PROJECT PALESTINIAN ENTERPRISE:
Promoting Economic Development in the Palestinian Territories

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Project Director: DAVID L. PHILLIPS
Project Associate Director: KEVIN R. DAVIS
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I welcome New York University’s “Project Palestinian Enterprise: Promoting Economic Development in the Palestinian Territories.”

Its report complements goals of the international community and those of the Quartet by focusing on job creation, capacity building, and institutional development. The report also provides useful recommendations to strengthen the Palestinian Reform and Development Plan and the Palestinian Authority’s state-building initiative, which was announced in August 2009.

Project Palestinian Enterprise believes that prosperity is essential to lay the ground for a viable Palestinian state. To this end, the report describes economic sectors; identifies business opportunities; and considers the legal and regulatory environment for economic development in the Palestinian territories. It also suggests ways that Palestine’s private sector can become profitable and self-supporting.

For re-launched Israeli-Palestinian political negotiations to succeed, there needs to be complementary and rapid change in support of state building. With this, Palestinians will see that statehood is genuinely within reach and Israelis will see in practice how a Palestinian state can afford them greater rather than less security. Political negotiations and state building are no substitutes for one another. Both need to proceed in parallel, if peace is to be sustainable.

I commend NYU’s efforts raising awareness and encourage its continued work aimed at creating conditions for sustainable peace.

Tony Blair
London, United Kingdom
4 January 2010
I. INTRODUCTION

Project Palestinian Enterprise seeks to advance economic development in the Palestinian territories by promoting entrepreneurship and employment opportunities. Economic development does not, however, occur in a vacuum. While economic development and institution-building can complement negotiations, they cannot replace a political solution.

There are reasons for cautious optimism. The Palestinian Authority (PA) has been steadily moving towards a new style of governance. Instead of slogans or rejectionism, it is increasingly focused on providing services. Its governance is increasingly transparent and accountable. The PA has taken steps to improve security conditions through more professional policing. Improved security has led to more Palestinian travel, trade, and investment within the West Bank and prompted the Israeli Government to start dismantling more checkpoints that impede the movement of goods and services.

The international community is doing its part to consolidate progress by channeling budgetary support and assistance for economic development through the PA. It has also helped bolster the PA by channeling its reconstruction funds for Gaza through authorities in Ramallah. While the international community has focused on humanitarian action, more resources are needed for economic development that benefits all Palestinians and, by extension, the region.

Reflecting a growing international consensus on the need to assist Gazans, the Obama Administration has made a subtle shift distancing itself from the “West Bank first” policy. The United States recognizes that the contours of a Palestinian state will ultimately include both the West Bank and Gaza. It does not, therefore, oppose Palestinian reconciliation resulting in a government of national unity including Fatah and Hamas. Project Palestinian Enterprise believes it is important to take this approach one step further by emphasizing economic development that addresses conditions in both the West Bank and Gaza.

This report describes economic sectors in the Palestinian territories and identifies business opportunities. It considers what has worked in the past -- and what has not. The legal and regulatory environment for economic development is summarized and evaluated. The
report provides a partial inventory of economic development assistance programs undertaken by donor countries, multilateral agencies, international financial institutions, and private sector initiatives. In addition, it considers activities involving trans-Atlantic cooperation.

The international community plays a pivotal role. However, Palestine cannot be donor-dependent forever. Assistance must incorporate strategies aimed at creating conditions for an economically viable state. Palestine’s public sector cannot rely exclusively on donor assistance; and its private sector must become profitable and sustainable.

While forward looking and hopeful, this report also tries to realistically reflect conditions on-the-ground. At present, economic development is seriously constrained by security measures that affect access and freedom of movement. The Fatah-Hamas rivalry has both eroded the confidence of Palestinians and compounded Israel’s security concerns. Extremism limits prospects for political talks between Israeli and Palestinian officials, as well as prosperity bettering the quality of life for all Palestinians.

While the Israeli Government can do more to strengthen the PA as a peace partner, ultimate responsibility rests with Palestinian leaders themselves. They cannot wait for political talks resulting in the establishment of Palestine. The PA must move vigorously forward on all fronts to realize the aspirations of Palestinians for a better life. When Palestinians see real, tangible benefits, they will encourage Fatah and Hamas to reconcile. That, in turn, could create conditions conducive to political progress.¹

This report is published by the New York University’s Department of Politics Master’s Program.² It includes an extensive bibliography of reference sources including a compendium of web sites to facilitate follow-up research. The methodology for this report involved interviews with Palestinians, Israelis, and others involved in promoting economic development in the Palestinian territories. Extensive research was also conducted involving secondary English-language sources, including mainstream media articles, websites, press


² The views represented in this report do not necessarily represent the views of New York University’s Department of Politics. This report solely represents the views of its authors.
releases, think-tank reports, academic papers, speeches, and databases. Various general and academic search engines were utilized including Google, Lexis-Nexis, Bobcat, JSTOR, as well as leading news periodicals. Mainstream media materials were used, especially recent international journalistic reports. Addressing larger contextual issues helped enhance the Project’s understanding of the political, security, and cultural conditions that affect aid, development, and investment in the Palestinian territories. The analysis of Palestinian laws also relied on secondary sources as it was beyond the Project’s scope to study the entire volume of existing Arabic-language laws and regulations governing economic development.

Reference sources were identified through a survey of more than 90 persons working in the field, including officials from International Financial Institutions, the United Nations, Quartet representatives, and the U.S. Government. Liaison with Palestinians and Israelis proved invaluable, as did official documents from Palestinian ministries, local Palestinian Chambers of Commerce, and Israeli sources. Additional materials were garnered from the Palestine Economic Policy Research Institute, the Palestinian Economic Council for Development & Reconstruction, the Palestinian Investment Fund, the Palestinian Investment Promotion Agency, the Palestinian Trade Center, and notes from the Palestine Investment Conferences in Bethlehem (May 2008) and Nablus (November 2008).

The Project is not the first endeavor of its type. Parties in the region are weary of conferences and initiatives. Therefore, the Project seeks to do something original, both analytically and by way of policy recommendations. To this end, the Project is pro-active and results oriented. It is also practical, focusing on capacity building and institutional development.
II. EXECUTIVE SUMMARY

Project Palestinian Enterprise seeks to advance economic development in the Palestinian territories by promoting entrepreneurship and employment opportunities for Palestinians. Economic prosperity is necessary to foster a climate of hope that can promote moderation and cooperation. While economic development and institution-building can complement negotiations, they cannot replace a political solution.

Economic development can be an effective tool for Israeli-Palestinian cooperation. There are, however, serious obstacles. Security measures are a significant impediment. Checkpoints, closures, and land seizures undermine certainty and predictability, both of which are essential for trade and investment. Traditional Palestinian agricultural, manufacturing, and light industry will continue to stagnate as long as Israel restricts freedom of movement and access. Palestine’s degraded infrastructure – transport systems, electricity, and water supplies – poses additional obstacles to economic development.

While international assistance has been indispensable in preventing social and economic collapse in the Palestinian territories, it has not created conditions for sustainable development. The PA is deeply dependent on foreign aid, with donors disbursing a record $1.8 billion in 2008. Palestinians received $623/person, the highest per capita rate of official development assistance in the world. In 2008, foreign aid represented nearly 30% of GDP; PA salaries were 22% of GDP; UNRWA, the United Nations Relief and Works Agency, is the second largest employer.

Donors are increasingly focused on supporting the 2008-2010 Palestinian Reform and Development Plan (PRDP). Committing the PA to fiscal and monetary responsibility, the PRDP was presented to donors at a Pledging Conference in Paris in December 2007, which sought funding for an “Institutional Reform for Enterprise (IRE) program” to “focus on creating a comprehensive and coherent legal framework, including Company Law.

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Competition Law, and Land Law, and on improving law enforcement and regulation.”

Donors pledged $7.7 billion at the Paris Conference. The PRDP has since been incorporated into the broader state-building initiative announced by Prime Minister Salam Fayyad in August 2009.

Sustainable economic development will also require significant steps to upgrade the legal and regulatory environment for doing business. Weaknesses in the legal and regulatory environment are caused partly by the political struggle for statehood, which has overshadowed the need for a modern financial and commercial legal regime. Other legal reform obstacles are more institutional in nature. Palestinian law is a piecemeal blend of Ottoman, British, Egyptian, Jordanian, Israeli and Islamic legal traditions. As a result of layering, there are both gaps and contradictions between statutes, particularly between the laws of Gaza and those of the West Bank. Furthermore, Israeli control has stymied Palestinian legal development and led to additional confusion over issues of sovereignty and jurisdiction. These discrepancies -- combined with an inefficient legislative process, lack of institutional capacity to enforce laws and widespread pessimism about the rule of law -- have created a complicated environment for legal reform. In addition to filling legislative gaps, the PA needs to update its Commercial Code, Companies Law, Insurance Law, Mining and Natural Resources Law, and Intellectual Property Law, among others.

In addition, Palestinian entrepreneurs can do more to mitigate problems. Possible measures include local production of inputs, as well as cooperative clustering to improve sourcing efficiency and help attract capital investment. Given transport delays, more successful agricultural enterprises focus on products whose freshness to the market is not paramount (such as olive oil). Emphasizing off-season cultivation, establishing uniform quality control standards for export, and developing alternative transport routes would facilitate access to international markets, including tariff-free destinations in some EU and Arab countries.

In addition to opportunities for quarrying, construction, and off-shore energy development, the greatest potential for the Palestinian economy is in information technology and telecommunications. Growth and greater competition in these fields would reduce the cost

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of doing business in all sectors and help make the entire economy more efficient. Call centers and help-desks are less affected by restrictions on freedom of movement. Employment opportunities in every sector should focus on Palestinian women so they may play a more important role in the household and local economy.

This report is published by New York University’s Department of Politics. It proposes practical assistance to Palestinian economic development in part by linking this effort to a proposed NYU Center designed to sponsor research and activities related to economic development and conflict resolution. NYU is qualified to house such a Center. It is a world class university with exceptional educational facilities, superb instructors and an unmatched Global University Network.

The Center will focus on (i) research, (ii) education, and (iii) resource mobilization:

- **Research** will encompass scholarly investigations of entrepreneurship, job creation, and other aspects of economic development that will include maintaining an electronic clearinghouse of relevant data and reports. Through these multiple research activities, the Center will become a vital site for information on economic development as a means of reducing conflict.

- **Education** will be provided through the development of a new curriculum, which considers the role of economic development in conflict resolution. Such courses could be offered both at NYU’s Global Network University sites and at the New York flagship campus. Depending on faculty and student interest, specific courses could be taught on economic-development cases like Palestine, adapted for universities in the region.

- **Resource mobilization** could be coordinated through such a Center, including affiliated social-entrepreneurial ventures. This might include advisory links to a venture capital fund for enterprises in developing countries that harnesses the know-how and energy of entrepreneurs in the West (e.g. the New York business community) and those from the Gulf States such as the United Arab Emirates who are concerned about conditions in Palestine.
To ensure that activities are informed by partners in the region, the Center will also include an advisory board including both Westerners and representatives from regions targeted by the Center for economic-development research and analysis.
III. OVERVIEW

Politics

The PA was created as a part of the Oslo Accords of 1993 between the Palestine Liberation Organization (PLO) and the Israeli government. It was initially heralded as a breakthrough that would culminate in the establishment of a Palestinian state and comprehensive peace for the Middle East.

Pursuant to the Oslo Accords, Palestinian territories were divided into three areas: Palestinian urban areas (Area A); Palestinian rural areas (Area B); and the remainder of the territories, including Israeli settlements, the Jordan Valley region, and bypass roads between Palestinian communities (Area C). The PA, formed through the Oslo Accords as the administrative organization to govern parts of the West Bank and Gaza, was given authority over both security-related and civilian-related matters in Area A and civilian-related matters in Area B. Israel retained authority over security-related matters in Area B and both security-related and civilian-related matters in Area C. Since Oslo, this bifurcation has defined political, security, and economic development in the Palestinian territories.

By 2000, the Oslo Accords were discredited as a means for securing peace. Other subsequent peace initiatives also failed. At the 2002 Arab League Summit, King Abdullah of Saudi Arabia called on Arab countries to normalize diplomatic and economic relations with Israel in exchange for the creation of a Palestinian state based on the pre-1967 borders. In addition, the Quartet proposed a roadmap for peace in 2003, which envisioned a ceasefire, a freeze on settlements and easing of restrictions on movement leading to the establishment of a Palestinian state within provisional borders and a final status agreement in 2005. Despite a ceasefire, the roadmap led nowhere.

Frustrations with lack of diplomatic progress fueled Palestinian frustrations and grass-roots support for Hamas. PA President Mahmoud Abbas was pushed by the United States to hold elections for the Palestinian Legislative Council (PLC) in January 2006. Despite Fatah’s poor showing in recent municipal elections, President Abbas acquiesced to U.S. demands in the hope that PLC elections would help consolidate Fatah’s authority and strengthen its
position in negotiations with Israel. Fatah candidates ran on a platform emphasizing job creation, internal security, and a negotiated two-state solution with Israel. With Fatah presenting itself as the only party able to win support from the international community upon which the PA depended, President Abbas was confident that his message of pragmatic nationalism would resonate with voters. However, lack of progress on final status negotiations undermined Fatah’s credibility. Hamas drew a sharp distinction by rejecting a two-state solution, flaunting its use of violence to end the occupation, and minimizing the importance of international support. Hamas received 44% of the votes and 58% of the seats in the PLC.7

The impact of internal Palestinian politics on the peace process cannot be underestimated, nor that of economic development across the Palestinian territories. Gaza and the West Bank are very different societies. After Israel was created in 1948, Gaza was administered by Egypt; Palestinians studied in Egypt and were influenced by the Muslim Brotherhood. Whereas Gaza opened to the sea, the West Bank was a landlocked, agricultural society that was annexed by Jordan. Palestinians who studied or did business in Jordan, Syria, and Lebanon were influenced by the secular nature of these societies. Separated by about 40 miles, the two territories are really worlds apart.

Though Hamas controlled the PLC, President Abbas and the international community vigorously sought to delegitimize Hamas’ authority. Hamas sought to demonstrate its relevance through rocket attacks. It also used a tunnel to strike outside of Gaza resulting in the abduction of Cpl. Gilad Shalit on June 25, 2006. Tensions spiked between Israel and the Palestinians when Israel responded militarily and imposed an embargo on Gaza. These events also ratcheted-up tensions between Fatah and Hamas. Though the Mecca Agreement of February 8, 2007 laid the foundation for reconciliation between Palestinian factions, it was never implemented.

In an effort to strengthen Fatah and re-start negotiations, the United States convened the Annapolis Conference in November 2007. Though the meeting was joined by Arab states

that had heretofore rejected contact with Israel, Annapolis bore no results. Neither did efforts by Israeli Prime Minister Ehud Olmert towards the end of his administration.

On September 13, 2008, Prime Minister Olmert presented President Abbas with a map proposing a Palestinian state on 93.5% of the West Bank. The map left the settlement blocs of Ma’aleh Adumim, Ariel, and Gush Etzion in Israel’s control while suggesting a land exchange in the southern Hebron Hills, and the Judean Hills, and the Beit She’an Valley and a division of land in the Latrun no-man’s land. The proposal included a corridor connecting the West Bank and Gaza. The entire package offered an area equal to 100% of the West Bank. As for Jerusalem, Prime Minister Olmert proposed dividing sovereignty between the Jewish and Arab neighborhoods and leaving the Old City’s “holy basin” and its surroundings without sovereignty, under the management of an international committee with the participation of Israel, Palestine, the United States, Jordan and Saudi Arabia.

President Abbas rejected the proposal citing irreconcilable differences over settlements, the Temple Mount and refugee returns. His rejection hardened Prime Minister Olmert, who ordered Israeli Defense Forces (IDF) to attack Gaza on December 27, 2008. The resulting Gaza conflict shaped the outcome of Knesset elections on February 10, 2009, bringing to power a coalition government led by Likud’s Benjamin Netanyahu.

Though Prime Minister Netanyahu accepts the idea of an “economic peace,” he is inflexible on core issues: final status, borders, refugees, settlements, and the status of Jerusalem. Prime Minister Netanyahu accepts the principle of a Palestinian state but with conditions. He insists that Palestinians recognize that Israel is a Jewish state, which would implicitly preclude the right of return for Palestinian refugees. He demands defensible borders and international guarantees that a Palestinian state will be demilitarized. He insists that, by rejecting Prime Minister Olmert’s offer, the Palestinian leadership has once again confirmed to Israel that there is no credible peace partner. According to Prime Minister Netanyahu, the PA’s credibility has been undermined by the rise of Hamas and the failure of Palestinian factions to reconcile.

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Since the Mecca Accord, Egypt has convened four meetings between Fatah and Hamas, yet the two sides remain at loggerheads. Today’s disputes concern the PA’s political platform, ministerial appointments, control of the security apparatuses and the electoral system. Though elections were planned for January 2010, they were effectively scuttled by the inability of Palestinian factions to reconcile and the objections of Hamas.

Trends

Palestinians welcomed President Barack Obama’s Cairo speech on June 4, 2009 that affirmed his commitment to the creation of Palestine. They were also encouraged by President Obama’s call for an end to settlement expansion, which they hoped signaled a more even-handed approach by the United States to its mediation role.

In a departure from the Bush administration’s efforts to isolate Hamas, the Obama administration is not discouraging talks between Fatah and Hamas. While calling for strict oversight of financial assistance, the U.S. pledged $900 million to the PA at a donor’s conference in Sharm El Sheik in March 2009. Prime Minister Netanyahu has endorsed an incremental approach emphasizing economic development as a precursor to political talks. To this end, he has called Arab countries and entrepreneurs to invest in the Palestinian economy and develop regional projects. Special Presidential Envoy George Mitchell is incorporating economic development into political negotiations. The Quartet’s Special Envoy, former UK Prime Minister Tony Blair, has 30 enterprise promotion projects in the pipeline. Economic development has helped Fatah consolidate its support among Palestinians. In July 2009, the Jerusalem Media and Communications Center found that 35% of Palestinians deemed Fatah to be “more trustworthy,” as opposed to 19% for Hamas.

Fatah’s sixth party congress in August 2009 empowered a younger generation of party activists as a step towards rejuvenating Fatah. In the immediate aftermath of the party congress, Prime Minister Fayyad announced a roadmap for building an independent Palestinian state within two years, including instructions for ministries and PA bodies. The PA Finance Ministry is tasked with increasing domestic revenues and limiting overall

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spending in order to reduce dependence on foreign aid. Tax incentives are proposed to
stimulate local and Foreign Direct Investment (FDI). Plans are being made for seaports,
Improved surface transportation, and an international airport in the Jordan Valley.11 Prime
Minister Fayyad’s state-building initiative is a bold vision that incorporates the goals of the
PRDP. Project Palestinian Enterprise seeks to support Prime Minister Fayyad’s efforts by
raising awareness and via specific proposals that may advance the goals of economic
development and state-building.

Despite improved economic conditions, the Middle East Peace process is in crisis.
Disappointed by Prime Minister Netanyahu’s refusal to stop all settlement construction in
the West Bank and East Jerusalem, President Abbas announced in October 2009 that he
would not seek re-election and threatened to resign. President Abbas also expressed his
disappointment with the Obama administration for failing to deliver a freeze on new
settlements as the starting point for political talks. The PLO’s decision to extend his term
may have temporarily averted crisis. However, there is no discernable progress towards
reconciliation between Fatah and Hamas and, at this writing, the prospect for restarting
peace talks between the PA and Israel is seemingly remote.

Security and Access

The Second Intifada began in September 2000 after President Bill Clinton’s mediation
efforts collapsed and Ariel Sharon’s controversial visit to the Jerusalem Temple Mount.
Starting as a spontaneous expression of frustration and disillusionment with the Oslo
Accords, the Second Intifada grew into a full-fledged insurgency. Since 2000, approximately
4,000 people have died as a result of intensified conflict.12

Israel responded with a variety of security measures, such as checkpoints, barriers, by-pass
roads, and land seizures. Though these measures enhanced security, they also disrupted
economic development for Palestinians and settlers alike. As of March 2009, the UN Office
for the Coordination of Humanitarian Affairs (OCHA) reported that there were 634

checkpoints in the West Bank restricting the movement of people, goods, and services. Checkpoints are flashpoints for violence and have been the targets of attacks by Palestinians. Security measures also deepen the sense of humiliation experienced by many Palestinians. They fuel frustration and resentment, especially among the unemployed youth. They also contribute to insecurity, exacerbating tensions between Palestinians and increasing the possibility for conflict with Israel.

By 2005, Prime Minister Sharon came to see Gaza and parts of the West Bank as strategic liabilities. Pursuing a policy of unilateral disengagement, he put in process the removal of settlers from four settlements in the West Bank, as well as the withdrawal of IDF troops and about 9,000 settlers from Gaza. With the destruction of settlement buildings, the dismantling of IDF facilities, and the closure of the Erez Industrial Zone, disengagement was completed on September 12, 2005. Approximately 300,000 settlers remain in the West Bank amongst approximately 2.5 million Arabs.

Beginning in 2002, Israel began building a barrier to prevent attacks. When it is finished, the 8-metre concrete barrier will be 436 miles long. More than a psychological barrier, it disrupts travel and trade, thereby isolating Palestinian communities from economic centers. It also exacerbates difficulties for Palestinians looking to work in Israel. Closures and checkpoints affect day laborers working in Israel or the settlements. Prior to the Second Intifada, about 180,000 Palestinians worked in Israel or the settlements earning wages that contributed to the Palestinian economy. With the Second Intifada, these numbers were greatly reduced. In 2006, an average of about 5,000 workers crossed from Gaza into Israel each day. They worked at jobs paying about $40/day, a far higher wage than they could earn in Gaza. Though Israel has not formally banned Palestinian workers from entering the country, their passage became so arduous that many were delayed or prevented from making it to work at all. Those that did make it spent hours waiting at checkpoints.

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Restrictions at crossings and closures also affected Gaza’s commerce. Typically about 100 truckers start queuing up at the Karni Crossing as early as 3:00 AM, and their wait might take all day. When tensions are high, delays can last up to a week. The roadside by the Karni Crossing is littered with rotting fruit and other produce that spoiled in the hot sun while truckers waited to cross. Closures resulted in losses for Palestinian farmers of up $500,000/day.\textsuperscript{16} Israel’s naval embargo further compounds conditions in Gaza.

To reduce Gaza’s isolation and facilitate access within the West Bank, Quartet Special Envoy James Wolfensohn negotiated the Agreement on Movement and Access, as well as protocols for managing the Rafah Crossing on November 15, 2005. However, these protocols were never implemented. Instead Israel responded to security concerns by increasing security at checkpoints and closing the Gaza crossings – Erez in the north, Karni to the east and Rafah on the border with Egypt.

Hamas ended its 16-month truce in June 2006. On June 25, it launched a raid from Gaza into Israel killing several soldiers and abducting Cpl. Gilad Shalit. Israel responded by attacking central Gaza. Israeli gunboats reignited shells onto Gaza and imposed a blockade. Operations involved mechanized vehicles and infantry as well as air strikes. Air-launched missiles disabled Gaza’s electricity plant, thereby cutting off power to more than 1 million people. Israel suspended supplies of benzene and diesel. Roads and bridges in southern Gaza were targeted; power stations and government offices were disabled. Israel arrested about one-third of Palestinian Parliament members as well as half the Hamas ministers from the West Bank. Israel also intensified its targeted killings of Hamas officials. Military orders related not only to security, but also to land tenure, taxes and banking.\textsuperscript{17}

When Hamas formed a government, Israel withheld VAT customs and donors suspended contributions, further strapping the PA for cash. Many Israelis maintained that the ascendance of Hamas revealed the true face of the Palestinians and that the era of pretend

\textsuperscript{17} United Nations Office for the Coordination of Humanitarian Affairs (OCHA), “Gaza Strip Situation Report,” page 20.
peace was over. In response to intensified rocket attacks against Sderot, the IDF launched operations into Gaza on December 27, 2008 that wrought great destruction.

*Trends*

The Palestinian economy will continue to stagnate without a fundamental change to the security measures that impact the movement of goods and services between the West Bank and Gaza, as well as access to markets in Israel, Jordan, and Egypt.

To help address security concerns, the U.S. is conducting security training in Jordan. This program, led by General Keith Drayton, the U.S. Security Coordinator for Israel and the PA, has combined with European police training to dramatically increase the capacity and professionalism of Palestinian National Security Forces (NSF), thereby accelerating the transfer of responsibility to Palestinian security. The program has trained four NSF battalions that are contributing to improved security conditions in Nablus, Tulkarem, Jericho, Hebron, Ramallah, Jenin, and Bethlehem. The NSF has also taken on Hamas militias and criminal gangs who justify their activities under the guise of fighting occupation. In June 2009, the NSF fought two bloody battles against Hamas in Qalqilya. Its interventions enjoy broad popular support among Palestinians.

In response to the NSF’s increasing capabilities, the Israeli Government has dismantled some checkpoints in the West Bank, including a checkpoint on the road to Jenin in November 2009. Prime Minister Benjamin Netanyahu has earned praise for cutting through bureaucracy to remove checkpoints that existed where there were no justifiable security concerns. Once again, Israel is allowing Israeli Arabs to drive their own cars into the West Bank on Saturdays to shop.\(^\text{18}\) The Israeli Supreme Court’s decision on December 29, 2009 opening Highway 443, an access route through the West Bank that had been closed to Palestinians, could have far-reaching ramifications ending vehicular segregation in the West Bank.\(^\text{19}\)

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Israel has given permission for some water and sanitation projects but not for civilian reconstruction in the most devastated parts of Gaza. It is not in Israel’s interest to allow the enclave to become a terrorist entity inspired by al-Qaeda and under the control of Iran. To prevent conditions from deteriorating further, a better balance is needed between security and trade facilitation at Gaza crossings. The European Union (EU) Border Assistance Mission, that facilitated the coordination of border crossings with the EU acting as a mediator, could be revived. Additional steps towards implementing the 2005 Agreement on Movement and Access will address both obstacles to trade, as well as daily hardships experienced by ordinary Palestinians.

Economy

The Israeli and Palestinian economies have been closely integrated since 1967. Many Palestinians were hired as day laborers, especially in the construction sector. During the mid-1970s, 70% of Gaza’s work force was employed in Israel. While the unemployment rate during that period was as low as 1%, conditions worsened after the Second Intifada. Security checkpoints and closures significantly affected seasonal employment and Palestine’s agrarian economy, forcing many farmers to focus on local markets or subsistence farming. Today the Palestinian economy remains highly dependent on Israel, which controls critical water and electrical supplies, other inputs and access to export markets.

Regarding trade, 89% of exports from the Palestinian territories go to Israel, while only 6.8% go to Arab States and 3.5% to Europe (2007). Most products on sale in the Palestinian territories are imported via the Israeli port of Ashdod. However, cumbersome customs procedures increase consumer costs. Israel’s response to the electoral victory by Hamas in January 2006 exacerbated Palestine’s weak economic base. By 2007, West Bank unemployment had risen to 17.7% and unemployment fluctuated between 29-35% in Gaza. Real GDP/person declined by 12%. Per capital income was approximately $1,000.

Inflation measured by the consumer price index jumped 7% with the rise in Gaza more than double that in the West Bank.  

Israel collected but refused to release VAT customs duties to the PA, thereby negating 17.8% of Palestine’s GDP. Though Israel ultimately released VAT revenues due to the PA as required under the 1994 Protocol on Economic Relations (i.e. The “Paris Protocol”), lower VAT and customs values diminished the PA’s net revenue to $317 million in the first quarter of 2009 – 28% lower than the average quarterly revenues in the previous year.

Palestine is deeply dependent on foreign aid with donors disbursing a record $1.8 billion in 2008. Palestinians received $623/person, the highest per capita rate of official development assistance in the world. Foreign aid is a critical stopgap measure mitigating social and economic collapse, but it has had little impact on creating conditions for sustainable development. In 2008, foreign aid represented nearly 30% of GDP. Joining the UN Relief and Works Agency (UNRWA) as the major employers, salaries paid by the PA were 22% of GDP. Unemployment is further affected by demographic factors, such as the dense population and high birth rate of Palestinians.

Sustaining donor contributions will be challenging. The cost for Gaza’s reconstruction is coming at a time when resources from Arab and other donor countries are increasingly scarce. As a result of the global economic crisis, Arab countries lost about $2.5 trillion, causing the cancellation or postponement of 60% of the development projects planned in the Gulf States. In addition, the global economic crisis is reducing remittance income from abroad. The economic crisis has had a ripple effect across the Palestinian economy with the Al Quds’ securities index falling 32% in the last quarter of 2008.

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The situation in Gaza is especially acute. Gaza’s already ailing economy was devastated by the Gaza conflict, which began on December 23, 2008 and lasted 25 days. During the conflict, 1,430 Gazans were killed, 3,300 wounded, and more than 90,000 rendered homeless. In addition, 15,000 homes, as well as public infrastructure, were seriously damaged. The conflict inflicted $140 million in damage to businesses. In addition to metal factories and workshops that could be used to produce rocket materials, seven textile factories, 22 (of 29) cement factories, and 60% of agricultural properties were affected. The conflict’s impact is ongoing. Unexploded ordnance hinders farming. Financial sanctions restrict remittances. Unemployment in Gaza is 40% as opposed to 19% for the West Bank. Gaza’s 2008 poverty rate was 52%, and 90% of Gazans rely on food aid as opposed to 19% in the West Bank.

After the Gaza conflict, the PA sought $2.77 billion in foreign aid for 2009, including $1.32 billion in emergency relief and reconstruction support for Gaza. Early recovery priorities emphasize shelter and housing, as well as special assistance to the most vulnerable and households headed by women. Reconstruction plans for infrastructure focus on utilities, roads, bridges, and energy supplies, as well as water and sanitation networks. The PA has requested funds for banks in Gaza to rebuild the housing sector, and to provide grants and loans to homeowners with damaged properties. Agricultural rehabilitation focuses on livestock, greenhouses, water extraction and distribution systems. To meet basic human needs, the PA’s early recovery plan emphasized cash assistance through the UNDP to 9,000 families. In response to Gaza’s humanitarian emergency, the PA transferred $48 million for projects in Gaza, further increasing the PA’s budget deficit to $439 million in the first quarter of 2009.

Trends

Beginning in 2005, the PA adopted reform measures to enhance administration, expand the tax base, and fight corruption, including the monthly publication of audited PA accounts and steps to reduce the cash economy. Two years later, it adopted the PRDP, which further

imposed fiscal and monetary responsibility. In response, donors pledged $7.7 billion at the Paris Conference in December 2007.\textsuperscript{34}

The 2009 PA budget allocates $503 million for development activities, which includes $200 million for infrastructure and $303 for community-based projects. This earmark more than doubles development funds allocated the previous year.\textsuperscript{35} The Office of the Quartet Representative works with the PA on Quick Impact Projects that have generated jobs and short-term disposable income.\textsuperscript{36}

In May 2008, an additional $1.4 billion in private investments were announced at a meeting in Bethlehem. Whereas about 1,200 new companies registered for licenses that year, 900 have registered in the first six months of 2009. Consumer spending is on the rise. The 2009 IMF Report documents a positive trend in Palestine’s economic revival resulting in 7% growth.\textsuperscript{37}

Though economic conditions in Gaza remain desperate, there are definite signs of improvement. The volume of goods allowed into Gaza has tripled since January 2009.\textsuperscript{38} In March 2009, the Israeli Government announced it would allow the unrestricted transport of foodstuffs to Gaza. Israel relaxed its embargo of reconstruction materials, such as concrete and glass, flowing to Gaza beginning in August 2009. Plans are also under consideration to normalize operations of the grain conveyor belt at the Karni Crossing. Israel is also gradually easing export restrictions. In February 2009, for example, a truckload of carnations from Gaza was allowed into Israel. The volume of agricultural products allowed through the crossings is also on the rise.

\textsuperscript{35} World Bank, Economic Monitoring Report to the Ad Hoc Liaison Committee Palestinian Economic Prospects: Gaza Recovery and West Bank Revival (June 8, 2009), page 19.
The asterisk denotes that 2006, 2007, 2008 totals in table (list table # here), are from the Palestinian Central Bureau of Statistics. All other data featured in the table was compiled by the World Bank Development Indicators. There are significant discrepancies between the World Bank Development Indicators vis a vis the Palestinian Central Bureau of Statistics. The latter data set appears to have numbers that are slightly, though consistently inflated from the World Bank’s data. The data from the WBDI is reported from 1994 through 2005 and the PCBS is from 2002 through 2008. The World Bank also, in a separate report summary, cites % change in GDP over the last couple of years, occasionally referencing the PCBS numbers, though also contradicting them in other places. However, official, concrete 06-08' GDP numbers aren't evident in the World Bank Development Indicators open source material. Thus, the table will feature an amalgam of data from the WBDI and the PCBS data sets.


IV. SECTORS AND BUSINESS OPPORTUNITIES

Certainty and predictability are fundamental for economic development. For enterprises to succeed, Palestinian entrepreneurs need to know that there will be predictable supplies of energy, water, and sanitation. They require confidence that transport routes will remain open enabling the timely delivery of production-related materials and distribution of their products. They depend on a banking system ensuring that goods and services are paid on a time-certain basis; count on a legal and regulatory environment conducive to business; and rely on courts to uphold the rule of law and enforce contractual obligations. They also demand personal security and local law enforcement.

These expectations are mostly unmet in Palestine, where virtually every sector of the economy suffers from lack of certainty and predictability. The degree of impact varies by sector. For example, closures can destroy agricultural enterprises that deliver fresh produce. In contrast, Arabic-language call centers and help-desk businesses are able to operate in spite of movement restrictions. No matter the sector, the lack of certainty and predictability has increased the risk premium of doing business and thus deterred investors. It is beyond the scope of this report to make judgments about Israel’s security measures. Israel’s actions are, however, profoundly important factors affecting Palestinian economic development.

This chapter assesses infrastructure in the Palestinian territories (transportation, energy, water, human capital, and banking services). It summarizes the strengths and weaknesses of specific sectors (agriculture and fishing, manufacturing and light industry, construction, information technology and telecommunications, and tourism). It also suggests business opportunities taking into account current conditions.

Infrastructure

The PA is making a big push to upgrade its depleted and destroyed infrastructure over the next three years. Its 2009 budget allocates $200 million for infrastructure, more than

\(^{40}\) See Appendix A

double the budget line for 2008.\textsuperscript{42} Donors are pitching in. Pledges include $100m from the Arab Islamic Fund, $100m from Japan, $44m from the Abu Dhabi Fund for Development, €45.5m from the German government, and $12m from the World Bank.\textsuperscript{43}

In August 2009, the Ministry of Public Works and Housing announced that it would begin work on a “comprehensive infrastructure plan for a future Palestinian State.” The plan would address land for agriculture, preservation, education, health, housing, and road systems.\textsuperscript{44} The Plan would be carried out by an Infrastructure Strategy Group (ISG), an inter-agency body assisted by the U.S. Agency for International Development (USAID) that includes the Ministry of Planning, the Ministry of Local Government, the Ministry of Transportation, and Palestinian Water Authority. High priority would be given to transportation, as well as infrastructure destroyed during the Gaza conflict. The Palestinian road network of 4,383 km (as of 2006) is damaged and decaying from years of conflict and neglect and needs repair.\textsuperscript{45} There are plans to restore the Gaza Port and for a rail link between Egypt, Gaza and Ashdod.\textsuperscript{46} The Gaza International Airport opened in 1998 for two years, but was closed after damage to its runway and terminal. In addition, public infrastructure – water, utilities, and transportation networks – was seriously damaged during the Gaza conflict.

Palestinian energy consumption is low by regional standards. \textsuperscript{47} In Gaza, for example, electricity consumption is about 600 kw hours/person (10% the consumption rate in Israel).\textsuperscript{48} The West Bank is supplied by the Jerusalem Electricity Company, a private Palestinian firm.\textsuperscript{49} Donors financed the extension of the electricity grid in the 1990s, but many villages are still not connected, in part because of Israeli restrictions.\textsuperscript{50} The flow of

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\textsuperscript{44} Portland Trust, “ Palestinian Economic Bulletin,” August 2009.
\textsuperscript{46} Economist Intelligence Unit, “ Palestinian Territories: Transport and communications,” \textit{The Economist}.
\textsuperscript{47} Economist Intelligence Unit, “ Country Profile 2008: Palestinian Territories.”
\textsuperscript{48} Economist Intelligence Unit, “ Palestinian Territories: Country Profile 2008,” page 16.
\textsuperscript{49} Economist Intelligence Unit, “ Palestinian Territories: Country Profile 2008,” page 16.
\textsuperscript{50} Economist Intelligence Unit, “ Palestinian Territories: Country Profile 2008,” page 16.
\end{flushright}
electricity from the Israel Electric Corporation, which supplies Gaza, is uneven and intermittent. Though Gaza has a 60 mw power plant, Israel periodically suspends the delivery of fuel needed to operate the facility. To relieve Gaza’s dependence on Israeli electricity supplies, the Islamic Development Bank is supporting a transmission line from Egypt, which will supply 150 mw to Gaza.  

Diversifying sources of power is a high priority, which may be supported by newly discovered natural gas reserves off the Gaza coast. Reserves are estimated to be 1.4 trillion cubic feet, worth about $10 billion (at 2008 prices). Exploiting this natural gas discovery will require a significant capital outlay. However, investment is deterred by conditions of insecurity.

Water access/use is a central point of conflict between Israelis and Palestinians. Inadequate water supply hinders management and planning, especially for agriculture. Though Article 40 of the Oslo Agreement established a Joint Water Committee, it never became operational. Today 80% of the West Bank’s water is pumped by Israel. Domestic water use in the Palestinian territories is 78 liters/person/day, which is 22 liters less than the minimum recommended by the World Health Organization (WHO). Bureaucratic obstacles hinder the development of water-related projects. Israel’s Civil Administration must approve projects in Area C, which is the location of almost all wells, water conveyance, wastewater treatment, and reuse infrastructure. In September 2009, the United Nations Environment Program (UNEP) issued a report warning that the entire regional aquifer is in danger of collapse.

Human Capital

Palestinians are among the most educated people in the Middle East. The youth literacy rate is 98.2% and 91.2% for the population as a whole. There are many universities, colleges,

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and community colleges in the West Bank and Gaza, including Al Quds University in East Jerusalem, which has a world-class reputation. However, synergies between Palestinian universities are limited by constraints on freedom of movement that restrict faculty and student exchanges. Despite an extensive primary and secondary school network, most schools are rundown and lack computer and language labs. Extensive renovations to physical facilities, better teacher training, a streamlined teacher-to-student ratio, and curriculum reform are required.  

Banking and Financial Services

Payment and saving systems are pivotal to commerce and development. As of 2007, 22 banks with 159 branches operated in the Palestinian territories. The deposit base is $5.4 billion, of which about 60% was invested abroad, mostly in Jordanian Treasury notes. In 2008, large financial withdrawals and lack of borrowing contributed to a decline in private sector activity. The PA has recently adopted new banking regulations in order to boost domestic credit needed by the private sector for construction and other enterprise development projects.

A March 2007 survey determined that 87% of Palestinians had seen their household income fall since the 2006 elections. For 57%, household income fell by more than half and 21% indicated they presently had no income. A June 2007 survey determined that 68% of families had increased their debt and over 40% had sold personal items such as jewelry to raise revenue over the previous year. Gaza is hardest hit by the liquidity crisis, which affects living standards and household purchases. Lack of liquidity also contributes to a loss of confidence in the banks, reducing their role and credibility while leading to the hoarding of cash. Gaza’s banking system needs a regular injection of shekels just to pay for imports from Israel.

The Palestinian Monetary Authority (PMA) does not function like a central bank. Rather than produce its own currency, it uses Israeli shekels. The PA hopes to establish a Palestinian Central Bank in 2010.\(^6^2\) Meanwhile, it has adopted new banking regulations in order to boost domestic credit needed by the private sector for construction and other enterprises.

**Agriculture and Fisheries**

The Palestinian agrarian economy produces olives and other cash crops such as strawberries.\(^6^3\) The agricultural sector constitutes a large portion of the Palestinian GDP (see graph).\(^6^4\)

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**Agriculture (as % share of GDP)**

![Graph showing Agriculture (as % share of GDP) from 1994 to 2006](#)

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Sources: Palestinian Central Bureau of Statistics; Economic Intelligence Unit

Family farms dominate the West Bank. In Gaza, large farms make up half of the cultivated area.\(^6^5\) Olive growing and olive oil production are major activities with production potentially exceeding 30,000 tons and representing 20% of total agricultural output.\(^6^6\)

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\(^6^2\) Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”

\(^6^3\) Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories,” page 17.

\(^6^4\) Data for 2002 is unavailable.
The agricultural sector is particularly vulnerable to security measures. With the Second Intifada, agriculture’s share of GDP fell to 9.1% (from 10.5% in 1999 and a peak of 15.0% in 1996). With the withdrawal of Israelis from Gaza in late 2005, the sector’s share of GDP rose from 6.9% in 2005 to 8.15% in 2006. Following PLC elections, agricultural output decreased and was down 55% from its peak in 1999. The UNDP and PA Ministry of Agriculture indicate that the agriculture sector suffered $268 million in direct and indirect losses due to the Gaza conflict. The Palestinian Central Bureau of Statistics (PCBS) estimates that 80% of crops were destroyed and the UN World Food Program (UNFP) indicates that nearly 60% of agricultural land in northern Gaza was destroyed.

Despite Palestine’s proximity to major markets (i.e. Israel, Europe, Middle East, and the Gulf states), transport restrictions increase costs and discourage investments. Perishable freshness-to-market products are especially hard hit. Closures also limit inputs required for cultivation (seed, fertilizer, etc.). The lack of developed marketing and distribution channels and inadequate crop insurance are also limiting factors. Inadequate water and irrigation systems affect productivity. These factors are partly offset by off-season cultivation allowing continual harvesting, as well as cooperative cultivation and clustering that has boosted production.

In 2008, the Ministry of Agriculture laid 235 km of road linking agricultural towns and villages. It also reclaimed and rehabilitated agricultural lands. According to the Portland Trust, “These projects aim to decrease the dependence on imported agricultural products, create jobs and enhance the competitive ability of the Palestinian agricultural products at home as well as abroad.” In July 2009, the Minister of National Economy and the

70 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
71 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
72 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
73 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
Ministries of Agriculture and Health established a national inter-agency committee to improve regulatory oversight and quality control of agricultural products.\(^75\)

Gaza’s fishing industry is also in crisis. The Oslo Accords provided Palestinian fishermen with fishing rights up to 20 km from the shore. In 2005, however, Israel cited security concerns and limited maritime traffic to 6 km from the shore. In addition, Israel periodically bans all fishing off the Gaza coast.\(^76\) These restrictions significantly reduced yield by preventing access to Gaza’s main sardine shoal.

**Manufacturing and Light Industry**

According to the World Bank, manufacturing and light industry (metal products, food processing, textiles, clothing, and leather goods) accounted for 20% of GDP in 1994. By 2005, however, it accounted for only 12%\(^77\). Gaza’s manufacturing decline was accelerated by Prime Minister Sharon’s disengagement policy and the closure of the Erez Industrial Zone. Conditions continued to worsen after the 2006 PLC elections and declined even more dramatically after the Gaza conflict. Nearly 95% of all industrial establishments have been closed, and operations in the remaining 5% have been severely reduced. Additionally, about 94% of the private sector workforce has been laid off.\(^78\)

Gaza’s collapse has been exacerbated by Israel’s decision to bar most of the necessary inputs for manufacturing.\(^79\) In addition, transport inefficiencies in the West Bank raise transaction costs that increase product prices thereby making them less competitive.\(^80\) Palestinian manufacturers typically fall short of international quality standards.\(^81\) Complex licensing restrictions and trade procedures, as well as the lack of financial intermediation, further deter private investors.

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Despite these problems, a July 2009 PCBS survey found that the percentage of businesses that expected production to rise over the next six months had increased by 27.7%. Industry and light manufacturing stand to benefit from an inexpensive labor pool made up of workers who are relatively well-educated and amenable to vocational training. With closures in place, very large or very small companies have fared best. The former because they can find their way through checkpoints and have better connections, and the latter because they have small operating zones within the confines of a given set of checkpoints. Medium-sized businesses are most significantly affected by closures.

In response to transport restrictions, Palestinians have started clustering manufacturing into special industrial zones. Merging businesses into a common area reduces the costs of delivering key services such as water, sanitation, and telecommunications. Just like Italian enterprises benefited from industrial clusters, the clustering of Palestinian enterprises enables companies to achieve economies of scale, reduces costs, increases predictability, and enhances competitiveness especially for goods to be exported.

Palestine has quality stone offering opportunities for mining and quarrying. If an ability to export were present, its higher quality stone would be competitive in export markets including the United States. Though international law opines on extraction of minerals from “occupied territories,” Israel presently consumes 75% of the marble produced in the Palestinian territories. Lower quality marble is also potentially competitive with Israeli and Palestinian consumers. Mining and quarrying have serious environmental impacts, which will have to be addressed as this sector expands.

**Construction**

Construction is the most cyclical sector. Between 1994 and 2004, construction as a share of GDP has plummeted. Since 2005, construction activities have remained relatively

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constant; it is now about a third of the size it was in 1999. The decline in construction activity is due in part to the permitting process, which Israel controls. Permitting delays also drive up prices. In 2009, exorbitant fees for construction permits raised project costs by almost 20%. Employment in construction has fallen dramatically since 2000. Only about 15,000 Palestinians currently have work permits for construction activities in Israel.

Despite these negative trends, conditions are expected to improve. A construction boom is forecast when building starts for a new municipality of 40,000 people north of Ramallah. The project will draw upon a large and inexpensive labor pool. Gaza’s reconstruction will also be a boost to the construction sector. It is in Israel’s financial interest to loosen restrictions on the delivery of building materials to Gaza, since Israeli suppliers stand to gain. A 2006 study by the Peres Center for Peace estimated that a 15% recovery of construction activity in the Palestinian territories would increase annual sales of Israeli inputs by $150-200 million. Increased economic activity overall represents potential benefits to Israel, both through revenues from goods originating in Israel and to Israeli consumers who may be able to acquire more affordable Palestinian-made products.

Information Technologies and Telecommunications

Perhaps the most promising areas of the Palestinian economy are the information technology (IT) and telecommunications sectors. Palestinians have a high degree of computer literacy as compared to countries surveyed in the UNDP Arab Development Report. 16% of Palestinian households had internet access in 2006. Palestine’s largest private enterprise is Paltel, which launched its Al Jawal Cellular Telephone Company in 1999 and by 2006 had 821,800 subscribers. Paltel announced last year that it will relocate

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88 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
89 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
switches for its mobile phone service from the United Kingdom to Jordan, thereby reducing user fees. After paying a $354 million license fee to Israel, Wataniya Palestine Telecom, a second mobile phone service owned by Qatar Telecom, was finally issued its operating license by the Israeli Government in March 2009. However, the Israeli Communications Ministry has not yet issued new frequencies to Wataniya. When it becomes operational, Wataniya is expected to bring $650 million in foreign investment and generate about 2,500 jobs.93

Transformational Business Network (TBN), a UK-based association of business-people who support economic development in developing countries, announced in February 2007 plans to establish call centers in the West Bank and Gaza. A number of call centers are planned, which will provide IT and customer support jobs for about 900 Palestinians. The high level of education and language skills among Palestinians makes them well-suited for such work.94

In cooperation with the Palestine IT Association of Companies and Palestine Information and Communications Technology Incubator (PICTI), Microsoft Corporation launched “BizSpark.” BizSpark supports start-up IT companies by providing important resources such as software, production licenses, platform technologies, and development tools. The program also helps connect start-up IT companies with other partners/investors able to provide resources and support.95

Cisco, a leading supplier of Internet network management and networking equipment based in the U.S., gave $10 million to aid Palestinian’s IT sector in early 2008. Cisco and the Palestinian Steering Committee for the Information and Communication Initiative have been considering the establishment of a Financial Incubator Fund that will support new and emerging companies. The project to develop the information and communications sector is being rolled-out over three years (2008-2011).96

In July 2009, a joint Palestinian-Israeli start-up software company was launched. The program, while small and one of a kind, represents a first in an industry where more coordination and cooperation with international partners are essential. The Palestinian population, with its high computer literacy rate, represents a potentially meaningful pool of talent for Israeli manufacturers. Cooperation between Israel and Palestinian concerns could open up software and other markets for Israeli companies in the Arabic-speaking world.

The telecommunications sector has greatly expanded between 2000 and 2007 (see table below). The most notable growth rate is in the number of mobile cellular subscriptions, which went from 6 per 100 people in 2000 to 27.7 per 100 people in 2007. The number of Internet users per 100 people grew from 1.2 in 2000 to 9.6 in 2007, while the number of Internet subscribers per 100 people grew from 0.2 to 2.8. This growth suggests additional opportunities in the Internet subscription sub-sector. The international communications company GlobalCom has plans to provide wireless Internet services to the Palestinian territories, challenging the current sole services provider Hadara. In 2008, the PA licensed four broadband Internet providers and eleven Voice over Internet Protocol service providers.

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone Lines (per 100 people)</td>
<td>9.3</td>
<td>9.4</td>
</tr>
<tr>
<td>Mobile Cellular Subscriptions (per 100 people)</td>
<td>6.0</td>
<td>27.7</td>
</tr>
<tr>
<td>Internet Subscribers (per 100 people)</td>
<td>0.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Personal Computers (per 100 people)</td>
<td>3.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Internet Users (per 100 people)</td>
<td>1.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Population Covered by Mobile Cellular Network (%)</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Fixed broadband subscribers (% of total internet subscribers)</td>
<td>0.0</td>
<td>54.5</td>
</tr>
</tbody>
</table>

Source: West Bank & Gaza Information & Communications for Development 2009

The telecommunications sector has an advantage because it is immune to restrictions on movement. It is, however, still affected by a lack of certainty over necessary infrastructure (i.e. cell towers). Israel will not permit companies to place towers in Area C, resulting in

roaming charges for customers. Israel also maintains control over frequencies requiring Palestinians to route calls through Israeli operators, which increases costs. No direct phone service exists between the West Bank and Gaza. Other problems are monopolies in the telecommunications sector. PalTel dominates the landline and mobile phone service sector; Hadara is the dominant provider of wireless Internet services.

Tourism

The West Bank is an attractive tourist destination with important historic, cultural, and religious sites in cities like Bethlehem, Jericho, and the northern Dead Sea. Gaza’s beach-front property could be positioned as a tourist destination eventually challenging resorts in Sharm el-Sheik, Egypt. For now, the nascent tourism sector suffers from damaged or deteriorating infrastructure. It also lacks basic amenities. 100 Tourists are deterred by the high degree of personal risk, as well as inconveniences at Israeli checkpoints. 101 Lack of control over borders and points of entry/exit also interfere with tour schedules. 102

Despite impediments, West Bank tourism is growing. Calendar year 2008 was the most profitable year for tourism in the West Bank since 1999. 103 The PA’s tourism recovery plan would be enhanced through coordination with tour companies offering packages to neighboring destinations such as Israel, Jordan, and Egypt.

Trends/Recommendations

Security measures are major obstacles to economic development in the Palestinian territories. Overall conditions of insecurity undermine certainty and predictability, which are essential for trade and investment. Agriculture, manufacturing, and light industry will continue to stagnate as long as Israel restricts movement and access.

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103 Economist Intelligence Unit, “Country Profile 2008: Palestinian Territories.”
There are clearly two economies within the Palestinian territories: the West Bank and Gaza. Measures are needed to assist both and integrate them; Gaza must not be ignored lest poverty further radicalize Gazans. While aspiring to endeavors that benefit both the West Bank and Gaza, lack of progress in one region should not delay progress in the other.

Given conditions on the ground, Palestinian entrepreneurs can mitigate problems by producing the necessary inputs locally or via cooperative clustering that would improve sourcing efficiency and attract capital investment for larger projects. Given transport delays, agriculture should focus on products whose freshness to market is not paramount (such as olive oil). Emphasizing off-season cultivation and establishing uniform quality control standards for export could facilitate access to international markets, including tariff-free destinations in some EU and Arab countries. Growth in IT and telecommunications would reduce the cost of doing business in all sectors and help make the entire economy more efficient. Provided Internet connections and phone access, call centers and help-desks are less affected by problems associated with freedom of movement. Greater competition in the telecommunications sector would also lower costs and promote economic growth. In every sector, employment opportunities should focus on Palestinian women so that they may play an even more important role in the household and local economy.

The international community must also develop innovations to more effectively address uncertainty and unpredictability. By far the overarching uncertainty confronting business is how Israel will act during times of heightened tensions. What steps can be taken to prevent destruction of civilian facilities that have no military purpose? Will the IDF strike an industrial park, desalination plant or other facilities that required enormous levels of time, money, and material to build in the first place? No doubt, facilities will be targeted if they have a military purpose. The key, therefore, is to introduce some certainty that non-military facilities will not be attacked.

Robert C. Merton, recipient of the 1997 Nobel Prize in Economic Sciences and a professor at Harvard University’s Graduate School of Business Administration, has discussed a certification system providing assurances to Israel and potential investors that industrial zones and infrastructure facilities will remain demilitarized. Under this arrangement, Israel would pay for damages to facilities that have no verifiable military use. At a minimum, Israel
or its insurance industry could warrant the first loss payments for infrastructure or business as a disincentive to military action. Another option would be to link foreign aid with safeguards for non-military facilities. More clearly stated, the notion is to reduce aid by the replacement costs resulting from military action against targets that are not involved in the conflict.

Admittedly, there are both political and practical obstacles to creating an insurance policy or aid-offset agreement. Cumbersome independent third party verification of the non-military nature of industrial and infrastructure facilities would be required. That said, there is a compelling need to provide investors with certainty that non-military installations will be left alone while simultaneously assuring Israel that there is no need to attack them.104

The future of Palestine’s economy is controlled in significant ways by Israel. Easing transport, issuing telecommunications frequencies, abiding by contractual commitments, and mandating the PA with authority to provide construction licenses will all flow from a strategic decision by Israel to create conditions conducive for Palestinian enterprises. Such accommodation is even more urgent when the peace process is stalled as a way of alleviating Palestinian frustrations and potentially restarting political talks. Reducing the risk premium and entrenching predictability will yield immediate economic benefits in the form of meaningful and sustained growth to the Palestinian economy.

104 Project Palestinian Enterprise does not take a position in support of or against this recommendation. It is provided as an example of the kind of innovation requiring further research and elaboration.
V. LAWS, REGULATIONS AND INSTITUTIONS

A strong legal and regulatory framework is critical to establishing a climate conducive to private sector development. However, the current legal environment relating to economic activity in the Palestinian territories is weak. The reasons for this encompass political, security and institutional factors.

- **Political Factors**: The political struggle for statehood has often overshadowed the need for a modern financial and commercial legal regime to encourage economic development. Further, Israeli control has arrested legal development and led to additional confusion over fundamental issues of sovereignty and jurisdiction.

- **Security Factors**: Checkpoints, closures and land seizures act as a disincentive to further legal reform, often making domestic legislative reform seem like a fruitless exercise.

- **Institutional Factors**: Palestinian law is a piecemeal blend of Ottoman, British, Egyptian, Jordanian, Israeli and Islamic legal traditions. As a result of such layering of laws, each added with no regard to prior regimes, there are both large gaps and contradictions between statutes, particularly between the laws of Gaza and the laws of the West Bank. An inefficient legislative process, and the lack of institutional capacity to enforce laws and widespread pessimism about the rule of law create a complicated environment for legal reform.

In the face of these obstacles, there is nevertheless consensus that legal reform is essential for the growth of the Palestinian private sector. Prime Minister Fayyad’s focus on state-building has also brought a fresh focus to legal development efforts.

This section (i) gives a brief historical perspective of the legal framework and legal institutions; (ii) summarizes the status and main features of the principal commercial laws; and (iii) identifies trends with recommendations to improve the laws and the legal reform process.
Historical Perspective

The PA is heir to one of the world’s most complex legal systems. The area was under Ottoman rule when the British took control after World War I. The British government kept certain Ottoman statutes in force, but introduced British common law in the areas of rules of evidence and procedure, and used common law to fill in then existing gaps in the law. The British also introduced legislation relating to company, commercial and tax laws.

In 1948, the Mandate Period ended and Egyptian and Jordanian influence began to bifurcate the legal systems of Gaza and the West Bank. In Gaza, until the Israeli invasion of 1967, Egypt largely observed British common law, supplementing it with decrees by the Egyptian Governor-General. Meanwhile, in the West Bank, legal institutions were shifting towards Jordanian rule and Jordanian laws were introduced, which focused on heavy economic regulation. Here the law itself was closer to a civil code. As a result, the West Bank developed a code-based, conservative and interventionist legal system, while Gaza has a legal regime more closely resembling British common law with emphasis on the free market. This split is perpetuated today by the fact that students in Gaza attend law school in Egypt, while students in the West Bank attend law school in Jordan, thus studying different legal traditions. To further complicate matters, Israeli occupation has added another layer of military orders relating to security, land tenure, taxes and banking.

The division of Palestinian territories into urban areas (Area A), rural areas (Area B); and other territories, including Israeli settlements, the Jordan Valley region, and bypass roads between Palestinian communities (Area C) has impacted the legal environment for doing business. The January 2009 Guide to Investment, Trade and Cross-Border Business between Israel and Palestine instructs companies to “take special note of the exact location of their investment, in terms of whether it falls into territory area A, B, or C, as designated by the Oslo peace process,” given that, per the Oslo Accords, investments in areas A and B are subject to Palestinian commercial laws, while investments in area C are subject to Israeli commercial laws. As a result of these complexities, the statutory framework for economic development “is a confused, sometimes contradictory and complex set of substantive and procedural laws that the judiciary, an already weak structure, cannot interpret and apply in a coherent and effective way.”

The Palestinian economy is dependent on the Israeli economy, not only as a result of Israel’s proximity and relative power, but also legally under the Paris Protocol. The Paris Protocol was intended to be an interim agreement that would promote economic growth in Palestine. The ultimate result, however, of the Paris Protocol was that Israel retained control over vital economic decision-making, including agriculture, tourism, currency, goods classification and customs procedures. While trade increased under the Paris Protocol, it mostly increased Israeli goods going into the West Bank and Gaza, resulting in greater dependence on the Israeli economy while further stifling nascent Palestinian industries.

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112 Israel-Palestine Center for Research and Information (IPCRI) & Konrad-Adeauer-Stiftung (KAS), Guide to Investment, Trade and Cross-Border Business between Israel and Palestine (Jerusalem: IPCRI & KAS), January 2009, at 81. The harmonization of laws between Gaza and the West Bank is also considered to be an important part of the state-building project. See Asem Khalil and Jamil Salen, Legal Framework of Palestinian Economic (Under)development, unpublished manuscript on file with the author, at 4.
113 Israel-Palestine Center for Research and Information (IPCRI) & Konrad-Adeauer-Stiftung (KAS), Guide to Investment, Trade and Cross-Border Business between Israel and Palestine (Jerusalem: IPCRI & KAS), January 2009, at 81. The harmonization of laws between Gaza and the West Bank is also considered to be an important part of the state-building project. See Asem Khalil and Jamil Salen, Legal Framework of Palestinian Economic (Under)development, unpublished manuscript on file with the author, at 4-5.
Current Legal Reform Efforts

Since the creation of the PA, financial and commercial legal reform has been a stated goal. However, progress has been slow and legal reform has been haphazard, without regard to industry-specific needs, a national strategy, or international standards. The commitment to reform is reflected in the PRDP and Prime Minister Fayyad’s state-building initiative, which envisions institution-building for the legislative and judicial branches, as well as a more active role for civil society.

While superficially the legislative process is similar to other parliamentary democracies around the world, the PLC is hampered by multiple problems which prevent it from being an effective lawmaking body. The Palestinian government has developed from a single branch government to containing executive, legislative and judiciary branches. The PLC is a unicameral body with 132 members, elected from 16 electoral districts in the West Bank and Gaza. The headquarters of the PLC is in Rimal. Gaza. Prior to the 1996 creation of the PLC, the Ministry of Justice office called the Diwan al-Fatwa w’al-Tashrie ("Diwan") was the principal vehicle for the writing and passing of laws, and laws were passed through the PLC with little comment. After the 1996 elections, the Diwan reduced its responsibilities to simply rewriting text into more legal terms. This was an effort to limit the powers of the president and create more power for the PLC. However, from 1996 through 2005 the executive branch, through the Diwan continued to make laws, sometimes without authorization or coordination with the PLC. Today the Diwan remains an influential part of the legislative process.

Many of the laws come from foreign sources and are often poorly translated into Arabic. PLC members also lack expertise on complicated financial and commercial laws, such as securities, insurance and bankruptcy leads to poorly drafted or understood laws. Additionally, economic law reform is hampered by a lack of a coherent national policy leading to strategic policy planning.\textsuperscript{124}

The adoption of the Palestinian “Basic Law” in 2002 had a significant influence on the development of the Palestinian legal and political institutions. The Basic Law articulated free market principles and provided for a clearer separation of powers among the three branches.\textsuperscript{125} In addition, the Judiciary Authority Act of 1999 recognized the judiciary as the third branch of the government and contributed to its independence by limiting the powers of the President and the Ministry of Justice over the judiciary. Instead, the High Judicial Council, which consists of the most senior judges, the Attorney General and the Undersecretary of the Ministry of Justice, was granted the authority under the Act to oversee the appointment, dismissal, supervision and training of judges. Though superficially improved, the judiciary still reflects a mixture of antiquated doctrines, processes and structures, and appears dysfunctional.\textsuperscript{126} The lack of institutional capacity of the court system is exacerbated by the severe shortage of trained judges, clerks, prosecutors and other staff members.

The private sector has found it difficult to contribute to the legislative process because either they are not included or, when included, their input is ignored.\textsuperscript{127} Civil society lacks the basic lobbying skills; NGOs are inadequately staffed.\textsuperscript{128} The Bar Association, which was created pursuant to the passage of the Bar Association Law in 1999, does not have specialized committees able to provide input and support to the PLC in the law-making process. For the PLC to develop legislation that will be in tune with the current needs of the private sector, an inclusive law-making process is needed that will seek and effectively

adopt recommendations from applicable private sector and institutional bodies and strengthen the associations and institutions that contribute to the law making process.

Summaries of Laws

The following summaries of laws related to the business environment that have been passed by the PLC, or remain in draft form, draw on English-language studies, reports and papers that have been conducted in the last ten years, especially by the European Commission (EC), Al-Mustakbal Foundation (AMF) and the Palestine Economic Policy Research Institute (MAS). These laws were chosen for discussion because they are among the most important pieces of economic legislation, and are the most comprehensively discussed in the literature.

Commercial Laws

The West Bank and Gaza are governed by two different sets of commercial laws. The Jordanian Law No. (12) of 1966 applies in the West Bank. It consists of four books: Commerce and Merchants; Commercial Contracts; Commercial Paper; and Bankruptcy and Business Reorganization. In Gaza, the commercial law consists of several statutes dating back to the Ottoman and British Mandate periods, namely the Ottoman Commerce Law of 1266 Hijri; the British Mandate Commercial Law of 1923, the Commercial Paper Law of 1928, and the Commissions Law of 1919.

A draft-revised law has been sitting in the Economic Committee of the PLC. The revised law draws heavily on the Egyptian Commercial Law of 1999, with elements from other commercial laws in the region. Both the AMF Report and the EC Report indicate that the

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129 The 2006 Al-Mustakbal Foundation Report states that the PLC, since its establishment, has enacted 17 laws related to the business environment, and an additional 31 laws are currently under consideration by the PLC or PNA ministries. See Al-Mustakbal Foundation Report, page 13. These numbers have likely changed slightly, although little progress in economic law passing has been made since 2006.

130 While every effort has been made to ensure the accuracy of the descriptions below, because of reliance on secondary sources rather than the laws themselves, it is possible that content or status of the statutes as described herein has been amended or superseded.

draft law needs to be further reviewed and revised in order to produce a technically sound, internally coherent, and implementable Commercial Code. The AMF identified the following deficiencies in the draft law:

- Lack of a definitions section and the use of certain terms in ways which conflict with internationally-accepted usage;
- Inclusion of provisions which overlap and/or conflict with existing laws;
- Failure to consider harmonizing existing laws, rather than imposing a new law;
- Inadequate steps to address certain modern aspects of commercial law, including lending instruments, credit ratings, fraudulent transactions, franchises and international sales transactions.

(At present, it is unclear as to whether there is a newer draft commercial law in circulation, or ongoing efforts exist to redraft the law or edit an existing draft.)

Companies Law

A Companies Law, also often known as law of business associations or organizations, is the foundational law of any nation’s economy. A Companies Law regulates the establishment, rights and responsibilities and dissolution of different forms of business associations.

In 2008, the Ministry of National Economy presented a draft Companies Law that sought to harmonize and modernize the regulatory regime in Gaza and the West Bank. The law has yet to be enacted, and so at present, two different regimes apply. In the West Bank, business entities are governed by the Companies Law No. 12 of 1964, which is based almost wholly on the Jordanian Companies Law of 1964. In Gaza, companies are regulated by the

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134 According to an English translation of a Palestinian Authority decision to ratify the government’s 2009 legislative plan, discussion of an “Industry Law” was scheduled to take place in March – April 2009, during the Palestinian Authority’s second term. It is unclear whether “Industry Law” refers to the Commercial Law, and whether such a discussion took place. See Palestinian National Authority, Council of Ministers, Decision of Council of Ministers no. (01/86/12/M.W/S.F/) of 2008, on file with the author.
Palestinian Company Law No. (19) of 1929, and the Palestinian Ordinary Company Law No. (19) of 1930. These laws are outdated, and the bifurcated regime leads to widespread inefficiencies, delays and costs. Efforts to harmonize and modernize the existing companies’ laws began as early as 1995. However, the overall progress has been sluggish due to the complexity of the legal issues, disagreement between the Diwan, an office of the Ministry of Justice, and the Ministry of National Economy. Further complications include a lack of coordination among donors, and the use of consultants from a variety of jurisdictions and legal systems.¹³⁶

Even within the dual system, it has been possible to achieve incremental improvements in the way the laws are applied. For example, the two regimes impose different registration requirements on companies, making registration a long and expensive process. However, the World Bank reported in 2006 that the situation for registration has greatly improved as procedures have been simplified and an electronic unified business registry was established under the Ministry of National Economy.¹³⁷ The World Bank report did, however, suggest that further improvements were needed, particularly in regards to registration requirements for foreign companies.¹³⁸

A new draft law is reported to make great strides towards a modern regulatory scheme. However, some gaps still remain. The legislation overlaps with other laws, including securities, banking and mortgage-related legislation, and so it is essential that steps are taken to ensure that it does not further complicate the already labyrinthine regulatory scheme. Additionally, the proposed law reportedly permits the establishment of government-controlled companies, which some consider to be problematic, especially given past problems with government monopolies.¹³⁹

¹³⁸ World Bank, West Bank and Gaza Country Economic Memorandum, Growth in West Bank and Gaza: Opportunities and Constraints, page 60.
Labor Law

A new Labor Law came into effect in 2000, and served to unify labor legislation between the West Bank, where the Jordanian Labor Law of 1965 governed, and Gaza, where the Egyptian Labor Law of 1964 applied. A MAS study of the law concluded that the law resulted in increased wages for employees as a result of regulations being brought in line with international standards, but that the imposition of increased costs on employers came at a markedly disadvantageous time since it coincided with the start of the Second Intifida.\textsuperscript{140} The study also found that the Palestinian labor law provided employers with sufficient flexibility in hiring and firing workers.\textsuperscript{141} In addition, it proposed certain additions in order to address part-time employment, which is not addressed at all, and employment under short-term contracts, which the study concluded was dealt with insufficiently. The study also notes that the law deals with health and safety regulations only briefly, and suggests expanding regulations in those areas.\textsuperscript{142}

Banking Law No. (2) of 2002

The banking sector serves an essential function in economic development to facilitate the flow of capital that is necessary for growth. The Banking Law, promulgated in 2002, “defines the terms for bank licensing, legal and illegal operations and the rules governing overall bank management, including capital ratios.”\textsuperscript{143} According to a recent report, the Palestine Monetary Authority has lately proposed amendments to the law.\textsuperscript{144}

The EC Report advises that “by international standards and in broad terms, the BL [Banking Law] text does not reflect sufficient clarity of purpose and precision of concepts.”\textsuperscript{145} The EC


Report suggests that changes to the law are needed to sharpen the definitions, clarify the scope of the law, and add precision to provisions on capital requirements.\footnote{The European Commission Technical Assistance Office for West Bank & Gaza, “Strengthening of the Palestinian Economic Legislative & Private Sector Institutional Frameworks (Phase 1): Status of the Economic & Financial Legislation in Palestine,” page 32-33.}

The MAS report highlights what it sees as deficiencies in the current law and proposed legislation. According to MAS, certain changes are needed for the law to better addresses special needs of the Palestinian economy, while other amendments are needed to ensure that the law aligns with best practices and international standards. To address the particular characteristics of the Palestinian Economy, MAS proposes that the new draft legislation should include specific provisions to define SME credit institutions and grant them preferential treatment. To better reflect modern banking reality and best practices, the MAS report suggests adding articles regulating e-banking and the use of electronic data as evidence in banking legal disputes and applying data protection provisions to former employees and board members.\footnote{Palestine Economic Policy Research Institute (MAS), The Impact of Implementing the Palestinian Banking Law on the Performance of the Private Sector, page 6.}

Additionally, the MAS report is highly critical of provisions in the proposed amendments which grant the PA significant additional powers, including the right to enter premises where it is suspected that unlicensed banking operations are being conducted and “conducting special inspections at any time when it has reasons to believe that there is an important reason to investigate the bank’s financial well being.”\footnote{Palestine Economic Policy Research Institute (MAS), The Impact of Implementing the Palestinian Banking Law on the Performance of the Private Sector, page 4.} MAS notes that “some observers might suggest that the PA has too free a rein in the way in which it interprets and enforces legislation, and that it does not follow strictly enough the letter of the law.”\footnote{Palestine Economic Policy Research Institute (MAS), The Impact of Implementing the Palestinian Banking Law on the Performance of the Private Sector, page 4.}

**Intellectual Property Law**

In 2006, it was reported that a draft Intellectual Property Law was being considered by the Ministry of National Economy.\footnote{Al-Mustakbal Foundation, “Developing a Palestinian Roadmap for Legislative Reform in the Business Sector: Policy Options and Recommendations,” page 62. Until a new law is enacted, regulation of intellectual property in Gaza and the West Bank is bifurcated. In the West Bank, the IP regime is
governed by the Commercial Trademarks Law No. 33 of 1952 and the Patents and Designs Law No. 22 of 1953 – both Jordanian laws. In Gaza, the Patent and Trademark Ordinance of 1938 applies. Trademarks must be registered according to specific procedures and conditions. In the West Bank, those procedures are found in the Jordanian Trade Names Registration Law No. 30 of 1953, and in Gaza, they are found in Law No. 1 of 1929. According to the EC Report, these laws lack uniformity and do not reflect internationally agreed-upon standards for the protection of intellectual property.

Dispute Resolution/Arbitration Law

Most domestic commercial transactions in the West Bank and Gaza are based on long-standing relationships, and disputes are generally settled informally through arbitration, mediation and sulha, a traditional method of dispute resolution in which well-respected local leaders resolve disagreements between groups or individuals.

A more institutional dispute resolution framework was formalized in 2000, with the enactment of the Arbitration Law No. (3) of 2000. This law harmonizes the rules governing the arbitration processes in the West Bank and Gaza and "promotes the establishment of specialized institutions that offer arbitration services." The law is modeled on the 1985 United Nations Commission on International Trade Law Model Law on International Commercial Arbitration, as well as certain regional arbitration laws.

The Arbitration Law consists of 58 articles divided into six chapters. Under the law, parties may elect to arbitrate a dispute by mutual consent or through the use of an arbitration clause in a contract. The law provides for a three-member panel in which each party appoints an arbitrator, and the two party-appointed arbitrators appoint a third arbitrator.

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156 For a more detailed English-language report on the law, see the ADR Center Report at 16-23.
arbitrator, who serves as the chair of the tribunal. The Arbitration Law also provides for court recognition and enforcement of arbitration decisions. The parties must file a signed copy of the arbitration award to be ratified by the appropriate court, and awards are then approved by the court and enforced as court orders.\textsuperscript{157} Judgments from foreign courts are enforceable in the West Bank, under the Jordanian Law No. 8 of 1952 which governs the enforcement of foreign judgments.\textsuperscript{158}

Other existing laws in Gaza and the West Bank also touch on arbitration and may be applicable to a dispute to the extent that they do not contradict a provision in the Arbitration Law.\textsuperscript{159} In the West Bank, the Jordanian Arbitration Law of 1952 is effective. In Gaza, the Mandatory Law of 1929 includes potentially applicable provisions.\textsuperscript{160} Additionally, both the West Bank and Gaza have their own version of a Village Administration Law, which provides that disputes between residents of the same village, or among residents of different villages, are to be resolved through mediation or arbitration.\textsuperscript{161} Arbitration may be conducted either as ad hoc arbitration, or under the auspices of Palestine’s only institutional arbitration center, called Tahkeem, with offices in Ramallah and Gaza City.\textsuperscript{162}

\textit{Investment Promotion Law}

The Investment Promotion Law guarantees investors unrestricted rights to repatriation of profits, and provides certain customs exemptions for fixed assets and spare parts. It also provides tax incentives for investments of a certain value that obtain the proper licenses under Palestinian law.\textsuperscript{163} The Investment Promotion Law of 1998 was one of the first major

\textsuperscript{157} ADR Center Report, page 70.
\textsuperscript{158} Palestine Economic Policy Research Institute (MAS), \textit{An Investment Guide to Palestine}, page 71. A review of the English-language literature did not reveal any information on the application of this law in practice.
\textsuperscript{159} The Arbitration Law repealed all contradictory provisions in other laws. Davis, et. al, \textit{Creating a Commercial Dispute Resolution Center}, page 70, citing Article 57 of the Arbitration Law No. 3 of 2000.
\textsuperscript{160} Davis, et. al, \textit{Creating a Commercial Dispute Resolution Center}, page 70.
\textsuperscript{161} Davis, et. al, \textit{Creating a Commercial Dispute Resolution Center}, page 70.
\textsuperscript{162} ADR Center Report, page 13; Davis et al., \textit{Creating a Commercial Dispute Resolution Center}, at 69. See also the website of Tahkeem, www.tahkeem.com.
pieces of economic legislation passed after the Oslo Accords. Several amendments were added in 2005 and are still awaiting PLC approval.\textsuperscript{164}

The Investment Promotion Law is considered to fall short of international standards in several important areas. Article 25(D) of the Investment Law undermines the principle of non-discrimination by providing that the PA “may grant preferential treatment or grant special guarantees or incentives to the national investor.”\textsuperscript{165} Further, the expropriation provisions fall short of international standards. While the law prohibits expropriation “except in exceptional cases for a public purpose,” which is in line with international standards, it does not include the commonly used guarantees that compensation in the case of expropriation shall be “prompt, adequate, and effective.”\textsuperscript{166} The lack of such a provision may concern investors who seek language that can be marshaled in the case of a dispute. Additionally, and significantly, the law defers the establishment of a dispute resolution mechanism to the regulations, but these regulations have yet to be drafted. The lack of a dispute resolution mechanism is likely to be of concern to investors, especially in light of the fact that there is no law on international arbitration currently in force in Palestine.\textsuperscript{167}

\textit{Industrial Zones Law No. (10) of 1998}

The Industrial Zones Law “establishes special regimes and procedures applicable to manufacturing activities in designated zones to facilitate trade and investment, movement of goods and raw materials...”\textsuperscript{168} The Industrial and Free Zones Authority is the implementing agency. However, as the EC Report points out, the ability of any special


\textsuperscript{165} Fidler, \textit{Foreign Private Investment in Palestine Revisited: An Analysis of the Revised Palestinian Investment Law}, page 316.

\textsuperscript{166} Fidler, \textit{Foreign Private Investment in Palestine Revisited: An Analysis of the Revised Palestinian Investment Law}, page 318.

\textsuperscript{167} Fidler, \textit{Foreign Private Investment in Palestine Revisited: An Analysis of the Revised Palestinian Investment Law}, page 341-342. The lack of such provisions does not preclude investors from including a dispute resolution provision in a given contract; however a law on international arbitration would provide further comfort regarding the enforceability of the provision and the ability to collect an award.

economic zones to attract investment wholly depends on the establishment of a more autonomous trade regime outside the bounds of the Paris Protocol.\textsuperscript{169}

\textit{Securities Law and Capital Market Authorities Law}

The Securities Law No. (12) 2004 came into force in early 2005.\textsuperscript{170} The law governs the issuance and trading of securities, and regulates the Palestinian Stock Exchange (PSE) and securities firms.\textsuperscript{171} The Capital Market Authority (CMA), the securities governing body, was established by law in 2005.\textsuperscript{172} The CMA approved the bylaws of the PSE on December 18, 2006. The CMA has also approved regulations on disclosure, listing requirements, and on the establishment of a dispute resolution and arbitration process.\textsuperscript{173}

A MAS study on the legislation relating to securities and capital markets is very positive in its assessment. MAS concluded that “the legislative environment regulating the PSA ensures free and unrestricted flow of capital to and from the Palestinian Territory. Furthermore, the Securities Law, the CMA Law and PSE-specific regulation support good governance and transparency while prohibiting manipulation of the stock market.”\textsuperscript{174}

\textbf{Trends/Recommendations}

Since 2006 and the election of Hamas, internal strife and the continuing conflict with Israel have brought legal reform to a relative standstill. The PA, together with international donors, has undertaken ambitious efforts to modernize the legislative framework for economic activity, but progress has been sporadic.

There is a marked difference between the recommendations of local organizations and reports by international organizations. Local organizations favor greater control by the PA.

\textsuperscript{170} See \textit{Listing Regulations of the Palestinian Stock Exchange}, at http://www.p-se-e.com/PSEWEBSite/laws/Listing\%20Regulations.pdf.
increased involvement of key Palestinian stakeholders; they have a general distrust for using international model laws that may not be applicable to Palestine's unique situation. Conversely, international organizations tend to recommend the use of model laws and greater international technical support for legal reform. To harmonize legal reform and avoid confusion, the PA needs a single office for legislative reform with the mandate to create a single legal reform roadmap.175

While international assistance remains important, legal reform will only be successful if the current leaders in the PA are involved in the legal reform process and embrace the resulting changes. Well-crafted laws that are not understood by local politicians are likely to be poorly enforced and simply add to the already complicated legal environment. Similarly, key stakeholders, such as local NGOs, law schools in both Egypt and Jordan, bar associations, government branches and Palestinian businessmen and investors must take part in the legal reform process in order to ensure that the stakeholders embrace the legal reforms.176

The judicial structure is currently too weak to interpret and enforce modern commercial and financial laws.177 As of now, there are 150 courts with geographic jurisdiction, but not specialized jurisdiction.178 Courts should be set up for bankruptcy, banking and other financial laws and judges should be trained to resolve disputes in those specific laws. Moreover, civil servants, prosecutors and NGOs will need to be trained to implement and enforce the laws.179 Problems are compounded by the inadequacy of enforcement of the existing legislation. Such inadequacy has resulted from the lack of funds to strengthen the

judicial system and other law enforcement institutions, such as the offices of the Attorney General and public prosecutors.\textsuperscript{180}

Implementation and enforcement of legislation needs to be improved. To this end, enacted legislation should be accompanied by secondary legislation capable of guiding regulators’ interpretation and enforcement of the law.\textsuperscript{181} A failure to do so has resulted in arbitrary executive decision-making and diminished certainty and predictability.\textsuperscript{182} Furthermore, the absence of a constitutional court to interpret the law and to provide final and conclusive interpretation or determinations as to the applicability of various provisions exacerbates this problem of effective implementation of the enacted legislation.

The need for harmonization is especially important in the West Bank and Gaza where a piecemeal legal regime has existed for the past sixty years. A codification methodology can be used to ensure internal coherence of the resulting legislation.\textsuperscript{183} In addition, new laws must be careful to harmonize or replace existing legislation, and provide explicit provisions with regards to the repeal of existing laws and/or preemption, as appropriate.

Legal reform is a process that should reflect priorities. At the top of the list are the Commercial Law, Companies Law, Commercial Agents Law, Patent and Commercial Trademark Law and Franchising Law. The final form of the Commercial Law and the Companies Law, in particular, will in turn affect other legislation.\textsuperscript{184} Regulations to implement the Leasing Law, the Capital Market Authority Law, the Securities Law and the Insurance Law are also of great importance.\textsuperscript{185}

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For micro, small and medium sized enterprises (MSMEs) to operate more easily, steps are needed to (i) lower the threshold for incentives under the Investment Promotion Law, (ii) reduce the VAT for MSMEs, (iii) revise the banking laws to encourage small-scale lending and (iv) make revisions to the Companies Law to be more inclusive of MSMEs.\textsuperscript{186}

VI. INTERNATIONAL ASSISTANCE PROGRAMS

This section of the report does not describe all foreign assistance programs. Rather, it highlights assistance programs that target business development. Programs are listed by category (i.e. economic development assistance programs undertaken by multilateral agencies, international financial institutions, donor countries and private sector initiatives). Assistance programs involving trans-Atlantic cooperation are also identified.

The Ad-Hoc Liaison Committee (AHLC) is the most important forum for coordinating foreign assistance. Norway chairs the AHLC, which includes all major donors to the PA. When the AHLC met at the United Nations General Assembly on September 22, 2009, UN Secretary General Ban Ki Moon delivered a message encouraging international donors to assist the PA in expanding its work in the past two years in regards to the economy, financing, reform, planning and security. As highlighted by the Secretary General, such international assistance programs are an important component of economic development endeavors in the Palestinian territories.

The international community has a long-standing and major stake in the PA. Since 1994, it has bankrolled the PA to the sum of about $1 billion/year. Most of the funds went to welfare benefits and salaries. Donors provided about $600 million/year to UNRWA. In addition to UNRWA’s support for job creation, other UN agencies support trade, human capital, banking and financial services.

Donors are increasingly focused on the institutional development of the PA. For example, the EC funded an extensive diagnosis of existing commercial and financial legislation and provides ongoing technical assistance to support legislative reform. The United States, through a grant from the Public Affairs Section of the United States Consulate-General in Jerusalem and the Middle East Partnership Initiative (MEPI), funded a study by the Al-Mustakbal Foundation for Strategic and Policy Studies (AMF) of the causes of legislative and

regulatory problems that have hampered business activity in the West Bank and Gaza.\textsuperscript{189} The World Bank’s Sustainability and Public Financial Management works to support the PRDP by targeting the PA’s fiscal system.\textsuperscript{190} The International Monetary Fund (IMF) is assisting the efficiency of the Palestinian Bureau of Statistics through its General Data Dissemination System (GDDS).\textsuperscript{191} The International Finance Corporation (IFC) established the Peace Technology Fund in 1998 in order to promote partnerships between Israelis and Palestinians, and encourage international investment in MSMEs. The Islamic Development Bank is also actively funding institution building, as well as energy independence for Palestine.

The United States is the largest donor country active in the Palestinian territories. USAID has provided over $2.2 billion since 1993.\textsuperscript{192} USAID has focused on agriculture and business. It has also sponsored transportation improvement projects aimed at facilitating the movement of Palestinian people and goods.\textsuperscript{193} The United States Trade and Development Agency (USTDA) targets the IT sector. In the West Bank, for example, USTDA funded BCI Communication and Advanced Technologies to establish a broadband wireless network for about 45,000 users. USTDA also provided a grant to Safad Engineering and Electronics to establish an Internet Data Center in Ramallah.\textsuperscript{194} In 2007-2008, USAID initiated support to PalTrade, a Palestinian trade-promotion organization, by supporting the development of a tailored information management software system.\textsuperscript{195} In July 2007, the Commercial Law

\textsuperscript{189} See AMF Report at 41.
Development Program of the U.S. Department of Commerce\textsuperscript{196} announced that it would begin “providing technical assistance to an association of Palestinian lawyers whose goal is to harmonize and update commercial laws in the West Bank and Gaza.”\textsuperscript{197}

Other donor countries include Canada, Denmark, France, Norway, Switzerland, and Italy. Assistance has supported various programs focusing on the Palestinian agricultural industry, livestock and agro-industry production, especially olive oil. For example, the Canadian International Development Agency (CIDA) supports livestock preservation and offers cost subsidies.\textsuperscript{198} Denmark’s Regional Agricultural Cooperation Program strengthens relations between Egypt, Israel, Jordan and the Palestinian territories in order to enhance agricultural productivity and trade.\textsuperscript{199}

Some donors channel most of their foreign assistance through UN agencies. For example, the total aid committed by Italy since 1988 to the UNDP/PAPP amounts at more than $200 million. Through UNDP/PAPP, the Government of Italy’s overall focus has been primarily on the development of health institutions, ranging from the rehabilitation and expansion of hospitals, supporting mental health projects, to providing medical supplies and equipment. Other funds provided by Italy to UNDP/PAPP have targeted the education sector, as well as agriculture and environment. In addition, Italy has been a major source of relief and early recovery. In 2007, nearly “19.7% of Italy’s official humanitarian assistance” was directed to the Palestinian territories.

European donors also provide support via various EU mechanisms. The EU’s PEGASE is proving to be an effective way for the EU to improve the PA’s financial management. PEGASE provides assistance for implementation of the PRDP through 2010. Through PEGASE, the EU has also provided funding to projects that address trade issues, such as its

\textsuperscript{196} The CLPD, Office of the General Counsel, works with the U.S. Government Middle East Partnership Initiative (MEPI) by providing technical assistance to a group of countries in the Middle East to improve their legislative and regulatory frameworks. http://www.dgmarket.com/tenders/np-notice.do~2091093.


Trade Corridors’ Facilitation Project. The Palestinian Credit Guarantee Fund is financed by the EC, the German Development Bank (KfW) and the European Investment Bank. The program, currently valued at €29 million, strengthens Palestinian SMEs by providing access to credit. Germany established the Joint Palestinian-German Chamber Project in the mid-1990s in order to provide capacity building in service delivery and advocacy for the Federation of Palestinian Chambers of Commerce, Industry, and Agriculture in Jerusalem, and the Regional Chambers of Commerce and Industry in Hebron, Jenin, and Ramallah.

NGOs also assist MSMEs. US NGOs, such as the Middle East Investment Initiative (MEII) and the Aspen Institute, are especially active. Both have loan programs encouraging local banks to increase lending to Palestinian MSMEs, thus helping create jobs. The Center for American Progress, in cooperation with other organizations that participate in the Clinton Global Initiative, spearheaded the establishment of the Palestinian Political Risk Insurance Project (PPRI) in 2007. The PPRI provides political risk insurance to Palestinian investors and MSMEs. The Portland Trust is also assisting MSMEs through microfinance in the West Bank and Gaza, vocational training, management assistance, and business plan development.

Some NGO activities link West Bank and Gaza economic development to the peace process. Such efforts facilitate job opportunities and enhance managerial and production skills of Palestinians. They also seek to advance shared economic prosperity in order to improve relations between Israelis and Palestinians. This approach is led by the Peres Center for

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Peace, which was founded in 1996 by Israeli President Shimon Peres. Several of its projects encourage Palestinian exports to Israel.206 The Portland Trust operates under similar peace promotion principles. Its trade facilitation, loan assistance, technical assistance for micro financing and training workshops benefit numerous business sectors in the Palestinian economy.

The following is a table of some assistance programs addressing economic development and job creation in the Palestinian territories (Oslo Accords--present).207 A more detailed summary of assistance programs is provided in Appendix B.

Multilateral Agencies

United Nations Conference on Trade and Development (UNCTAD)
- Support for SMEs Development and Establishment of Empretec Palestine (on-going)
- Training Program in International Commercial Diplomacy (suspended)
- Trade Point Palestine/Ramallah (on-going)

United Nations Development Program (UNDP)
- Compensation to Farmers (on-going)
- Deprived Families Economic Empowerment Program, DEEP (on-going)
- Employment Generation Programs
  - Emergency Job Creation Program (approaching completion)
  - Employment Generation Program through Poverty Oriented Infrastructure (on-going)
  - Generate Employment and Expand Agricultural Production in Tulkarem (completed)
  - Job Creation in the Gaza Strip (completed)
  - Palestinian Infrastructure for Needed Employment Program, PINE (completed)
  - National Palestinian Job Fair (completed)

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)
- Consumer Lending Product (on-going)
- Emergency Employment Programs (on-going)


207 Data was drawn from English language sources.
- Microenterprise Credit Product (on-going)
- Solidarity Group Lending Product (on-going)

Regional Organizations

European Union (EU)
- PEGASE (on-going)
- Technical Assistance Program (on-going)
- Trade Corridors’ Facilitation Project (on-going)

European Commission (EC)
- European Palestinian Credit Guarantee Fund (on-going)
- Funding for Palestinian Herders (on-going)
- Trade Promotion Project (completed)

Trans-Atlantic Cooperation
- Customs Modernization Program through EU and UNCTAD (on-going)
- Establishment of the Palestinian Shippers’ Council by EC and UNCTAD (completed)
- Quick-Impact Projects of the Middle East Quartet (on-going)
- Temporary International Mechanism (TIM) by the EU and other donor countries (completed)

International Financial Institutions

International Monetary Fund
- General Data Dissemination System (on-going)

Islamic Development Bank
- Job Creation Projects through the Al-Aqsa Fund (completed)
- PalTrade’s Trade Promotion Project (on-going)

The World Bank
- Electric Utility Management Project (on-going)
- Emergency Municipal Service Rehabilitation Project (completed)
- Facilitating Trade Flows Between West Bank and Gaza Strip and Israel Project (on-going)

- Funds
  - Palestinian Reform and Development Plan Trust Fund, PRDP TF (on-going)
• Investment Guarantee Trust Fund (on-going)
  ➢ Microenterprise Project (completed)
  ➢ Support for Fiscal Sustainability and Public Financial Management (on-going)

**International Financial Corporation**
  ➢ Arab Concrete Products Company Limited Investment (on-going)
  ➢ Gaza Industrial Estate Project (on-going)
  ➢ Global Trade Finance Program (on-going)
  ➢ Nabahin Industry and Trading Company Investment (on-going)
  ➢ Olive Oil Export Development Project (completed)
  ➢ Palestine Tourism Investment Co. Ltd. Investment (on-going)
  ➢ Peace Technology Fund (on-going)

**Donor Countries**

**Canada**
  ➢ Emergency Job Creation Program (approaching completion)
  ➢ Improving the Mortgage Market (completed)
  ➢ Support to Livestock Farmers (on-going)

**Denmark**
  ➢ Regional Agricultural Cooperation Program (on-going)

**France**
  ➢ Bethlehem Multidisciplinary Industrial Park Ltd. (on-going)
  ➢ Export Promotion Project in the Olive Oil Sector (on-going)

**Germany**
  ➢ Economic Policy Advice Project (completed)
  ➢ European Good Manufacturing Practice Certificate (completed)
  ➢ Employment Generation Program (on-going)
  ➢ Jenin Industrial Park (proposed project)
  ➢ The Joint Palestinian-German Chamber Project (on-going)

**The Netherlands**
  ➢ Development Cooperation Program (on-going)
    • Development Cooperation Matchmaking Facility (MMF) (on-going)
    • Private Sector Investment Program, PSI (on-going)
  ➢ Program for Cooperation with Emerging Markets, PSOM (completed)
Norway

- Karni Terminal Upgrade (completed)
- Right to My Land Project (on-going)

Switzerland

- Switzerland Agency for Development and Cooperation (SDC)
  - InTajuna Project (on-going)
  - Irada Project (on-going)
  - PARC Agreement (completed)
- Youth Employment Sustainability Project (on-going)

United Kingdom

- Emergency Job Creation Program (completed)
- Palestinian Facility for New Market Development (on-going)

United States

- Direct Budget Assistance to the Palestinian Authority (on-going)
- Middle East Partnership Initiative
  - Olive Oil Production (on-going)
  - Women’s Mobile Banking (on-going)
- Palestinian IT Assistance (on-going)
- Political Risk Insurance Program by OPIC (proposed project)
- U.S.-Palestinian Partnership
  - Palestinian Business and Investment Forum (completed)
  - Partner of the Women’s Entrepreneurship and Leadership Program (on-going)
- U.S. Agency for International Development. USAID
  - Agriculture Programs (on-going)
  - Microfinance Programs (on-going)
  - Modernizing Financial Institutions Program (on-going)
  - Palestinian Enterprise Development Program (on-going)
  - Small and Microfinance Assistance for Recovery and Transition (SMART) Program (on-going)
  - Trade Facilitation Project. TFP (on-going)
• Palestinian Integrated Trade Arrangement, PITA (on-going)
• Job Creation Program (on-going)
• Employment Generation Programs 1 and 2 (completed)
• Establishment of the Palestine Information and Communications Technology Incubator (completed)
• PalTrade Institutional Development Program (completed)
• Marketing Service Development Project (completed)
• Funding for Carana Corporation Programs (on-going)
• Palestinian Capital Market Authority Funding (completed)
• Business Development Center in Bethlehem (completed)

➢ United States Trade and Development Agency, USTDA
  • Funding for broadband wireless network in the West Bank (on-going)
  • Internet Data Center in Ramallah (on-going)

Private Sector

Aspen Institute
➢ Palestinian Investment Fund Loan Agreement (on-going)

Center for American Progress via the Clinton Global Initiative
➢ Palestinian Political Risk Insurance Project (on-going)

London School of Economics
➢ Economic Policy Program (completed)

The Middle East Investment Initiative (MEII)
➢ MEII Loan Guarantee Facility (on-going)

Peres Center for Peace
➢ Development of Industrial Estates Project (on-going)
➢ Establishment of the Israeli-Palestinian Chamber of Commerce (completed)
➢ Palestinian Exports to Israel Development Project (on-going)
➢ Tubas Export Development Project (on-going)
➢ Palestinian-Israeli Seminar on Trade Relations (completed)
➢ Workshops
➢ Tourism Cooperation Project (all on-going)
  • Tourism4Peace Forum
  • Conferences

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• Educational Tours
  ➢ Business 2 Business Series (all on-going)
    • Food and Tourism Industry Initiatives
    • Furniture Industry Initiatives
    • Handicraft Industry Initiatives
    • Gifts and Accessories Industry Initiatives
    • Textiles Industry Initiatives
    • Fashion Industry Initiatives
    • IT Industry Initiatives
    • Shipping and International Transportation Industry Initiatives
    • Banking Industry Initiatives
    • BioMed Industry Initiatives
  ➢ Capacity Building Initiatives (all on-going)
    • Giftec Exhibition
    • Training the Trainers Program
    • Seminars
    • Workshops

The Portland Trust
  ➢ Affordable Housing Program (on-going)
  ➢ Microfinance in the Palestinian Territories (on-going)
  ➢ Training Program (completed)

Trends/Recommendations

Foreign aid does not occur in a vacuum. It is affected by events on-the-ground. In several instances since the Oslo Accords, donors have linked their assistance to political objectives. In 2003, the U.S. threatened to withhold assistance for the purpose of leveraging a change in Palestinian behavior. Then the goal was to wrest financial control from President Arafat and strengthen the role of the Prime Minister. In another instance, donors conditioned assistance with a crackdown on corruption. To enforce stricter standards of fiscal governance, donors established a trust fund under the supervision of the World Bank and asked the PA's Finance Ministry to be accountable for contributions.
Consistent with the principle of conditionality, the EU suspended support to local
governments after Hamas won municipal elections in mid-2005. Such actions have
consequences. The cut-off forced the PA to discontinue salary payments to 140,000 civil
servants after Hamas formed the government in March 2006. Suspending payments affected
900,000 Palestinian family members and all but shut down the PA. President Abbas warned
that suspending foreign aid would undermine the West’s ability to influence events, leaving
Hamas more dependent on Arab countries and Iran. He was alarmed that cutting off
financial support to members of the Palestinian security services could drive them into the
ranks of radical militias and exacerbate tensions between Palestinian factions. He also
maintained that suspending aid would undermine the major motivation behind official
development assistance: strengthening Palestinian institutions and preparing for the
establishment of an eventual Palestinian state.

While maintaining support to specific sectors, international donors are increasingly focused
on strengthening Palestinian institutions, maximizing resources, and linking projects with
political objectives. Donors welcomed efforts by the PA to impose fiscal and monetary
responsibility through the PRDP. Support was more than rhetorical; donors pledged $7.7
billion at the Paris Conference in December 2007. Through the AHLC, Norway continues
to play the leading role mobilizing resources to develop institutional capacity and
management systems so that the PA can realize the goals of the PRDP. To this end, more
resources are needed for training and professional development of civil servants as well as
members of the professional polity.

As a result of the global economic crisis, donors must innovate in order to “do more with
less.” UNRWA’s Deprived Families Economic Empowerment Program (DEEP), for example,
focuses on addressing the economic needs of Palestinian families, not just of Palestinian
businesses. Focusing on household income is a useful complement to sectoral activities.
Investment in SMEs typically offers a higher yield than investment in larger enterprises
(with the notable exception of the IT sector, which has a proven upside). No matter the
business size, political risk insurance is critical to bolster investor confidence. Alternative

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209 United Nations Development Program, “Deprived Families Economic Empowerment Program
(accessed 26 July 2009).
trade routes developed through the PEGASE Trade Corridors’ Facilitation Project are crucial to the Palestinian economy.

Unlike traditional project evaluation criteria that rely on quantitative analysis to measure success, donors are also viewing their investments through a conflict prevention lens to ensure that their resources both help meet basic human needs and contribute to the peace process. Through projects like the Peace Technology Fund, the IFC has led this initiative among the IFIs. The Peres Center and the Portland Trust have no equal when it comes to applying these principles through the private sector.

Other innovative approaches include the UNRWA-sponsored Solidarity Group Lending (SGL), which makes credit available to women via group-guaranteed loans.210 With support from the State Department’s MEPI, the Near East Foundation (NEF) targets economic development for women through technical assistance to women-owned MSMEs. It also trains women as mobile bankers so that they can provide credit extension services to rural women in the West Bank.211 Switzerland’s Irada Project is another innovative prototype. These activities promote gender equality in Palestine, they may also galvanize women in support of reconciliation within Palestinian society, as well as between Israelis and Palestinians.

Additional capacity building programs have the goal of fostering accountability in governance at the local level. Norway, for example, is running a program to educate farmers and community based organizations (CBOs) about their rights under the PA, Israeli, and international law. Launched in 2007, “Right to My Land” encourages farmers to organize themselves into village networks sharing information on land and water resource rights.212 While targeting farmers affected by the separation wall, the project also empowers farmers to demand accountability of PA authorities and municipal government.

Efforts are also underway to incorporate a development horizon into the peace process. The London School of Economics has undertaken an Economic Policy Program to provide international legal and technical assistance to Palestinian negotiators. The goal is to include economic status issues into negotiations with Israel and develop indigenous capacity for negotiations on trade-related issues, including Palestine’s future accession into the World Trade Organization (WTO).213

Donors always emphasize coordination. An inventory of economic development assistance programs would be a useful resource for both Palestinian business-people and foreign investors by making them better informed of available resources, investment insurance, funding opportunities, and contracts linked to foreign aid. A tracking system could also incorporate a qualitative analysis focused on the impact of assistance programs on political objectives. Developing a qualitative methodology and impact assessment system are topics for further research and discussion.

VII. INSTITUTION BUILDING:

The report has identified both opportunities and obstacles to sustainable development of the Palestinian territories. It proposes a series of measures to maximize opportunities. A longer-term building block, which would also advance the goals of conflict resolution and peacebuilding, would be to link this ‘Project Palestinian Enterprise’ to the work of a proposed NYU Center on Economic Development and Conflict Resolution. NYU is qualified to house such a Center. It is a world class university with exceptional educational facilities, superb instructors and an unmatched Global University Network. In addition, NYU’s Wagner Graduate School of Public Service features a dedicated concentration of faculty and practitioner experts on international development.

Activities

Linking theory with practice to achieve practical and policy-relevant outcomes, such a Center will focus on (i) research, (ii) education, and (iii) resource mobilization.

- **Research** will encompass scholarly investigations of entrepreneurship, job creation, and other aspects of economic development that will include maintaining an electronic clearinghouse of relevant data and reports. Through these multiple research activities, the Center will become a vital site for information on economic development as a means of reducing conflict.

- **Education** will be provided through the development of a new curriculum, which considers the role of economic development in conflict resolution. Such courses could be offered both at NYU’s Global Network University sites and at the New York flagship campus. Depending on faculty and student interest, specific courses could be taught on economic-development cases like Palestine, adapted for universities in the region.

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\[214\] A peer review participant identified by La Pietra raised fundamental questions about the validity of an effort focused on economic development absent political progress. The Project principals disagree. While emphasizing that economic development is not a substitute for political progress, the principals strongly believe that Palestinians should not wait for statehood before steps are taken to build institutions and ameliorate their material well-being.
- Resource mobilization could be coordinated through such a Center, including affiliated social-entrepreneurial ventures. This might include advisory links to a venture capital fund for enterprises in developing countries that harnesses the know-how and energy of entrepreneurs in the West (e.g. the New York business community) and those from the Gulf States such as the United Arab Emirates concerned about conditions in Palestine.

Facilities

One promising home for a NYU Center on Economic Development and Conflict Resolution is NYU’s Robert F. Wagner Graduate School of Public Service. The Wagner School is well-suited to house a Center that combines scholarship and public service, since it unites coursework in management, policy, and finance with cutting-edge research and work experience aimed at transforming students’ public-service commitment into public leadership. The Wagner School’s mission is reflected in the quality of its faculty, visiting scholars, alumni, and practitioners. This school within the university is also closely connected with NYU-affiliated centers and institutes in New York as well as NYU campuses around the world.

NYU’s Abu Dhabi campus was formally opened in December 2009. Its Liberal Arts College and world center for advanced research and scholarship are all fully integrated within New York University’s main campus in New York City. As a result, the NYU Abu Dhabi Institute is fast emerging as a center for the scholarly community in the UAE and the Gulf. Not only is NYU Abu Dhabi becoming a hub for activity in the Middle East, it has also become a flagship of NYU’s Global Network University. Given the central importance of economic-development issues in the Arab world, the NYU Abu Dhabi Institute is a promising partner for the envisioned economic-development Center. NYU’s site in Tel Aviv is another potential partner campus within NYU’s global network.

Governance

As an endeavor of NYU, the Center would be governed entirely by NYU’s leadership. The Center would not be an independent entity and, therefore, would not require an
independent governance structure. It would be desirable, however, to establish an advisory board that would include both Westerners and representatives from regions engaged in the Center’s economic-development activities. Advisory board members would be selected based on their knowledge of the region, topical familiarity, specific skill sets, policy credentials, and reputation for professionalism.

Financing

The Center would be financed using multiple revenue streams, thus enhancing its independence and viability. Sources of support could include funds from the US Government, US-based foundations, the European Commission, and wealthy persons in regions, including the Gulf States, who would be interested in the Center’s activities.
VIII. ACRONYMS

Al-Mustakbal Foundation – AMF
Deprived Families Economic Empowerment Program – DEEP
European Commission – EC
European Union – EU
Canadian International Development Agency – CIDA
Capital Markets Authority – CMA
Foreign Direct Investment – FDI
Foundation for Strategic and Policy Studies – AMF
General Data Dissemination System – GDDS
German Development Bank – KfW
Gross Domestic Product – GDP
Information Technology – IT
Infrastructure Strategy Group – ISG
International Development Fund – IDF
International Finance Corporation – IFC
International Financial Institutions – IFIs
International Monetary Fund -- IMF
La Pietra Policy Dialogues -- LPPD
Micro, Small and Medium Sized Enterprises – MSMEs
Middle East Investment Initiative -- MEII
Middle East Partnership Initiative – MEPI
Near East Foundation – NEF
Near Eastern Affairs Bureau – NEA
Non-Governmental Organizations – NGOs
New York University – NYU
Palestinian Central Bureau of Statistics – PCB
Palestinian Economic Policy Research Institute – MAS
Palestinian Information and Communications Technology Incubator – PICTI
Palestinian Legislative Council – PLC
Palestinian Monetary Authority – PMA
Palestinian National Authority – PA
Palestinian Political Risk Insurance Project – PPRI
Palestinian Reform and Development Program – PRDP
Palestinian Stock Exchange – PSE
Rockefeller Brothers Fund – RBF
Solidarity Group Lending – SGL
Transformational Business Network – TBS
United Arab Emirates – UAE
United Kingdom – UK
United Nations – UN
United Nations Development Program – UNDP
United Nations Environment Program – UNEP
United Nations Food Program – UNFP
United Nations Relief and Works Agency -- UNRWA
United States Agency for International Development -- USAID
United States Development Agency – USAID
Value Added Tax – VAT
World Health Organization -- WHO
World Trade Organization – WTO
IX. ACKNOWLEDGEMENTS

David L. Phillips is the project director. Mr. Phillips is currently an adjunct associate professor at New York University's Graduate School of Politics, Director of the Program on Conflict Prevention and Peace-building at American University in Washington, DC, and a senior fellow at the Atlantic Council of the United States. Among his previous positions, Phillips was a visiting scholar at Harvard University's Center for Middle East Studies, visiting scholar at Columbia University's Center for the Study of Human Rights, senior adviser to the United Nations Secretariat, and a foreign affairs expert and senior adviser to the U.S. Department of State's Bureau for Near Eastern Affairs.

Kevin R. Davis is associate project director and a Master's Degree candidate at the Wilf Family Department of Politics at New York University. Until 2008, he was chief executive officer and a member of the board of directors of MF Global Ltd., the world's leading broker of exchange-listed futures and options with 3,500 staff in 25 offices across 14 countries in Europe, North America, and Asia. Mr. Davis led the separation of MF Global from Man Group plc in July 2007 in one of the largest financial services IPOs in history. Mr. Davis worked in the financial services sector since 1982.

Bharathi Radhakrishnan is a contributing author. Ms. Radhakrishnan holds a Masters degree in Politics with a concentration in International Relations from New York University. She has experience working with the United Nations, Amnesty International, the World Policy Institute, and is currently pursuing field-work in Sri Lanka.

Cristina Vasile is a contributing author. Ms. Vasile is currently a Policy Analyst with the International Program at Demos, a New York-based think-tank. She holds a Masters degree in Politics with a concentration in International Relations from New York University.

Ryan M. Miller is a research associate. Mr. Miller is currently pursuing a Masters degree in Politics at New York University with a concentration in International Relations. He recently completed an internship in National Security Studies at the Council on Foreign Relations.
The Project also benefited from informal counselors including Elazar Barkan, Co-Director of Columbia University’s Center for the Study of Human Rights, Robert C. Merton, Professor at the Harvard School of Business, Martine Trink Rubinstein, board member of the American Jewish Committee, and Eli Epstein, a New York-based businessman. Giampiero M. Gallo, Professore di Econometrica in the Dipartimento di Statistica of the Universita di Firenze, and Professore Marcella Simone provided constructive and insightful recommendations during peer review of the report. Rogan Kersh, Associate Professor of Public Policy and Associate Dean for Academic Affairs at NYU Wagner, also provided valuable recommendations.

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# Appendix A

## SECTORAL ANALYSIS

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<tr>
<th>Category</th>
<th>Description</th>
<th>Number of Countries</th>
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<td>Starting a Business (Rank)</td>
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Appendix B

INTERNATIONAL ASSISTANCE PROGRAMS

Appendix B provides a partial list and description of international assistance programs carried out by multilateral agencies, international financial institutions, donor countries, and private sector organizations. It also identifies commercial activities, agreements and pending projects. Summaries are provided for activities initiated after the Oslo Accords. This compendium is incomplete. There are information gaps within each category. For example, donor country assistance programs do not describe activities of every country with activities in the Palestinian territories (e.g., Japan and Italy). Palestinian NGO activities have not been surveyed. In addition to mainstream NGOs, such as Panorama, there are many micro activities undertaken at the local level that are not included. The research described in this appendix is a work in progress. The Center for Palestinian Enterprise could play a useful role addressing gaps in this compendium and bringing survey data/descriptions up-to-date. Updating such information periodically would be a helpful resource to scholars conducting field research. It could also be helpful to investors and as a tool for donor coordination.

Multilateral Agencies

United Nations Conference on Trade and Development (UNCTAD):

*Support for SMEs Development/Empretec* established Empretec Palestine, to mobilize critical business support services to SMEs. Empretec is the UNCTAD program to promote the creation of more SMEs worldwide. The Empretec Palestine project also aims to help entrepreneurs build strategic alliances with financial institutions. Phase I of this project, the 6-month implementation phase, involved the establishment of an institutional framework, a national training/support capacity, support services for entrepreneurs, and integration of Empretec Palestine into the regional and international network of Empretec programs. Empretec Palestine plans to collaborate closely with the Palestinian Federation of Industries and USAID for the use of its Market Access Program to facilitate referral of clients between Empretec and USAID. A Management Advisory Committee will be established to oversee Empretec Palestine. Depending on resources, Phase II of this project will involve the establishment of a second office and service structure for Empretec Palestine in Gaza. With $300,000 funding from the Government of Italy, Phase I of this project began in 2000.215

*Training Program in International Commercial Diplomacy* provides training through workshops for Palestinians in the private sector who lack experience in trade policy and negotiations. This program targeted three main audiences – senior Palestinian Authority decision makers and mid-level managers, the business community and the Palestinian

public. UNCTAD implemented this technical assistance project in 1998 with its first phase totaling $70,000 and completed it in cooperation with the Ministry of Economy and Trade. This funding was provided by UNCTAD, UNDP, and the United Nations Institute for Training and Research. The goals of Phase I were to educate the three target groups about multilateral trading systems and various trade policy options, assist Palestinian Authority officials in developing appropriate trade policy conducive to the needs of the Palestinian territories, develop a capacity within the PA to keep up to date on World Trade Organization developments, provide appropriate training to public and private sectors and develop training materials on commercial diplomacy. Phase II of this program, budgeted at $110,000, provided informational training workshops for PA officials and provided expert advisory services on priority trading issues. In mid-2000, project activities for Phase II were suspended because of deteriorating conditions in the field. However, UNCTAD training material for commercial diplomacy was incorporated into a series of workshops funded by UNDP.²¹⁶

Trade Point Palestine/Ramallah began assisting the PA in 1995 by introducing trade efficiency measures engaging Palestinians in foreign trade. Budgeted at $170,000 and established in 1999, the project aims to build upon available trade support services under the UNCTAD Trade Point Program. It was implemented in cooperation with the Ministry of Economy and funded by the Government of Italy and UNDP. In March 2000, PalTrade assumed responsibility to sustain this project. It sought to establish a vital trade point in Ramallah as a window to regional and international markets. The Trade Point would serve as a trade facilitation center, a source of information related to trade, and a gateway to ensure participating traders are successfully involved. The project aims to have the Trade Point integrated in the telecommunications network through the installation of necessary equipment and training of Trade Point staff. The project will also strive to develop and implement a marketing strategy for Trade Point services, provide advice and training for SMEs and provide policy makers and exporters in training of the use of PC-based systems.²¹⁷

United Nations Development Program (UNDP):

Compensation to Farmers provides $270 million to compensate farmers’ agricultural property that was damaged in Gaza during the conflict. The agreement was entered into with the PA in February 2009. This project plans to cover all sectors of agricultural productions including cultivation, animals, infrastructure, and supporting services. This initiative involves three different types of compensation schemes. One involves cash grants to compensate farmers for losses in productive assets. The second addresses projects to repair damaged infrastructures. The third aims to strengthen the business capacities and management skills of farmers. UNDP will provide compensation over a 9-month period.²¹⁸

Deprived Families Economic Empowerment Program (DEEP) was established in June 2006 and is slated to run until December 2009. The total budget for DEEP is $29,700,000 with the Islamic Development Bank as the program’s primary donor. DEEP’s main objective is to improve living conditions for deprived Palestinians by revitalizing the economy, encouraging self-employed entrepreneurship, and developing micro-enterprises. DEEP wants to enable Palestinian families to become independent providers of income, not dependent on humanitarian assistance, through financial and non-financial services. As of September 2008, the livelihoods of about 12,000 Palestinian households have improved.219

Emergency Job Creation Program is sponsored by CIDA and executed by the UNDP Program of Assistance to the Palestinian People. This project was submitted as a part of the UN emergency appeal for Gaza and the West Bank in 2006. Through CIDA’s $4,800,000 contribution, the UNDP provides 280,000 emergency job opportunities for over 1,700 workers, enabling them to provide for their basic needs. These job opportunities include work in cities in Gaza, cleaning in villages and refugee camps, solid waste collection tasks, and tree planting.220 Slated to run from 2006 to 2009, this project is currently coming to a close.

Employment Generation Program through Poverty Oriented Infrastructure started in July 1996 and is scheduled to run until the end of 2009. The aim of this program is to generate employment by constructing small to medium scale infrastructure in needy Palestinian communities. This program is funded by the Government of Germany, with a total budget of about $24 million, and is currently in its fifth phase. In total, 120 projects have been selected for implementation in the Palestinian territories. As of August 2008, 67 projects in the West Bank and 13 in Gaza have been completed, and 5 are currently ongoing in the West Bank. Additionally, 145,053 workdays and 351 permanent jobs have been created through this program (as of August 2008). It is estimated that 280,842 workdays will be generated in total through this program until its completion in 2009.221

Generate Employment and Expand Agricultural Production in Tulkarem was implemented by UNDP, in collaboration with local Palestinian institutions and the Palestinian Ministry of Agriculture (January 2005 until December 2007). The primary donors to this project were the Islamic Development Bank and OPEC. The main objective of this program was to enhance the Tulkarem District’s agricultural productivity by strengthening its agricultural infrastructure and the Palestinian farming communities through land development and management of natural resources. This project aimed to provide 800 households with agricultural production inputs to reactivate their agricultural establishments, construct

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7,000 meters of irrigation networks/pipelines, and improved 900 dunums of small
landowners’ land. 80,000 workdays have been produced. 222

*Job Creation in the Gaza Strip* was implemented for 7 months starting in May 2007. It was
intended to provide short-term emergency employment for the poor and unemployed in
Gaza. Simultaneously, it worked to clean Gaza’s beaches, towns, and villages; improve
environmental conditions; and enhance public health. The UNDP estimated that this
program created about 159,000 workdays for both skilled and non-skilled unemployed
workers in Gaza. The total budget for this project was $4,192,000. 223

*Palestinian Infrastructure for Needed Employment Program* was launched by the UNDP and
implemented through educational infrastructure and youth service programs. As a result,
PINE not only generated jobs but also aimed to enhance access to basic education and youth
services for greater segments of the Palestinian population. Such initiatives were
implemented in three groups of rural areas, which include 11 villages in the districts of
Jenin and Qalqilia with a total population of about 23,000. This labor-intensive
infrastructure development work was expected to generate 30,857 workdays for both
skilled and unskilled workers. Slated for 3 years, PINE’s budget was $2 million; USAID was
its primary donor. As of September 2007, PINE was in its final phase. 224

*National Palestinian Job Fair,* part of the UNDP Program of Assistance to the Palestinian
People, hosted the first and largest national job fair in the Palestinian territories in
Ramallah at the Palestinian Red Crescent Society (June 24-25, 2008). The fair’s main
objective was to expose Palestinian job seekers to opportunities. The fair hosted over 30
exhibitors from different sectors. Participants included the Ministry of Labor, the Ministry
of Economy and Trade, the Palestinian Federation of Industries, the Palestinian Investment
Fund, PADECO, and the UN’s International Labor Organization. Over 20 sessions were held
over these two days to provide job seekers with in-depth information on various careers,
prospects and acquiring certain skills through insights from professionals. 225

**United Nations Relief and Works Agency for Palestine Refugees in the Near East
(UNRWA):**

*Consumer Lending Product* was piloted in the Jabalia refugee camp in Gaza (February 2002).
The goal of this project is to provide consumer credit to low-paid, marginal families so that
they can improve their qualities of life. A main segment of the population that will benefit is
wage laborers who work in different commercial and service sector businesses in the

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222 United Nations Development Program. “Generate Employment and Expand Agricultural Production in
223 United Nations Development Program, “Program of Assistance to the Palestinian People: Projects,”
224 United Nations Development Program, “Program of Assistance to the Palestinian People: Projects,”
Palestinian territories or in Israel. The families of low-paid employees and wage laborers at
government offices. NGOs and international organizations also benefited from this program.
Since banks will only give loans to employees that have their salaries paid through their
bank, these segments of the population have no other direct access to formal consumer
credit services. Short-term consumer loans are the main product being sold through the
Consumer Lending Product program. Loans are given individually, and clients are eligible
for additional loans if repayments are timely. 64 loans worth $27,550 were provided as of
May 2002. 

Emergency Employment Program was launched in 2000. Even though UNRWA provides such
assistance as relief, rehabilitation centers, and cash aid, UNRWA places an importance on
providing employment aid. Since 2000, such assistance has helped about 100,000
unemployed Gazan refugees. In the last half of 2007, employment assistance was in
particular need due to the sharp rise in unemployment caused from a shortage of raw
materials for manufacturing. Additionally, within the Emergency Employment Program
framework, UNRWA is trying to raise about $80.4 million to create 4.7 million working days
in Gaza and 1.2 million working days in the West Bank benefiting 56,000 in Gaza and 34,500
in the West Bank.

Microenterprise Credit Product is the third loan product created by the UNRWA to meet the
need for working capital among about 43,000 micro-enterprises in the Palestinian
territories, which employ about 40% of the area’s work force. This program was
implemented in Gaza in February 1996 and in the West Bank in April 1998 where many
enterprises exhausted their capital reserves due to prolonged closures and checkpoints.
Capital shortfalls caused businesses to become stagnant, made meeting salaries difficult,
and hiring new employees prohibitive. The Microenterprise Credit Product allows
businesses to meet their short-term working capital requirements. 28,580 businesses in the
West Bank and Gaza were awarded loans as of May 31, 2002 of $29.1 million. 3,892 loans
are currently active at a balance of $1.88 million. Unlike the Solidarity Group Lending
Product also implemented by the UNRWA, this project gives loans to individuals and not
groups.

Solidarity Group Lending Product (SGL) was established in May 1994 as UNRWA’s first
microenterprise product based on group-guaranteed loans. The SGL was designed with the
goal of enabling specifically poor Palestinian women to participate in the Palestinian
economy by making credit available to women involved with micro-enterprises. Most of
such micro-enterprises are in the informal sector and are based in the home, market, or
streets. The SGL is particularly important to these micro entrepreneurs since they work
with smaller, unlicensed businesses and lack access to formal credit facilities. A total of
20,489 loans were awarded by May 31, 2002 to women organized in solidarity groups
consisting of three to ten people. These loans amounted to $15.10 million work with

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226 United Nations Relief and Works Agency for Palestine Refugees in the Near East, “Microfinance and
Microenterprise Program (MMP),” United Nations Relief and Works Agency for Palestine Refugees in the
227 Palestine Economic Policy Research Institute (MAS), et al, Economic and Social Monitor, Volume
228 United Nations Relief and Works Agency for Palestine Refugees in the Near East, “Microfinance and
Microenterprise Program (MMP).”
smaller, unlicensed businesses, and there are currently 2,183 active loans with a balance of $0.62 million. $400 is the maximum, initial loan with repayment due within 4-6 months. If repayments are fulfilled and kept updated, a group can borrow up to twice the amount on each subsequent loan. The SGL currently extends 250 to 300 loans monthly. The loans are given to groups working in various sectors – 48% of active loans are to groups working in the commercial sector, 27% in agriculture, 21% in small industry, and 4% in services. About 16% of women receiving these loans have not had formal education, and only about 32% have attended secondary school. Refugees are about 72% of women who benefit from SGL.

**European Union (EU):**

*PEGASE,* acronym for the French term Mecanisme "Palestino - Européen de Gestion et d’Aide Socio-Économique," was launched on February 1, 2008. It replaced the Temporary International Mechanism (TIM) funded by the EU, EC, and other donor countries. PEGASE is the mechanism of the EU that gives assistance to the implementation of the PA’s Reform and Development Plan (PRDP) until 2010. The replacement of TIM with PEGASE is meant to illustrate the normalized relations that now exist between the EU and the PA. Other organizations that contribute to PEGASE’s work are the UNRWA, ECHO, and international NGOs. The two main types of support the EU provides through PEGASE is financial assistance and development assistance. Through direct financial assistance to the PA, salaries for civil servants and pensioners are guaranteed, which ensures the continuing operation of such vital services such as schools and hospitals. The EU’s funds also go to vulnerable Palestinian families through the Ministry of Foreign Affairs’ social allowances scheme and by purchasing fuel to ensure electricity is supplied to those in Gaza. Also, the EU wants to move away from providing solely emergency assistance in the Palestinian territories to also providing assistance in the Palestinian development process. Infrastructure projects the EU supports include water, electricity, improving public financial management and creating a more business friendly environment. PEGASE also provides direct assistance to the Ministry of National Economy and the Palestinian private sector by increasing levels of trade investment and helping build the long-term capacity of the economy. The EU has provided funding for certain programs under the PRDP through PEGASE as well. For example, the EU provided €432,000 to finance the PRDP Trade Corridors’ Facilitation Project under the Trade Infrastructure and Facilitation Program. Additionally, the PRDP’s European-Palestinian Credit Guarantee Fund, which guarantees loans to SMEs through Palestinian banks, received €750,000 in 2008 from the EU to assist with micro-finance projects. The EU also supports the PRDP’s Tourism Industry Development Program to repair and reconstruct the tourism sector. The EU contributed €2.5 million to renovate the Ottoman caravanserai of the Khan Al-Wakala building.

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229 United Nations Relief and Works Agency for Palestine Refugees in the Near East, “Microfinance and Microenterprise Program (MMP).”

**Technical Assistance Program** of PEGASE has been the vehicle through which the EU has been providing €4 million in technical assistance, specifically to the Internal Audit and Internal Control Departments. This program is being implemented by Ernst & Young and is coming to a close in 2009. This program addressed three areas (i) establishment of a PNA audit committee that meets regularly with the Ministry of Finance, (ii) training implemented by internal auditors from the Ministry of Finance who train other ministries in certain skills (risk assessment, planning, documentation, reporting, communication), and (iii) the production of an internal audit charter and an internal audit manual to serve as terms of reference for the audit committee. Through this assistance program, the Ministry of Finance evaluates the work of other ministries.\footnote{European Commission and Ministry of Finance, “EU assistance makes leading contribution to Palestinian drive for efficient and transparent public finances,” Palestinian National Authority, 22 July 2009, http://www.delwbg.ec.europa.eu/en/whatsnew/MOF_internal.pdf (accessed 26 July 2009).}

**Trade Corridors’ Facilitation Project** is implemented by the Palestine Trade Center (PalTrade) and the Palestinian Shippers’ Council (PSC). This project strives to enhance Palestinian trade by helping promote and facilitate the use of alternative trade routes, mainly through Arab countries that neighbor the Palestinian territories, and thereby improve market access.\footnote{Palestine Trade Center (PalTrade), et al, “Export and Import Procedures through King Hussein Bridge,” European Commission Technical Assistance Office, 16 June 2009, http://www.delwbg.ec.europa.eu/en/whatsnew/press%20Releasessz_khbridge.pdf (accessed 26 July 2009).} Through the Trade Corridors’ Facilitation Project, a workshop was organized in June 2009 at the Palestine Red Crescent Society in Ramallah about import and export procedures at the King Hussein Bridge and the importance of this key trade route. This bridge connects the West Bank to Jordan and is considered a major trade route for the Palestinian people. Quartet Representative Mr. Tony Blair emphasized the importance of alternative trade routes and the importance of trade with Jordan for the future of Palestinians. Other members of the international community along with representatives of the Palestinian public and private sector attended this workshop as well.\footnote{Palestine Trade Center (PalTrade), et al, “Export and Import Procedures through King Hussein Bridge,” European Commission Technical Assistance Office, 16 June 2009, http://www.delwbg.ec.europa.eu/en/whatsnew/press%20Releasessz_khbridge.pdf (accessed 26 July 2009).}

**European Commission (EC):**

**European Palestinian Credit Guarantee Fund** (EPCGF) is financed by the EC, the German Development Bank (KfW), and the European Investment Bank. The goal of the EPCGF, whose capitalization is currently €29 million, is to strengthen Palestinian SMEs by providing them access to credit. Through this fund, SMEs that are worthy of obtaining credit but cannot provide the required collateral to banks for loans will now be able to obtain such loans. SMEs eligible to borrow from the EPCGF must have 20 or fewer employees, must have been in operation for at least 2 years and must meet the required EPCGF credit evaluation. EPCGF loans are available for SMEs to finance working capital (which may be
repaid over 3 years), such as raw materials and inventory, and capital investments, such as equipment and machinery (which may be repaid over 5 years). However, the EPCGF will not provide loans for existing loans, regular overdrafts, or for one-year working capital loans.\footnote{ \textit{European Palestinian Credit Guarantee Fund, “Project Description.”} European Palestinian Credit Guarantee Fund, 2009, http://www.cgf-palestine.com/main.htm (accessed 2 September 2009).}

\textit{Funding for Palestinian Herders,} provided by the EC’s Humanitarian Office (ECHO), started funding in July 2009 to support Palestinian breeders who were severely affected by the 2008 drought in the Southern Hebron Governorate. Through this project, over 650 families will receive fodder and seeds. A mobile unit provides veterinary treatment and artificial insemination to assist herders living in remote areas in the Yatta Bedouin Area and Massafer Yatta. The artificial insemination service has already benefited about 50 families and 2000 animals.\footnote{ \textit{European Commission Humanitarian Aid Office (ECHO), et al., “With funding from the European Commission hundreds of Palestinians herders to receive fodder and seeds,”} European Commission, 8 July 2009, http://www.delwbg.ec.europa.eu/en/whatsnew/PR_FODDER_DISTRIBUTION_EN.pdf (accessed 11 August 2009).}

\textit{Trade Promotion Project} was launched by the EC with PalTrade and the Palestinian Shippers’ Council in December 2007. It provides $640,000 to improve trade with countries that neighbor the Palestinian territories. This project lasted 17 months, its main objective being the better use of trade routes to Egypt and Jordan. The project also aimed to produce an Export Information Guide discussing trade logistics for Palestinian exporters. The Trade Promotion Project placed a strong emphasis on the public sectors in both the Palestinian territories and Israel, along with officials in Egypt and Jordan, to promote policies that would facilitate commercial arrangements.\footnote{ \textit{The Economist Intelligence Unit, “Country Report: Palestinian Territories,”} January 2008, page 24.}

\textbf{Trans-Atlantic Cooperation:}

\textit{Customs Modernization Program} was initiated by UNCTAD and the EU as the third phase of the Palestinian Customs Modernization Program in September 2007. ASYCUDA (Automated System for Customs Data), the international customs standard, was implemented. The EU funded the total cost of this project, $3.4 million, while UNCTAD was responsible for the technical aspects of project implementation. Phase III of this program is slated to run for three years and will ideally link electronically all of the international entry points in the Palestinian territories in order to centrally monitor customs activities.\footnote{ \textit{The Portland Trust, “Palestinian Economic Bulletin,”} (September 2007, page 4.}

\textit{Palestinian Shippers’ Council} was established by the EC and UNCTAD in September 2005. The Council upholds the interests of Palestinian importers and exporters. The Council also aims to create a more informed environment about the procedures for importing and exporting in order to enhance the business sector in the Palestinian territories.\footnote{ \textit{The Peres Center for Peace Business and Economics Department, “Capacity Building Initiatives,”} The Peres Center for Peace, 2006, http://www.peres-center.org/SectionProject.asp?ccc=01100205 (accessed 22 July 2009).}

\textit{Quick-Impact Projects (QIPs)} were launched in April 2008 by Tony Blair, the Quartet’s envoy. QIPs primarily support the creation of export-oriented businesses. The first project costing an estimated $100 million, is the construction of an agro-industrial park in Jericho.
This project will also help the facilitation of agricultural exports to the Gulf and to EU member states. The second project aims to develop one or two industrial parks in the West Bank’s northern region (e.g. Bethlehem).242

Temporary International Mechanism (TIM) delivered direct assistance to the Palestinian people when international donors suspended support for the PA following elections in 2006. Established in June 2006, the EC provided €455.5 million to TIM, while members of the EU and other donors provided €157.5 million.243 Other donors to TIM include Canada, Norway, Switzerland and Australia. TIM’s management unit was based in Jerusalem, and its activities were implemented through collaboration with the Palestinian authorities. The TIM program as a whole had three areas of operation referred to as Windows. Window I addressed the need for supplies and other running costs at health care centers and hospitals in the Palestinian territories. Window II focused on essential public services, such as energy utilities and water. Window III paid social allowances to the poor and to civil servants.244 As of January 2008, more than 1 million people benefited from the Window III. Within Window III, the Low Income Cases (LIC) scheme targeted Palestinians who suffered a sudden income loss. More than 77,000 Palestinian households, about 88% of public service providers, received TIM allowances through the LIC scheme. Another component of Window III, the Social Hardship Cases (SHC) scheme, worked to assist households that did not have a regular source of income.245

International Financial Institutions

World Bank:

Electric Utility Management Project (EUMP) supports basic infrastructure rehabilitation efforts. It became effective on June 30, 2008. EUMP is developing four new substations that will supply energy to a newly configured distribution system. The EUMP also hopes to meet the investment needs of the Northern Electric Distribution Company and enhance capacity for all utilities in the West Bank and Gaza, such as the Palestinian Electricity Transmission Company. This project aims to enhance institution building, development of the private sector, and institutional and regulatory reform. The EUMP will also help reduce the net lending from payment of arrears to the Israeli Electric Corporation. The EUMP is being implemented through a Project Management Unit (PMU) that was created on behalf of the Palestinian Energy Authority, one of the Palestinian power distribution companies the PMU

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will work with on this project. The total estimated cost of this project is $140.1 million at appraisal, of which the World Bank has so far financed $12 million.\textsuperscript{246}

\textit{Emergency Municipal Service Rehabilitation Project} was approved on December 17, 2002 and ended March 31, 2006. It aimed to decrease the decline in quality and coverage of municipal services. Initiatives included providing budgetary support to municipal operating costs that were non-wage related and creating temporary employment opportunities that were labor intensive. The EMSRP also aimed to connect the central and local government budgetary planning processes through a central mechanism and also enhance donor assistance. The total cost of the EMSRP was $70 million.\textsuperscript{247} A second phase of this program, EMSRP II, was implemented in on December 16, 2006 and also aims to decrease deterioration in essential municipal services, such as waste collection and electricity services, by rehabilitating the Palestinian infrastructure. One of the main objectives of this project is to create temporary local job opportunities through the implementation of labor-intensive employment generation schemes and to also encourage collaboration between the local government and NGOs to address community needs. The total cost of EMSRP II is $40.2 million and is expected to close on December 31, 2009.\textsuperscript{248}

\textit{Project Facilitating Trade Flows between West Bank and Gaza Strip and Israel} has been administered by PalTrade at the Al Montar and Karni Terminal since August 2005. PalTrade monitors and collects statistics for terminal operations, specifically delays and cargo volumes. PalTrade conducts this data work in collaboration with Al Montar authorities, officers of Border and Passage General Department, the Ministry of Civil Affairs and the Ministry of National Economy.\textsuperscript{249}

\textit{Palestinian Reform and Development Plan Trust Fund} is part of the Palestinian Reform and Development Plan Trust Fund (PRDP TF). Established in April 2008, the fund provides budget support to the PA. About $282 million has been distributed in six tranches. Funds in the PRDP TF are released based on the implementation of reforms, which are monitored by the World Bank. The PA submits quarterly reports on meeting the PRDP goals, which are then reviewed by the World Bank and the IMF to determine if disbursements can be implemented based on the realization of performance benchmarks.\textsuperscript{250}


Investment Guarantee Trust Fund, initially in operation from April 8, 1997 to March 31, 1998, cost $10 million. Administered by the World Bank’s Multilateral Investment Guarantee Agency, this effort provided financing for the Investment Guarantee Trust Fund. The fund sought to mitigate political risks for investors in the West Bank and Gaza. Renewed at the end of 1998, the only project it supported was a tourist project to rehabilitate the Solomon Ponds in Bethlehem that was canceled after a year by the investor. After a decade-long standstill, the fund was replenished in November 2008 with support from the European Investment Bank and Japan. Underwriting capacity has been increased from $20 million to $30 million. The target market is SMEs. In addition, the fund can support larger projects up to $5 million. Pricing ranges from 1-4%; premiums on the insured amounts are due annually. Even though the Investment Guarantee Trust Fund does not buy reinsurance, if required it can reinsure other providers itself.251

Microenterprise Project, valued at $23 million, aims to stabilize the incomes of Palestinians and increase employment levels among the working poor by creating incentives for banks to lend to Palestinian micro-enterprises. The project also provides technical assistance. The Microenterprise Project allocated 40% to support small and medium enterprises, 40% to bank and state enterprise reconstruction, and 20% to improve markets. This project lasted from October 10, 1996 until July 31, 2002.252

Support for Fiscal Sustainability and Public Financial Management has two phases. The first lasted from June 5 to October 31, 2008, and the second from May 28 to December 31, 2009. Each phase cost $40 million. Funds support PA implementation of PRDP reforms, specifically strengthening the fiscal position and improving public financial management by the PA. The World Bank also supports the PRDP through the establishment of the PRDP Trust Fund in April 2008.253

International Monetary Fund (IMF):

General Data Dissemination System (GDDS) was adopted by the PA on March 13, 2006. Established in 1997, the GDDS helps countries develop their statistical systems for policymaking and analysis. PA statistics are available on the IMF’s Dissemination Standard


Bulletin Board. The PA is the 89th participant in the GDSS. It is, however, the first participant to not be a member of the IMF. 255

International Finance Corporation (IFC):

*Arab Concrete Products Company Limited Investment* was approved by the IFC on June 30, 1997. Located in Nablus, Arab Concrete Products has 2 plants and is the city’s largest concrete producer. As a public shareholding company, Arab Concrete has 350,000 outstanding shares owned by 80 shareholders (mostly local investors). The IFC loan of $700,000 helped purchase equipment, mainly delivery trucks. The total cost of the company’s expansion was $1.57 million. 256

*Gaza Industrial Estate Project* was approved on June 18, 1997; the project is still active. The estate is being constructed on the border between Gaza and Israel and is about 48 hectares. Being one kilometer from the main highway leading to Egypt and 25 kilometers from the Gaza Airport and the port of Ashkelon, the estate will be easily accessible to important travel routes. The Palestine Development and Investment Ltd. (PADICO) is developing the Gaza Industrial Estate, owning 49% of the shares. The project expects to employ about 20,000. Donors, led by the World Bank and USAID, finance the off-site infrastructure of this estate. With the total cost of the project estimated at $60.7 million and off-site infrastructure estimated at $20 million. The IFC invested about $8 million. 257

*Global Trade Finance Program* (GTFP) is valued at $3 billion. GTFP aids banks to deliver trade financing by supplying risk mitigation through support to local banks via guarantees to cover the payment risk in emerging markets. Since the GTFP started in October 2005, this program has issued more than $3.4 billion in trade guarantees supporting over 2,600 trade transactions. While the GTFP is a program implemented in countries worldwide, it also has an important impact on economic development in the West Bank and Gaza. In 2008, GTFP helped support the trade of peas from the Ukraine to the West Bank and Gaza. 258

Banks in the West Bank and Gaza that are part of the GTFP are the Arab Islamic Bank, Alrafi

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Microfinance Bank PLC, and the Bank of Palestine. In November 2008, the IFC agreed to provide $3 million as a trade finance line to the Arab Islamic Bank.

*Nababin Industry and Trading Company* received IFC financing on June 6, 1997; the company is still active. The IFC supplied a loan of $0.65 million towards the total project cost of about $1.7 million. The purpose of this investment is to help this factory in the Gaza Strip expand its capacity, decrease production costs and expand its product line and distribution network.

*Olive Oil Export Development Project* was funded from August 15, 2006 to April 15, 2008. Working in partnership with PalTrade, OEDP worked to supply companies involved in the olive oil business with marketing information. This project also aimed to improve the competitiveness of the Palestinian olive oil industry and enhance the quality of management and supply chain bottling companies.

*Palestine Tourism Investment Co. Ltd.* is a housing company that received $8 million in April 1999. The total cost of the project is $42 million. IFC funds support construction of a hotel in Bethlehem, to be owned by the Palestine Tourism Investment Co. Ltd., which will be the first international-standard 250-key hotel in the West Bank. The hotel will be located on a 3 hectare site that is 2 kilometers from the center of Bethlehem, 8 kilometers from Jerusalem and has a large olive orchard. The Jacir Palace was renovated and incorporated into the new hotel.

*Peace Technology Fund* was launched in collaboration with the Peres Center for Peace, Capital Investment Management Corporation, and Evergreen Canada Israel Investments Ltd., in January 1998. The purpose of this fund is to create partnerships between investors in the Palestinian territories and in Israel and also encourage international investment creating job opportunities and enhancing managerial and production skills. This fund aims

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to invest primarily in SMEs across a range of industrial sectors in the West Bank and Gaza. The private sector capital to this fund will be $100 million -- 30% from Palestinian and Arab investors, 30% from Israeli investors, 30% from international investors and a minimum commitment of 10% from the IFC.264

**Islamic Development Bank:**

*Job Creation Projects* were set up by the Al-Aqsa Fund, managed by the Islamic Development Bank, to finance job creation in Gaza and the West Bank (July 2002 – 2003). The Al-Aqsa Fund supported local NGOs working with programs related to health, sanitation, and education. Through the World Bank, the Islamic Development Bank provided about $6.8 million. As of 2007, there were 68 contracts signed in the West Bank and 44 in Gaza.265

*Trade Promotion Project* is a partnership between the Islamic Development Bank, as the primary funder, and PalTrade. The main objective is to improve export performance through various trade promotion efforts. Such efforts include encouraging export performance through trade missions, supplying businessmen with trade information and holding exhibitions both locally in the Palestinian territories and internationally.266

**Donor Countries**

**Canada:**

*Emergency Job Creation Program* of the Canadian International Development Agency (CIDA) was implemented by the UNDP Program of Assistance to the Palestinian People. Slated to run from 2006 to 2009, this project is currently coming to a close. The project was originally a part of the UN emergency appeal for Gaza and the West Bank in 2006. Through CIDA’s $4.8 million contribution, the UNDP provided 260,000 emergency job opportunities for over 1,700 workers. These job opportunities include work in cities in Gaza, cleaning in villages and refugee camps, solid waste collection tasks and tree planting.267

*Improving the Mortgage Market* was supported by CIDA between 1999 and 2008. CIDA contributed $2,869,212 to the program, which was implemented by the Canada Mortgage and Housing Corporation to assist the Palestine Mortgage and Housing Corporation (PMHC) better address local housing needs. As of December 2008, CIDA support helped PMHC

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266 Palestine Trade Center (PalTrade), “Projects.”

successfully introduce the concept of mortgage lending to the West Bank and Gaza and insure over 350 mortgages. The PMHC has also increased its efficiency and work by developing lending practices and guidelines, and by training banks to better manage housing loans through default management methods.\(^{268}\)

**Support to Livestock Farmers**, supported by CIDA, was launched in 2008 and will be operational through 2009, with a maximum contribution from CIDA of $2,500,000. This project is aimed at helping farmers obviate emergency sale of their livestock. The Food and Agriculture Organization (FAO) implements this project and is using funds to provide farmers with animal feed, veterinary kits, medicine, technical expertise, and marketing assistance. The FAO also works to promote local feed production, rehabilitate damaged livestock infrastructures, and strengthen the veterinary services of the Ministry of Agriculture. This project is one of 127 projects in UN Consolidated Appeal Process (CAP) for 2008. For the West Bank and Gaza, the 2008 CAP was $462 million.\(^{269}\)

**Denmark:**

**Regional Agricultural Cooperation Program**, established in 1999, involves the countries of Egypt, Israel, Jordan, and the Palestinian territories. This program aims to build relations between these regional players by increasing agricultural productivity. The six components of this program are low cost fodder, small ruminants, dry land farming, marginal water, post harvest and marketing, and aquaculture. Denmark’s partnership with the Ramallah-based organization Horizon for Sustainable Development aims to strengthen the performance of Palestinian agriculture in the private sector, thereby strengthening future regional cooperation with foreign markets.\(^{270}\)

**France:**

**Bethlehem Multidisciplinary Industrial Park Ltd** (BMIP) company was registered on April 30, 2009 at the Palestinian Ministry of National Economy. The BMIP, with a capital of JD 1 million, is at the forefront of the French-Palestinian project to develop and create an industrial area in Bethlehem. The Agence Française de Développement (AFD) is currently the only public investor in the BMIP with 10% of the capital. In addition to the AFD’s funding, French partners also co-own the BMIP with Palestinian partners.\(^{271}\)

**Export Promotion Project in the Olive Oil Sector** was initiated by the Agence Française de Développement (AFD). On December 17, 2007, the AFD signed a €1.25 million agreement

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for this project. Olives and olive oil are one of the major exported agricultural products in Palestine, with about 70,000 families utilizing olive oil production as their main source of income. The objectives of this project are to develop extension services, training and strengthening of panel testing, establish a quality trademark, improve the quality of certification and develop market promotions and market studies. Those who will benefit from this project include small-scale family farms, producers, cooperatives, presses, traders and exporters of olive oil. The AFD’s four Palestinian partners for this project’s implementation and management are PalTrade, the Palestinian Farmer’s Union, the Palestinian Food Industries Association, and the Palestinian Standard Institution.272

Germany:

The Economic Policy Advice Project involves the support of the German government by the enterprise Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation), also known as GTZ, in its international development policy objectives, including those in the Palestinian territories. The Palestinian Ministry of Economy, Industry, and Trade has been supported by GTZ since 1998 in establishing a Management Information System. The GTZ also supported the Palestinian Ministry of Finance in upgrading its customs administration to be in accordance with international standards. These two efforts were merged into the Economic Policy Advice Project in 2003 and completed at the end of 2006.273 The Economic Policy Advice Project worked under the notion that reducing political instability and the honoring of free movement of goods, services, and people are prerequisites for an environment conducive for private sector development. A main objective of this project was to upgrade the work systems, skills of staff, and service delivery mechanisms of the Ministry of National Economy and the Department of Customs & Indirect Taxes in the Ministry of Finance. The project also aimed to help the development of a private sector promoting competencies in the areas of economic policy formulation and implementation.274

European Good Manufacturing Practice Certificate was awarded to the Palestinian pharmaceutical company Pharmacare, also known as Dar Al-Shifa, in January 2008 by the Ministry of Health of Germany. Due to this certificate, Pharmacare exported 2.4 million capsules of Tramal, an opioid painkiller, at the beginning of June 2008 to Germany. This shipment was the first consignment of medicine from the Palestinian territories to the European market.275

Employment Generation Program, started in April 2006 by the German Development Bank (KfW), implements projects and finances services and investments in developing countries on behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ). Local partners within the Palestinian territories can then implement projects with the funding and support of the KfW. This program aims to create short-term, temporary

employment opportunities for Palestinians while simultaneously improving the infrastructure in schools. The work to be completed through this program includes expanding and rehabilitating classrooms, teachers' rooms, staff rooms, sanitary installations and schoolyards. The program will also implement consulting services to supervise with this planning and construction. As of April 2006, 500 classrooms at about 60 schools were built and over 220,000 working days were created.276

Jenin Industrial Park is planning to be constructed by the German Federal Ministry for Economic Cooperation and Development. Such a park would be designed to bring together Israeli and Palestinian private enterprises with public agencies. This collaboration would then strengthen cross-border cooperation and thereby help develop the economy in the region.277

The Joint Palestinian-German Chamber Project was established in the mid-1990s in cooperation among the Handwerkskammer zu Köln (Cologne Chamber of Small Industries and Trades), the Federation of Palestinian Chambers of Commerce, Industry and Agriculture in Jerusalem, and the Regional Chambers of Commerce and Industry in Hebron, Jenin, and Ramallah. Financed by the German Ministry of Economic Cooperation and Development, in January 1999 the partners in this project signed a contract for a second three-year phase of the project. The project’s main objective is to improve the efficiency of the Palestinian partners in fulfilling their duties, acting as representatives and advocate their members' interests to enhance economic development and the private sector’s performance. An important component of this project is sending experts on location to help coordinate this project and share their knowledge to qualified chamber and company employees. This will then improve the Palestinian workforce and thereby make the country more competitive in the global economy. Important achievements of this project were the implementation of a computerized administration system in the Hebron Chamber, the establishment of a joint website for all of the Palestinian chambers and computer training for the chambers’ staff.278 Also, in 1997, the Federation of Palestinian Chambers established the Vocational Training Department, the first department of its kind. The objective of this training department is to improve the Palestinian private sector by enhancing the efficiency of the Palestinian workforce through specific training, thereby increasing the quality of their productions. The trainers who teach receive training in Cologne, Germany to maintain a required standard in the curriculum. Courses address such topics as electricity, machine maintenance and repair, automobile maintenance, marketing, accounting, administration, cash-flow management and computer training in Microsoft Office and the Internet.279

The Netherlands:

*Development Cooperation Program* has three themes, one of which is reconstructing the Palestinian economy particularly through agricultural development. The other two themes are humanitarian aid and the promotion of good governance. Through its private sector development work, two programs facilitated by the Netherlands have gained particular interest from the Palestinian Territories – the Development Cooperation Matchmaking Facility (MMF) and the Private Sector Investment Program (PSI). The MMF helps private businesses in emerging markets create links with Dutch companies in hopes of becoming business partners and establishing long-term business relationships. In order to partake in the MMF, a private Palestinian business must apply to this program and then be matched with the appropriate Dutch business. The PSI, which replaced the previous PSOM program, aims to support Dutch business investments in emerging markets and strengthen the local private sector through pilot projects in the commercial sector. The maximum amount an investment project in the Palestinian territories can attain is 1.5 million EUR, with the PSI contribution or grant percentage at 60%.

- *Development Cooperation Matchmaking Facility (MMF)* helps private businesses in emerging markets create links with Dutch companies in hopes of becoming business partner and establishing long-term business relationships. The Netherlands has implemented this program in over 40 countries in Africa, Latin America, and Eastern Europe as well as in the Palestinian territories. In order to become a part of this program, a private business in an emerging market such as in Palestine has to submit a proposal to the Dutch Embassy to work with a Dutch company. The Embassy will then assess this proposal and then the Agency for International Business and Development in the Dutch Ministry of Economic Affairs will identify Dutch businesses that match the interests of the private business seeking partnership. Once a match is found, the private business will receive a 5000 EUR voucher to hire a Dutch consultant to assist in the planning of the future business partner venture. After about six months, the Dutch consultant will evaluate if further cooperation is sustainable.

- *Private Sector Investment Program (PSI)* aims to support Dutch and other foreign business investments in emerging markets through cooperation with local business in these markets and replaced the previous PSOM (see below for description). The main goal of this program is to strengthen the local private sector through pilot projects in the commercial sector. The Dutch has already implemented the PSI in countries in Africa, Asia, Central Europe, Eastern Europe and Latin America. Once a Dutch company implements a PSI project with a local company in one of the qualified developing countries, the project can apply to be eligible for a PSI grant if certain criteria are met. The maximum amount for an investment project in the

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Palestinian territories is €1.5 million, with the PSI contribution or grant percentage at 60%.²⁸²

- Program for Cooperation with Emerging Markets (PSOM) is a program of the Dutch Minister for Development Cooperation that encouraged investment and commercial collaboration between Dutch companies and companies in emerging markets in certain countries, including the Palestinian territories, in order to support private sector development. Established in the Palestinian territories in 2004, this program enabled Dutch companies to establish new business ventures in cooperation with local companies. For the 42 countries in which the PSOM operates, the total budget was €48 million. On average per project, the PSOM contributed about €500,000, allowing for about 2-3 investment projects per year in each country. The PSOM aimed to contribute to sustainable economic development in emerging markets by generating employment and income, thereby alleviating poverty and helping strengthen the private sector.²⁸³

Norway:

Karni Terminal Upgrade was agreed upon through a signed agreement on May 23, 2007 between the government of Norway and the United Nations Office for Project Services (UNOPS). Through this agreement, Norway provided NOK 30 million over the following 18 months until the end of November 2008. This upgrading aims to improve the terminal’s ability to handle Gaza’s imports and exports. Upgrading the Karni Terminal is one component of the Access and Movement Agreement between the Palestinian and Israeli authorities that was negotiated in November 2005 by Condoleezza Rice, former U.S. Secretary of State.²⁸⁴

Right to My Land Project was launched in 2007 by the Union of Agriculture Work Committee (UAWC) through the humanitarian organization Norwegian People’s Aid (NPA). The goal of this project is to provide training to groups of local farmers so that they can recognize and promote their rights through protest and resistance. The project encourages farmers to organize themselves so that farmer networks can be formed between villages and they can easily share information among these networks regarding farmers’ land and water resource rights. An educational program for women is also implemented through this project. Right to My Land targets Palestinians living in villages close to the ‘Separation Wall’ in the West Bank and villages in the Gaza Strip. When Israel built the ‘Separation Wall,’ a concrete wall up to eight meters high with electric fences, it cut across many fields of Palestinian farmers, thereby causing villages to lose large amounts of land, olive groves and orchards and also making access to greenhouses and water resources difficult. UAWC places an importance on targeting farmers in such areas that are closed off since these farmers have difficulty joining

²⁸² Representative Office of the Kingdom of The Netherlands to the Palestinian Territories.”
central organizations due to travel restrictions and roadblocks. The NPA contributed about NOK 141.911 in 2007 to Right to My Land. 285

Switzerland:

Switzerland Agency for Development and Cooperation (SDC) has implemented various programs in the Palestinian territories in cooperation with other partner organizations. Such programs place particular emphasis on addressing the importance of increasing employment and income in the region.

- InTajuna Project is a project by the organization Solutions for Development and the SDC. The project has a budget of 1.625 CHF and is scheduled to end in April 2011. This project, which started in July 2008, aims to promote Palestinian-made products to the Palestinian people in order to raise awareness about local goods. A key component of this project is an awareness campaign, which raised sales at 45 popular Palestinian retail outlets and raised merchandising for about 15 companies for 45 specific products. This project also involves interactive workshops to raise awareness among Palestinians about local products. To date, the project's 24 workshops have reached more than 2,000 women in 7 Palestinian cities.286

- Irada Project, done by the SDC in collaboration with the Palestinian Businesswomen's Association (ASALA), was implemented in January 2008, with a budget of 1.3 million CHF, and is scheduled to end in December 2010. It aims to provide tailored training sessions for women based on peer-to-peer learning between poor women who successfully launched their micro businesses with poor women who yearn to do the same. This project aims to span many sectors and thereby increase employment opportunities and incomes.287

- PARC Agreement was signed in December 2007 by the SDC and PARC, the Agricultural Development Association, and lasted until November 31, 2008. This agreement was for SDC to support PARC in helping 104 farmers rehabilitate and reclaim 209 dunums of damaged land. The budget for this project was 0.445 million CHF. This project also involved the creation of jobs for 269 people, thereby creating 5380 workdays.288

Youth Employment Sustainability Project (YES) was implemented in November 2008 through an agreement with the SDC and the Welfare Association, a Palestinian NGO established in Geneva. The project is slated to run until December 2015 with $2.8 million provided in funding. The goal of this program is to increase the ability and skills of youth in

the Palestinian territories so that they have better potential to gain employment in local, regional and international markets. This project aims to increase access of Palestinian youth to information regarding employment opportunities and enhance the competencies of Palestinian youth regarding certain labor market skills.  

**United Kingdom:**

*Emergency Job Creation Program,* through a grant from the Department for International Development within the government of the United Kingdom, financed 35 projects in the West Bank and Gaza. The program ended in October 2003 after 2 years. Through the World Bank’s Peace Facility, the United Kingdom provided $1.45 million in financial support. Through the Emergency Job Creation Program, 21 contracts were signed in the West Bank and 14 signed in Gaza. This program generated about 42,000 days of work for formerly unemployed people. The projects were implemented in the sectors of education, health, roads and water management. The main objectives of this program were to support micro and small-scale infrastructure projects and provide provision for short-term technical assistance.

*Palestinian Facility for New Market Development* was a project implemented by the U.K. Department for International Development in early 2008 to assist the Palestinian private sector expand through new market development. The total budget for this project is £3,070,000, with £1,065,431 spent as of 2009. This project targets specifically the development of SMEs. No other partner countries are involved in this project, which is slated to run until 2011.

**United States:**

*Direct Budget Assistance to the Palestinian Authority (PA)* of $200 million was announced on July 24, 2009 by Secretary of State Hillary Clinton. Since the country’s inception, this is the largest form of budget support to the PA. This $200 million transfer is part of the $900 million 2009 pledge Secretary Clinton announced at the donors’ conference in Sharm al-Sheikh on March 2, 2009. This conference addressed the urgent needs of the West Bank and Gaza and the support to foster conditions conducive for the realization of a Palestinian state. To date, the U.S. has given over $72 million through the United Nations Consolidated Appeals and other partner organizations to support humanitarian assistance initiatives in Gaza. By providing over $600 million, the U.S. was the largest national donor to the PA in 2008.

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Middle East Partnership Initiative (MEPI) is located within the U.S. State Department in the Bureau of Near Eastern Affairs. Established in 2002, the MEPI works with NGOs, academic institutions, the private sector, and governments and has provided over $530 million to over 600 projects in 17 countries. Along with efforts to strengthen civil society, political participation, and educational opportunities, one of the main objectives of the MEPI is to foster economic reform in the Middle East and North Africa, including the Palestinian territories. 293 The MEPI's goals include encouraging trade and investment in business, encouraging entrepreneurship, and enhancing the competitiveness of countries' economies by improving legal and regulatory transparency. Projects the MEPI helped fund include training exchange programs, free trade agreement technical assistance, international labor standards promotion and reform of lending processes and regulations of banks. 294 In the Palestinian territories, the MEPI provides support to the Near East Foundation (NEF), a U.S.-based non-profit working in the Middle East and North Africa. 295

The NEF has two main ongoing economic development programs in the Palestinian territories – Olive Oil Production and Women's Mobile Banking.

- Olive Oil Production program is concluding its fourth year. Through this program, the NEF works in collaboration with UNDP and a private foundation to improve the production and marketing of olive oil in the Palestinian territories. This program provides training and equips producers for planting, harvesting, and pressing in the north of the West Bank. From 2006 to 2007, NEF helped produce about 500 tons of extra virgin oil and sell more than 300 tons of through its training of about 1,500 farmers. The NEF also provided equipment and tools for about 450 farmers. In 2008, the NEF helped established the Palestinian Olive Oil Council and hopes to develop agro-business centers through the NEF’s collectives and cooperatives. 296

- Women’s Mobile Banking Project was developed by the NEF and is funded by the MEPI. This project trains women as mobile bankers and allows them to provide credit services to primarily women in the West Bank. 50 women in five women’s associations were selected by the NEF to receive this training. They will be trained by the Arab Bank, Bank Al Rafah, and the Jordan Bank and eventually also hired by these banks. The NEF will also produce simplified loan documents and brochures of these banks for the trained women mobile bankers to distribute in rural areas and to less educated women. The women mobile bankers will also provide valuable local credit market information to the participating banks once returning from their assignments. 297

**Political Risk Insurance Program**, presented by the U.S. Overseas Private Investment Corporation (OPIC), is a program for political risk insurance to increase investments in the West Bank and reduce concerns from foreign investors hesitant to make investments in this region of the world. The National Insurance Co., which is based in the Palestinian territories, signed a deal with OPIC. The U.S.-based non-profit organization the Middle East Investment Initiative (MEII) is the third partner of this deal. Through this program, exporters are offered up to $75,000 per claim. The National Insurance Co. pays the first $10,000, and OPIC and the MEII pay the remainder. The president of OPIC, Robert Mosbacher Jr., said the insurance fund would begin at $5 million and increase to $20 million. Eventually, the program could assist with $400 million in exports.²⁹⁸

**Palestinian IT Assistance** is illustrated through the October 2008 talks between the Palestinian IT Association (PITA) and U.S. government officials about the launching of Palestinian software in the U.S. The goal of this initiative is to help further the efforts of Palestinian products to enter markets in the U.S. PITA claims that the business process of outsourcing services could create jobs for hundreds of Palestinians. For example, the Ramallah-based IT company Exalt Technologies currently outsources services to three companies in the U.S. with such services as framework development and software services applications, illustrating the potential of other Palestinian IT companies entering the outsourcing business.²⁹⁹

**U.S.-Palestinian Partnership (UPP)** is an ongoing alliance that was formed in December 2007 through President George W. Bush, Secretary of State Condoleezza Rice, and USAID Administrator Henrietta H. Fore. Key member organizations in this partnership include the Aspen Institute, the Case Foundation, and the American Task Force on Palestine.³⁰⁰ The government of Israel also supports this partnership. The objectives of the UPP are to create economic opportunities for Palestinians and help prepare the youth of the Palestinian territories to honor their responsibilities as citizens and to good governance. Palestinian Prime Minister Salam Fayyad’s reform agenda guides the work of the UPP and works closely with President Fayyad and his ministers. The Middle East Investment Initiative has also contributed to the partnership’s work.³⁰¹

- **Palestinian Business and Investment Forum** by the UPP was co-hosted by the U.S. Chamber of Commerce on October 14, 2008 in Washington, D.C. The objective of this forum was to discuss how the private sector in the U.S. could contribute to peace in the Middle East and how to bring together businessmen in the U.S. and the Palestinian territories for investment opportunities. Such potential investment opportunities demonstrate how investments and close relationships can affect the lives and security of those in the Palestinian territories. This forum was a follow up to the May 2008 Bethlehem conference held by the Palestinian Authority, the Palestine Investment Conference (PIC). The UPP brought entrepreneurs, partners.

and projects from the PIC to this October 2008 forum. About 200 business leaders in total took part in this UPP forum, resulting in a trip to the West Bank by a follow-on business delegation. U.S. enterprises at the forum that announced major projects included TouchStar, Cisco Systems, Inc., Intel Corporation, USAID, and Capital Gate Services.302

The UPP is a partner of the Women's Entrepreneurship and Leadership Program launched by Goldman Sachs, Inc. The Women's Entrepreneurship and Leadership Program establishes partnerships between universities worldwide to achieve the goal of providing business training for 10,000 women in the Arab region in the next 5 years at the total cost of $100 million. The curriculum in the program focuses on teaching women how to develop a business plan, secure funding, understand accounting, and market products and services.303

USAID, the U.S. Agency for International Development, provides funds for development programs that aim to help improve the livelihood of people worldwide, including those in the West Bank and Gaza. The U.S. has provided over $2.2 billion in economic assistance through USAID projects since 1993, making the U.S. the lead provider in bilateral economic and development assistance to Palestinians. In addition to implementing programs in such areas as health, infrastructure, and governance, USAID also implements various programs targeting economic growth in the West Bank and Gaza.304 Certain loan programs and technical assistance programs focus on promoting development in the sectors of agriculture and business. USAID is also involved with border improvement projects to help improve the movement of Palestinian people and goods.305

Agriculture Programs funded by USAID are particularly important since about 30% of people in the West Bank and Gaza dependent on the production of agriculture and small-scale livestock. USAID provides assistance for certain households that need aid in order to produce food, both for themselves and for sale. USAID provides training, agricultural inputs, and drip irrigation for such households. In 2007 alone, USAID implemented a large amount of assistance to farmers, facilities utilized for olive pressing, and olive oil filling/bottling companies. USAID provided training for 2,917 local farmers in the West Bank and Gaza that addressed the best practices that should be utilized when harvesting, pressing, and storing olives. USAID also distributed in 53 rural locations 56,544 olive harvest crates to help preserve fruit quality before the process of pressing. At 21 pressing mills, USAID installed 36 stainless steel tanks in order to separate the various types of olive oil and still keep their quality. USAID also installed raking systems, filling/bottling systems and

stainless steel storage tanks at three companies.\(^\text{306}\) With increasing employment being one of USAID’s main objectives in its agricultural sector work, USAID has helped farmers with the production of high-value fresh products to export. USAID did so with five farmers in the village of Faraa in the West Bank to produce such herbs for export to Europe and North America by helping them install 6.5 hectares of greenhouses and a cold storage packing house. USAID also helped foster partnerships with Israeli farm businessmen and Israeli authorities to reduce obstacles to border movement of the goods and services related to these herbs exports. USAID also gained approval through the U.S. Department of Agriculture for one of these farmers, Khairazar, to sell his fresh products in the U.S., making this the first time a West Bank product was shipped directly to a U.S. buyer.\(^\text{307}\)

- **Microfinance Programs** by USAID place importance on expanding and strengthening the productivity of micro enterprises, which would then help micro finance institutions (MFIs) and small to medium sized enterprises (SMEs). Such work is especially important during the current economic crisis. After the 2006 elections and the economic downturn, the Palestinian Microfinance sector reduced lending sustainability. By expanding the outreach of MFI networks, lending services will become available to the disadvantaged and poor, thereby strengthening these institutions. This USAID program is expected to increase by approximately 30,000 clients. Through this program, USAID engages commercial banks in the micro finance sector by providing technical assistance and helping them expand their microfinance lending. To date, USAID supported five MFIs providing technical and financial assistance to 15,500 micro enterprises and households. Through grants, loans, guarantees, and technical support, USAID increased the credit portfolio of these five MFIs by 3,592 loans at a value of $4.5 million. These loans were distributed to improve micro entrepreneurial businesses and to improve homes. For three of these five MFIs, USAID decreased the default rate from 80% to 55% in Gaza and from 65% to 33% for the West Bank.\(^\text{308}\)

- **Modernizing Financial Institutions Program** has been implemented since the Palestinian Authority believes that there is a need to update the automated capability of the financial sector. Through the USAID Modernizing Financial Institutions program, the Palestinian Monetary Authority will be provided with procurement and technical training of IT systems, thereby strengthening the management of the Palestinian Authority’s resources.\(^\text{309}\)

- **Palestinian Enterprise Development Program** involves USAID assistance to SMEs that are struggling to revise their business plans and to apply for credit. USAID provides firm-level technical assistance in order to improve the competitiveness,

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management, and technology of firms. This program involves training employees with critical shortage category skills. USAID also sponsors an apprenticeship program to assist new job market entrants become involved in long-term private sector jobs. Additionally, USAID created a research and information network to monitor the economic and social conditions in the West Bank and Gaza, thereby enabling anticipation of economic crises. Through this program, in 2007 USAID maintained 1,615 existing jobs and created 450 new jobs. USAID also facilitated $10.5 million in external financing of private sector firms by aiding businesses with business plans, which involved marketing and financial plans. Additionally, USAID trained 513 interns, 224 of which were hired at permanent jobs and aided five firms in gaining quality standard certifications.310

- **Small and Microfinance Assistance for Recovery and Transition (SMART) Program**, launched by USAID in October 2006, helps Palestinian small enterprises and households. SMART aims to help build stronger and more sustainable Palestinian microfinance institutions to provide services for the growing SMEs and for low-income families.311 Through SMART, USAID contributed two separate grants that ran from May to October 2007 and were worth $2.6 million in total to help fund Palestinian microfinance. The program by CHF International titled Access to Credit received one of these grants, while UNRWA’s Microfinance and Microenterprise Department received the other. This UNRWA department and CHF International have been able to attempt new savings and loan products in the Palestinian market through these grants.312

- **Trade Facilitation Project (TFP)** is a $12 million program established in June 2008 and is planned to continue until June 2011. This program provides trade advisory services and technical assistance along with equipment and technology to implement secure movement of commercial cargo through critical trade routes in the West Bank and Gaza. This program also aims to increase the capacity of the Palestinian Authority Customs and establish an appropriate presence of the Palestinian Authority to improve the flow of trade. USAID also works to promote greater use of risk management techniques, the use of advanced shipment information, administrative and logistical support at Allenby Bridge, and establish a portal for trade information.313

- **Palestinian Integrated Trade Arrangement (PITA)** is a $56 million project that started in September 2005 and plans to run until September 2009. This program provides security technology and technical support to address supply chain management in important trade routes, placing a particular focus on commercial cargo transport to and from the West Bank and Gaza. Consensus Building and Institutional Development is one component of PITA, while Security Enhancement

and Implementation is the other. The second component also places an importance on facilitating a dialogue between the Israeli government, the Palestinian Authority, and the private sector on such trade facilitation issues as policies, standards, systems, and procedures. PITA has already seen a number of achievements throughout its implementation in the West Bank and Gaza. One such achievement was assisting in the lease and purchase of nine cargo x-ray scanners. In 2008, over 60,000 export trucks were scanned with these scanners at three West Bank crossings – Tarqumia, Jalameh, and Sha’ar Ephraim/Tulkarm. PITA also implemented a “known-trader” risk management program in June 2007 in order to improve security and reduce time/costs for shippers. A PITA project that involved four technical training sessions by the Israeli Customs Department for the Palestinian Authority Customs Department led to about $50 million in increased revenue. PITA has also provided support to better address and understand private business movement and also supported a visit by an Israeli delegation to the U.S. Customs and Border Protection headquarters and facilities in Mexico and Canada to observe possible applications to implement in the West Bank.314 In June 2008, the Hebron roadblock was removed due to PITA’s efforts at raising awareness in the international community about the economic and social impacts of this roadblock. An important component of this effort was the establishment in March 2007 of visits and meetings among local businesses, the U.S. Consulate, and USAID, who then informed the U.S. Embassy in Tel Aviv, the Quartet, the Economic Cooperation Foundation, and other important members of the international community.315

- **Job Creation Program** aims to address the problems of declining income, growing unemployment, and increasing poverty in this region. By developing small-scale infrastructure projects over a range of sectors, USAID provides emergency employment opportunities for both skilled and unskilled laborers. About 4,000 Palestinians earned an income through such infrastructure projects funded by USAID.316

- **Employment Generation Programs (EGP) 1 and 2** aim to provide employment and training for recent graduates and to support private sector companies. Lasting from March 6, 2008 until August 31, 2008, EGP 2 provided 60 unemployed graduates with employment and learning opportunities. Additionally, about 80 new talents in the areas of marketing and sales were integrated into private sector companies and institutions. About 120 apprentices were also hired at these companies and institutions via EGP 1 and EGP 2. Both EGPs gave the apprentices training and certification in certain fields that are crucial to the development of SMEs, such as marketing and export development/promotion.317

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- Establishment of the Palestine Information and Communications Technology Incubator (PICTI) in May 2004 was the result of USAID funding of about $4 million from 2004 to 2006 to help promote the development of Palestinian information and communication technology. PICTI would provide its partners with business development and marketing/promotion services, including the development of a personalized website by PICTI for these partner enterprises. Other services PICTI offer include market and business assessments, legal review, analysis, concept development, packaging, targeting, regulatory advice, and management. PICTI encourages businessmen, business groups and universities to apply for its partnership opportunities.318

- PalTrade Institutional Development Program was funded by USAID, in cooperation with DAI Palestine and Palestine Enterprise Development, from March 2007 until March 2008. Through this program, development steps were taken to enhance the work capabilities at PalTrade. A tailored information management system was designed and installed at PalTrade along with the installation of new financial management software. Important IT equipment within the organization was upgraded as well through this program.319

- Marketing Service Development Project was funded by USAID in cooperation with DAI Palestine from August 2007 until July 2008. By helping develop PalTrade’s capacity to provide training, services and market information to its clients, this program aimed to improve the quality and accessibility of business development services to local businessmen. The program also aimed to quantify and assess domestic market share in certain industries in order to offer certain opportunities to local businessmen, thereby increasing sales.320

- Funding for Carana Corporation Programs by USAID began in the summer of 2009 for a $20 million, five-year development program that will be implemented by the Carana Corporation, a U.S.-based company providing economic development support worldwide. This program aims to modernize the Palestinian economy and bring Palestinian competitive goods into new international markets. Sectors the program will target include construction, industrial, metals, leather and shoe manufacturing, engineering, communications, IT, agriculture, tourism, stone, and marble. The Carana Corporation will also provide $12 million towards technical assistance and $8 million in grants to the private sector. This program seeks to create 50,000 to 60,000 jobs.321

- Establishment of the Palestinian Capital Market Authority (CMA) occurred in August 2005 under the CMA law that was approved in late 2004. USAID funded the CMA to

319 Palestine Trade Center (PalTrade), “Projects.”
320 Palestine Trade Center (PalTrade), “Projects.”
enhance development in the private sector. The increase in the Palestinian territories’ non-bank financial activity in the past few years revealed the need for a regulatory body such as the CMA. The CMA now regulates the non-banking financial sector, the insurance industry and mortgage finance and aims to end previous conflicting procedures and regulations.  

- **Business Development Center (BDC) in Bethlehem** was developed through a grant agreement signed between USAID West Bank and the Bethlehem Chamber of Commerce in January 2008. This agreement involved the establishment of the BDC in order to address the revitalization of businesses on Star Street, one of the oldest commercial streets in Bethlehem that connects the city’s southern and northern parts. USAID helped the BDC launch the concept of the “Thursday Market” on Star Street on July 24, 2008. The “Thursday Market” is when all day every Thursday entertainment activities fill the streets while merchants showcase and sell their products. Now the challenge is to expand the popularity of Star Street throughout the week, not just on Thursdays.

The United States Trade and Development Agency (USTDA), funded by the U.S. Congress, is an independent U.S. government foreign assistance agency that promotes economic growth in developing countries and middle-income countries. USTDA provides grants to projects overseas to sponsors who plan and implement projects to support the development of modern infrastructure and open trading systems. In the West Bank, USTDA is particularly active in supporting projects related to the development of internet and wireless networks. In efforts to create a WiMax Network in the West Bank, USTDA is providing a technical assistance grant to BCI Communication and Advanced Technologies, a Palestinian ICT company located in Ramallah, for $480,625. This grant will provide business advisory services, technical analysis, and training in human resources in order to establish a WiMax broadband wireless network for the West Bank to provide service for about 45,000 users. USTDA is also providing a grant to Safad Engineering and Electronics, Ltd., a Palestinian IT company, for $412,093 for a feasibility study. The aim of this investment is to provide business, financial advisory, and technical services for the establishment of an Internet Data Center in Ramallah. The Internet Data Center would be a secure facility for web hosting, web services, and other services for the local market of digital services via the Internet. Also, USTDA awarded a $480,000 grant to BCI Communications and Advanced Technologies Ltd., a company based in the West Bank, in 2008. This grant will be utilized to promote wireless network connectivity in the West Bank. Such a wireless network could connect the West Bank’s ten largest towns and by the fourth year provide wireless service to 45,000 people.

**Private Sector**

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Aspen Institute:

*Palestinian Investment Fund (PIF) Loan Agreement* was signed in 2007 by the PIF with the Aspen Institute, based in Washington, D.C., and the independent U.S. government agency Overseas Private Investment Corporation. This agreement aims to assist small- or medium-sized enterprises (SMEs) by guaranteeing up to 70% of a given loan to a Palestinian SME from a private bank. This agreement involves funding of $50 million from PIF and $110 from OPIC, allowing this pact to cover about $230 million worth of loans. The U.S. NGO CHF International is responsible for administering this loan agreement program.326

Center for American Progress via the Clinton Global Initiative:

*Palestinian Political Risk Insurance (PPRI) Project* is led by the American think tank the Center for American Progress, a member of the U.S.-based Clinton Global Initiative, through a commitment made in 2007. The total value of this project is at $1 million, which started on November 1, 2008 and is scheduled to last for one year. The PPRI will be an entity providing political risk insurance to Palestinian investors and businesses, both small and medium sized. This entity would improve the ability of businesses to move goods within the Palestinian territories and to and from Israel and other countries. Such insurance would then meet the needs of the Palestinian business community, sustain and create jobs, and encourage investment. PPRI will also provide political risk insurance to cover trade asset damage that has resulted from political violence, thereby increasing export activity and business transactions. Although the Center for American Progress is leading this initiative, other organizations involved with the PPRI are the Middle East Partnership, USAID, the Overseas Private Investment Corporation, the Middle East Investment Initiative and the Portland Trust.327

London School of Economics:

*Economic Policy Program* was the first project to provide international legal and technical assistance to Palestinian negotiators. The program provided advice and support for the Palestinian Authority’s economic status negotiations with Israel, establishment of an autonomous trade regime, trade negotiations with third parties, and future accession into the World Trade Organization. This program was coordinated by the London School of Economics in collaboration with the Palestinian National Authority Ministry of National Economy. The European Commission provided funding from 1996 to 1998, while the U.K. Department for International Development provided funding from 1999 to 2004.328 Over 15 senior international lawyers, economists, political scientists, customs experts and local

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consultants in the Palestinian territories were funded in collaboration with the World Trade Institute in Berne, Switzerland as well.329

The Middle East Investment Initiative (MEII):

MEII Loan Guarantee Facility established by the U.S.-based NGO the Middle East Investment Initiative (MEII) supports banks in the West Bank and Gaza to increase lending to Palestinian SMEs in various sectors, such as textiles, garments, pharmaceuticals, and processed food. As of 2009, $28 million has been loaned to SMEs in the Palestinian territories.330 Important supporters of this program are the government of Norway, the Portland Trust, and individuals. Additionally, the European Investment Bank and European Commission together provided €24m for loan guarantees which was combined with €5m of funding from the German Development Bank. 331 CHF International is the local agent in the Palestinian territories that provides assistance to the local banks such as providing loan officers with technical assistance (marketing outreach, evaluating potential borrowers), credit and risk analysis on loan proposals and reviewing loan proposals for guarantees. An estimated 1,000 local jobs, through new hiring by the beneficiaries of this loan guarantee program, have developed due to the loans approved by the end of 2008. It is estimated that the Loan Guarantee Facility will guarantee $228 million in loans, thereby generating thousands of more local employment opportunities.332

Peres Center for Peace:

The Peres Center for Peace, an NGO founded in Tel Aviv in 1996 by the Israeli President Shimon Peres, initiates projects with partners in the region and internationally to work towards peace in the Middle East through socio-economic cooperation between Palestinians and Israelis. Business and Economics is one of the eight fields through which the Center implements its peace building activities. The Peres Center has a prolific number of activities in these efforts that address a wide range of business sectors from tourism to biomedicine.

- Development of Industrial Estates Project by the Business and Economics Department of the Peres Center for Peace aims to advance the Palestinian Authority’s economic growth by supporting the development of industrial estates. By providing both direct and indirect support, the Peres Center has helped plan and establish numerous industrial estates in the West Bank through collaborative partnerships. Through this project, the Peres Center helps initiate and conduct studies and write reports on potential sites for future industrial estates. Other important components of this project is the advice the Peres Center provides on


important industrial estate issues, such as location and sectors and the Center’s assistance in designing implementation plans for industrial estates. The Peres Center also provides consulting advice for business platforms and recommends potential partner institutions. Additionally, the Peres Center serves as the main point of contact on the Israeli side for initiating and fostering this project. The Peres Center helps those on the Palestinian side maintain daily contact with Israeli producers and service providers and also helps facilitate the overall establishment of industrial estates with the Israeli authorities regarding certain issues as electricity, water, access roads, and security issues.

- The Israeli-Palestinian Chamber of Commerce was established by the Peres Center for Peace in cooperation with the Portland Trust and the Federation of Israeli Bi-National Chambers of Commerce. The Israeli-Palestinian Chamber of Commerce started work in early 2009. The goal of this chamber is to foster and improve trade and economic relations between Palestinians and Israelis. Its first business-to-business meeting was held in February 2009, with about 60 Palestinian and Israeli businessmen from the importing, exporting, and shipping sectors meeting to discuss possibilities to improve imports and exports. In May 2009, the Israeli-Palestinian Chamber of Commerce’s official inauguration was held in Tel Aviv. High-profile speakers included Israeli Minister for Regional Cooperation Mr. Silvan Shalom and Deputy Minister of Foreign Affairs Mr. Danny Ayalon who both emphasized the importance of this chamber in promoting economic relations between Palestinians and Israelis. Other leading Israeli and Palestinian businesspeople attended the event along with Israeli government officials and ambassadors from the U.S., Egypt and Jordan.

- Palestinian Exports to Israel Development Project was held by the Peres Center for Peace in collaboration with PalTrade from May 1, 2007 until June 30, 2008. The purpose of this project was to strengthen the economic relations between the Palestinian territories and Israel through encouraging cooperation between Palestinian and Israeli private sectors. This project was comprised of 14 events including business-to-business meetings, capacity building workshops, advocacy, and outreach. These activities involved businessmen in different sectors, such as textile, tourism, handicraft, and ICT. In total, 222 Palestinians participated in the 14 events of this project.

- Tubas Export Development Project started in 2007 and involves a series of studies, workshops, and seminars that aims to increase the export of Palestinian products from Tubas. The Catalan Agency for Cooperation Development is a main supporter of this project. During August 2007, the Peres Center performed a research study titled “Palestinian Agricultural Exports to Israel – The Demand and Scope of Interest

336 Palestine Trade Center (PalTrade), “Projects.”
for Products of the Tubas Region.” This study focused on identifying potential Palestinian products in Tubas to export to Israel and abroad, such as fruit, vegetables, and olive oil. The study also provides potential solutions for the water shortage problem that affects agricultural production in the Tubas region. This report was then submitted to Action Against Hunger – Spain, whose Palestinian partner Palestinian Applied Research Institute - Jerusalem (ARIJ) integrated it into its own study. As a part of this research framework, the Peres Center held the workshop “Effective Marketing for Mutual Benefit” in October 2007. This workshop was the first of five meetings that engaged Palestinians and Israelis who were experts in agricultural and agricultural policies to discuss the results of the Peres Center’s study. Another such workshop was held in December 2007. Participants analyzed a successful business cooperation model for Palestinians and Israelis, discussed ways to provide training for farmers in Tubas and provided recommendations on continued activities. In March 2008, the Peres Center and the Palestinian organization the Applied Research Institute published the report "Palestinian Agro-production Calendar and Marketing Potentials for the Local, Israeli and External Markets" to highlight the importance of cooperation between Palestinians and Israelis in exporting Palestinian products abroad. An accompanying workshop was also held in March 2008 to discuss the report’s findings. In order for officials to better understand the context of these reports and workshops, the Peres Center organized an agricultural tour in April 2008 for members of agricultural unions in Tubas, Palestinian businessmen, Palestinian politicians, Israeli farmers, Israeli markets and members of Action Against Hunger – Spain and NICCOD. Checkpoints, greenhouses, and packing houses were among the locations visited in Tubas. A knowledge-sharing meeting for Israeli agricultural companies and 30 Palestinian representatives was held in May 2008, and Palestinians held a vegetable trade show for the Israeli participants during this meeting as well. A March 2009 seminar held in the West Bank for 15 heads of Palestinian agricultural cooperatives provided instructions for the participants regarding cooperation with Israeli traders, signing trade agreements, payment regulations, follow-up procedures and the legalities of marketing Palestinian products. A series of four workshops began in May 2009 in Israel for 20 Palestinians agriculturalists to help Palestinians better prepare their agricultural products for export. The first of these four workshops involved a visit to the Agritech international exhibition in Tel Aviv, a wholesale market and retail hypermarkets. Participants also met with representatives from Israeli seed companies and the Israeli Ministry of Agriculture.337

exporters at entry points, issues with licensing and standards, and improving trade with Jordan and the Gulf.  

- Business to Business (B2B) Series aims to bring together Palestinian and Israeli businesspeople to introduce them to markets in each other’s parallel sectors. Such interactions could then encourage future partnerships and strengthen cross-border trade and relations. The B2B series involves numerous events that provide Palestinian and Israeli businesspeople with the opportunity to meet in a structured and peaceful business environment and thereby foster potential partnerships. The B2B events are based on certain market sectors and thus involve the participation of companies/businesspeople involved in these sectors.  

- Food and Tourism Industry seminars were convened in November 2007 and November 2008. In November 2007, the Peres Center and PalTrade arranged for a group of about 25 Palestinian businesspeople to attend two exhibitions – the Israfood exhibition, which focuses on the food and beverage industry, and the Hotex exhibition, which focuses on the hospitality and hotel industry. The attendees were able to learn about the latest developments in these sectors and also met with Israeli businesses to create potential partnerships. In November 2008, about 15 Palestinian businesspeople from the food sector attended another Israfood exhibition in Tel Aviv. This exhibition was accompanied by a study tour at Tnuva, the largest dairy company in Israel, and an advanced dairy factory to learn about production processes and safety procedures. About 20 Palestinian businesspeople also attended another Hotex exhibition in Tel Aviv in November 2008.  

- Furniture Industry was one area the B2B series addressed and involved various conferences, exhibitions, and workshops. In June 2006, the Peres Center and PalTrade held a conference for Palestinian and Israeli businesspeople involved with the furniture industry. The conference involved speakers from the furniture and design sector, a reception to meet and create partnerships with representatives from Israeli furniture companies, and a visit to an Israeli company that paints equipment for the wood/furniture industry. In October 2006, the Peres Center and PalTrade arranged for a group of about 30 Palestinian furniture industry businesspeople to visit Israel’s annual furniture exhibition, Rhootim 2007. After learning about the Israeli furniture industry through this exhibition, the Palestinians attended lectures by Israeli experts in this field. The Peres Center and PalTrade also held three furniture workshops in May 2007, November 2007 and November 2008. In May 2007 and February 2008, the Peres Center and PalTrade held furniture painting workshops at Israeli companies with expertise in this field. These two workshops focused on the important painting techniques and equipment for wooden furniture, with about 30 Palestinian businesspeople attending each workshop. In May 2007, the Peres Center and PalTrade organized workshops that involved tours for Palestinian businesspeople to important companies in the Israeli

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339 The Peres Center for Peace, “Business and Economics – Projects.”
340 The Peres Center for Peace, “Business and Economics – Projects.”
furniture sector. Additionally, in November 2007, the Peres Center and PalTrade arranged a visit for about 15 Palestinian businesspeople to the Timber 2007 exhibition in Tel Aviv. This exhibition focused on the latest technologies and developments in the woodworking and fitting industry with a focus on the wood and furniture sector.\footnote{The Peres Center for Peace, “Business and Economics – Projects.”}

- \textit{Handicraft Industry} has also been promoted by the Peres Center through a variety of meetings, exhibitions and workshops. In July 2005 in Tel Aviv, the Peres Center held the first B2B meeting for about 50 Palestinian and Israeli businesspeople involved in the handicraft industry. PalTrade and the Israeli Export and International Cooperation Institute also helped host this meeting. The meeting involved a presentation of the Palestinian handicraft sector and direct business-to-business meetings among the participants. A similar meeting was also held in January 2007 and involved representatives from 27 Palestinian companies and 25 Israeli companies involved in the handicraft industry. The Peres Center and PalTrade also held an educational workshop for over 20 Palestinian handicraft producers in May 2006. This workshop aimed to increase the business and marketing knowledge of Palestinian handcrafters to increase their potential for export and partnership opportunities. The Peres Center and PalTrade also organized for a group of about 20 Palestinian handicraft industry businesspeople to visit the Jovella Exhibition in June 2006 and July 2008. The Jovella Exhibition is an annual trade fair held in Tel Aviv that aims to increase Palestinian-Israeli economic cooperation by enabling Palestinians in the same field to meet their Israeli counterparts.\footnote{The Peres Center for Peace, “Business and Economics – Projects.”}

- In regards to the \textit{Gifts and Accessories Industry} organized the Peres Center organized the Giftec Exhibition in March 2008 in Tel Aviv involving the first-time exhibition of products by Palestinian companies, specifically twelve Palestinian handicraft companies from the West Bank (March 2008). This exhibition focuses on promoting gifts and decorative handicrafts and is facilitated by the Peres Center and PalTrade. Products the Palestinians exhibited included ceramics, glass, embroidery, and pottery. This involvement helped Palestinian and Israeli businessmen build foundations for future partnerships.\footnote{The Peres Center for Peace, “Business and Economics – Projects.”}

- The Peres Center and PalTrade have held four B2B meetings for the Palestinian \textit{Textile Industry} between 2005 and 2007. In April 2005, the meeting in Tel Aviv involved over 60 representatives from the Palestinian and Israeli textile industries and included presentations on the trends and changes on the industries in each region. The following meeting in September 2006 of over 70 Palestinian and Israeli representatives started with a panel discussion on the issue of border crossings and shipping products. This meeting involved discussions with political officials and policy makers and also a tour to an Israeli home textiles factory that taught them about new technologies in this field. The October 2007 meeting was a two-day seminar titled “Computerized Pattern Design” and held in cooperation with the Israeli Textile and Fashion Association. Leading Israeli lecturers from OptiText, a computer company that makes software for the textile and fashion industry, led this
semiar. This seminar enabled about 16 Palestinian textile businesspeople from the West Bank to become acquainted with important software used for design and production that is relevant to their field. Lastly, in December 2007, the Peres Center and PalTrade arranged for about 25 managers from various Palestinian textile companies to attend the conference “The Future of the Textile Industry: Innovation, Technology, Design & Strategy” held by the Israeli Textile & Fashion Association. The attending Palestinians learned about new technologies and marketing methods in the field and became acquainted with their Israeli counterparts.\textsuperscript{344}

- Developments in the \textit{Fashion Industry} include, under the guidance of the Peres Center and the Bethlehem Chamber of Commerce, a group of Palestinian women embroiderers who worked with the Israeli clothing shop Comme il Faut in the spring of 2004. Through this collaboration, the spring collection titled “Peace Women” was developed, combining traditional Palestinian styles with modern Israeli fashion. This unique collection was launched in June 2004 in Tel Aviv.\textsuperscript{345}

- The Peres Center held and helped Palestinians attend a number of \textit{IT meetings} between 2006 and 2008. In November 2006, the Peres Center and PalTrade organized about 20 Palestinian IT businesspeople to attend the exhibition Telecom Israel 2006, enabling the Palestinians to learn about developments in the field, market knowledge, and partake in discussions. In January 2007, the Peres Center with PalTrade and the Israel High-Tech CEO Forum held a meeting specifically for businesspeople from the IT and high-tech sector. A total of 20 Palestinians and 25 Israelis attended this meeting. The meeting highlighted opportunities in the Palestinian IT sector to the Israeli market. In addition to one-on-one sessions, Portland Trust Chairman Sir Ronald Cohen spoke at the event and emphasized how economic development could help lead to peace between Palestinians and Israelis. In March 2007, the Israeli newspaper \textit{The Market} held a symposium titled Convention 2007. The Peres Center and PalTrade organized about 15 senior IT managers from Gaza and Ramallah to attend and learn about the new technologies in the IT sector. The Peres Center and PalTrade organized a similar trip for representatives from Palestinian IT and telecom companies to attend the VON Israel 2007 conference in October 2007, a main internet and telecommunications event in Israel. The group of 11 Palestinian businesspeople attended the lectures and the conference provided them with the opportunity to meet future partners and market their companies. In November 2007, about 25 Palestinian businesspeople attended the exhibitions Fiscom 2007 and Isprint 2007 in Israel through the assistance of the Peres Center and PalTrade. Fiscom 2007 focused on the PC and high-tech industry, while Isprint 2007 is Israel’s largest exhibition of printing and cross-media technologies. At the May 2008 Israel Venture Association Conference, the Peres Center held a press conference to bring attention to the potential for development in the Palestinian IT sector. PalTel Group CEO Dr. Abdul Malik Al-Jaber made this presentation during which he announced the establishment of the first Palestinian venture capital fund.\textsuperscript{346}

\textsuperscript{344} The Peres Center for Peace, “Business and Economics – Projects.”
\textsuperscript{345} The Peres Center for Peace, “Business and Economics – Projects.”
\textsuperscript{346} The Peres Center for Peace, “Business and Economics – Projects.”
- Regarding the Shipping and International Transportation Industry, in 2004 the Peres Center and PalTrade, with the support of the Friedrich Naumann Foundation, held two roundtable discussion meetings in Jerusalem for Palestinian and Israeli businesspeople involved in shipping and international transportation. The discussions focused on improving the flow of trade between the Palestinian territories and Israel. These meetings also launched the idea for the Palestinian Shippers’ Council and proposed ideas for an inland depot for Palestinian goods and for a Palestinian Chamber of Forwarders and Customs Brokers.\(^\text{347}\)

- To address the Banking Industry, the Peres Center held a forum in Jerusalem for Palestinian and Israeli bankers in January 2004. Israeli attendees included representatives from the Bank of Israel and the Association of Banks in Israel, while Palestinian representatives from the Bank of Palestine and the Palestinian Trade Bank. The participants discussed the main problems in banking between Palestinian and Israelis that need to be addressed, such as the movement of Palestinian bank managers, reaching different branches, mobility of cash/payments from Palestinian to Israeli banks, and the clearing of checks from Palestinian banks. Suggestions at this forum to address such problems were to establish a joint lobby of bankers to address problems shared by all banks and to the UK’s model of electronic check clearing.\(^\text{348}\)

- To assist the BioMed Industry, the Peres Center and PalTrade helped facilitate the attendance of a delegation of Palestinian pharmaceutical businesspeople at the June 2007 conference Biomed Israel 2007 in Tel Aviv. This conference focused on the business aspects of the pharmaceutical industry and involved panel discussions on such issues as technology transfer, regulation, marketing, and investment. The Palestinian pharmaceutical industry currently has six companies but has much potential for development and expansion.\(^\text{349}\)

- Tourism Cooperation Project aims to promote cross-border cooperation among tourism sectors in the Middle East to establish a strong tourism industry. Such an industry would then lead to regional stability, employment, dialogue, and economic growth in the Middle East, especially the Palestinian private sector. This project aims to bring together the main actors in the tourism industries of the Palestinian territories, Israel, Jordan, and Egypt. Components of this project involve forums, conferences, and workshops.\(^\text{350}\)

- Tourism4Peace Forum was held in July 2004 by the Peres Center in cooperation with the Israeli Hotel Managers Association. This forum was held for Palestinian, Egyptian, Israeli, and Jordanian businesspeople involved in the tourism industry to promote regional cooperation in this field. Through this forum and its continued meetings, these businesspeople identify obstacles they experience while working in

\(^{347}\) The Peres Center for Peace, “Business and Economics – Projects."

\(^{348}\) The Peres Center for Peace, “Business and Economics – Projects."

\(^{349}\) The Peres Center for Peace, “Business and Economics – Projects."

this industry and propose resolutions to address these issues. Such issues include freedom of access to religious sites, freedom of movement for tourism professionals, work permits, better access to the airport, and international travel warnings. The July 2004 forum also established sub-committees for Security and Freedom of Movement, Marketing, and Vocational Training to provide specialized attention to address these issues. In May 2006, representatives from the Tourism4Peace Forum held a presentation in Israel at the American Tourism Society conference and marketed Israel, Egypt, Jordan, and the Palestinian territories as one tourist destination. A meeting held by the Peres Center and the Israeli Hotel Managers’ Association in July 2008 for Palestinian and Israeli members of the Tourism4Peace Forum to discuss border control and restriction of movement issues, especially between Bethlehem and Jerusalem. A similar meeting was held in September 2008 with the same objectives and topics of discussion and included planning for the annual Tourism4Peace conference. In June 2009, the Tourism4Peace Forum published a broad survey focusing on Israel’s five major border crossings with its neighbors – the Jordan River, Allenby Bridge and Arava-Rabin Border Crossings with Jordan, the Taba Border Crossing with Egypt, and the Bethlehem Crossing with the Palestinian Authority. This was followed by a bilateral meeting in July 2009 with Palestinian and Israeli tourism professionals.  

- The Peres Center held four conferences within its Tourism Cooperation Project and Tourism4Peace Forum. In November 2006, the Tourism4Peace forum participants made presentations in The Netherlands at The Hague and CHN University in Leeuwarden that encouraged tourism in the Middle East. The audience consisted of local travel and trade professionals from The Netherlands, university students and faculty, and media. In March 2006, Kinneret College in cooperation with the Peres Center held the third Tiberias Tourism Conference titled “Border Tourism and Regional Development at the Frontier of Israel with its Neighboring Countries.” Representatives from Israel, Egypt, Jordan, and the Palestinian territories attended. An interesting issue discussed was the concept of borders as tourist attractions as opposed to obstacles for tourism. In January 2005 in Tel Aviv, the Peres Center in cooperation with the Israeli Hotel Managers Association held the regional tourism conference “Regional Tourism in the Middle East – A New Era.” With over 200 participants, this conference included speakers from the Israeli, Egyptian, Palestinian and Jordanian tourism sectors. The conference discussed changes in tourism trends in the region and the need for cooperation to achieve prosperity in the region. This conference was preceded by a roundtable discussion with tourism professionals from the region.  

- Since 2005, the Peres Center has conducted Educational Tours to strengthen business relations between Israeli and Palestinian tourism sectors. In February and September 2005, the Peres Center held two Educational Tours in cooperation with the Arab Hotel Association and the Israeli Incoming Tour Operators Association. These tours aimed to introduce Israeli tour operators to important components of the Palestinian tourism industry. In June 2006, in cooperation with the Israeli Hotel Managers Association, the Peres Center organized an Educational Tour for about 40

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351 The Peres Center for Peace Business & Economics Department, “Tourism Cooperation.”

352 The Peres Center for Peace Business & Economics Department, “Tourism Cooperation.”
Palestinian students and faculty from Notre Dame Hotel School in Jerusalem. This tour involved a visit to an Israeli winery, the largest Israeli hospital training school, and two main hotels. This tour helped introduce these students and faculty to the Israeli tourism industry, thereby helping foster future cross-border regional tourism programs.\textsuperscript{353}

- The Peres Center in cooperation with the Arab Hotel Association and the Israel Hotel Managers Association has also held workshops to help foster regional cooperation for the Palestinian tourism industry. In November 2005 and May 2006, joint Palestinian-Israeli vocational training marketing workshops were held for professionals in the tourism sector. The November 2005 workshop, titled “How to Build an Effective Marketing Plan,” involved the participation of about 25 Palestinian and Israeli hotel and marketing managers and discussed the essentials of developing a marketing plan, research, advertising and public relations. The May 2006 workshop, “E-Hotels: Marketing in the Era of the Internet,” had about 25 Israeli and Palestinian participants and was presented via the internet by an expert on hotel marketing. In addition to the marketing workshops, an English writing workshop was held in March 2008 for about 20 Palestinian and Israeli hotel managers and staff who received training in English writing skills related to tourism, such as writing letters and emails.\textsuperscript{354}

- \textit{Capacity-Building Initiative} project aims to provide additional skills to business sectors, especially the Palestinian private sector, for businesspeople to become more involved in local and international trade. This project also aims to bridge the gap between economies in this region of the world and decrease any negative effects the political situation may have on these economies. Elements of this project include workshops, seminars and exhibitions.\textsuperscript{355}

- The Peres Center and PalTrade organized about 30 Palestinian businesspeople from Hebron and Bethlehem who work in the field of handicrafts to attend the Israeli \textit{Giftec Exhibition} in August 2008. During this exhibition, the participants were able to review the various presented products and meet with their Israeli counterparts to discuss their professional and business interests. This exhibition hopes to follow the success of the previous Giftec Exhibition that resulted in commercial deals worth over 2 million shekels just 4 months after the exhibition.\textsuperscript{356}

- \textit{Training the Trainers Program} about trade issues focusing on imports and exports was held in November 2008. This training program lasted for nine, three-day sessions and involved the attendance of about 15 Palestinian businesspeople. This course gave Palestinian businesspeople advanced training regarding the regulations for Israeli import and export authorities due to the Palestinian market's dependence on Israeli trade infrastructures. After completing this program, the participants will

\textsuperscript{353} The Peres Center for Peace Business & Economics Department, “Tourism Cooperation.”
\textsuperscript{354} The Peres Center for Peace Business & Economics Department, “Tourism Cooperation.”
\textsuperscript{356} The Peres Center for Peace Business and Economics Department, “Capacity Building Initiatives.”
be accredited to work as guides/counselors in the export/import trade field. Between November 2008 and March 2009, the first four sessions were held and offered theoretical training but in an interactive environment. The fifth session held in April 2009 involved a site visit to tour two shipping companies in central Israel. The sixth and seventh sessions were held in May 2009 and involved a tour of the Ashdod shipping seaport and a meeting with the Marketing Manager. In June 2009, the ninth session was held as a three-day gathering for about 15 Palestinian businesspeople and involved a visit to the Tarqumia Trade Terminal.\textsuperscript{357}

- \textit{Seminars} are an important part of the Peres Center’s Capacity-Building Initiative and have been held since 2005. In July 2008, in cooperation with PalTrade, Shenkar College, and the Israeli Textile and Fashion Association, the Center held a marketing and manufacturing seminar for about 20 Palestinian footwear designers and manufacturers. Israeli footwear designers made presentations about their knowledge and expertise regarding the design process. Israeli marketers also made presentations and emphasized the importance of building relationships between Palestinian and Israeli businesses involved in the same sector. The attending Palestinian designers were able to display their designers for their Israeli counterparts and also received a preview of upcoming Israeli footwear designs. Another seminar the Peres Center holds is the “Chain of Supply” seminar, held in cooperation with PalTrade and the Palestinian Shippers’ Council. Held since 2005, the “Chain of Supply” seminars are two-days seminars meant to inform Palestinian businesspeople about trade and logistical procedures regarding Israeli ports to make trading more efficient. Such seminars are particularly important since many Palestinian imports and exports are shipped through Israeli ports and are subjected to Israeli regulations and customs. For each “Chain of Supply” seminar, the first day involves lectures covering certain topics (customs processes, import permits, standards checks, custom agents, freight forwarders, international shipping, and marine insurance) and the second day consists of a tour to a port, airport, or storage/logistics facility. In November 2005, in cooperation with the Bethlehem Chamber of Commerce and Industry and the Center of Education for Reconciliation and Cooperation, the Peres Center held seminars about SMEs. This was a four-day seminar and involved the attendance of about 20 Palestinian businesspeople from Bethlehem working in various fields. The goal of this seminar was to provide these businesspeople with important business tools and resources to help develop Palestinian SMEs. Workshops and lectures covering topics such as business planning, micro-financing, and human resources development were held along with tours to Israeli businesses and factories.\textsuperscript{358}

- \textit{Workshops} have also been another important component of the Peres Center’s Capacity-Building Initiative focusing on such topics as packaging and marketing. Three workshops the Peres Center held focused on packaging of various Palestinian products, mainly meat, food and olive oil. Peres Center in cooperation with PalTrade held a training course conducted by the Israeli Design and Packaging Institute in July 2009 for 20 Palestinian businesspeople from the meat industry. This seminar provided information on recent developments in meat packaging techniques and

\textsuperscript{357} The Peres Center for Peace Business and Economics Department, “Capacity Building Initiatives.”

\textsuperscript{358} The Peres Center for Peace Business and Economics Department, “Capacity Building Initiatives.”
involved lectures and a visit to the Kibbutz Gazit Packaging Factory. A similar seminar was held in May 2008 for three days and addressed packaging issues for 20 Palestinian manufacturers from the food industry in the West Bank. The workshop involved lectures from Israeli experts that covered such topics as the logistics, economics, and regulation standards for packaging. The participants also received a tour of two packaging factories in the industrial zone of Caesarea. A third packaging workshop focused on the packaging of olive oil and was held in March 2008 by PalTrade. This two-day program for about 15 Palestinian olive oil manufacturers from the West Bank involved lectures, presentations, and a visit to two Israeli factories that produce and package olive oil. In addition to the packaging workshops, another workshop held by the Peres Center in cooperation with Intel in September 2008 titled “Advanced Process Control” was for Palestinian engineers from the West Bank. This workshop was held at the Intel office in Jerusalem and aimed to update these engineers with developments in process management in order to improve their skill levels.  

### The Portland Trust:

- **Affordable Housing Program**, launched in May 2008, aims to build housing units in the Palestinian territories that are affordable for a large segment of the Palestinian population. In late 2009, groundbreaking will begin for a project in Al Reehan for a 5,000-unit master plan of housing units. Additionally, in cooperation with the Palestinian Authority and the Palestinian private sector, the Portland Trust is promoting a $1 billion project to build 15,000 housing units across the West Bank by 2013. This project would create thousands of employment opportunities in the West Bank and increase GDP by 1.5% per year for five years. The housing units will be affordable for about a third of Palestinians, specifically those who have a monthly income between $800 and $1,400.  

- To address **Microfinance in the Palestinian Territories**, the Portland Trust in cooperation with PalNet Finance has been working with the Palestinian Network for Small and Micro Finance (PNSMF) to support and provide technical assistance to microfinance in the Palestinian territories, thereby helping alleviate poverty. Through this work, the Portland Trust is trying to help build the capacity of the PNSMF to give better access to the poor to develop their microenterprises. Such assistance would include vocational training and business development schemes. The main objectives of this program are to improve living conditions for Palestinians, increase employment opportunities, and encourage entrepreneurial endeavors. In 2007, the European Union provided a €750,000 grant to develop a three-year action plan for enhancing the microfinance sector. The Portland Trust is also considering implementing projects with individual Palestinian MFIs, such as Al Rafah Bank and PARC.  

- In February 2008, a pilot **training project** was launched in the West Bank for 89 micro entrepreneurs. The Portland Trust launched this project in partnership with

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359 The Peres Center for Peace Business and Economics Department, “Capacity Building Initiatives.”  
361 The Portland Trust, “Projects.”
the Sharek Youth Forum and the Small Enterprise Center. This training program provided training in business development and financial planning. Immediately after this course, 16 new businesses were established and 12 new businesses are planning to be established.\textsuperscript{362}

\textsuperscript{362} The Portland Trust, “Projects.”
Agreements

The International Finance Corporation (IFC), a member of the World Bank Group, signed agreements in March 2008 with two banks in the Palestinian territories – the Al Rafah Microfinance Bank and the Palestinian Capital Markets Authority. This March 2008 agreement was to help Palestinian entrepreneurs and small companies increase their access to trade finance. Through this agreement, the Al Rafah Microfinance Bank was the first Palestinian bank to join a global finance program by the IFC. Additionally, in July 2008, the Bank of Palestine signed a strategic investment partnership agreement with the IFC. This agreement states that the IFC will acquire a 5% stake in the Bank of Palestine’s equity by investing $13 million in the bank. This strategic partnership aims to enhance economic development in the Palestinian territories and to strengthen their domestic financial sector and the private sector.

Palestinian Membership in World Chambers Federation became official in December 2007 when the Federation Palestinian Chamber of Commerce, Industry, and Agriculture signed an agreement to join the World Chambers Federation (WCF). The WCF is the specialized division of the International Chamber of Commerce, the world business organization, for its chamber members that provide a forum to work on projects and mutual areas of interest. This membership gives the Palestinian Federation access to all of the benefits provided by the WCF, such as business capacity building, support during commercial arbitration cases and participation in international exhibitions. This membership will also help Palestinian businesses become more accessible to foreign markets and improve the services the Palestine Chambers provides.

A system to Monitor Trading Activities went into effect through the Palestine Securities Exchange (PSE) and the Palestinian Capital Market Authority (CMA) signing an agreement in 2009 with the International Australia Smarts in Sydney. This agreement allows the utilization of International Australia Smarts’ on line systems by the PSE and CMA to monitor trading transactions.

Wataniya Telecom, a mobile phone company based in Kuwait, became the second mobile phone operator in the Palestinian territories in January 2008. This complemented the other progressive steps taken for the Palestinian telecom industry in January 2008 with the introduction of 15 new licenses for four broadband and 11 voice-over internet protocol providers. The Ministry of Telecommunications also announced on January 3, 2009 that the

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Palestinian telecom markets would be open to foreign and domestic investment.\textsuperscript{367} Wataniya is expected to enhance the Palestinian economy by $650 million.\textsuperscript{368}

Commercial Businesses

**BizSpark Program** was launched by the Microsoft Corporation in cooperation with the Palestine IT Association of Companies and Palestine Information and Communications Technology Incubator (PICTI). By providing important resources such as software, production licenses, platform technologies and development tools, this program’s main objective is to support IT companies during their early, start-up stages. The program will also help connect these start-up IT companies with other investors and advisors to gain more resources and support.\(^{369}\)

**British Gas Group (BG Group)** works under an exploration license that gives the company access to all of the marine area that is offshore from the Gaza Strip. In 2000, the BG Group successfully drilled two wells – Gaza Marine 1 and Gaza Marine 2. Reserve estimates from these wells are about 1 trillion cubic feet (tcf). The Palestinian Authority approved an outline for a Development Plan for sub-sea level development and a pipeline going to a processing terminal on the Gaza Strip’s shore. The BG Group currently holds 90% equity in this license with the Consolidated Contractors Company, one of the largest contractors in the Middle East, as its 10% partner in this license. Despite efforts to reach a deal with the government of Israel to sell gas from the Gaza Marine field in Israel, the BG Group withdrew from these negotiations with the Israeli government in December 2007 and closed its office in Israel in January 2008. The BG Group is still evaluating other options to sell this gas from its wells in the Gaza Marine.\(^ {370}\)

Early in 2008, **Cisco**, a leading supplier of Internet network management and networking equipment based in the U.S., gave a $10 million grant to aid Palestinian’s IT sector. With this grant, Cisco and the Palestinian Steering Committee for the Information and Communication Initiative have been considering the establishment of a **Financial Incubator Fund** that will create emerging companies from investment ideas. This project to develop the information and communications sector in the Palestinian territories will be a three-year project lasting until 2011.\(^ {371}\)

**Jordanian Express Company** was awarded with a license for $3.1 million for a wireless mobile radio communication service in the fall of 2006 by the Palestinian Ministry of Communications and Technology. This agreement was a pleasant development for the Palestinian private sector.\(^ {372}\)

**Transformational Business Network (TBN),** an association of businesspeople who support economic development in developing countries and is based in the United Kingdom, announced in late February 2007 its plans to establish call centers in the West Bank and Gaza. A number of call centers have planned to be established between 2007 and 2012, which are predicted to provide IT and customer support jobs for about 900 Palestinians.

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About $1.1 million was needed to start this project in the West Bank and Gaza. The high level of education and language skills among Palestinians and their low wage levels make the Palestinian territories well-situated for call centers.\textsuperscript{373}

**Future Projects**

The *IFC Board of Directors* is currently considering specific investment projects in the West Bank and Gaza to assist in the territories’ economic development. One such investment announced approved in June 2008, one such proposed investment is for the Bank of Palestine. This is the first and largest national bank in the Palestinian territories, established in 1960, with 31 branches in the West Bank and Gaza. The IFC investment aims to support the regional expansion and growth of the Bank of Palestine. Another proposed investment that was recently approved is for funds towards the Wataniya Palestine Mobile Telecommunication Company. Disclosed on August 27, 2008, this investment was approved by the Board of Directors on January 15, 2009. This project involves the operation and construction of a greenfield mobile cellular telephone network in the West Bank. The Wataniya Palestine Mobile Telecommunication Company, which is owned by Wataniya International, Qatar Telecom, and the Palestine Investment Fund, will implement this project.\textsuperscript{374}


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