

December 22, 2009

Latest Economic Developments in the Palestinian Authority

Continued improvement in the economic situation in the West Bank:

1. **Gross National Product:** During the Q1 of 2009 the Palestinian GNP has increased by 5.6%, compared with the Q1 of 2008. In addition, the GNP has increased by 5.4% in the Q2 of 2009 compared to the same time last year.
2. **Employment:** According to COGAT, the rate of unemployment in the West Bank has gone down from 19% in 17.7% in the Q1 to 16.4% in the Q2 of 2009. However, according to official Palestinian data, the unemployment rate in the West Bank actually went up from 15.9% in the Q1 of 2009 to 17.8% in the Q2.
3. **Growth:** Palestinian Prime Minister, Salam Fayyad, said in an interview to *Newsweek* magazine that he expects the Palestinian annual growth rate in 2009 to reach 8% and possibly more. The Quartet Envoy to the Middle East, Tony Blair, has said that he expects the growth rate to reach double digit.
4. **Foreign investments:** According to official Israeli estimates, the scope of foreign investments in the Palestinian Authority has had a six-fold increase this year, compared to 2008.
5. **Money transfers from Israel:** Israel continues to transfer collected tax revenues to the Palestinian Authority. According to official Israeli sources, the Israeli Ministry of Finance has approved in November the transfer of 330 million Shekels to the Palestinian Authority. In October, 293 million Shekels were transferred.
6. **Truck traffic from Israel to the Palestinian Authority:** During the first half of the year there has been an increase of 41% in truck traffic compared to the same time last year.
7. **Sales from the PA to Israel:** The first half of 2009 saw an increase of 8% in Palestinian sales to Israel, compared to the same time last year (\$136 million to \$147 million).
8. **Palestinian purchases from Israel:** The first half of 2009 saw a 9.5% decrease in Palestinian purchases from Israel, compared to the same time last year (from \$796

million to \$720 million).

9. Palestinians' employment in Israel:

- In September 2009 the number of permits issued to Palestinians to work in Israel has reached 51,318. 86% of the people who were issued these permits actually utilized them.
- In addition, this year witnessed an increase of 8.4% in the number of Palestinian employed in Israel, compared to 2008.
- 14% of the entire Palestinian workforce is employed in Israel.

Foreign support to the Palestinian economy:

10. The Palestinian Ma'an News Agency has reported (16/12) that the French government will deliver 200 million Euros for the support and development of Palestinian infrastructure over three years. Palestinian Minister of Foreign affairs Riyad Al-Maliki and his French counterpart Bernard Kouchner signed three agreements for the funds in the French minister's office in Paris shortly before the announcement. Additionally, two further agreements were signed whereby diplomatic and political cooperation between France and the Palestinian Authority would be fostered, as well as an offer of 1.5 million Euros to support the PA treasury. The French aid will back Ramallah-based Prime Minister Salam Fayyad's plan to lay the institutional foundations of a Palestinian state in the next two years.

11. The Ma'an News Agency has also reported that the United States has announced (14/12) the transfer of 75 million dollars in budget support to the Palestinian Authority. The donation was part of US support for Fayyad's plan to build the institutions of a state within two years.

The donation is a 50% advance on the US overall pledged budget support to the Palestinian Authority over the coming year. With this transfer, the US will have provided more than 575 million dollars in direct budget support to the PA.

The US claims the moniker of the largest single donor to the PA, although the European Union's 22 states' combined contributions are larger.

12. The CEO of the Palestinian Chambers' of Commerce Association has met (6/12) with representatives of the International Labor Organization (ILO) and of Southern Sweden Chamber of Commerce. They all signed a Memorandum of Understanding to conduct a survey of Palestinian SMEs.

Export:

13. According to Ma'an News Agency, over 300 tons of medicinal herbs are planted in the north of the West Bank and exported to markets in the US and EU, but are not bought by Palestinians because of high prices. The project began in 2007 with 2 million US dollars, 40% of which was funded by USAID. The capital of the project has reached 3 million US dollars. More than 100 workers are employed in this company and 80% of its products are exported to US and EU markets. The herbs reach the shelves labeled "Made in Palestine".

Real Estate:

14. The Palestinian Ministry of Public Works has signed a contract to build a new Presidential compound that would be a part of a new governmental complex that will be built in Ramallah. The total cost of the project, estimated to be completed by 2012, is \$31 million.
15. The Bayti Group, which builds the new city of Rawabi 9 kilometers of Ramallah, has announced that it has finished measuring the building site of 200 acres. The company also started to examine quotes from contractors as it prepares to begin works to level the site.

Tourism:

16. Dr. Khuloud D'eibes, the Palestinian Minister of Tourism, has told Palestinian press that during the past year there has been a considerable increase in the number of foreign tourists who come to the PA. She attributed the positive change to the improvement in the economic and security situation and to the decision of many

countries to tone-down their travel advisories to the West Bank.

17. Dr. D'eibes has also said that in order to boost tourism in the Palestinian Authority, her Ministry works in three main fields:

- Marketing the PA abroad as a tourist destination by participating in exhibitions and opening tourism offices in various countries.
- Inviting foreign tourism operators to the West Bank.
- Cooperating with the Palestinian private sector to improve services for tourists.

18. With regard to working with Israeli companies in promoting the Palestinian tourism sector, Dr. D'eibes has said that during the last three years there have been a few attempts to work with Israelis, but stressed that they have failed and blamed the Israeli government for that. She added that although the majority of the tourists who come to the West Bank also visit Israel, Jordan and Egypt, it should be noted that 70 percent of all the religious sites in the region are located in the West Bank. The Palestinian Minister has also made clear that in spite of all this, the Israeli government does not perceive the PA as a partner.

19. In another interview Dr. D'eibes gave lately to the Palestinian media, she predicted that 2 million tourists will visit the PA until the end of the year.

20. The Palestinian Ministry of Tourism welcomed a few weeks ago missions from the Ministries of Tourism of Spain and Germany. The missions have visited the Christian religious sites in West Bank and Israel. Their visit was made possible through funding from USAID.

Miscellaneous:

21. The Palestinian Ministry of Communications has announced last week that it has started a campaign to restore mail services in the West Bank. At a ceremony held at the Ministry's head office in Ramallah, six new mail delivery vehicles and a new logo were inaugurated. In addition, the Palestinian Authority has received lately a

special code from the International Postal Organization enabling, for the first time ever, to send mail from abroad directly to the West Bank and Gaza.