

PALESTINIAN ECONOMIC BULLETIN

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Main reports

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On 1 November, the Palestinian government approved a framework agreement for the development of a gas field off the coast of Gaza

On 27 September, the EU and Spain announced funding of €28.5m for National Cash Transfer Programme

The Ministry of Entrepreneurship and Empowerment held the fourth annual International Conference on Entrepreneurship-Palestine on 1 and 2 November in the Museum of the Future in Dubai

Olive harvest season

In October, thousands of Palestinian families tended to their olive groves during the olive picking season. Olive trees cover an area of 575,167 dunums, 96% of which are in the West Bank.¹ In 2020, around \$40 million worth of olive oil was exported from Palestine, making the product the country's fourth largest export.²

Production is estimated at over 30,000 tonnes of olive oil this year.³ According to Fayyad Fayyad, Director General of the Palestinian Olive Oil Council, the local market consumes around 16,000 tonnes of olive oil, and around 4,000 tons will be exported to Qatar and Saudi Arabia. The remaining surplus will be exported to other neighbouring countries as well as Europe.⁴

Palestinian farmers face unique challenges during the harvest season, especially with an uptick in settler attacks. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) reported 49 attacks against Palestinians this October, an increase from 13 last month and 22 in October 2021.⁵ In 2019 alone, Israeli authorities and settlers uprooted around 10,700 olive trees, nearly 2,740 of which were uprooted during olive picking season when tensions were already heightened, culminating in the appropriation of approximately 160 tonnes of olives.⁶ It is estimated that since the year 1967, Israeli authorities and settlers have uprooted nearly 800,000 trees from Palestinian-owned land, most of which are olive trees.⁷

Date Production

The date palm harvest season in the Jordan Valley also took place during October. The West Bank produced an estimated 15,000 tons of dates this year, compared to 12,000 tons last season.⁸ Around 5,000 tons are locally consumed, while the rest is exported (with a value of around \$30 million).

The date palm sector has seen growth in recent years. The area planted with dates amounts to 28,943 dunums, most of which is in Jericho and the Jordan Valley, with only around 5% in Gaza.⁹ The cultivated area in the Jordan Valley contains around 250,000 date palm trees, most of which currently bear fruit.

The date palm sector, like the Palestinian agricultural sector more widely, was affected by global supply shocks, as increases in the price of fertiliser and packaging material have contributed to rising production costs. This is particularly concerning for the sector's ability to pay competitive wages to its 6,000 workers.¹⁰ Palestinian farmers must contend with persisting water shortages and energy deficits, which increases production and preservation costs.¹¹ The recent increase in fuel prices adds to the cost of production, compounding the sector's challenges, as it also deals with higher transportation costs which decrease competitiveness.

Investments in food security

On 9 October, the Ministry of National Economy (MoNE) presented a tender for the construction of two grain silos, as part of a project to enhance Palestine's ability to maintain wheat reserves. The first phase of the project includes constructing two new wheat silos

1 www.pcbs.gov.ps/Downloads/book2606.pdf

2 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_NationalPPI2022A.pdf

3 <https://bit.ly/3TBc8WV>

4 <https://bit.ly/3E6NgR5>

5 www.ochaopt.org/poc/11-24-october-2022 and <http://www.ochaopt.org/poc/5-18-october-2021>

6 www.pal-arc.org/uploads/annual%202019.pdf

7 www.moa.pna.ps/albums/208

8 www.aliqtisadi.ps/ar/Article/90078

9 www.pcbs.gov.ps/Downloads/book2606.pdf

10 *Ibid*

11 https://mas.ps/cached_uploads/download/2022/09/01/zhsr-final-2022-1662014853.pdf

in the West Bank, with a storage capacity of 40,000 tons each. The tender consists of technical requirements for the design, building, financing, and management of the two silos.¹² The second phase aims to construct wheat silos in the Gaza Strip.¹³

The development comes as a part of a strategy to decrease dependency on food imports and create buffer stocks against disruption of supply chains, rising commodity prices and shortages of grain due to the conflict in Ukraine. The MoNE emphasised the timeliness of this project, considering recent developments indicating possible ongoing future global supply disruptions.¹⁴

Palestine is dependent on wheat imports from Israel (and increasingly directly from abroad), of around 400,000 tons annually, for both local consumption and the production of animal feed (at a value of around \$58.3m in 2019).¹⁵ According to the latest Agriculture Census, conducted in 2021, the area of field crops planted with wheat was 88,456 dunums in the West Bank and 12,510 dunums in the Gaza Strip.¹⁶ Given that the average consumption of wheat per person in Palestine is roughly 120 kilograms annually, the average yield of 150-180 kilograms of wheat per dunum leaves around 97% of demand unfulfilled.¹⁷

Gaza Marine Gas Field

On 1 November, the Palestinian government approved a framework agreement for the development of the gas field off the coast of Gaza. Through the framework, Palestinian companies enter an Egyptian consortium of companies, led by the Egyptian Holding Company for Gases (EGAS). This new consortium includes the Palestine Investment Fund (PIF) with a 27.5% stake in the field, the same as the Consolidated Contractors Company for Oil and Gas (CCCCO).¹⁸ The framework agreement includes the main principles for EGAS to join the coalition, and the elements of the initial technical and financial plan for the development of the field by both Egyptian and Palestinian companies.

The project requires an investment of \$1.4 billion for the extraction of gas as well as further operations. Estimating revenues from the project at this stage depends on a variety of complex variables, including the quantity extracted, the volume of investment, the costs involved, international gas prices, and the lifespan of the project. Nevertheless, the Palestinian National Authority (PNA) will have a share of different revenue streams through proceed licence fees, income tax, and expected PIF profits.¹⁹

The Gaza Marine gas field was first discovered in 1998, along with another smaller field (Border field). The two fields were estimated to provide 1.4 trillion cubic feet of natural gas, enough to cover the gas needs of the West Bank and Gaza Strip for 15 years based on current consumption rates.

The Marine field, which holds over 1 trillion cubic feet of natural gas, should be an important resource that the PNA plans to use to supply the two power stations in Jenin and Gaza, which operate on natural gas. The field could be especially vital for the functioning of the struggling Gazan power station by switching from the use of oil to gas, increasing its operational capacity and reducing costs, barring Israeli security approval contingencies. The Gaza Strip needs an estimated 250-300

tons of gas cylinders daily, yet imported quantities as of early this year were only around 170 tons a day.²⁰

This agreement paves the way for operating the field at long last, in the wake of two decades of Israeli restrictions, which forced the PNA to struggle to maintain plans with international gas exploration companies. For example, in 2017, less than a year after the Anglo-Dutch Shell company acquired British Gas (BG) and its 55% stake in Gaza Marine, Shell notified the PNA of its desire to withdraw from the \$800 million agreement BG had signed with the PIF back in 1999.²¹

International support for resilience

As often happens at the end of the calendar year, several countries have pledged or disbursed donations to support socio-economic resilience and business development in Palestine.

Support for social welfare

On 27 September, the EU and Spain announced funding of €28.5m for the National Cash Transfer Programme (NCTP), which provides social allowances to around 111,000 of the poorest and most vulnerable Palestinian families.²² This is more than double the EU's usual contribution, following an interruption of social payments since May 2021. Since 2018, the Ministry of Social Development had to reduce the number of annual social allowance disbursements from four to three payments,²³ mainly due to the PNA's ongoing fiscal crisis and the drop in donor support to the NCTP. In 2021, the PNA spent \$291.1m on social welfare, compared to \$727.8m in 2017.²⁴ Meanwhile, the eligible caseload of poor households has grown. Estimates based on GDP per capita growth suggest that the poverty rate spiked to 29.7% in 2020, an increase of nearly 8% from 2016. As the impact of the pandemic has receded, the poverty rate is estimated to have declined to 27.3% in 2021.²⁵

On 23 October, the Kingdom of Saudi Arabia provided United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) with \$27m to aid Palestinian refugees,²⁶ which will enable it to continue the delivery of programmes in education and health and reach the most vulnerable Palestine refugees in the West Bank, East Jerusalem, and Gaza, as well as Jordan, Lebanon, and Syria. A further donation of €2.7 million came from Austria earlier this month to support UNRWA's efforts in providing health care in the West Bank and the Gaza Strip through 65 health clinics.²⁷

Support for resilience in East Jerusalem

On 29 October, the Arab Economic and Social Council (AESC), in its session leading up to the Arab League summit, welcomed a proposal for deducting small amounts from monthly mobile and landline bills in Arab and Islamic countries to support East Jerusalem resilience.²⁸ The AESC authorised the Islamic Development Bank (IDB) to manage the yet to be approved fund, with the same mechanism as the Al-Aqsa Fund and Al-Quds Fund and Endowment.

On 19 October, Norway pledged \$6.3m to support the Palestinian education sector in Jerusalem.²⁹ The agreement,

12 www.mne.gov.ps/newsdetails.aspx?NewsId=6452

13 www.mne.gov.ps/newsdetails.aspx?NewsId=6454

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15 <https://bit.ly/3g7XoRH>

16 www.pcbs.gov.ps/Downloads/book2606.pdf

17 <https://bit.ly/3E18dgl>

18 www.aliqtisadi.ps/ar/Article/90623/

19 www.bnews.ps/ar/node/20129

20 <https://bit.ly/3gvYxCY>

21 <https://bit.ly/3A7wZu8>

22 <https://bit.ly/3UnaFo3>

23 www.mosd.gov.ps/uploads/16533060622087329918.pdf

24 <https://bit.ly/3TSTJFo> and <https://bit.ly/3XkcGU6>

25 <https://bit.ly/3AD4BjX>

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28 <https://wafa.ps/Pages/Details/58220>

29 <https://english.wafa.ps/Pages/Details/131380>

which was signed with the United Nations Development Programme (UNDP), aims to establish a 12-classroom school for the benefit of 350 girls in East Jerusalem. It also includes the establishment of 15 science, technology, engineering, and mathematics laboratories, and supports extracurricular programmes for 25 schools in the city.

Support for SMEs and the business environment

On 26 October, the European Bank for Reconstruction and Development (EBRD) provided a financing package of \$10m to Cairo Amman Bank Palestine (CABP) to increase access to finance for MSMEs (\$8m) and women-led businesses (\$2m).³⁰

The EBRD's partnership with CABP started in 2018 with the signing of a \$5m SME credit line and a \$2m trade-finance limit. EBRD has now launched eighteen projects in the West Bank and Gaza,³¹ worth in total about \$81.8 million. This is also EBRD's third Women in Business (WiB) facility, its WiB financing reaching \$6 million,³² with a view to providing advice, training and mentorship to improve business performance of women-led MSMEs.

On 16 October, the EU and the World Bank signed a €9m agreement to enhance the business environment and promote private investment in Palestine. This includes support in key areas such as the implementation of the new Companies Law and the development of the digital entrepreneurship ecosystem. The agreement is part of the newly set up Single-Donor Trust Fund for the EU Support for the Palestinian Economy and Resilience (ESPERE), which is a country-level pilot initiative for possible EU cooperation with the World Bank to support the PNA.³³

Technology and Telecommunications

The Ministry of Entrepreneurship and Empowerment held its fourth annual International Conference on Entrepreneurship-Palestine (ICEP) on 1 and 2 November in the Museum of the Future in Dubai. The conference focuses on developing startups and innovative tech solutions in Palestine.³⁴ Parallel events were held in Gaza, East Jerusalem, Nablus and Ramallah, in partnership with the Global Shapers Community Hubs.³⁵ The conference featured sessions with leading VCs and start-up support organisations and showcased Palestinian start-ups, as well as discussing developments in the technology sector.³⁶

November also witnessed the launch of activities of the annual Global Entrepreneurship Week (GEW), held between 14-20 November. This year's GEW theme is education, ecosystems, inclusion, and policies that support entrepreneurs and start-ups. GEW is a global initiative aimed at promoting entrepreneurship and encouraging new opportunities for investment, partnership, and collaboration to boost economies and address some of the world's most intractable challenges.³⁷

Networking and cooperation - Iktashef

To increase technological cooperation and enhance networking and sustainability in the Palestinian technological sector, a Palestinian delegation of 10 companies visited the UK last month through the newly launched UK-Palestinian Tech Hub. This "Iktashef" (discover) project, launched in October,³⁸ saw these

carefully-selected companies taken on a 3-day visit designed to facilitate and establish partnerships between the British and Palestinian technology systems, to strengthen and enhance networking and sustainability for the Palestinian technology sector.³⁹ With an packed schedule, the participants met over 100 technology experts, companies, policymakers and most-importantly investors, helping form partnerships and relationships to take forward with British companies and institutions.⁴⁰

Support for tech talent

A third cohort of youth has joined the "Youth Coding" programme that the Palestinian government and AXSOS Academy initially launched in 2020 to improve the performance of the technology sector, as well as train and qualify Palestinians to work in it.⁴¹ The Government covered 90% of the course fees to encourage youth participation in the sector.⁴² The programme's declared aim is to graduate 6,000 programmers in a few years, and has about 110 students graduated from its first and second cohort.⁴³

On 26 October, Palestine's Information and Communications Technology Incubator (PCTI) and Spark, a Dutch non-profit operating in Palestine, signed a cooperation agreement to start implementing a project for empowering young creative entrepreneurs in the West Bank and Gaza.⁴⁴ The EU-funded project aims to support entrepreneurs within the technology sector through building a supportive environment that is able to produce work opportunities for those wishing to work and invest by providing creative solutions to overcome unique challenges in digital and green technology and social enterprise sectors. The project is launching a hackathon, with open applications for those with creative solutions and ideas in these sectors, out of which nine projects will be provided with support in networking, mentoring, funding, and marketing.⁴⁵

Rollout of 4G mobile broadband in the West Bank

On 10 October, the Minister of Telecommunications and IT (MTIT), received the long-awaited official Israeli approval for the frequencies necessary to provide 4G and 5G services in the West Bank.⁴⁶ This development comes two months after the announcement in August of the approval for 4G. The deployment of 4th and 5th generation broadband connections is expected to take at least 12 months before being offered to end-users.

Israel has restricted progress on 3G rollout and later generations of mobile broadband by limiting Palestinian ability to lay submarine cables, microwave systems, and optical fibres, despite the availability of 4G services in Israel since 2016.⁴⁷ In the Gaza Strip, 2G frequencies are still being used since more advanced frequencies are still restricted.⁴⁸

October Trading

The AI-Quds index reached 628.5 points on the last day of trading in October 2022, a decrease of 0.6% from the previous month.⁴⁹ During the month, a total of 9.2m shares with a total value of \$21.7m were traded, marking a 45.8% decrease in the number and 31.1% decrease in the value of traded shares compared to September 2022.

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36 <https://icep.ps/>

37 <https://bit.ly/3TLhTRT>

38 <https://bnews.ps/ar/node/20086>

39 www.ukpalestinianhub.com/iktashefuk

40 <https://bit.ly/3EtrNmY>

41 www.palestinecabinet.gov.ps/portal/news/details/53189 and <https://bit.ly/3GvLj3z>

42 *ibid*

43 <https://wafa.ps/Pages/Details/33073> and <https://bit.ly/3UFkBDi>

44 www.wafa.ps/Pages/Details/58034

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46 <https://bnews.ps/ar/node/19995>

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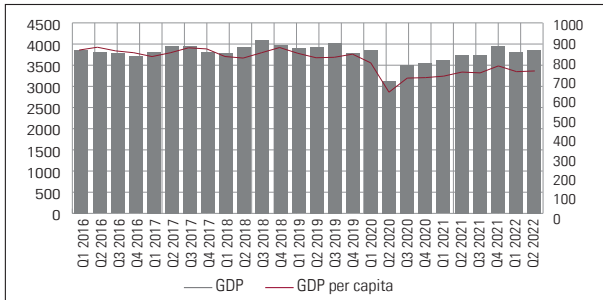
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Palestine Economic Dashboard

Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2016 – Q2 2022

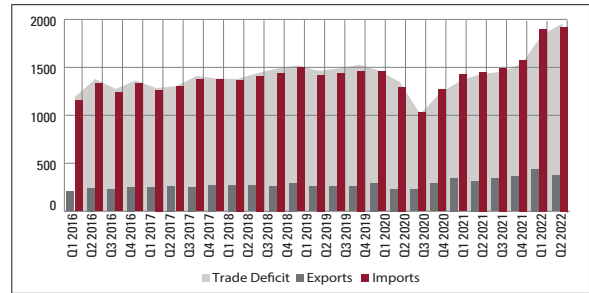


GDP (Q2 2022): \$3858.6m
Source: PCBS

GDP per capita (Q2 2022): \$765.4

Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2016 – Q2 2022

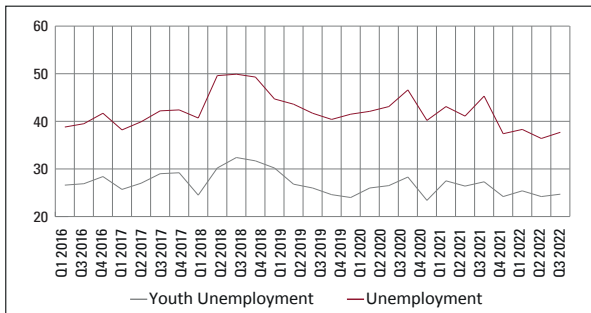


Imports (Q2 2022): \$1,991.3m
Trade deficit (Q2 2022): \$1,630.9m

Exports (Q2 2022): \$360.4m
Source: PCBS

Unemployment

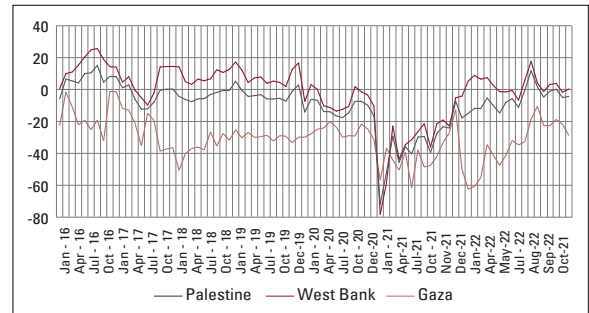
Unemployment and Youth Unemployment in Palestine, Q1 2016 – Q3 2022



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

Business Cycle Index

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

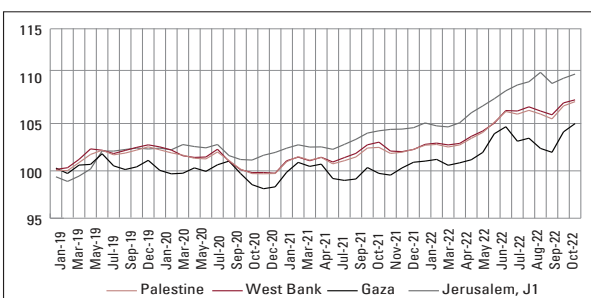


Palestine (October 2022): -4.3
Gaza (October 2022): -28.8

West Bank (October 2022): 0.4
Source: PMA

Inflation

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

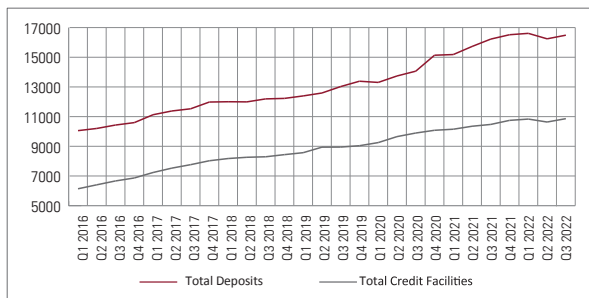


Palestine (October 2022): 107.31
Gaza (October 2022): 104.99

West Bank (October 2022): 107.5
Source: PCBS

Banking Sector

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



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

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

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The Palestinian Economic Bulletin is prepared by the Palestine Economic Policy Research Institute (MAS) and edited by The Portland Trust. Please send any comments, suggestions, or complaints to feedback@portlandtrust.org

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