

Bulletin 202
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Main reports

On June 18, the Factory 4.0 Acceleration Programme reached its conclusion through a collaborative effort between the Palestinian Techno Park and the Palestinian Investment Fund

On June 16, President Mahmoud Abbas concluded a four-day state visit to China, where he met with Chinese President Xi Jinping

On June 2, the United Nations Relief and Works Agency for Palestine Refugees held a pledging conference to raise \$1.6 billion in funding for its programme

On June 5, the Palestine Central Bureau of Statistics and the Environment Quality Authority issued a joint statement on World Environment Day, highlighting the latest Palestinian achievements and efforts to reduce solid waste

The Al-Quds Index increased by 0.6% in June 2023 compared to the previous month, reaching 652.6 points on the last day of trading

New Palestine Electricity Company

On June 14, the Administrative Board of the Association of Palestinian Local Authorities (APLA) voiced its opposition to a recently proposed law that entails the merger of all electricity transmission and distribution entities in Palestine into one public shareholding company.¹

Earlier this year, the Palestinian Energy and Natural Resources Authority (PENRA) shared the proposed draft law with local authorities and electricity distribution companies for review and feedback.² This will establish the "Palestine Electricity Company" as the sole owner and operator of the electricity transmission and distribution system in Palestine, including all electricity imports.

The Palestinian National Authority (PNA) argues that establishing this company will resolve the issue of net lending in the electricity sector, which derives from local entities not settling their debts to the Israeli electricity supplier, the Israel Electric Corporation (IEC). Moreover, it aims to enhance the PNA's control over the commercial relationship with IEC.

Current Status

The relationship between Palestine and the IEC is currently regulated through various agreements and arrangements. In 2013, the Palestine Electricity Transmission Company (PTEL) was established to act as the sole buyer of imported electricity for distribution in West Bank Areas A and B and in the Gaza Strip. PTEL has a crucial role in supervising electricity transmission throughout the country,³ being responsible for the operation, maintenance, and development of the transmission grid and so ensuring the dependable and efficient flow of electricity.

PTEL supplies electricity through six different distribution companies, the so-called "DISCOs", to facilitate nationwide supply. The DISCOs are licensed by the PNA to distribute electricity to customers within their respective exclusive concession areas.⁴ Five are in West Bank (Areas A and B) and the Gaza Electricity Distribution Company (GEDCO) is the sole electricity distributor in the Gaza Strip. In West Bank Area C, including the settlements, IEC supplies the electricity directly.

Alongside the DISCOs, Palestinian local authorities (LGUs) are crucial for local administration and infrastructure, including electricity distribution.⁵ Many LGUs continue to purchase electricity directly from Israel, undermining the role of PTEL as the sole buyer and the DISCOs as licensed distributors. Despite PNA efforts to legislate to force the LGUs to join DISCOs, 114 out of 407 LGUs have refused to do so and continue to purchase electricity directly from Israel. This is largely because in practice they would lose the unofficial subsidies they effectively receive through not paying their utility bills to Israeli suppliers.⁶

Both LGUs and DISCOs face challenges in collecting the full amount due for these services due to high default rates by customers, weak monitoring and payment collection capacity, and theft. Additionally, LGUs use some of these revenues for other expenses, such as education, health and local projects, whilst the DISCOs have been known to pay shareholders before their Israeli suppliers.⁷ The full payment due for these services is anyway unilaterally deducted by Israel from funds due to the PNA, and this is what is referred to as "net lending".⁸ Israel regularly takes unilateral actions, such as deducting payment before the due date for bills, which also prevents oversight or auditing by Palestinian companies to ensure accurate billing, including fees, fines and interest.⁹ The absence of any agreed mechanism for Israel's handling of delayed payments perpetuates the crisis in net lending.

In 2022, net lending (both for electricity and other public utilities) reached ILS 1.2 billion, or 7.6% of the PNA budget, and constituted 69.3% of its deficit (before financing), with 63.4% of that attributable to debts in the electricity sector.¹⁰ The PNA has implemented several regulatory measures to reduce net lending, including the legislation requiring LGUs to join DISCOs, PTEL's establishment, and the installation of prepaid electricity metres.¹¹

Internal factors perpetuating the net-lending crisis

The current mechanism for revenue collection and distribution between LGUs and the PNA involves a combination of direct collection by LGUs and predefined transfers from the PNA based on a

1 www.aliqtisadi.ps/ar/Article/95133

2 <https://bit.ly/3pM9zse>

3 <https://petl.ps/en>

4 https://info.wafa.ps/ar_page.aspx?id=9082

5 https://info.wafa.ps/ar_page.aspx?id=2647

6 <https://shorturl.at/nrUY5>

7 <https://bit.ly/3K1MzWj>

8 Also includes debts due to Israeli companies for water and wastewater services, not just electricity.

9 <https://shorturl.at/detDJ>

10 <https://bit.ly/3K1MzWj>

11 <http://muqtafi.birzeit.edu/pg/getleg.asp?id=16125>

formula. This mechanism is designed to ensure a fair allocation of funds and to support the financial sustainability of LGUs in managing local affairs, including electricity distribution.¹²

However, many LGUs that import electricity directly from Israel are effectively dependent on revenues they collect from the sale of electricity, claiming that the allocations they receive from the PNA are insufficient, and citing limited revenue collection mandates and capacities.¹³ These disputes have resulted in extensive and non-transparent cross claims, with the PNA withholding earmarked revenues that it collects on behalf of LGUs as a partial offset for the Israeli deductions.

Furthermore, inadequate investment in maintenance and upgrading of the grid have led to considerable technical losses. Non-technical losses are also significant mainly due to theft, metering errors, and unbilled accounts. These problems are particularly prominent in Palestinian refugee camps, where metering is lacking and non-collection is rife, and in Gaza, from where the PNA receives no utility revenue at all.

Sources of concern

While the PNA claims that the establishment of the Palestine Electricity Company will address net lending and the unstable electricity supply in Palestinian areas, opponents argue that in fact with improvements the current legislative, technical, and administrative structures in Palestine are sufficient for managing the energy sector effectively and guaranteeing access to electricity at reasonable prices if properly implemented.

Existing legislation has organised the sector based on the separation of electricity generation, transmission and distribution. The private sector handles generation and distribution, while the public sector manages transmission, regulation and commercial energy purchasing. The proposal to consolidate all three functions into a single company through the merger of the DISCOs has caused concern and protest among those companies and their shareholders.¹⁴

The APLA also raised concerns regarding the lack of transparency in the procedures for the LGUs to join the proposed electricity company, including the legal, financial, and administrative aspects.¹⁵ They call instead for the implementation of necessary amendments to current legislation related to local government and taxes, such as the imposition of income tax on the dues of LGUs and the granting of authority to collect property tax as per a previous decision by the Council of Ministers, as well as the importance of establishing LGU tribunals.

Potential solutions

A recent workshop at the Palestinian Economic Policy Research Institute (MAS) recommended amending laws related to municipalities, developing an action plan for decentralisation in local government, and better allocating resources to LGUs.¹⁶ These actions would help reduce the problems faced by LGUs and ultimately help mitigate the issue of net lending. The plan suggests adopting competence criteria, merging smaller local councils, achieving a balance between the number of authorities and the population they serve and recognising differences in administrative capabilities. Attendees agreed on the need for a sustainable revenue collection system at the local level and LGU involvement in that decision-making.

The Factory 4.0 Acceleration Programme

On June 18, the Factory 4.0 Acceleration Programme reached its conclusion through a collaborative effort between the Palestinian Techno Park and the Palestinian Investment Fund.¹⁷ The 3-month programme aimed at fostering collaboration between industry and technology, and empowering 13 leading and emerging Palestinian start-ups to leverage Industry 4.0 technologies,¹⁸ which refers to the use of advanced technologies such as Internet of Things (IoT), automation, artificial intelligence (AI), Augmented and Virtual Reality (AR/VR), big data analytics, cloud computing, cybersecurity, and 3D printing, all to enhance productivity, optimise processes and create innovative solutions in the manufacturing, agriculture, construction and other sectors.¹⁹

During the programme, participants took part in workshops, webinars and specialised training sessions facilitated by industry experts and

influential figures in the field and visited an advanced manufacturing laboratory featuring state-of-the-art Industry 4.0 technologies, allowing them to create prototypes and enhance their innovative solutions.²⁰ They were also given dedicated office space, promoting collaboration, networking and the exchange of ideas with fellow entrepreneurs and industry stakeholders.

At the conclusion of the event, four standout start-ups emerged as winners, securing funding grants to transform their ideas into tangible solutions, develop their businesses or accelerate their growth trajectory.²¹ The winning start-ups were:

- Thamra, software that integrates AI and IoT into a smart hydroponics system to maximise productivity and control for growing green vegetables in diverse settings²²
- Eiyada, a telehealth platform connecting patients with healthcare providers and specialists for online consultations and lab test bookings;²³
- Park in the City, a mobile app connecting property owners with available parking spaces in cities which allows property owners to rent out parking spaces and drivers to easily find, reserve and pay for parking, so promoting efficient parking management and enhancing urban mobility; and
- BeeTech, which aims to tackle the global problem of bee colony collapse by using advanced sensors inside beehives to collect real-time data on temperature, humidity, and sound, providing valuable insights to beekeepers for better hive management and security²⁴

Participants were also offered access to carefully curated pitch events and networking opportunities, enabling them to present their businesses to potential investors. Through these events, two additional companies succeeded:²⁵

- Palgy, a provider of energy solutions, specialises in innovative technologies that enhance solar panel performance by up to 30% with a device that maximises energy capture through cooling, cleaning and condensing atmospheric humidity, making solar energy more efficient, cost-effective, and accessible; and
- Aqlama.ai, which develops tailored speech datasets for AI applications, enabling the creation of customised virtual assistants and voice recognition systems.

Economic Ties with China

On June 16, President Mahmoud Abbas concluded a four-day state visit to China, where he met Chinese President Xi Jinping.²⁶ Jinping said that China will continue to provide assistance to Palestine to the best of its ability, helping alleviate humanitarian difficulties and support reconstruction efforts. He added that China is also ready to work with Palestine in a strategic partnership, focusing on mutual support, core concerns, and friendly cooperation. This would deepen Belt and Road cooperation, accelerate negotiations on the China-Palestine free trade agreement, and increase exchanges of governance experience.

The visit also saw the signing of an economic and technological cooperation agreement and other bilateral cooperation documents, including a twinning agreement between Ramallah and Wuhan (also twinned with Manchester), completion of road paving schemes in Ramallah, enhanced teaching of Chinese to Palestinians, a visa exemption agreement for diplomatic passports and the sending of a technical delegation for a further four projects.

Growing cooperation for infrastructure

This active involvement in infrastructure projects in Palestine shows it has a part in China's gargantuan Belt and Road initiative. In 2018, China provided \$8 million towards constructing a ring road for Ramallah, aimed at improving traffic flow and regional connectivity.²⁷ This led to the paving of nine roads spanning 7.5km in a 14-month period, greatly easing traffic congestion in parts of the city. Additionally, China supported the construction of a school for male students in 2021, also in Ramallah, as part of its contribution to socio-economic progress in Palestine.

12 <https://urlis.net/bf8298io>

13 <https://shorturl.at/kwEX7>

14 www.alhadath.ps/article/167119/

15 www.aliqtisadi.ps/ar/Article/95133

16 <https://mas.ps/news/7583.html>

17 www.aliqtisadi.ps/ar/Article/95186

18 www.technopark.ps/en/article/306/The-Factory-40-Accelerator

19 www.ibm.com/topics/industry-4-0

20 www.maannews.net/news/2095605.html

21 www.aliqtisadi.ps/ar/Article/95186

22 www.technopark.ps/en/article/491/Thamra

23 www.technopark.ps/en/article/463/Eiyada

24 www.technopark.ps/en/category/79/1/Factory-2022-Startups

25 www.technopark.ps/en/category/77/1/Meet-our-Startups/page/1

26 www.fmprc.gov.cn/mfa_eng

27 <https://english.news.cn>

Belt and Road is a comprehensive global infrastructure development strategy launched by China in 2013 to foster connectivity, trade and economic cooperation among nearly 70 countries and international organisations.²⁸ It has gained attention in Palestine for its potential impact on regional dynamics and economic integration.

Trade relations

China's exports to Palestine reached \$248 million in 2021, up from \$191 million in 2019. Plywood (6.3% of Palestine's total imports from China), air conditioners (4.6%) and video displays (3.2%) were the main imports from China in 2021.²⁹ Since 2000, Chinese exports to Palestine have increased at an annualised rate of 19.2%, from \$6.15 million in 2000 to 2021's \$248 million. On the other hand, China's imports from Palestine amounted to just \$337,000 in 2021, maintaining the 2019 level. Paintings (46.5%) and sculptures (41%) were the two main products exported. Palestinian exports to China increased at an annualised rate of 7.3% from \$76,900 in 2000. The relationship is seen to have nascent potential for much greater economic exchange between Palestine and China.

UNRWA's Deepening Deficit

On 2 June, the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) held a pledging conference to raise \$1.6 billion to fund its budgeted programme of operations of \$848 million, consisting of Palestine (\$344.9 million), and Syria, Lebanon and Jordan (\$436.7 million)³⁰ as part of their 2023 strategic plan totalling \$1.9 billion.³¹

During the conference, member nations pledged \$828.3 million, of which \$13.2 million was new contributions. Philippe Lazzarini, UNRWA Commissioner General said the Agency is on the verge of collapse amid a worsening financial crisis.³² He deemed the amount insufficient to fund the Agency's operation beyond Autumn 2023, as some of the Agency's most committed donors have indicated they will substantially decrease their 2023 contributions meaning the Agency will be unable to continue operations beyond September without immediate additional funding.³³ This would mean the closure of over 700 schools and 140 health centres.³⁴

An ongoing crisis

UNRWA started 2023 with debts of \$75 million carried over from 2022, about 4% of its projected annual expenditure. The Agency has been facing a persistent financial crisis since the Trump administration cut \$360 million of US funding, which previously covered some 30% of its operations.³⁵ Despite a portion of that funding being resumed under the Biden administration, the Agency is still suffering from that major cut.³⁶

After years of cost-controls, austerity measures and debt accumulation, Lazzarini said that UNRWA has now reached the limits of its ability to manage a decade of chronic underfunding.³⁷ Earlier this year, it announced a 7.5% pay reduction for teachers on daily contracts and refused to increase salaries in line with living costs.³⁸ On January 23, the UNRWA staff union went on strike, halting all operations at UNRWA's schools, health facilities, and sanitation. The strike was finally called off in June.

UNRWA provides education for 543,075 children, 294,086 of which are in the Gaza Strip, 46,022 in the West Bank and the rest in Jordan, Lebanon and Syria.³⁹ In 2022, its health centres provided 7.9 million consultations and offered emergency food and cash assistance for over 1.7 million refugees, as well as providing social protection services for 398,000 of the most vulnerable. This indicates a significant crisis for refugees should the financial deficit affect the Agency's ability to serve them in the future.

Environmental Economy

On 5 June, the Palestine Central Bureau of Statistics (PCBS) and the Environment Quality Authority (EQA) issued a joint statement on World Environment Day which highlighted the latest Palestinian achievements

and efforts to reduce solid waste, particularly plastic waste. As part of its commitment to the UN's pledge to end plastic waste by 2024, Palestine has taken many initiatives to regulate the process of reducing plastic production and consumption.⁴⁰ In 2022, the percentage of treated hazardous waste reached 7% of total waste generated. This is predicted to rise to 10% in 2023,⁴¹ up from 2% in 2019.⁴²

Environmental degradation

Despite efforts to combat environmental degradation, processing polluting waste, especially plastic, has been a challenge. According to the PCBS economic survey, there are 242 businesses that manufacture rubber and plastic products.⁴³ In 2021, the total value of imports of raw plastic grew to \$327 million.⁴⁴ However, recycling is not yet common practice, except at some private sector facilities in Jerusalem and Jericho.⁴⁵ As a result, plastic waste accounts for 16.4% of total solid waste in the West Bank and 14% in the Gaza Strip,⁴⁶ with scrap iron the second most exported product in 2021 (7.6%),⁴⁷ and scrap copper third (1.4%).

Israeli settlements also generate 145,000 tons of household waste that is disposed of on Palestinian land.⁴⁸ Other Israeli practices and policies that are impediments to Palestinian efforts include drying the Jordan River and uprooting, burning, and poisoning trees.⁴⁹ Also, EQA data documents solid, liquid and hazardous waste smuggling attempts by trucks from Israeli areas into the West Bank, of which 37 were captured in 2022.⁵⁰

Protecting natural heritage

In addition to public sector efforts, the private sector has taken steps to promote Palestine's transition to a green and environmental economy. In June the Bank of Palestine, alongside the Ministry of Agriculture, inaugurated a 50-dunum forest north of Nablus. This took place on Desertification and Drought Day, with the announced aim of increasing and sustaining green spaces and preserving the environment and biodiversity in Palestine", as well as reducing the carbon footprint and addressing the risks of climate change.⁵¹

According to the 2021 Agriculture Census, the total cultivated area in Palestine reached 1,096,000 dunums, accounting for 19% of the total area of Palestine,⁵² an increase from the 957,000 dunums (approximately 16% of Palestine) in the 2010 Census.⁵³ However, there is a clear drop in forest and wooded space, with this land use totalling 2,544,930 dunums in 2021,⁵⁴ down from 3,452,260 dunums in 2010.⁵⁵

June Trading

The Al-Quds Index increased by 0.6% in June 2023 compared to the previous month, reaching 652.6 points on the last day of trading.⁵⁶ A total of 8.2m shares worth \$18.1m were traded during the month, marking a 13.6% increase in the number and 19.4% increase in the value of traded shares compared to May 2023.

On 21 June, Amlak Real Estate Company (AMLAK) became the 49th company listed on PEX.⁵⁷ This is the second new listing this year following Ibn Sina Specialized Hospital stocks (ISH) in May. Trading at \$5 on 27 July, AMLAK is a subsidiary of Global United Insurance (GUI) with paid-in-capital of \$2m (92.7% of which is owned by GUI).⁵⁸ In 2022, AMLAK generated \$308,000 in revenues from its real estate and investment activities, and a net profit of \$34,100. ISH is specialised in establishing hospitals and centres to provide health and rehabilitation services. Established in 2018, it has paid-in-capital of \$50m and was trading at \$1.28 on 27 July.⁵⁹

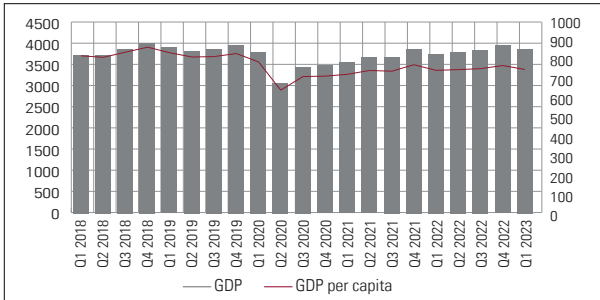
28 <https://bit.ly/30gUf0i>
29 <https://shorturl.at/aGJKW>
30 <https://rb.gy/jogum>
31 <https://rb.gy/31rbs>
32 <https://bit.ly/3JSpxYU>
33 <https://bit.ly/3NQ0jLF>
34 Ibid.
35 <https://urlis.net/zfmgv85x>
36 <https://bit.ly/44xU0sg>
37 <https://www.unrwa.org/resources/fact-sheet/appeal-sustainable-funding>
38 <https://bit.ly/43uZXzR>
39 <https://rb.gy/6gr97>

40 <https://bit.ly/30dzUc4>
41 Ibid.
42 www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=3996
43 www.pcbs.gov.ps/Downloads/book2474.pdf
44 <https://rb.gy/gjwwwj>
45 Ibid.
46 <https://shorturl.at/BOT0>
47 https://oec.world/en/visualize/tree_map/hs92/export/pse/all/show/2021/
48 <https://bit.ly/3XSBTWp>
49 Ibid.
50 <https://rb.gy/gjwwwj>
51 www.maannnews.net/news/2095353.html
52 <https://bit.ly/3q1pCT7>
53 www.pcbs.gov.ps/Downloads/book1818.pdf
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56 <https://shorturl.at/klpXy>
57 www.bnews.ps/ar/node/21607
58 <https://rb.gy/9m7ri>
59 <https://shorturl.at/dfjp3>

Palestine Economic Dashboard

Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2018 – Q1 2023

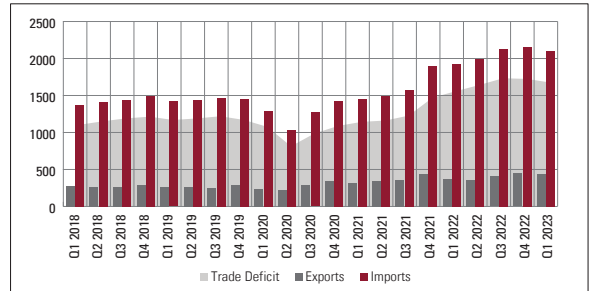


GDP (Q1 2023): \$3937.3m
Source: PCBS

GDP per capita (Q1 2023): \$766.9

Trade

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

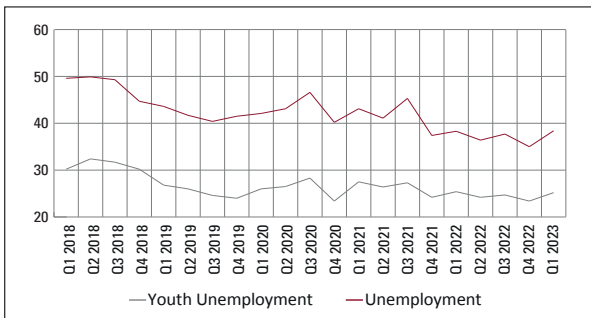


Imports (Q1 2023): \$2,101.7m
Trade deficit (Q1 2023): \$1,663.4m

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

Unemployment

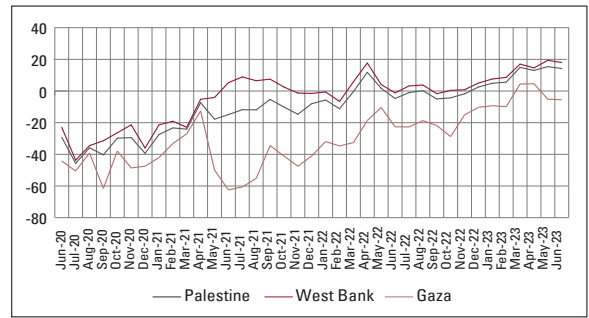
Unemployment and Youth Unemployment in Palestine, Q1 2018 – Q1 2023



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

Business Cycle Index

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

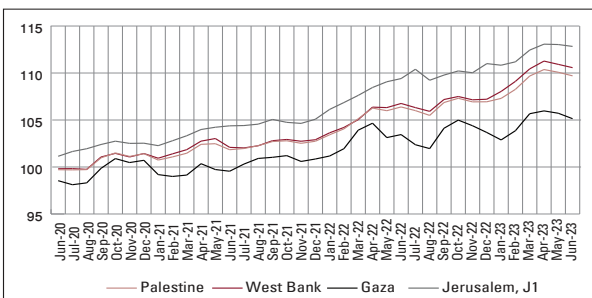


Palestine (June 2023): 14.2
Gaza (June 2023): -5.5

West Bank (June 2023): 18
Source: PMA

Inflation

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

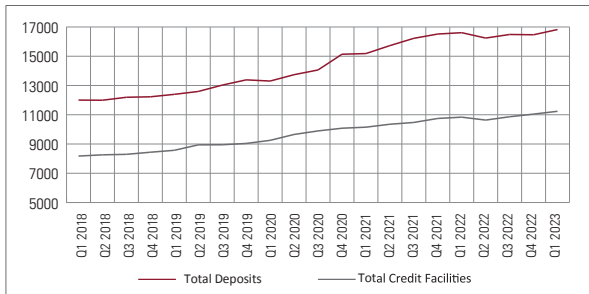


Palestine (June 2023): 109.7
Gaza (June 2023): 105.14

West Bank (June 2023): 110.57
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



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