

Bulletin 201  
June 2023

### Main reports

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### Reopening the Dialogue on Social Security

On May 9, the Palestinian Economic Policy Research Institute (MAS) hosted the inaugural session of a societal dialogue on the revised draft of the Social Security Law.<sup>1</sup> The Palestinian Ministry of Labour (MoL) along with private sector and trade union representatives, with support from the International Labor Organization (ILO) recently developed a new draft of the Law for public consultation. The revised draft includes amendments introduced following two years of meetings with various groups, organisations and experts from the public, civic and private sectors.<sup>2</sup> The dialogue aims to present proposed reforms, gather feedback, and raise awareness among the public of the critical role a social security system plays in managing social risks and economic crises.

The MoL launched the dialogue in cooperation with the General Federation of Trade Unions (PGFTU) and the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA).<sup>3</sup> It involves a series of consultations conducted across eight governorates (Ramallah, Hebron, Tulkarem, Nablus, Gaza, Jenin, Jerusalem and Jericho) with the participation of representatives and activists from trade unions, chambers of commerce and employers' associations, civil society organisations, academics and other interested parties.

#### The need for social protection

Private sector employees constituted around 64.4% of employed Palestinians in 2022, of which three-quarters are not covered by a social protection system or by the full provisions of the Labour Law.<sup>4</sup> Palestinians employed in Israel and Israeli settlements (17% of employed Palestinians in 2022) are also denied access to social benefits. To request their social benefits, workers must independently file an application to the Israeli Payment Division "Matash".<sup>5</sup> Lack of awareness of rights, coupled with the Division's lack of transparency, cumbersome bureaucratic procedures and its failure to ensure employers correctly report working hours and pay, has resulted in limited access to social benefits which they have paid and to which they are entitled. The remaining 18.6% who work in the public sector are covered by the Law of Public Retirement No(7) of 2005 and its amendments or the Law of Insurance and Pensions of the Palestinian Security Forces No (16) of 2004 and its amendments.

Around 40.2% of wage employees in the private sector receive less than the minimum monthly wage( NIS 1880 or \$520) and 63.1% work without a verbal agreement or a written contract.<sup>6</sup> Furthermore, the majority of private sector wage employees do not receive benefits stipulated by the labour law, especially in the Gaza Strip.

**Table 1: Percentage of wage employees in the private sector who receive a selected list of benefits stipulated by the labour law, 2022**

Benefit	West Bank	Gaza Strip	Palestine
End-of-service reward	31.4	13.0	25.9
Paid annual vacation	34.1	13.6	27.9
Paid sick leave	35.3	14.2	28.9
Paid maternity leave (% of female wage employees in the private sector)	47.4	40.9	46
Health insurance (full or partial)	19.3	1.9	14.1
Work injury insurance	30.2	4.7	22.5

Source: Palestinian Central Bureau of Statistics 2023

#### Previous efforts

The Palestinian National Authority (PNA) has been trying to establish a social security system for over two decades. The first Social Security Law was enacted in 2003 by the Palestinian Legislative Council (PLC). However, it was annulled before implementation in 2007 following opposition by employers, who refused to incur extra costs. At the time, the World Bank recommended amending the Law, following an assessment that its enactment would come at a high financial cost and that the social security system resulting from it would be unsustainable.<sup>7</sup>

1 <https://mas.ps/news/7519.html>

2 [https://mas.ps/ cached\\_uploads/download/2023/05/08/paper-1-1683556230.pdf](https://mas.ps/ cached_uploads/download/2023/05/08/paper-1-1683556230.pdf)

3 [www.ilo.org/beirut/media-centre/news/WCMS\\_882177/lang--en/index.htm](http://www.ilo.org/beirut/media-centre/news/WCMS_882177/lang--en/index.htm)

4 <https://pcbs.gov.ps/Downloads/book2658.pdf>

5 [www.ituc-csi.org/IMG/pdf/ituc\\_palestinereport\\_en.pdf](http://www.ituc-csi.org/IMG/pdf/ituc_palestinereport_en.pdf) - "Matash" is a department of the Israeli Population, Immigration and Border Authority and is mandated with collecting and distributing social benefits as well as issuing payslips and monitoring working conditions for Palestinian workers

6 <https://pcbs.gov.ps/Downloads/book2658.pdf>

7 <https://tinyurl.com/2c7vs5s5>

In February 2016, Social Security Law No.(6) was enacted by presidential decree but faced immediate opposition from many private sector and civil society employees concerned that the Law failed to protect workers adequately. The Law was quickly replaced by Social Security Law No.(19) in September 2016, following several revisions and amendments. However, the new draft was also contested and faced widespread public protest. In January 2019, after months of public protests and demands to suspend the Law, President Mahmoud Abbas ordered a freeze on its implementation.<sup>8</sup>

### Causes of opposition

Many of the issues raised in 2018 remain pertinent today, notwithstanding the efforts made in amending the draft to accommodate and respond to public concerns. Opposition from workers and employees focuses on rates of salary deductions and the financial burden they would introduce to lower-income households, especially those working around minimum wage levels. Some opposition also focused on the fragility of the PNA's political and economic functioning and its ability to enforce labour laws, also casting doubt on its ability to act as a guarantor. However, some of the criticisms voiced have conflated weak public trust in the political system with concerns about transparent and independent governance of the Social Security Fund (which is not a government or public fund, despite being widely perceived as such).<sup>9</sup> Concerns were also raised regarding the fragility of the Palestinian economy, where most of the fund's resources are to be invested.<sup>10</sup>

Employers continue to be concerned with contribution amounts and obligations, and the additional financial burden it might place on businesses. Past iterations of the law caused concern among employers regarding the implications of business formalisation and ability to comply with labour regulations. The 2018 Law obliged employers to comply with the minimum wage and to pay off all employees' accumulated severance (a month's salary for each year of service) for which employers are liable under the Labour Law. This is particularly concerning for small businesses that face tight financial constraints.

Some critics have voiced scepticism of the PNA's motivation to pursue the social security law.<sup>11</sup> They speculate that the PNA is motivated by its desire to collect dues from Palestinians working in Israel per Article 7 of the Paris Protocol.<sup>12</sup> It mandates that social security deductions from the wages of Palestinians who work in Israel and its settlements be transferred to the PNA upon establishing a social security fund. To date, the deducted contributions are transferred to the Israeli National Insurance Institute, estimated at up to ILS 20bn.<sup>13</sup> However, if the PNA were to go ahead and establish the Social Security Institute, it has already prepared the necessary legal, financial and institutional arrangements that would oblige Israel to transfer those funds under the terms of the Protocol, without the risk of them being appropriated by the PNA .

### The new Law

According to Nasri Abu Jaish, Minister of Labour, 42 out of the 124 articles in Social Security Law No. (19) of 2016 were amended, while nine new articles that cover unemployment insurance benefits have been added.<sup>14</sup> The edited draft has a broader scope and includes clauses that resolve issues related to limited coverage, high employee contributions, lack of transparency, flawed independence and unclear investment mechanism of public funds. Abu Jaish noted that the Ministry is open to further propositions and amendments as long as they do not affect the financial sustainability of the Social Security Fund.

In the new draft, employers' monthly contributions toward Old-Age, Survivors, and Disability Insurance (OASDI) have been increased from 9% to 9.8% of the wage subject to social security insurance. In comparison, employee contribution was reduced from 7% to 6.2%. New provisions for sickness, health, unemployment, and 'family allowance' insurance were added.

Employees will be entitled to an unemployment insurance benefit equal to 85% of the minimum wage for three consecutive months, subject to a minimum of 24 contributions in the 48 months before being involuntarily unemployed (the minimum contributions increase by 12 months each time the insured becomes unemployed).<sup>15</sup>

The retirement age (for those below the age of 21 when the Law is enforced) was increased from 60 to 63 years old. Also, the retirement age would increase by one year every fifteen years for all those covered by the Law.<sup>16</sup> Retirees were given the right, not the obligation, to freeze their pension salary if they wished to work beyond the retirement age. This was mandatory in the previous version.

Other notable changes include expanding the range of heirs and dependents entitled to Social Security benefits coverage in case of the natural death of the insured, among others. These new coverages are in addition to those specified in the 2016 law, including Old Age, Survivors, and Disability Insurance (OASDI), work injury insurance, maternity insurance, and optional supplementary old-age retirement insurance.

**Table 2: Summary of contributions under the draft Social Security Law by type of insurance and contributor**

Insurance type	Employer	Employee	Government	Total
OASDI	9.8%	6.2%	-	16%
Work Injury	1.6%	-	-	1.6%
Maternity	0.4%	0.1%	-	0.5%
Unemployment	1%	1%	1%	3%
<b>Total</b>	<b>12.8%</b>	<b>7.3%</b>	<b>1%</b>	<b>21.1%</b>

Source: MAS 2023<sup>17</sup>

The amended draft law gives companies and individuals a grace period of five years before joining the Social Security Institution (SSI), as opposed to the previous version of the Law in which it was mandatory and effective immediately. The amended draft law does not require private businesses to transfer accumulated end-of-service compensations to the Social Security Fund, provided that it is paid by agreement between workers and employers under the supervision of the MoL.

A new clause was added to the Law to address concerns related to governance, subjecting the SSI and insurance funds to the oversight of the State Audit and Administrative Control Bureau and the Anti-Corruption Commission. In addition, two independent financial and investment experts were added to the investment committee.<sup>18</sup>

Finally, a new article was added to allow the SSI to follow up on the collection of compensation rights and benefits of Palestinians working abroad (i.e., in Israel), subject to a special decree to be issued by the Council of Ministers. A new fund is to be established for workers in Israel and Israeli settlements with a separate management and board of directors, consistent with both the existing entitlements under Israeli national insurance, as well as under the new Palestinian system.<sup>19</sup>

## Services at Jericho Agro-industrial Park

On May 23, the UN Industrial Development Organization and project partners celebrated the launch of a new project that aims to enhance factory productivity at the Jericho Agro-industrial Park (JAIP) and bolster energy resilience through sustainable, carbon-free energy solutions.<sup>20</sup> The project, funded by the Representative Office of Japan in Palestine, also aims to attract more factories to invest in clean and innovative technologies, fostering sustainable development and enhancing the competitiveness of the industrial sector in Palestine.

The project will be implemented through the Palestinian Business Prosperity Center (PalPRO), a business support hub providing specialised expertise and ICT support to Palestinian MSMEs engaged in exports. The Center, launched in 2020, covers a built-up area of 2,400m<sup>2</sup> at JAIP and primarily serves tenant firms at JAIP

8 <http://muqtafi.birzeit.edu/pg/getleg.asp?id=17104>

9 <https://bit.ly/3qxS6E2>

10 <https://tinyurl.com/3zpth2cw>

11 Ibid

12 The agreement that regulates economic relations between Israel and Palestine, signed in 1994 as part of the Oslo Accords.

13 <https://tinyurl.com/bdcpza8e> - Another source estimates it at \$16bn since 1970: <https://bit.ly/45Tfy5c>

14 [www.wafa.ps/Pages/Details/70870](http://www.wafa.ps/Pages/Details/70870) and <https://bit.ly/3oU5y3s>

15 [www.mol.pna.ps/uploads/STUDIES/daman.pdf](http://www.mol.pna.ps/uploads/STUDIES/daman.pdf)

16 I.e. After 15 years of enforcing the Law, the retirement age would increase from 60 to 61 for those older than 21 and from 63 to 64 for those younger than 21 years old on the day of enforcing the Law.

17 [https://mas.ps/cached\\_uploads/download/2023/05/08/paper-1-1683556230.pdf](https://mas.ps/cached_uploads/download/2023/05/08/paper-1-1683556230.pdf)

18 Increased from five to seven members. The new members are in addition to representatives of the government, employers, workers and the SSI General Director

19 [www.aliqtisadi.ps/ar/Article/94485](http://www.aliqtisadi.ps/ar/Article/94485)

20 <https://bit.ly/3qNw2s>; <https://www.maannews.net/news/2093957.html>

(but not exclusively).<sup>21</sup> PalPRO's key features include an industrial business and innovation centre; an ICT Lab (focusing primarily on agricultural industries); a Food Testing Lab (for businesses and farmers to test the quality of their inputs, soils, produce, and packaging); and a Fabrication Lab (for the development of export-compliant packaging).<sup>22</sup>

### Jericho Agro-industrial Park

Established in 2012 within the Japanese-led "Corridor for Peace and Prosperity" initiative, JAIP covers 615,000 m<sup>2</sup>, offering incentives and investment support to clients operating (primarily) in agricultural industries.<sup>23</sup> Prospective tenants can set up their production hangars onsite, typically relocating their entire business operation (sourcing, processing, packaging and distribution) to JAIP.

Twelve tenant companies (from 53 that signed MoUs with investors until 2019) are operating at JAIP across several sectors related to agricultural industries: food and beverages, pharmaceuticals and cosmetics, agricultural plastics, glassworks and construction. Exports include sweets, chocolates, soft drinks, spreads, nuts and soaps.<sup>24</sup>

### Development challenges

Given the complex political and economic situation in Palestine, the park has experienced limited success in attracting Foreign Direct Investment (FDI), compounded by competition with FDI-oriented industrial park developments in Israel, Egypt and elsewhere.<sup>25</sup>

In addition to external constraints, there were some governance and management challenges. The development of JAIP has been slow and inconsistent. While plans for the park's construction started in 2007, the contract for the first Palestinian tenant company was signed six years later in July 2013.<sup>26</sup>

Additionally, JAIP's location in the Jordan Valley has resulted in farmers facing difficulties accessing the industrial zone.<sup>27</sup> In 2014, the PNA requested that the Israeli authorities allow connecting JAIP to 'Highway 90', which stretches from the northern Israeli border with Lebanon to the southern border with Egypt on the Red Sea. This would significantly improve access to transport and shorten export routes; however, the project has been awaiting Israeli approval for almost a decade.<sup>28</sup> JAIP is surrounded by five major Israeli checkpoints and "Area C" territory, meaning all goods produced in or entering the JAIP must pass through Israeli controls.<sup>29</sup>

Finally, while JAIP was planned to offer its tenants reliable infrastructure, space for expansion and a location close to the Jordanian border, prospective tenants cite high lease fees, complicated procedures, high cost of electricity, and interrupted water supply.<sup>30</sup>

### The Future of Industrial Zones

Four industrial parks currently operate in Palestine: Bethlehem (funded by France), JAIP (Japan), Jenin (Germany) and Gaza (multiple donors). Of these, only JAIP has made relative progress, while the others continue to struggle or have failed to come to fruition.<sup>31</sup>

Despite being a longstanding priority for the PNA, the revival and growth of the industrial sector have been curtailed by its inability to exercise sovereignty over resources, assets, labour, trade routes and imports, all of which are controlled by Israel.<sup>32</sup> If the status quo does not change in the near future, the PNA will have little policy space to kick-start a meaningful industrialisation and trade logistic process on its own accord.

## New Solar Energy Project in Ramallah

On May 8, Qudra Company for Renewable Energy Solutions, in partnership with the Jerusalem District Electricity Company and Deir

Abu Mishaal Municipal Council, inaugurated an 8.25 megawatts solar power plant in the village of Deir Abu Mishaal, west of Ramallah.<sup>33</sup> This project, which was built on over 100 dunams of land, represents a significant addition to the current solar photovoltaic capacity in the West Bank and a success story that will encourage similar initiatives.

### Growing demand for electricity

The energy sector in Palestine requires more prominent and significant investments, especially since electricity demand is growing at a pace that is much faster than supply. The estimated electricity demand in Palestine at the end of 2022 was about 1,790 megawatts, of which 1,360 megawatts are in the West Bank and 430 megawatts in the Gaza Strip.<sup>34</sup>

Today, the West Bank is almost entirely dependent on electricity imports from Israel (over 90% of available electricity); the rest is imported from Jordan (80 megawatts up from 40 megawatts recently in 2022) or domestically produced (renewable energy and private generators). In the Gaza Strip, the Gaza Power Plant generates about 70 megawatts using diesel funded by Qatar, while about 120 megawatts are imported from Israel. This leaves a deficit of about 240 megawatts in the electricity supply in the Strip, resulting in the average availability of electricity only 12 hours per day. The solar photovoltaic capacity is only 159.5 megawatts in the West Bank and 19 megawatts in the Gaza Strip.<sup>35</sup>

According to the World Bank estimates, demand for electricity in Palestine is expected to grow by about 3.53% annually, 2.91% in the West Bank and 4.92% in the Gaza Strip.<sup>36</sup> Based on these growth rates, electricity demand is expected to reach about 2,342 megawatts by 2030, 1711 megawatts in the West Bank and 631 megawatts in the Gaza Strip.

### Current efforts to expand electricity production

Several mega projects are underway to increase the electricity supply, and help meet future demand. These include the Jenin Power Plant, with a production capacity of 450 megawatts from natural gas, and Zahrat al-Finjan waste-to-energy project, with a production capacity of 40 megawatts; and the Gas for Gaza project, with a production capacity of 600 megawatts using natural gas in the future. However, the progress on all these projects has been much slower than initially planned and none are operational yet, mostly due to complexities introduced by direct and indirect Israeli restrictions.

### The potential capacity of solar energy production

Palestine's solar photovoltaic capacity is still very modest compared to Israel's capacity of 2,313 megawatts and Jordan's capacity of 1,521 megawatts.<sup>37</sup> According to a recent World Bank assessment, the potential capacity of solar photovoltaic energy in Palestine (the total amount of electricity that can be generated from solar energy if all feasible projects are implemented) is approximately 4,174 megawatts.<sup>38</sup> Most of this capacity (96%) is concentrated in the West Bank.

In the Gaza Strip, severe land restrictions also significantly limit the overall solar capacity to 163 megawatts, most of which are rooftop solar installations. Even within the West Bank, 86% (3,374 megawatts) of the potential capacity is located in Area C, restricted to Palestinian access and controlled by Israel. Excluding the potential capacity of Area C, the estimated solar photovoltaic energy capacity in Palestine drops to only 800 megawatts. Within this reduced capacity, 87% (697 megawatts) exists in the form of rooftop solar cells.

## May Trading

The AI-Quds Index decreased by 0.86% in May 2023 compared to the previous month, reaching 648.7 points on the last trading day.<sup>39</sup> 7.2m shares worth \$15.2m were traded during the month, marking a 15.5% drop in the number and a 10.7% decrease in the value of traded shares compared to April 2023.

21 <https://bnews.ps/index.php/ar/node/21363>

22 <https://palpro.ps/wp-content/uploads/2022/12/Profile.pdf>

23 [www.jaipark.com/en/Article/68550/about-the-park](http://www.jaipark.com/en/Article/68550/about-the-park)

24 <https://bop.ps/about/news/149>; <https://www.jaipark.com/en/Companies>

25 <https://openjicareport.jica.go.jp/pdf/12147690.pdf>

26 <https://tinyurl.com/rwwc7t9d>

27 Ibid

28 [www.maannnews.net/news/674939.html](http://www.maannnews.net/news/674939.html)

29 <https://tinyurl.com/rwwc7t9d>

30 <https://openjicareport.jica.go.jp/pdf/12147690.pdf>

31 [www.un.org/unispal/wp-content/uploads/2023/03/ESCWAREPORT\\_280223.pdf](http://www.un.org/unispal/wp-content/uploads/2023/03/ESCWAREPORT_280223.pdf)

32 Ibid

33 <https://qudra.ps/ar/abu-mishaal-solar-station/>

34 [https://t.ly/Mt\\_7](https://t.ly/Mt_7)

35 [https://pcbs.gov.ps/Portals/\\_Rainbow/Documents/PV\\_Palestine\\_Gov\\_A.html](https://pcbs.gov.ps/Portals/_Rainbow/Documents/PV_Palestine_Gov_A.html)

36 <https://t.ly/Qenq>

37 <https://shorturl.at/fiqK2>

38 <https://t.ly/8J6S7>

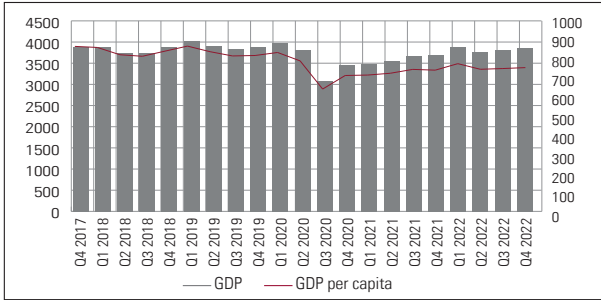
39 <https://bit.ly/3Xfcbv7>



# Palestine Economic Dashboard

## Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q4 2017 – Q4 2022

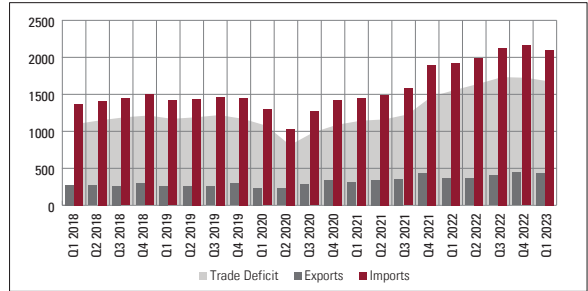


GDP (Q4 2022): \$4,201.7m  
Source: PCBS

GDP per capita (Q4 2022): \$787.9

## Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2018 – Q1 2023

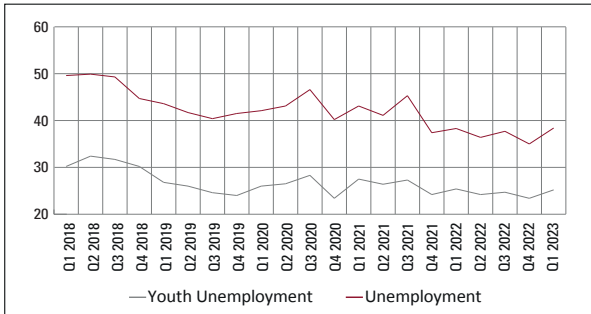


Imports (Q1 2023): \$2,101.7m  
Trade deficit (Q1 2023): \$1,663.4m

Exports (Q1 2023): \$438.2m  
Source: PCBS

## Unemployment

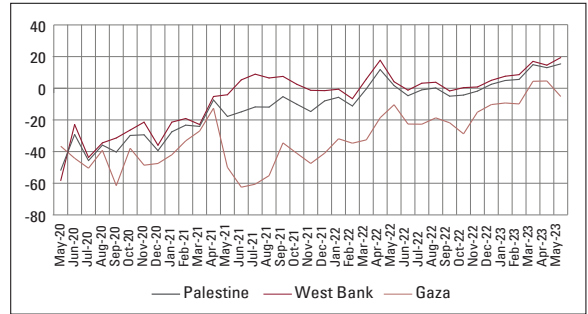
Unemployment and Youth Unemployment in Palestine, Q1 2018 – Q1 2023



Unemployment rate (Q1 2023): 25.20% Youth Unemployment rate (Q1 2023): 38.40%  
Source: PCBS

## Business Cycle Index

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

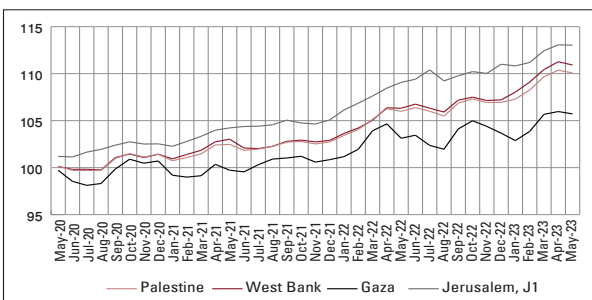


Palestine (May 2023): 15.4  
Gaza (May 2023): -5.2

West Bank (May 2023): 19.4  
Source: PMA

## Inflation

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

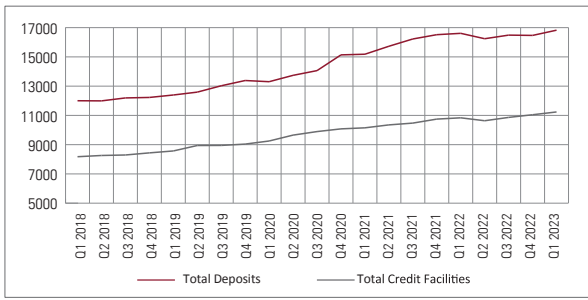


Palestine (May 2023): 110.08  
Gaza (May 2023): 105.72

West Bank (May 2023): 110.92  
Source: PCBS

## Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2018 – Q1 2023



Total Credit (Q1 2023): \$11,235.81m  
Source: PMA

Total Deposits (Q1 2023): \$16,825.49m

## 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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