

PALESTINIAN ECONOMIC BULLETIN

Bulletin 204
September 2023

Main reports

On 23 August, Google announced the launch of its Palestine Launchpad programme, an initiative aimed at enhancing digital skills and employment prospects for Palestinian graduates

In August, an agreement between the PNA and Izdihar Palestine for Power Generation earmarked an investment of \$80 million for a gas-powered plant in the Hebron Governorate

The Palestine Capital Market Authority (PCMA) has introduced new regulations for the securities sector, introducing rules for companies repurchasing shares, changing the legal form of joint-stock companies and emphasising investor protection

The Al-Quds index reached 643.5 points on the last day of trading in August 2023, a decrease of 0.04% from the previous month

Deepening Water Crisis

During August, Palestine faced critical water shortages with some areas reporting supply interruption for 20-30 days.¹ In July, the Israeli national water company, Mekorot, which manages Israeli and Palestinian water resources, reduced supply by 25% for Hebron and Bethlehem and by 15% for Ramallah despite increasing demand.² The Palestinian Water Authority (PWA) claimed that this resulted from established Israeli policy that regulates and rations Palestinian water supply, especially during the summer, asserting that no technical issues were affecting this reduction.³

When water supply is cut, Palestinian households and businesses resort to buying unregulated water supply from privately-owned tanks, which are expensive and lack oversight for health standard compliance. Pumped water for households costs between ILS 4.5 and 7.5 per cubic metre (depending on the consumption level), while water tankers charge a significant mark-up costing between ILS 15 and 38 per cubic metre.⁴

Internal sources of water supply

Israel controls direct access to around 85% of Palestinian water sources. Groundwater constitutes Palestine's primary source of water supply for all consumption uses (household, agricultural, industrial, etc). According to the Palestine Central Bureau of Statistics (PCBS), in 2021, 76.4% of the total water supply (438.4 million cubic metres - MCM) was extracted from aquifers (297.8 MCM) and springs (37 MCM) and 22% was purchased from Mekorot (96.1 MCM).⁵ Every year, rainfall feeds groundwater sources with 675-794 MCM in the West Bank and 55-60 MCM in the Gaza Strip.

Around 1.7% of the water supply was desalinated drinking water (7.5 MCM), mainly produced in the Gaza Strip. Gaza's desalination plants produced 20 MCM in 2022, more than double the 2021 amount,⁶ but still a fraction of the overall water supply and planned capacity (55 MCM for Gaza Central Desalination Plant – GCDP - in its first phase).⁷ Israel limits the access to supplies needed to enhance the GCDP's work, disrupting the production and development of the plant.⁸ The plant operations also entail considerable expenses.

Israeli restrictions and forced dependency

According to the Oslo Accords, the Palestinian entitlement to groundwater resources in the West Bank is 118 MCM annually, and this amount has not been adjusted since 1995, although the Palestinian population has doubled.⁹ The extracted groundwater in the West Bank in 2021 was about 105.3 MCM.¹⁰ Israel denies Palestinian access to the Jordan River and freshwater springs and does not allow water to be transferred from the West Bank to Gaza. Gaza's only access to freshwater resources is the Coastal Aquifer, which is over extracted and insufficient for the population's needs. Palestinians extracted 192.5 MCM from the Coastal Aquifer in 2021. Additionally, the water is widely reported to be contaminated by sewage and seawater infiltration.

As part of its control over 42 existing wells¹¹ and other water sources in the West Bank, Israel extracts this water and resells it to Palestinians.¹² As for new water installations, according to Israeli Military Order 158 (1967) Palestinians may not construct any new water installation without obtaining a permit from the Israeli army. Permits to extract water, establish wells, or other water infrastructures are nearly impossible to obtain and

1 <https://bit.ly/3EvZJPd> and <https://bit.ly/486xHXZ> and <https://www.wafa.ps/Pages/Details/75026>

2 www.pwa.ps/ar_page.aspx?id=15S18Ea6585179007a15S18E

3 www.pwa.ps/ar_page.aspx?id=15S18Ea6585179007a15S18E

4 wssa-beth.org/ar/?page=tariff and <https://palinfo.com/news/2023/07/27/844964/>

5 www.pcbs.gov.ps/postar.aspx?lang=en&ItemID=4467

6 www.pcbs.gov.ps/post.aspx?lang=en&ItemID=4468

7 www.eib.org/attachments/country/bringing_water_to_gaza_en.pdf

8 <https://mezan.org/uploads/files/167860341716683373351564.pdf> and <https://bit.ly/3LmJCqH>

9 www.btselem.org/publications/202305_parched

10 https://pcbs.gov.ps/Portals/_Rainbow/Documents/water-A4-2021.html and <https://bit.ly/45JdLzR>

11 www.aljazeera.com/news/2021/7/15/water-war-palestinians-demand-more-water-access-from-israel

12 www.un.org/unispal/wp-content/uploads/2021/10/A.HRC_48.43_230921.pdf

13 www.alhaq.org/cached_uploads/download/2022/12/12/al-haq-report-2-1670826325.pdf

are almost always denied.¹⁴ When Palestinians drill wells and water infrastructure Israel deems 'illegal', these are usually demolished. Since 2009, Israel has demolished 820 water and sanitation structures in the West Bank.¹⁵

To make up for the shortage in supply resulting from restrictions, the PNA is forced to purchase increasing amounts of water from the Israeli company Mekorot at several times the cost due to growing demand. In 2021, the PWA purchased 96.1 MCM of water, around 22% of the total water supply, from Mekorot (81.7 MCM were allocated to the West Bank and 14.4 MCM to the Gaza Strip), an increase of about 59.4% compared to 2010. This figure is expected to increase further due to population growth and urbanisation, given the limits imposed on Palestinian extraction from groundwater in the West Bank. By 2030, Palestinian households are expected to suffer from a deficit of 171 MCM due to the growing population.¹⁶

The per capita share of water consumed by households in Palestine in 2021 was 86.3 litres per person per day.¹⁷ In comparison, Israel's average per capita household water consumption was about 152 litres per person per day, with some settlements consuming an average of 816 litres per person per day.¹⁸

Supply interruptions

The household sector received 57.2% of the total water supply (250.7 MCM) but consumed only 62.6% of that amount (157.0 MCM) due to water losses.¹⁹ Although most Palestinian households (93.3%) are connected to a public water network, there is not enough water to provide continuous running water. Only 36% of Palestinians in the West Bank are supplied with running water daily.²⁰

To cope, 92% of Palestinians in the West Bank store water in tanks on their rooftops to counter the water shortages. Around 48% of Palestinian localities reported having subscribers who use high-cost water tanks (by trucks) to meet their basic needs. Many also use booster pumps to fill the rooftop tanks due to the network's low pressure.²¹ Out of 557 Palestinian localities, 291 suffer from water cuts, 221 suffer from areas not served daily with water, and more than 49 population centres (all in the West Bank) do not have a public water network. Intermittent distribution of water causes the network to deteriorate at a faster rate, thus reducing its lifespan.

Poor quality water

Within Palestine, 237 localities suffer from dilapidated and outdated water networks, 111 localities suffer from water pollution, and 121 localities suffer from water salinity, water loss, and high prices. Water quality is particularly low in the Gaza Strip, as the water provided by the network is not suitable for drinking purposes because it contains a high percentage of chloride and nitrates (which exceed the permissible limits for drinking water). Israel also has access to the Coastal Aquifer in the Gaza Strip and extracts over 66% of its water.²² The over extraction from the Coastal Aquifer is causing water levels to drop and it is deemed that more than 97% of the water pumped unsafe for human consumption and does not comply with World Health Organization standards.²³ Most of Gaza's population depends on desalinated groundwater for domestic use. Four of every five Gazans need to buy drinking water from unregulated water tankers.

Economic impact

Of all agricultural holdings in Palestine, 63.6% are rainfed, and more than half (54.5%) lack a primary water source.²⁴ In 2021, 151.7 MCM were pumped from underground wells for agricultural use, most of it in the Gaza Strip (64.9%).²⁵ In the West Bank, due to the limited water available to Palestinian farmers, only 6.8% of cultivated land is irrigated. For farmers, cultivating land is hindered by restrictive water supplies, especially in Palestine's most fertile land, the Jordan Valley.²⁶

Other sectors, such as industry and tourism, are also suffering from water shortages. In 2017, economic establishments consumed about 59 MCM of water, 41 MCM in the West Bank and 18 MCM in the Gaza Strip.²⁷

The increased reliance on Mekorot has meant rising indebtedness for the PNA. The debt is being deducted unilaterally by Israel from trade clearance revenues (under the rubric of "net-lending" including electricity and sewage treatment debts), reaching NIS 375.1 million in 2022 for water, making up 3.3% of total clearance revenue.²⁸

Google's Palestine Launchpad

On 23 August, Google announced the launch of its Palestine Launchpad programme, an initiative aimed at enhancing digital skills and employment prospects for Palestinian graduates. The programme is part of a wider \$10m training initiative for software developers, graduates and entrepreneurs in the technology field launched in February 2022 to support the Palestinian tech ecosystem. The programme is a collaborative effort between Google, Udacity, an online learning platform, and Spark Foundation, an NGO active in 14 MENA countries.²⁹ It was crafted to enhance the skills of 3,500 young professionals and graduates and has received a strong response, with over 2,000 applicants expressing interest in the first cohort.³⁰

One of the critical issues the programme aims to address is the gap between the skills possessed by job seekers and labour market requirements. It focuses primarily on capacity building, with a 16-week programme by Udacity covering technical skills, including web development, AI engineering, and data analysis.³¹ Mentorship is another pillar of the Palestine Technology Platform, with students receiving one-to-one and group guidance from local and regional instructors. Additionally, bi-monthly community events are organised in collaboration with local universities to enrich learning.³² The programme's third pillar is centred on employment matching and internship placement. Over three years, the programme aims to hold four job fairs connecting employers with top-performing students, creating networking opportunities and job prospects.³³

The existing challenges in the Palestinian technology sector underscore the importance of such initiatives. While Palestinian universities produce over 1,500 IT graduates annually, the quality of education and practical experience in Palestinian universities has been cited as a concern by industry leaders.³⁴ The Palestine Launchpad programme aims to bridge skill gaps by offering a world-class curriculum, mentorship, and hands-on projects in areas such as artificial intelligence, data science, and web development. While this approach has been adopted by other programmes, this is the first time it has been done at this scale.

14 www.amnesty.org/ar/latest/campaigns/2017/11/the-occupation-of-water/

15 <https://bit.ly/3EGJHlr>

16 <https://bit.ly/48jl5vv> - assuming a consumption of 100 litres per person per day

17 www.pcbs.gov.ps/post.aspx?lang=en&ItemID=4506

18 <https://bit.ly/45JMGFP>

19 www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=4467

20 www.btselem.org/publications/202305_parched

21 www.pcbs.gov.ps/site/lang__en/1039/default.aspx?lang=en

22 <https://shorturl.at/ixC18>

23 <https://t.ly/H4QnT> and <https://shorturl.at/tUW02>

24 www.pcbs.gov.ps/Downloads/book2646.pdf

25 www.pcbs.gov.ps/Portals/_Rainbow/Documents/Other-2021-A-28.htm

26 www.pcbs.gov.ps/Downloads/book2474.pdf

27 www.pcbs.gov.ps/Downloads/book2323.pdf

28 www.pmf.ps/documents/accounts/monthly/2022/Dec.2022.Ar.pdf

29 <https://shorturl.at/jqrDU>

30 <https://shorturl.at/arxOR>

31 <https://shorturl.at/fiko2>

32 *Ibid*

33 <https://bit.ly/46jVvpG>

34 <https://t.ly/io0-N>

Notably, according to a recent PCBS survey of the informal sector, around 2,200 family businesses in Palestine market their products for export, 92% of which are digital services, mainly software development, web design, app development and advertising.³⁵

Gas-powered Plant in Hebron

In August, an agreement between the PNA and Izdihar Palestine for Power Generation earmarked an investment of \$80 million for a gas-powered plant in the Hebron Governorate, which will initially generate 80 megawatts, with prospects to scale up to 170 megawatts.³⁶

Notably, this plant is the second planned gas-fueled power generation, following the planned Jenin Power Plant.³⁷ Jenin's Plant, projected to generate about 250 megawatts in the first phase, increasing to a full capacity of 450 megawatts, remains under construction without a clear timeframe, despite an initial operation date of the end of 2023.

Attempts to reduce dependency on Israel

Such initiatives aim to reduce Palestine's energy dependence on Israeli electrical energy suppliers, accounting for 86.4% of Palestine's electricity consumption. The Palestinian Energy and Natural Resources Authority (PENRA) had announced plans to boost Palestinian generation capacity to meet 40% of domestic energy needs by 2024, utilising a mix of conventional and renewable sources. PENRA has targeted renewable energy to account for 6% of local electricity production (integrated into the public grid) by 2022, a target that remains unfulfilled by the end of 2023.³⁸ Most recent estimates by the Palestinian Cabinet report achieving 190 megawatts in renewable energy, equating to 3.6% of total electricity imports.³⁹

Dafer Milhem, Chairman of PENRA, recently mentioned discussions to double the energy import from Jordan, elevating it from 80 to 160 megawatts.⁴⁰ This, however, would require upgrades to the current cross-border infrastructure,⁴¹ which would also require Israeli approvals.⁴²

Slow improvements in the Gaza Strip

While discussions with Egypt continue to increase the power supply in the Gaza Strip, energy stability remains far from a reality. Recent months have seen progress with the instalment of a fourth generator at Gaza's power station, financed by Qatar. This addition provides an extra 30 megawatts of capacity, enabling the station to operate during peak temperatures, the summer months previously limiting the power supply to just 3 hours daily.⁴³ The Qatari funds have secured the generator's operation until September, but its long-term operational status remains uncertain.⁴⁴

PENRA is actively working on rehabilitating and expanding Gaza's electricity networks, launching a \$5 million tender to address network repairs.⁴⁵ Looking ahead, PENRA reaffirmed its commitment to transition the Gaza station to natural gas as a power source through the 'Gas for Gaza' (G4G) project.⁴⁶ Facilitated by the Office of the Quartet, the G4G project seeks to transition the Gaza Power Generation Company (GPGC) to utilise natural gas by establishing a direct pipeline connection with Israeli suppliers. The project involves various stakeholders, including gas suppliers, PENRA, GEDCO, Qatar,

and the PA.⁴⁷ Recent advancements include the initiation of the Gas Sales and Purchase Agreement by gas suppliers, the PNA Cabinet's review of the hydrocarbon law, and drafting an MoU between Qatar, PENRA, GEDCO, and GPGC.⁴⁸ This project is seen as pivotal to significantly enhancing power generation efficiency by 50% and reducing carbon dioxide emissions by 280 thousand tons in its first year.⁴⁹

Structural challenges

The abovementioned efforts have yet to address enduring difficulties. Aside from the preventive Israeli-imposed restrictions on expanding the power grid in Palestine, particularly in Area C, several other challenges undermine the sustainability of the electricity supply.

One of the forefront issues is the net lending deductions, which strain the public treasury. Specifically, these deductions involve the Israeli authorities subtracting amounts from clearance revenues collected for the PNA to settle debts owed to Israeli companies providing various utilities.⁵⁰ In 2022, this amounted to NIS 1.6 billion, with the most significant chunk being the cost of electricity from the Israeli Electricity Company.⁵¹ Moreover, PENRA notes the debt is exacerbated by inefficient bill collections, technical grid issues (losing about 20% of transferred electricity), and inconsistent revenue transfers by local entities. To curb these issues, resources such as instalments of prepaid metres to curb theft have not been as effective as anticipated and continue to face public resistance especially in poorer rural areas and refugee camps.⁵²

Palestine's move towards energy self-sufficiency shifts its dependency from Israeli electricity to gas imports. While this transition offers higher operational efficiency via natural gas, it similarly poses challenges mirroring current energy struggles. However, the unexpected recent advances towards excavating the Gaza Marine gas field might represent an opportunity to contribute towards energy independence for Palestine.⁵³

August Trading

The Al-Quds index reached 643.5 points on the last day of trading in August 2023, a decrease of 0.04% from the previous month.⁵⁴ During the month, 14.4m shares with a total value of \$29.3m were traded, marking a 135% and a 130.4% increase in the number and value of traded shares compared to July 2023.

The Palestine Capital Market Authority (PCMA) has introduced new regulations for the securities sector, introducing rules for companies repurchasing shares, changing the legal form of joint-stock companies and emphasising investor protection. These are based on Law No. (42) of 2021, which details the necessary approvals and mechanisms during share ownership and addresses concerns around insider trading. This move aims to benefit the capital markets, especially in favour of small investors.⁵⁵

Additionally, the PCMA Board of Directors has licensed two foreign brokerage companies to operate in Palestine, increasing the total number of securities companies in Palestine to ten. These companies are Credit Financial Investment Brokerage Company (CFI) and Windsor Brokers Company, which operate in countries like the UAE, Jordan, and Egypt. The PCMA also licensed the Holy Land Cooperative Insurance Company under the Insurance Act 20 of 2005.⁵⁶

35 <https://shorturl.at/oTY09>

36 www.bnews.ps/ar/node/21958

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

38 <https://bit.ly/3Znf2TQ>

39 <https://bit.ly/3sV43oD>

40 www.bnews.ps/ar/node/21904

41 bit.ly/3RsxtV6

42 <https://bit.ly/46e9gNQ>

43 <https://shorturl.at/duY17>

44 <https://bit.ly/3PFW8UR>

45 <https://wafa.ps/Pages/Details/76224>

46 www.bnews.ps/ar/node/21904

47 www.quartetoffice.org/files/OQ%20Asks%20Feb%202021.pdf

48 bit.ly/48kvgRj

49 www.bnews.ps/ar/node/21904

50 <https://bit.ly/4565UUF>

51 www.palestine-studies.org/ar/node/1654022

52 www.bnews.ps/ar/node/21904

53 <https://reut.rs/3ZmBJRP>

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

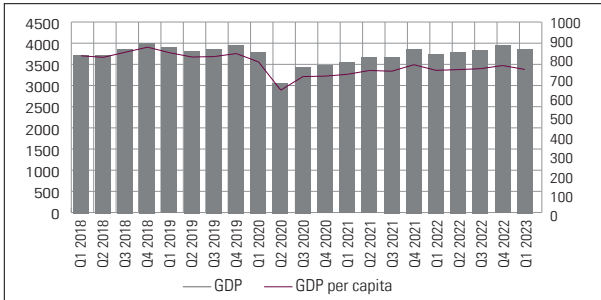
55 <https://bit.ly/3R2J1HR>

56 <https://www.bnews.ps/ar/node/21975> and <https://www.bnews.ps/ar/node/22006>

Palestine Economic Dashboard

Growth

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

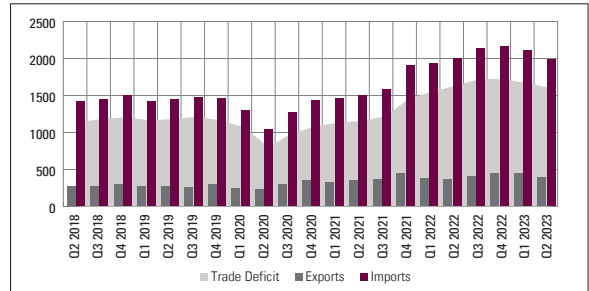


GDP (Q1 2023): \$3937.3m
Source: PCBS

GDP per capita (Q1 2023): \$766.9

Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q2 2018 – Q2 2023

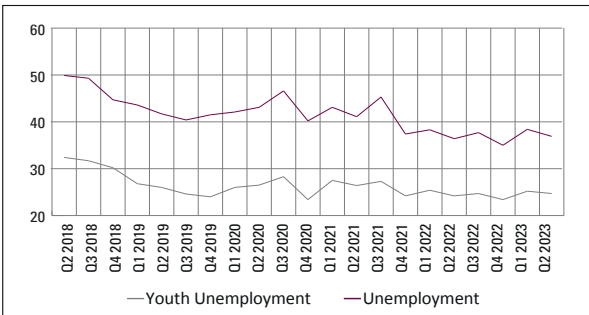


Imports (Q2 2023): \$1979.5m
Trade deficit (Q2 2023): \$1593.8m

Exports (Q2 2023): \$385.7m
Source: PCBS

Unemployment

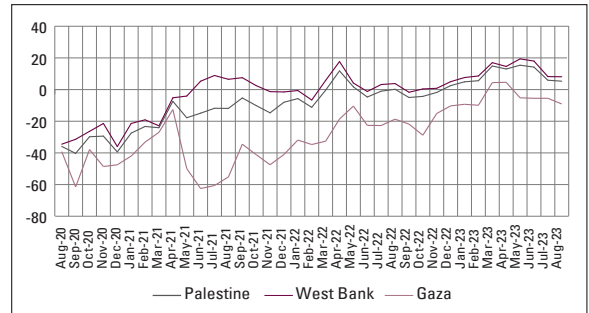
Unemployment and Youth Unemployment in Palestine, Q2 2018 – Q2 2023



Unemployment rate (Q2 2023): 24.70% Youth Unemployment rate (Q2 2023): 36.90%
Source: PCBS

Business Cycle Index

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

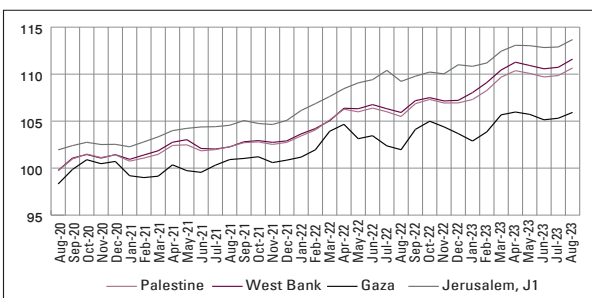


Palestine (August 2023): 5.3
Gaza (August 2023): -9.1

West Bank (August 2023): 8.1
Source: PMA

Inflation

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

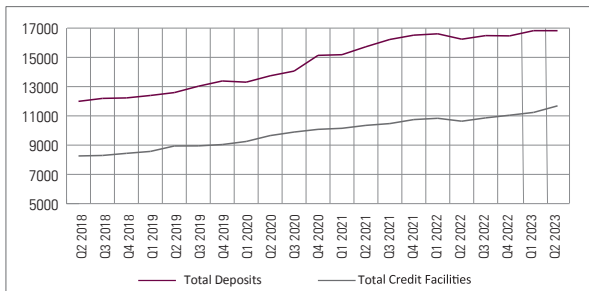


Palestine (August 2023): 110.66
Gaza (August 2023): 105.93

West Bank (August 2023): 111.6
Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q2 2018 – Q2 2023



Total Credit (Q2 2023): \$11,685.81m
Source: PMA

Total Deposits (Q2 2023): \$16,822.05m

PORTLAND



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

Printed for The Portland Trust in Ramallah by Al Nasher Advertising and PR. © 2023 The Portland Trust