimental effect these latest measures have on the PNA's administrative abilities, as it already suffers from a monthly deficit of approximately ILS 400m.<sup>11</sup> The PNA has been paying only partial wages to over 140,000 public sector employees since November 2021, and has been accumulating further arrears to the private sector.<sup>12</sup>

### Israeli deductions in 2022

According to details published by the Palestinian Ministry of Finance (MoF), the Israeli Government deducted about 23.3% from the tax revenues it collected on behalf of the PNA in 2022. More than a fifth of this amount is deductions equivalent to allocations made by the PNA to Palestinians imprisoned by Israel and the families of those killed by Israeli forces. According to the MoF, the total sums deducted between 2019 and 2022 under this item alone amount to about

ILS 2 billion.<sup>13</sup> Other major items include unpaid Palestinian obligations to Israeli utility and healthcare suppliers.

**Table 1: Israeli deductions from the PNA clearance revenues in 2022**

Item	Amount (ILS million)	As a percentage of total clearance revenues
Net lending - electricity	881.7	7.7%
Net lending - water	375.1	3.3%
Net lending - sewage services	114.1	1%
Health transfers and treatment in Israeli hospitals	189.3	1.6%
Court rulings, net	3.7	0%
3% handling fees	345.9	3%
Other deductions (loan repayment)	164.8	1.4%
Withheld revenues (equivalent to PNA allocations)	603.3	5.2%
<b>Total deductions and withheld revenues</b>	<b>2,677.9</b>	<b>23.3%</b>

Source: Palestinian Ministry of Finance<sup>14</sup>

## Rebuilding Gaza's productive capacity

On 17 January, the Palestine Development and Investment Company (PADICO), announced it had rebuilt ten factories in the Gaza Industrial Estate (GIE) which were destroyed in May 2021 in air strikes on the Gaza Strip.<sup>15</sup> Six of these factories are ready to reopen.

On 22 January, Khaled Al Osaily, the Palestinian Minister of National Economy, announced that 14 factories had benefited from the European Union's €7m grant to support the GIE, including all the factories rebuilt by PADICO.<sup>16</sup>

GIE, which is managed by PADICO, currently hosts 71 companies, with an estimated total investment of \$890 million since establishment.<sup>17</sup> The industrial zone was designed to provide companies with the necessary infrastructure, support facilities and services to manufacture and trade in Gaza, as it has its own power plant, grid system and advanced water and sewage system.<sup>18</sup> However, GIE has in recent years suffered significant damage as a result of repeated strikes on the Gaza Strip, incurring sizable losses. Many of its industrial facilities and some of its infrastructures were destroyed in May 2021, including part of its solar energy power plant.<sup>19</sup>

### Agricultural rehabilitation

On 20 January, Al Osaily announced that the Palestinian government had rebuilt 20 dunums of greenhouses that were destroyed during the May 2021 hostilities in Gaza.<sup>20</sup> The project was implemented by Tasdeer, a programme funded by UK Aid to improve Palestine's trade performance.<sup>21</sup>

While much needed, such initiatives in the agricultural sector in Gaza are of negligible benefit relative to the destruction of economic infrastructure caused by air strikes over the last several years. In addition, internal policies and dynamics compound the complexity of agricultural production in Gaza. For example, on 6 January, the land authorities in Gaza increased public land rental prices in certain areas in the North Gaza Governorate from \$50 to \$200 per dunum annually. This impacted 1,500 dunums (around 1.3% of total cultivated land in Gaza) currently rented and cultivated by over 250 farmers.<sup>22</sup> Such policies increase the financial pressures on

13 <https://english.wafa.ps/Pages/Details/132726>

14 [www.pmf.gov.ps/documents/accounts/monthly/2022/Dec.2022.Ar.pdf](http://www.pmf.gov.ps/documents/accounts/monthly/2022/Dec.2022.Ar.pdf)

15 [www.wafa.ps/Pages/Details/63090](http://www.wafa.ps/Pages/Details/63090)

16 <https://mne.gov.ps/Content.aspx?NewsId=6508>

17 Ibid

18 <https://bit.ly/3xFPvly>

19 [www.maannnews.net/news/2085458.html](http://www.maannnews.net/news/2085458.html)

20 [www.wafa.ps/Pages/Details/63252](http://www.wafa.ps/Pages/Details/63252)

21 <https://tasdeer.ps/who-we-are>

22 According to the PCBS, the total cultivated area in the Gaza Strip during the agricultural year of 2020/2021 reached around 116 thousand dunums.

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

9 Ibid.

10 <https://bit.ly/3xdrFUe> and <https://press.un.org/en/2023/sc15179.doc.htm>

11 <https://bit.ly/3x9vHNT>

12 [www.aa.com.tr/ar/2774139/اقتصاد-فلسطين-في-2022-ازمة-الرواتب-تتصدر-المشهد-تقرير](http://www.aa.com.tr/ar/2774139/اقتصاد-فلسطين-في-2022-ازمة-الرواتب-تتصدر-المشهد-تقرير)

many rural households' main sources of income, thus further limiting agricultural production in these areas.<sup>23</sup>

### Reconstruction efforts

The Gaza Strip has seen limited progress on reconstruction since the May 2021 war and the more recent August 2022 escalation, which destroyed hundreds of residential units, economic and commercial establishments, public service facilities and critical infrastructure facilities.<sup>24</sup> While several political and economic factors have contributed to this, the net effect has been that, as with previous reconstruction efforts, many donors have not delivered on their reconstruction pledges.<sup>25</sup>

Available statistics show that around 659 housing units destroyed since 2021 have yet to be rebuilt, and around 12,344 damaged units are still in need of repair.<sup>26</sup> These are over and above the 1,242 destroyed and 75,202 damaged units catalogued in 2021 that are still to be reconstructed/repared. Similar statistics for destroyed economic establishments and infrastructure facilities are not readily available.

### New Waste-to-Energy Plant in Jenin

On 12 January, the Ministry of Local Government signed an agreement with Sorouh, a local company, to build a waste-to-energy plant at Zahrat Al-Finjan, Palestine's second largest landfill, with a capacity of 2.25 million cubic metre square and an area of 240,000 square metres.<sup>27</sup>

The new plant is designed to safely incinerate the 1,200 tons of waste it receives daily and is expected to generate approximately 40 megawatts of electricity per day, which is sufficient to cover around half of the Jenin Governorate's current electricity demand. In addition, to capitalise on the potential generated by the new plant, the area surrounding the Zahrat Al-Finjan landfill has been licensed as an environmentally-friendly industrial zone that could host factories in the near future.

The project is estimated to cost around \$150m and will be implemented over the next 4 years. About 35% of the cost is for the filtration of the incinerated waste, to ensure it does not produce smoke or cause leakage of leachate.

### Plans for additional waste-to-energy plants

The Ministry of Local Government is also working on a similar tender for the Al-Miniyeh landfill in the Bethlehem Governorate, which is facing difficulties in processing the 1,200 tons of waste it receives daily due to its limited area and the inability to expand it. Al-Miniyeh is Palestine's largest landfill, with a total capacity of 4.9 million cubic metres and an area of 250,000 square metres. There are also plans to establish a further waste-to-energy plant in the West Bank and two more in the Gaza Strip.

Although building and operating waste-to-energy plants is considered one of the more costly waste disposal options,<sup>28</sup> in the case of Palestine, such plants can play a critical role in the waste management sector. This is due to the restrictions on Palestinian access to 60% of the land area of the West Bank, and the Gaza Strip's high population density. Waste-to-energy plants can provide significant electric energy supply (currently being imported from Israel) and relieve the pressure on the PNA and local government to expand existing landfills.

### Difficulty expanding existing landfills

The main methods of waste disposal are landfills and dumping (random or controlled), with some estimates indicating that about 65% of solid waste in Palestine goes to

landfill.<sup>29</sup> There are seven sanitary landfills in Palestine, four in the West Bank and three in the Gaza Strip.<sup>30</sup>

While these sites generally suffer from limited capacity and are often unable to process the increasing production of solid waste, the PNA faces great difficulty in expanding them or establishing new landfills due to the scarcity of land and restrictions imposed by Israel. Most of the land that could be used to establish new landfills is located in Area C, where there is great difficulty obtaining the necessary approvals and licences. While waste from Israeli settlements is dumped free-of-charge in Palestinian landfills (Palestinian operators do not charge settlements because they are considered illegal), Israel has previously conditioned its approval for expanding landfills on official acceptance of settlement waste.<sup>31</sup>

Across all areas, there is public resistance and lack of social acceptance. For example, the Ramon landfill site near Ramallah, in the planning stage since 2006, has raised objections from residents of neighbouring villages due to fears of its negative impact on the surrounding area.<sup>32</sup>

### Limited recycling capacity

According to the latest available estimates, Palestine produced around 2 million tons of solid waste in 2021, an average of about 5,485 tons of solid waste per day (65% of which is produced in the West Bank).<sup>33</sup> Palestinian households produce an estimated average of 3,155 tons of solid waste per day, while the rest is produced by commercial and industrial establishments. Organic materials constitute around 50% of solid waste, followed by plastics (14.6%) and paper and cardboard (12.5%).

Only around 3% of the total amount of solid waste in Palestine is currently recycled (including recovered or reused materials), compared to 5-10% in Jordan and 20-25% in Israel.<sup>34</sup> There is a large potential for recycling and composting, since biodegradables and recyclables constitute most of the solid waste generated in Palestine. This would also help solve the problem of the increasing amounts of solid waste, improve cost recovery and generate new job opportunities.<sup>35</sup>

### Illegal waste disposal

The lack of landfill capacity and the minimal recycling capacity have led to an increase in illegal waste disposal, such as by dumping waste in unlicensed landfills and indiscriminate burning in landfills or street containers. In 2019, it was estimated that around 32% of the total solid waste generated in Palestine was disposed of illegally through burning or illegal dumping in more than 160 unplanned dumps.<sup>36</sup>

Improper or unsustainable disposal of solid waste leads to leakages of leachate, toxic substances such as chloride and arsenic and heavy metals like cadmium, mercury, and lead into groundwater, which can pollute the environment and cause health hazards.<sup>37</sup>

### January Trading

In January 2023, the Al-Quds index reached 644.6 points on the last day of trading, a 0.77% increase from the previous month.<sup>38</sup> During January, a total of 21.6m shares with a total value of \$41.5m were traded, an 88.9% and 90.4% increase in the number and value of traded shares, respectively, compared to December 2022.

<sup>29</sup> <https://bit.ly/3YmGZK5>

<sup>30</sup> *Ibid.*

<sup>31</sup> <https://bit.ly/3xyilol>

<sup>32</sup> <https://palestineconomy.ps/ar/Article/8201>

<sup>33</sup> [https://mas.ps/cached\\_uploads/download/migrated\\_files/q65-20a-1640017639.pdf](https://mas.ps/cached_uploads/download/migrated_files/q65-20a-1640017639.pdf)

<sup>34</sup> <https://bit.ly/3YmGZK5> and <https://bit.ly/3xwGIhi> and <https://bit.ly/3yl8Kn>

<sup>35</sup> <https://bit.ly/3xlTkMZ>

<sup>36</sup> <https://bit.ly/3YmGZK5> and <https://bit.ly/3JXaayZ>

<sup>37</sup> [www.eea.europa.eu/publications/horizon-2020-mediterranean-report/file](http://www.eea.europa.eu/publications/horizon-2020-mediterranean-report/file)

<sup>38</sup> <https://bit.ly/410icxa>

<sup>23</sup> <https://bit.ly/3Yjggyc>

<sup>24</sup> <https://bit.ly/3EvQizr>

<sup>25</sup> <https://bit.ly/3JTw0Z1> and <https://bit.ly/3XqcaD0>

<sup>26</sup> <https://bit.ly/3K5dBUE>

<sup>27</sup> [www.wafa.ps/Pages/Details/62776](http://www.wafa.ps/Pages/Details/62776)

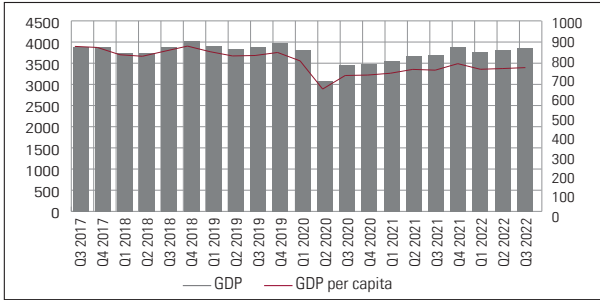
<sup>28</sup> <https://bit.ly/3IZfBUp>



# Palestine Economic Dashboard

## Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q3 2017 – Q3 2022

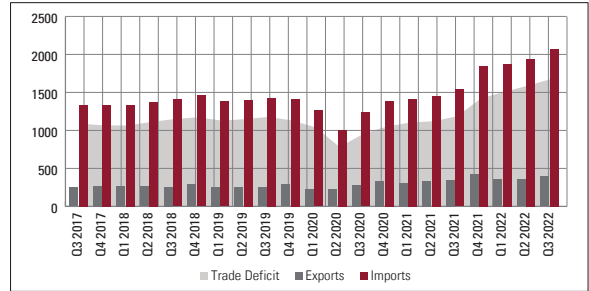


GDP (Q3 2022): \$3910.5m  
Source: PCBS

GDP per capita (Q3 2022): \$770.9

## Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q3 2017 – Q3 2022

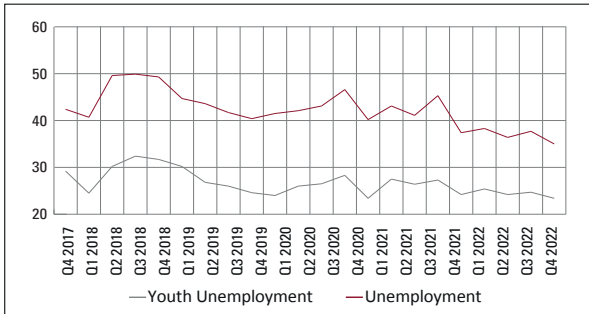


Imports (Q3 2022): \$2,126.7m  
Trade deficit (Q3 2022): \$1,721.2m

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

## Unemployment

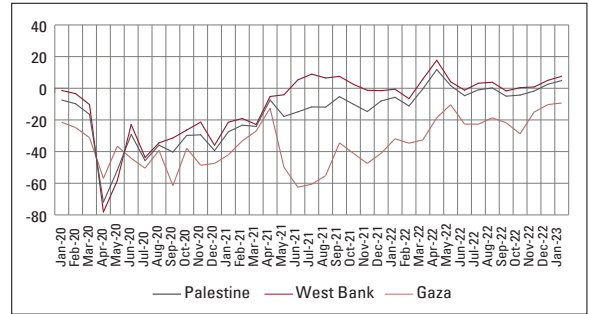
Unemployment and Youth Unemployment in Palestine, Q4 2017 – Q4 2022



Unemployment rate (Q4 2022): 35% Youth Unemployment rate (Q4 2022): 23.40%  
Source: PCBS

## Business Cycle Index

Palestine Monetary Authority Business Cycle Index, January 2020 – January 2023

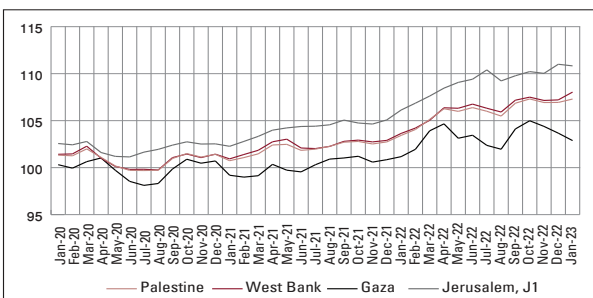


Palestine (January 2023): 4.9  
Gaza (January 2023): -9.3

West Bank (January 2023): 7.6  
Source: PMA

## Inflation

Consumer Price Index (Base year = 2018), January 2020 – January 2023

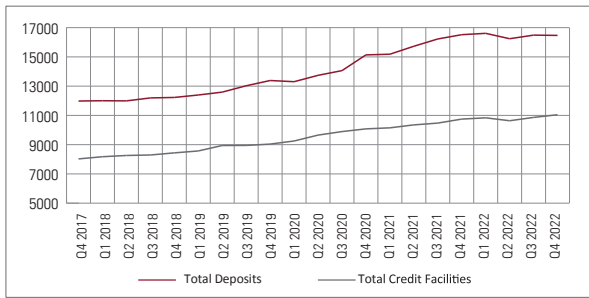


Palestine (January 2023): 107.30  
Gaza (January 2023): 102.88

West Bank (January 2023): 108.04  
Source: PCBS

## Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q4 2017 – Q4 2022



Total Credit (Q4 2022): \$11,045.05m  
Source: PMA

Total Deposits (Q4 2022): \$16,468.16m

## 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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