

Conferenza

“Il Piano Export Sud e le nuove prospettive della Cooperazione Euro-Mediterranea”

Palermo, 12 giugno 2014

Focus Paese: TERRITORI PALESTINESI

Dott. Alessio PONZ DE LEON PISANI
Direttrice Ufficio ICE - Amman

Table of Contents

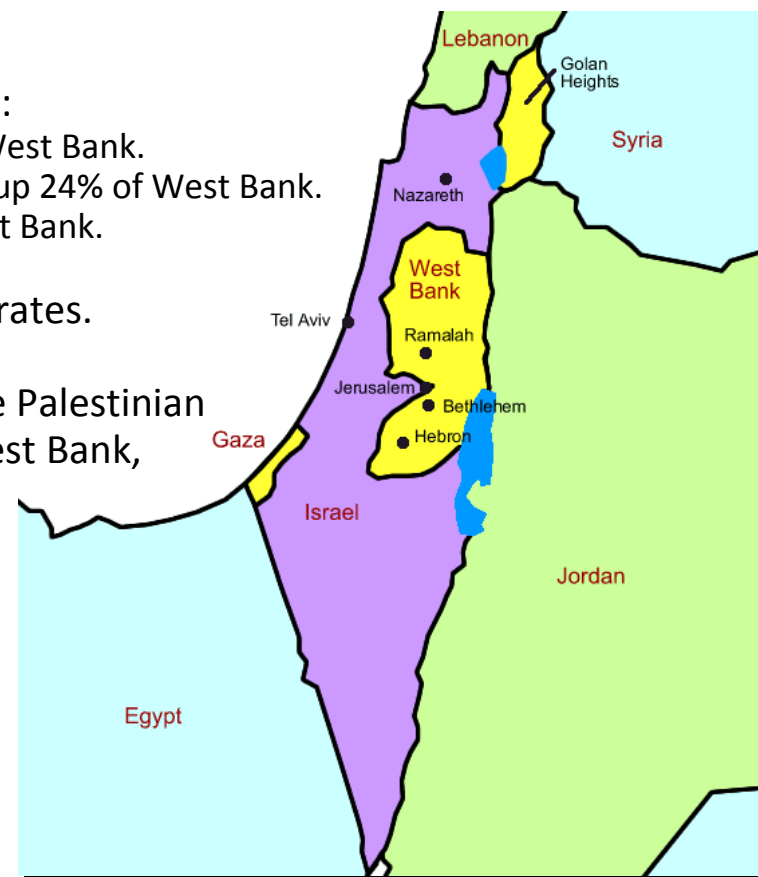
- PART 1 – GENERAL MACROECONOMIC
 - 1.1 – Palestine General Information

- PART 2 – SECTORS SURVEY
 - 2.1 – Brief description of each sector
 - 2.1.1 – Water Resources Projects and Management
 - 2.1.2 – Renewable Energy
 - 2.1.3 – Agriculture
 - 2.1.4 – Agro-Industry
 - 2.1.5 – Pharmaceuticals
 - 2.1.6 – Environment
 - 2.1.7 – Stone and Marble

- PART 3 – MARKET OPPORTUNITY
 - 3.1 – Analysis of Market Opportunities for Foreign Investors

Palestine General Information

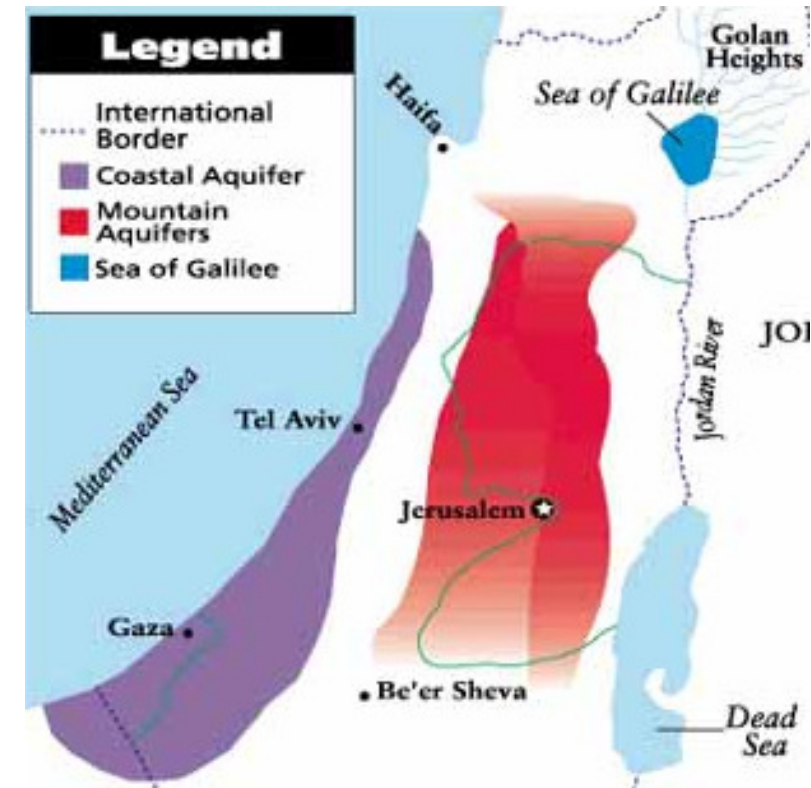
- The historical mandate of Palestine consists of a total area of 26,323 km² ; however, the currently occupied Palestinian territories consist of 6,020 km² and is comprised of two geographically separated parts (West Bank: 5,655 km² ; Gaza Strip: 365 km²)
- In 1995, the region was separated even further, at the Oslo II Accords:
 - Area A: Under full Palestinian civil and security control. Makes up 3% of West Bank.
 - Area B: Under Palestinian civil control and Israeli security control. Makes up 24% of West Bank.
 - Area C: Under full Israeli civil and security control. Makes up 73% of West Bank.
- Administrative divisions of Palestine are divided into 16 governorates.
- Following the Palestinian Legislative Council election in 2006, the Palestinian government split between Fateh and Hamas. Fateh controls the West Bank, while Hamas was elected in the Gaza Strip.
- Population of Palestine has reached an estimated 4.3 million inhabitants as of 2012, with 2.65 million citizens in the West Bank and East Jerusalem, while 1.64 million people live in the Gaza Strip.
- Palestinians do not have their own currency any more. The New Israeli Shekel is mainly used for daily transactions, while the Jordanian Dinar and US Dollar are used for larger transactions, savings or investments.



Focus Paese: Territori Palestinesi

Water Resources Projects & Management

- Water in Palestine comes from three main aquifers:
 1. Mountain aquifer
 - Western Basin
 - Eastern Basin
 - Sub-Eastern Basin
 2. Coastal aquifer
 3. Jordan river
 - The mountain aquifer is the main resource. Israel seizes ~80% of maximum potential and continues to over-extract.
- Palestinians have been denied access to the Jordan River since 1967. Since Israel rerouted the flow of the Upper Jordan River, the river has been reduced to a trickle, causing a serious decline of 1 meter/year in the Dead Sea.
- Policy approval role has been granted to the National Water Committee, while regulation is the responsibility of the Palestinian Water Authority and other line ministries.

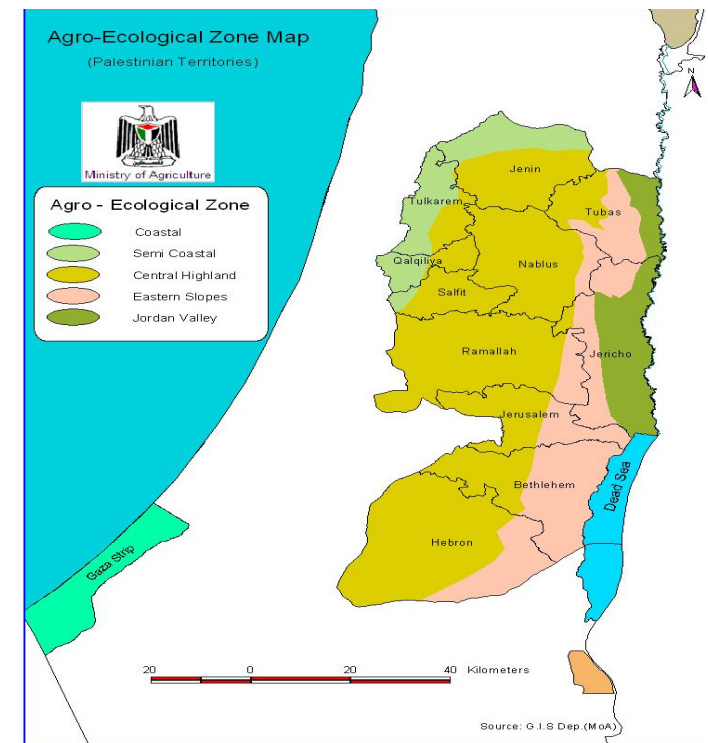


Renewable Energy

- The energy sector is the backbone of the economy in all countries, where providing power-resource services, especially electricity, will contribute to achieving development goals of countries in all of the various sectors.
- One of the main obstacles that most of the governments in developing countries encounter is how to improve the efficiency and the degree of reliability of energy supplied while making modern energy services available to all people affordably.
- Palestinian Energy and Natural Resource Authority (PENRA):
 - Set policies relevant to the development of the sector
 - Setting tariffs/fees for energy distribution (ie: electricity)
 - Issuing general safety conditions
- Future opportunities in the next decade (by 2020) include concentrated solar power plants, biogas from landfills and animal waste, and wind farms.

Agriculture

- Of the 6,245 million dunums that make up PA land, only about 1/3 of the total area is cultivatable.
- This area is divided into five zones:
 - Coastal zone (Gaza Strip)
 - Semi-coastal zone (Jenin and Tulkarem in the North)
 - Central high lands zone (from Jenin in the North to Hebron in the South)
 - Eastern slopes zone (from Jenin in the North to Jericho and Dead Sea)
 - Jordan Valley zone (narrow strip from Eastern slopes zone to Jordan Valley)
- The sector employs about 11.5% of the labor force and contributes to 4.9% of the GDP.
- Ministry of Agriculture is responsible over this sector, regulating and managing, in addition to delivery of basic services and needs.
- Obstacles include farmers having to endure unfair effects of the occupation such as annexation of their private lands, seizure of water sources and reliance on agriculture supplies, which incur extra taxes from Israel.



Agro-Industry

- Industry share has grown from 25% in 1996 to 42% in 2008.
- There are more than 2,063 firms working in this sector, ranging from everything to olive oil pressing, production and preservation of meat products, manufacture of dairy products, distilling and brewing of alcohol and malt, and manufacture of soft drinks and water.
- As of 2005, the average household in the West Bank tends to spend 36% of the family income on food, while in Gaza, the average is 45%.
- Food processing sector relies heavily on imported materials and machines from Israel and from the European market. The sector relies on a low-cost production strategy rather than on innovation of new products.
- Main competition to Palestinian products is Israeli products, which compete in quality. Second competitors include the US and European markets, which compete in price. Third competitors are the Turkish markets.
- Opportunities in this sector are plentiful, with the demand for healthier, organic and Mediterranean foods increasing, there is a great opportunity for foods such as tahini, halawa, and za'atar, as well as the ever-popular olive oil.

Pharmaceuticals

- The industry was established in 1969. Despite currently low contribution, it is a sector with a lot of potential, and is promising in terms of quality and price competition.
- According to the PCBS, the firms in the pharmaceutical industry in Palestine reached 10 in 2012 (1,090 individuals; 1.4% of total number of industry sector employees). Nine of the ten companies are located in the West Bank.

Indicator	Pharmaceutical industry	Industry sector
Production (Euro 000)	53042.33	2954890
Value added (Euro 000)	27260.65	1330489
Employment	1090	78724
Compensation per employed person (Euro)	9261.468	3838.574
Output per employed person (Euro)	48662.66	37534.84
Value added per employed person (Euro)	25009.74	16900.65
Value added to output	51.40%	45.00%
Production inputs to output	36.20%	51.40%
Capital to output	66.60%	31.20%
Depreciation to output	5.00%	3.50%
Capital labor ratio (Euro)	32397.09	11708.36
Investment to output	5.10%	2.20%

- The following table provides information about the market's key players. They are sorted in decreasing order of their market share (although there is no accurate data on the firms' market share). Estimates show that Birzeit Pharmaceutical has the biggest share with around 40 to 45% of the local market.

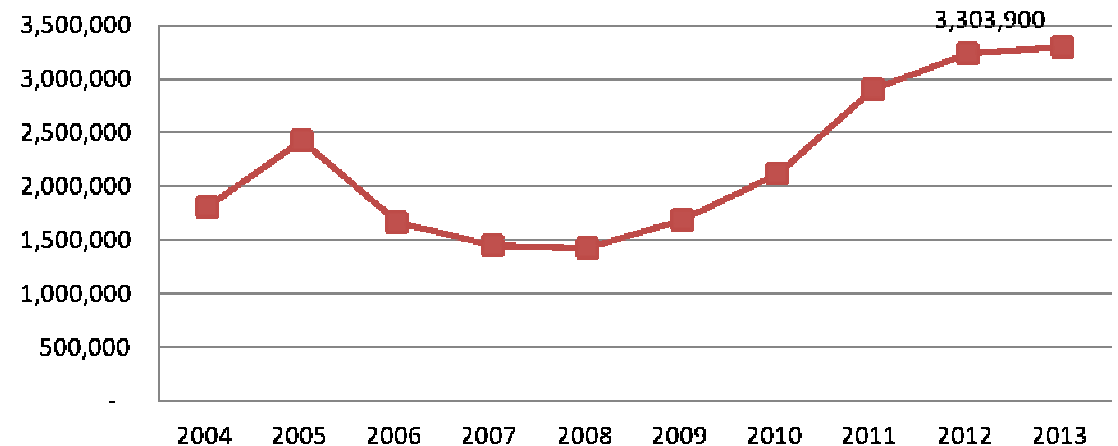
Firm	Location	Year of establishment
Birzeit Pharmaceutical	Ramallah	1973
Jerusalem Pharmaceutical	Ramallah	1969
Pharmacare PLC	Ramallah	1986
Jordan Chemical Laboratory (BeitJala Pharmaceutical)	Bethlehem	1969
Middle East Pharmaceutical (Megapharm)	Gaza	1993

Environment

- Mainly overseen by the Ministry of Environmental Affairs and the Palestinian Environmental NGOs Network (PENGON). Main job is to supervise environmental organizations and implement projects that focus on tackling the main environmental issues in Palestine. These include:
 - Limited water
 - High proportions of solid waste
 - Deteriorating air quality
 - Noise pollution
 - Human threat to biodiversity
 - Climate change due to human activity
- Due to limited resources in Palestine due to the occupation, natural resources are scarce. Palestinians use what they can, but since the resources are relatively few, there is always some sort of depletion, whether it be water, air quality or land/green space. There is a dire need for environmental law enforcement.
- Environment Sector Strategy (2011 – 2013): aims to identify major environmental problems and analyze their causes in order to establish priority actions leading to the attainment of desired goals. The strategy contains a current evaluation, along with a needs assessment. It discusses water sources, waste (liquid, solid and hazardous), and climate change, as well as defines an environmental strategy.
- Palestinian Environmental Law (1999): aims to protect the environment against all forms and types of pollution. Aims to protect public health and welfare. Also aims to encourage sustainable development of vital resources in manner that preserves the rights of future generations.

Stone and Marble

- Artificial stone and marble industry is one of the most important Palestinian industries, where Palestine is famous for its limestone rock which comes in many attractive colors, and acquires high demand from global markets.
- The industry maintains roughly 15,000 – 20,000 direct jobs and many more in linked areas and is based mainly in Hebron and Bethlehem.
- The sector contributes to 4.5% of the total gross national product (GNP).
- In 2013, the total licensed areas for new residential and nonresidential buildings were approximately 3.3 million square meters.
- The rate of consumption of natural stone is 2.25 million square meters, and for artificial it is 118 thousand square meters which was obtained from surveying licensed areas and the percentage of new buildings' use of stone for the outer structures.



Analysis of Market Challenges and Opportunities for Foreign Investors

- **Challenges**

Challenges lie in the geographic and administrative separation of the West Bank and the Gaza Strip. Since Hamas takeover of the Gaza Strip in 2007, Israel have stopped most trade between Gaza and the outside world, including the West Bank.

Palestine remains highly dependent on Israeli supplies and export opportunities. All Palestinian exports must go through Israel or Israeli-controlled checkpoints. Recently, Israel has allowed the export of limited quantities of agricultural produce and flowers from Gaza to Europe through Israeli marketing channels.

- **Opportunities**

Infrastructure development, both donor and privately financed, is on the rise in the West Bank.

Projected major projects include an electric power generation plant and a national electricity distribution company in the West Bank; expansion of telecommunications infrastructure and services; sanitation upgrades and expansion, waste disposal, and water services; and road upgrades.

Local production of olive oil, processed foods, pharmaceuticals, renewable energy and stone and marbles is expected to expand.