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Swiss Representation in Ramallah LRT/GSH/KIT	
Occupied Palestinian Territory (OPT)	Latest Update: 31 May 2021

Annual Economic Report 2020/2021

0 Executive summary

Longstanding constraints imposed by the Government of Israel (GoI) on the Occupied Palestinian Territory (OPT)[1] have limited the **development of productive sectors** and made the Palestinian economy reliant on consumption-driven growth. The COVID-19 pandemic combined with a fiscal crisis unleashed by a clearance revenues stand-off had a massive impact on the Palestinian economy in 2020 and the first months of 2021. After years of stagnation, the Palestinian **real GDP decreased by 11.0%** in 2020. Given the fast population expansion[2], the OPT GDP growth rate has long been barely sufficient to maintain its low annual per capita income (USD 3'042 in 2020). With the rise of public spending during the pandemic, the Palestinian Authority (PA)'s budget deficit amounted to USD 1.1 billion in 2020.

Under blockade, the **Gaza Strip** has been suffering from a steady decline in per capita income and a rising poverty rate over the past four years. Per capita income (USD 1'344 in 2020) is now lower than it was 10 years ago. The pandemic and the ensuing recession have amplified this downward trend. The recent war between Israel and Gaza that lasted from May 10th-21st 2021, and the massive destruction caused by the Israeli bombardment, will have a grave impact on the Strip's economy. More than 1'300 housing units, 180 residential towers and buildings as well as important civilian infrastructures were completely destroyed during this round of hostilities[3].

The recurrence of violence and **lack of peace prospects** in the near term severely inhibit the development of a thriving and competitive Palestinian private sector and limit the attractiveness of the OPT as market and investment location for Swiss (and other foreign) companies. That said, business opportunities exist, as exemplified by Swiss and other European firms successfully doing business in the West Bank as well as by innovative Palestinian entrepreneurs. This report tries to also highlight avenues for Swiss firms interested in entering the OPT market.

[1] Mirroring the political division on the ground, the Palestinian economy is separated into **two main entities** with different economic realities and evolutions. On the one hand, there is the **West Bank**, which is itself sub-divided into 3 zones (A, B, C) as per the Oslo Accords (see footnote on page 3). Control exerted by the Palestinian Authority (PA) is biggest in zone A, while it is close to zero in zone C, a large area - 61% of the West Bank - with major natural resources. East Jerusalem, also part of the West Bank but annexed by Israel illegally in 1980, offers yet another economic reality. On the other hand, there is the **Gaza Strip,** which has been closed off by Israel since 2007. The long and ongoing blockade – and the cycle of wars hitting the Strip – has led to the impoverishment of Gaza, which mostly survives on humanitarian aid. Average economic indicators for the whole OPT mask considerable differences between the two main entities. Tables with separate economic indicators for West Bank and Gaza are rare: see here separately listed economic indicators for the years 2011-19 (source: French Finance Ministry, Jan. 2020).

[2] According to the Palestinian Central Bureau for Statistics (PCBS), by the end of 2020, there were 5.2 million Palestinians in the OPT (2.1 million in Gaza and 3.1 million in West Bank/East Jerusalem). Worldwide, there are 13.7 million Palestinians, with close to 1.6 million living in Israel, 6.1 million in Arab countries and 738'000 in other countries.

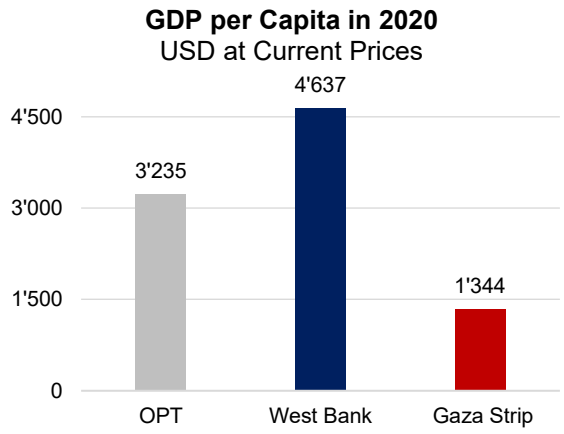
[3] Data from the Ministry of Information, May 19th 2021.

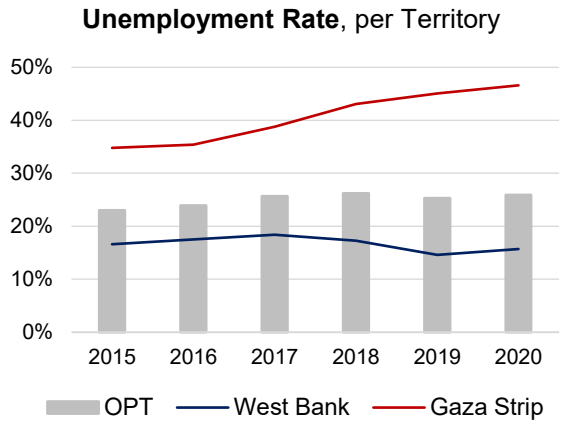
1 Economic problems and issues faced by the Palestinian economy

External controls and restrictions imposed by Israel

Prior to the onset of the COVID-19 pandemic, the Palestinian economy was already stagnant and the overall socio-economic situation was difficult, due to the ongoing military occupation by Israel, recurrent hostilities and violence. The long-deteriorating relationship between the Palestinian Authority and the Government of Israel (GoI) hit a low point after the unveiling of the US Middle East proposal, by the Trump administration, in January 2020 and the ensuing standoff over clearance revenues, which led to a budgetary crisis.

Both in the West Bank and in Gaza, the OPT economy is stuck in a **low-income low-growth** situation as a consequence of massive and legally questionable Israeli interventions. The various constraints and their effects are described in comprehensive reports by international organizations (e.g. World Bank analysis of 2017, and United Nations Conference on Trade and Development/UNCTAD 2019 report on the costs of Israeli occupation). The PA does not have the policy space needed for an effective control of its national economy, and there is no way it could implement a sustainable development strategy, such as an export-led growth strategy, a sensible approach for any country with a small internal market. **Israeli constraints on movement of persons and goods, access to borders and natural resources,** as well as restrictive policy interventions in the OPT's trade policy, represent the single biggest obstacle for the development of the Palestinian economy. The results of Israeli-imposed restrictions are especially apparent in the Gaza Strip, which is under blockade since 2007. The GDP per capita of the Gaza Strip was less than one third of that of the West Bank in 2020 and unemployment in Gaza has been rising over the past five years to reach 46.6% last year.





Source: Palestinian Central Bureau of Statistics (PCBS)

According to the above-mentioned World Bank analysis, easing those constraints would bring about the largest economic benefits. Analysis shows that ending **Gaza's economic isolation** would open it up for critical trade needed to rebuild the region's infrastructure and economy. Reducing **intransparent non-tariff barriers** imposed by the GoI would be critical to allow the West Bank and Gaza to import much needed inputs for production and to expand the market for its goods and services. Relaxing **restrictions on the import of dual use goods**[4] (those that have both civilian and military use) alone would bring

[4] The GoI severely limits trade and investment opportunities in the OPT - for Palestinian, Swiss and other investors - via an opaque dual use regime, which goes far beyond international practice (see the World Bank's February 2021 Economic Monitoring Report to the Ad Hoc Liaison Committee). The **Israeli dual use regime imposed on the Palestinian economy** impedes access to key production inputs and modern technology. For example, the lack of access to fertilizers of standard concentration is a major limitation to improving productivity in the agriculture sector. The restricted access to various chemicals is an obstacle to many manufacturers, including pharmaceuticals and dairy producers. The broad scope of the communications restriction is an impediment to adopting new technology, which has stood in the way of developing the OPT's digital economy and has created a large technological gap with neighboring countries. Dual use restrictions also adversely impact the delivery of public

about additional cumulative growth of 6% to the West Bank economy by 2025, with a bigger impact of about 11% in Gaza. In the West Bank, the removal of the Israeli **restrictions on Area C**[5] could bring about additional cumulative growth equal to 33% by 2025, enabling better access to critical scarce resources and allowing Palestinian businesses to exploit this area's comparative advantages in agriculture, mining and quarrying as well as tourism. Overall, alleviating external Israeli restrictions could raise real GDP by 36% in the West Bank and 40% in Gaza by 2025.

Fiscal crisis: Resumed payments after months' long standoff over clearance revenues

The OPT's fiscal position has worsened not only as a result of the pandemic but also due to the **standoff over clearance revenues**[6] for seven consecutive months in 2020. The PA refused to accept clearance revenues collected on its behalf by the GoI between May and November following Israel's threat to annex parts of Area C. Clearance revenues constitute around 70% of the PA's total revenue and cover more than 50% of its spending, thus the suspension compounded the impact of the COVID-19 crisis on the PA's fiscal situation[7]. After the GoI froze its plan of annexation as part of an agreement to forge diplomatic ties with the UAE, the payments were resumed in December. The political standoff over clearance revenues with the GoI combined with COVID-19 resulted in one of the sharpest contractions in economic activity in the Palestinian territories on record.

At the same time, financial support from the international community has been declining for years and it will likely further decrease as the pandemic negatively affects governments' budgets around the globe. Meanwhile, remittances from Palestinians working in Israel[8] or elsewhere abroad increase only slowly.

Search for reciprocal economic relations between Israel and the OPT

The lifting of Israeli controls and restrictions, coupled with a fair redistribution of land and water resources, would make it possible for both Israelis and Palestinians to embark on sustainable peace and economic development paths. In the Olmert plan (2008) - an acceptable basis for resumed negotiations according to the President of the PA Mahmoud Abbas - both parties recognized the need for reciprocal relations, including the need to **share a single business ecosystem,** while cooperating intensively on water, security, bandwidth, banking, tourism and much more. Such an equitable economic agreement remains vital for political stability and economic prosperity in Israel and the OPT, but despite Israel's announcement to renounce the annexation of the above-mentioned parts of the West Bank, an economic rapprochement between the GoI and the OPT seems unlikely in the near future, especially with the latest round of hostilities in 2021.

Effects of COVID-19 on the Palestinian Economy

Before the pandemic, Palestinian real GDP growth was close and sometimes lower than population growth, which led to stagnation and a decrease in GDP per capita in 2018. COVID-19 has exacerbated

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infrastructure projects, especially in Gaza, as those require building materials, machinery and chemicals that are considered dual use.

[5] The World Bank has examined the potential for the Palestinian economy of a "liberated" Area C in a special Report published in 2014 and concluded that this area is key to future Palestinian development.

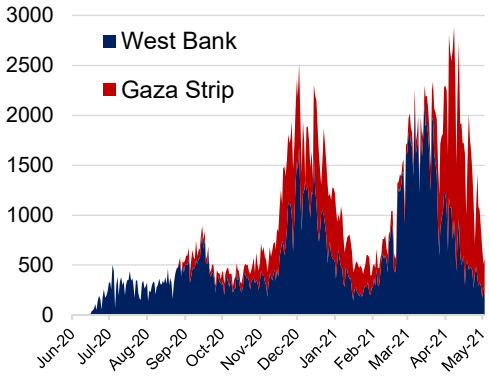
[6] In line with the Paris Protocol (see para. 2.1), regular joint "clearance sessions" with the GoI allow the PA to recover customs duties and VAT collected on its behalf by Israeli authorities. In mid-2018, Israeli authorities started to retain a portion of those revenues owed to the PA, which more or less correspond to what the PA spends on compensation offered to Palestinian prisoners and their families, leading to a dispute with the PA.

[7] World Bank Economic Update November 2020

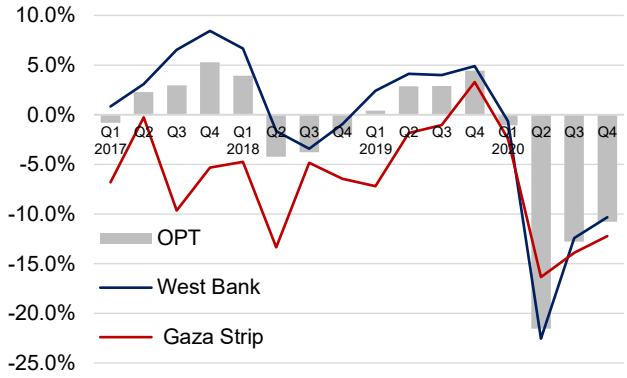
[8] According to local observers, up to 13.1% of all Palestinian employees nowadays work in Israel or Israeli settlements, where job opportunities are better and wages higher than in the OPT. Most job opportunities for Palestinians are in the Israeli construction sector. The wages offered to Israeli workers for the same job are 3-4 times higher than those offered to Palestinians, who often work without contract and insurance. It is thus financially attractive for Israeli employers to hire Palestinian workers, especially in the settlements where additional attractive conditions (tax rebates etc.) exist for Israeli investors and businesspeople.

the existing challenges. The PA has only a **limited set of fiscal and monetary tools** (due to the lack of a national currency) available to mitigate the impact of the crisis. Sanitary measures had therefore a direct impact on the economy. During the first lockdown period between March – May 2020, the Palestinian economy witnessed severe financial shocks with one of the largest recorded falls in GDP in the second quarter. Despite a rebound in the third quarter of the year, the Palestinian real GDP in 2020 was **11.0% lower than in 2019**, with private consumption and capital investment continuing to record significantly lower levels.

OPT: Covid-19 Cases per Day



Growth in GDP per Capita, per Territory



Sources: World Health Organisation (WHO); PCBS

As a result of the pandemic, unemployment rose to 25.9%. More worryingly, 28.9% of Palestinians lived below the upper-middle income poverty line in 2020, a 22.5% increase compared to 2019, according to a recent World Bank Report. In the first months of 2021, the sanitary situation worsened, pushing the authorities to enforce lockdowns both in the West Bank and the Gaza Strip. COVID-19 has already claimed 3,716 lives in the OPT (including 993 in Gaza).[9] The latest round of hostilities further strained the healthcare system in Gaza which was already at its limits. The slow rollout of the vaccination campaign in the OPT (around 5% of the population is vaccinated) suggests that the crisis will continue beyond the first half of the year. The data available suggests that economic activity has continued to slow down in the beginning of 2021.

Hostilities between Hamas and Israel

The latest round of fighting between Israel and Hamas between May 10th and 21st generated massive destruction in the Gaza Strip. 254 people died in Gaza (including 66 children) as a result of hostilities.[10] After ten days of Israeli air strikes and shelling, the *de facto* Ministry of Information estimated the damage to USD 322 million. This includes USD 29 million of damage in the energy and telecommunication sectors and USD 27 million for damaged roads.[11] It is likely that the international community will be called to contribute to the reconstruction effort as was the case in 2014.

[9] As of May 20th 2021. Data from WHO.
[10] Palestinian Ministry of Health, situation on May 31 2021.
[11] Palestinian Ministry of Information, estimates on May 19th 2021.

2 International and regional economic agreements

2.1 Country's policy and priorities

The Paris Protocol, signed in 1994 as part of the Oslo Accords, remains the key framework agreement defining economic relations between the GoI and the PA. Even though it was supposed to last 5 years only, it remains the basis for all OPT trade with Israel and beyond. The Protocol enshrines a "customs union", as imposed by Israel after the 1967 war[12]. Its practical effect has been the preservation of a Palestinian economy integrated in and dependent on the Israeli economy. Over 26 years later, the economic equation as set down by the Paris Protocol is recognized as an unequal customs union, **giving Israel the sole control over all Palestinian external borders and the collection of import taxes and VAT.** Each time the flow of clearance revenues is interrupted by the GoI, public spending is abruptly curtailed, adversely affecting the Palestinian economy and resulting in economic hardship to the population through increased unemployment and poverty.

Palestinian trade with third countries passes through Israeli sea- and airports, or through border crossings with Jordan and Egypt, which are also controlled by Israel. The necessity of obtaining Israeli approval to conduct trade leads to substantial economic loss to Palestinians whenever Israel imposes a comprehensive closure on the OPT and cancels the relevant permits[13]. There is neither autonomy nor possibility for the PA to devise its own trade policy. UNCTAD[14] estimates the costs for export to be twice as high for Palestinian producers than for their Israeli counterparts. For similar goods, **import procedures are estimated to cost four times more for Palestinian vs. Israeli importers.** All PA trade agreements with third countries are submitted to approval by Israel. The PA's dependence on the GoI leads to problems, as experienced by the 1998 Interim Agreement with EFTA States, which cannot be fully implemented due to lack of recognition by Israel.

2.2 Outlook for Switzerland

The Paris Protocol, as currently implemented, is a major impediment to free trade by/with the OPT: Swiss-Palestinian economic relations are constrained by this agreement, and the potential for normal bilateral economic relations cannot be fully exploited. Those adverse Palestinian business conditions negatively impact Switzerland as well as other trade partners, including the EU[15].

There is no discrimination against Swiss companies in the OPT. But the multiple problems and costs arising in connection with the Paris Protocol result in an Israeli-imposed **discrimination against the Palestinian economy, which negatively affects both the Palestinian economy as well as its foreign business partner countries, including Switzerland.** With its biased treatment of Palestinian

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[12] The form of a customs union (vs. a FTA) was then preferred by Israel, as it did not want to establish an economic border with the PA, an act that may have created a precedent on the final status stage. Moreover, under the Oslo Accords, full control over zones B and C in the West Bank was to be gradually handed over by the GoI to the PA, but that never happened. The foreseen handing over of increased policy competences to the PA in the economic sphere all remained stuck. The Paris Protocol has led to and continues to produce enormous costs for the Palestinian economy (see the 2019 UNCTAD report and recommendations for a revised customs arrangement, cf. page 49).

[13] In early 2020, a short but potentially harmful commercial war erupted between Israel and the OPT over the PA's decision to ban the import of Israeli calves, as part of "economic disengagement from occupation" efforts spearheaded by Palestinian PM Shtayyeh. This was followed by an Israeli-imposed worldwide prohibition of Palestinian agricultural exports. Without quick resolution - on Feb. 21, 2020, an arrangement was agreed upon between the GoI and the PA -, the Israeli-imposed Palestinian agriculture export ban would have had negative effects on both the Palestinian economy and its international buyers, including Switzerland, whose OPT imports mainly consist of agricultural products (close to 95%).

[14] The besieged Palestinian agriculture sector (UNCTAD, 2015)

[15] Among EU member states, Germany has so far been the most successful foreign business partner in the OPT (see more under 3.2). Some European governments (F, I) are offering support to their firms doing business in the OPT. Here is a March 2018 report on EC Measures to facilitate trade of Palestinian products with other Euro-Mediterranean partners.

imports and non-tariff barriers geared specifically towards the Palestinian economy, Israel is violating its commitments under the WTO Agreement on Trade Facilitation.

During his official visit to Palestine in November 2020, Federal Councilor Ignazio Cassis discussed with his Palestinian counterpart Riyad al-Maliki about how to strengthen cooperation in innovation and job creation for young Palestinians. FDFA is gradually building a new project portfolio in the fields of inclusive economic development, youth employment and innovation as announced recently in the Swiss Cooperation Programme for the Near East 2021–24.

3 Foreign trade

3.1 Development and general outlook[16]

Due to the above-mentioned conditions, the OPT exports much less than it imports and has recorded a **trade deficit** since the signing of the Oslo Agreements. This deficit amounted to 28.0% of GDP in 2020. With the COVID-19 pandemic, imports to the OPT fell by 24.1% while exports remained stable. This can be explained by the decrease in demand due to lockdowns and worldwide deflationary pressures on key imports such as diesel and gasoline.

Another development had an impact on Palestinian exports. A trade dispute began in September 2019 when the PA announced a boycott of Israeli calves. In response, the Israeli Defence Minister announced in January 2020 a halt to all agricultural imports from the OPT, which in turn prompted the PA to end imports of Israeli agricultural products. A final move in the dispute came on February 8th 2020, when Israel banned all Palestinian exports through Jordan. At the end of February, Israel and the PA reached an agreement to end this five-month long trade dispute.

3.1.1 Trade in goods

In 2020, the OPT exported for USD 1.1 billion of products (USD 1.1 billion in 2019) and imported for USD 5.0 billion (USD 6.6 billion in 2019), resulting in a massive **negative trade balance of USD 3.9 billion** (USD 5.5 billion in 2019), the lowest since 2013.

Top Palestinian imports in 2019 were electricity, diesel, preparation for animal feeding, cement, cigarettes, medicaments, gasoline, rods of steel, mobile phones, bovines. **Top exports** included building stone, sacks and bags, olive oil, seats, dates, scrap of iron, marble, gravel, wooden furniture, footwear (2020 data not yet available).

In 2019, the **top export destinations** were Israel, Jordan, UAE, USA and Saudi Arabia. The **top import origins** were Israel, Turkey, China, Jordan and Germany. Unsurprisingly, Israel remains by far the top exporter and importer to the OPT.

3.1.2 Trade in services

The OPT imported USD 214 million worth of services from Israel and exported for a total of USD 203 million to Israel. The OPT mostly imported business and transportation services and it exported construction and goods processing services.

3.2 Bilateral trade

Due to the above mentioned difficult business conditions, **bilateral trade remains very limited**. According to the PCBS, Swiss imports decreased to USD 0.3 million in 2019 (from USD 0.5 million in

[16] It is difficult to obtain accurate trade figures for the OPT because of the before-mentioned customs union with Israel. Many goods marked for Israel have a final destination in the OPT, but are not necessarily recorded as such. Trade figures for the OPT may be understated (and overstated for Israel).

2018), whilst Swiss exports reached USD 51 million (USD 55 million in 2018). Swiss imports from the OPT consisted almost uniquely (98.1%) of agricultural products, primarily olive oil, but also fruits, dates and nuts. Swiss exports to the OPT were mainly pharmaceuticals (58.6%) and cigarettes (29.2%).

There seem to be **opportunities for increased Swiss exports** to the OPT, especially in renewable energy, waste treatment, healthcare and food technology. A few successful and growing business partnerships between Swiss companies and Palestinian agents/dealers/importers already exist. Swiss firms interested in entering the Palestinian market should look for Palestinian partners rather than handing over extensive dealer rights, incl. OPT coverage, to Israeli agents. The geographical coverage of Israeli agents should be limited to Israel in its pre-1967 borders (see here the Swiss official position).

4 Direct investments

4.1 Development and general outlook

According to the PCBS, the stock of foreign investments in the OPT stood at a modest **USD 1.7 billion in 2019**. The only two significant investors were **Jordan** (82.6% of total FDI) and to a lesser extent **Qatar** (8.4%).

The same year, **Palestinian expatriates** have transferred USD 2.8 billion to the OPT (vs. USD 4.4 billion to Jordan and USD 1.6 billion to Lebanon). An increase in investments by Palestinians from abroad would be an important signal for other foreign investors.

Doing business in the OPT[17]

With the advice of the World Bank, continued reforms and steps have been undertaken by the PA to steadily improve the **business environment and strengthen institutions.** There is still much room for improvement. Current efforts are focused on turning the Palestinian Ministry of National Economic into an e-Ministry, with the aim of digitalizing all services and creating investor-friendly processes online. According to the Ministry, the PA is working on increasing the demand for national (vs. imported) products by encouraging more people to invest and produce high quality products with up to date machinery.

Another impediment is the Jordanian Company Law of 1966, which is still in effect in the West Bank. This law states that a foreign investor should own no more than 49 percent of a company. Foreign investors can obtain exceptions, but this clause and many other aspects of this law are widely seen as outdated. A draft of a new Companies Law is under review, but it has already generated criticisms for being insufficient.

4.2 Bilateral investment

Swiss direct investments in the OPT: According to IMF, the stock of Swiss direct investments in the OPT reached **USD 2 million in 2018**. The Swiss Rep Office in Ramallah has no information on the origins of those inflows; neither does it have information on Palestinian direct investments in Switzerland.

Only few big Swiss companies (Nestlé, Novartis, Roche, Schindler) have a presence/office headed by a Palestinian General Manager in the OPT. Several other Swiss companies sell their products in the OPT with the help of Palestinian agents or via established importer contacts; this seems to be the only way for Swiss firms to handle the many complex Israeli-imposed rules and regulations.

Opportunities: The Palestinian Investment Promotion Agency (PIPA) presents a list of targeted investment sectors on its website. The newly established Swiss-Palestinian Joint Business Council (see under chap. 5) aims at offering networking support to Swiss firms interested in doing business in the

[17] See the World Bank's annual Doing Business Report (Profile-of-West-Bank-and-Gaza). In its last edition published in 2020, the OPT ranked 117th out of 190 countries examined.

OPT. There is a Palestinian demand for innovative technologies, incl. clean tech, able to respond to OPT specific challenges and needs (renewable energy, water saving, waste treatment, healthcare, food production, etc.). Increased cooperation between Swiss and Palestinian researchers and entrepreneurs could lead to new business partnerships.

5 Trade, economic and tourism promotion "Country advertising"

Currently, the most important Swiss government institution active in the OPT is the **Swiss Agency for Development and Cooperation** (SDC) with annual financing of about CHF 20-25 million (plus CHF 20 million allocated to UNRWA)[18]. In the economic sphere, SDC has been supporting mostly agro-economic development and employment for youth and women in the West Bank and Gaza. Through its local governance program, SDC also supports small-scale municipal infrastructure projects and contributes to the improvement of service delivery of Palestinian Local Government Units. In 2019, SDC started supporting youth employment and start-up creation in Gaza, and is newly planning to launch an innovation support program, geared towards job creation for youth by fostering entrepreneurial skills and incubation/acceleration of promising start-ups in cooperation with Palestinian universities and the private sector.

On November 17th 2020, the **Swiss-Palestinian Joint Business Council** (SPJBC) was officially launched in the presence of Federal Councilor Ignazio Cassis, Deputy Minister of Foreign Affairs and Expatriates Amal Jadou and Palestinian Minister of Economy Khaled Al-Osaily. Based in Ramallah, the SPJBC is connected with the Arab-Swiss Chamber of Commerce and Industry in Geneva and has a contact point in Switzerland. It aims at supporting informal exchanges among businesspeople from both sides and contributing to address obstacles for Swiss and Palestinian firms that wish to do business with each other.

5.1 Foreign economic promotion instruments

Currently, none of the traditional Swiss economic promotion institutions are actively engaged in the OPT. The context marked by Israeli-imposed restrictions is difficult and the Palestinian market small, even though opportunities exist. The Swiss Representative Office in Ramallah has no trade officer and limited economic capacities. S-GE in Zürich and SPJBC in Ramallah both offer some support to Swiss firms.

5.2 The host country's interest in Switzerland

There is a **great interest among the Palestinian business community** for more and closer interaction with Swiss counterparts and institutions. In 2020, due to COVID-19 travel restrictions, only 113 visas were issued to Switzerland, out of which 84 (74%) were for professional purposes including business and international conferences and official visits. Out of the 722 visas created in total in the previous year, 59% were issued for the above mentioned reasons.

[18] Presently, the largest provider of external assistance to the West Bank, Gaza and UNRWA is the EU (UNRWA: EUR 102.3 million). Qatar also provided substantial relief, channeled via the UN and PA, and directly to the *de facto* authorities in Gaza. In April 2021, the US announced the restart of economic, development and humanitarian assistance for the Palestinian people, with a total amount of USD 235 million (incl. USD 150 million for UNRWA)

A small but dynamically developing Palestinian high tech ecosystem and start-up scene

As in other low/middle-income countries with limited natural resources [19], the information and communication technology and high tech sectors hold promising prospects also for the Palestinian economy, especially for young graduates with a good command of English. More than 3000 young Palestinians complete degree programs in engineering and technology every year. Some find work with Palestinian, Israeli and international companies locally, others find jobs in the Gulf, but a majority can't find employment at all. There is thus a large pool of talented and well-trained individuals available. A few Palestinian start-ups and partnerships are already successfully raising funds and expanding beyond the OPT. In October, the Swiss Representative Office launched a project aimed at **supporting the development of the innovation ecosystem in the OPT** and developing sustainable linkages with the Swiss innovation scene. The successful outcomes of the workshop and the panel discussion held in autumn were a report and an infographic providing insight into the needs of the ecosystem, and recommendations for possible interventions.

A recent example of a successful partnership between a foreign company and Palestinian software workers is showcased by US chipmaker Nvidia. After having taken over Israeli chip designer Mellanox in 2019, they first established subcontracting links with Palestinian software specialists and recently announced the employment of more than 100 Palestinian engineers from the Palestinian cities of Hebron, Rawabi and Nablus.

There are several support facilities and investment funds for Palestinian start-ups, often established with the help of foreign donors. One such example is the Ibtikar Fund, financed by the International Finance Corporation, the Dutch Good Growth Fund, and the private sector, in particular the Bank of Palestine. Ibtikar looks for motivated and skilled Palestinian entrepreneurs, from both within and outside the OPT, expecting however that the majority of operations be located in the OPT. They search for ideas and start-ups that are scalable and can serve the Middle East/North Africa region or global needs. Another vehicle is the MENA Catalyst Foundation – a support centre for Palestinian start-ups, supported by Germany (GIZ) and South Korea.

Two recent examples of promising and expanding Palestinian start-ups include: (1) Gamiphy, which offers businesses plug and play tools that empower business strategies in different areas, such as customer acquisition and human resource management. (2) Mashvisor, which provides real estate/property analytics and support for investment decisions.

USEFUL LINKS

Palestinian Central Bureau of Statistics (PCBS) - http://pcbs.gov.ps/default.aspx

Palestinian Investment Promotion Agency (PIPA) - http://www.pipa.ps/

Palestine Trade Centre (PALTRADE) - https://www.paltrade.org/

Palestine Economic Research Institute MAS: http://www.mas.ps/index.php

World Bank - West Bank and Gaza: https://www.worldbank.org/en/country/westbankandgaza

Swiss Rep Office in Ramallah: https://www.eda.admin.ch/ramallah

Swiss Cooperation Office West Bank and Gaza: https://www.eda.admin.ch/countries/occupied-palestinian-territory/en/home/representations/swiss-cooperation-office-gaza-&-west-bank.html

[19] In the OPT, the main issue is not the lack of, but the access to natural resources. Israel as the occupying power controls the access to natural resources in the West Bank. It extracts and sells limited amounts of OPT resources at high prices to Palestinians. In the West Bank and Gaza contexts, antiquated 3G networks and limitations in e-payment systems are also persisting constraints imposed by the GoI. In March 2021, the World Bank approved a grant of USD 20 million to the Digital West Bank & Gaza Project with the goal of accessing high-speed broadband services in selected Palestinian areas and enabling the development of selected e-government services.

Annexes:

1. Economic structure
2. Main economic data
3. Trade partners, including Switzerland *(Palestinian statistics)*
4. Bilateral trade *(TN103 "Schweizerischer Aussenhandel nach Ländern und Kapiteln")*
5. Main investing countries, including Switzerland

ANNEX 1

Economic structure

	2014			2019		
	OPT	Gaza Strip	West Bank	**OPT**	Gaza Strip	West Bank
Distribution of GDP (%)	***100%***	*100%*	*100%*	***100%***	*100%*	*100%*
Primary sector (Agriculture, Forestry and Fishing)	**7.8**	12.0	6.8	**7.1**	11.5	5.9
Manufacturing sector (incl. Mining, Quarrying, Construction)	**18.0**	11.2	19.7	**18.4**	14.7	19.6
Services (incl. Trade, Tourism, Transport, Finance, ICT, other)	**61.4**	73.9	58.2	**61.1**	68.2	57.7
Other (Customs Duties, VAT on imports, etc.)	***12.8***	*2.9*	*15.3*	***13.4***	*5.6*	*16.8*
Employment distribution (%)	***100%***	*100%*	*100%*	***100%***	*100%*	*100%*
Primary sector	**10.4**	8.7	11.5	**6.1**	4.7	6.6
Manufacturing sector	**27.9**	6.9	28.2	**29.7**	9.5	27.9
Services	**61.7**	84.4	60.3	**64.2**	85.8	65.5

Sources: Palestinian Central Bureau of Statistics (PCBS)

PCBS, Performance of the Palestinian Economy, 2014 and 2019

PCBS, Employment distribution: Labor Force Surveys, 2014 and 2019

Note: 2020 data were still outstanding as of April 2021.

ANNEX 2

Main economic data

	2019A	**2020E**	**2021F**
GDP (USD bn at current prices)	17.1	15.5	16.5
GDP per capita (USD at current prices)	3,443	3,042	3,156
Growth rate (% of GDP)	1.4	-11.0	5.7
Inflation rate (%)	1.6	-0.7	0.3
Unemployment rate (%)	25.4	25.9	25.1
Government balance (% of GDP)	28.2	N/A	N/A
Current account balance (% of GDP)	-10.4	-9.0	-10.5
Total external debt (% of GDP)	11.5	13.2	N/A
Debt-service ratio (% of exports)	N/A	N/A	N/A
Reserves (months of imports)	N/A	N/A	N/A

***A** stands for actual, **E** for estimates, **F** for forecasts*

Sources: IMF, World Economic Outlook, 2021; PCBS and Palestinian Monetary Authority (PMA), Performance of the Palestinian Economy, 2020; PCBS, Gross External Debt Position in Palestine at the end of the quarters 2013- 2020, 2021.

ANNEX 3

Main trading partners in 2019 (host country perspective, services not included)

Value in Million USD

Rank	Partner Country	Exports by OPT	Share	Rank	Partner Country	Imports by OPT	Share
1	Israel	898	81.3%	1	Israel	3,636	55.0%
2	Jordan	71	6.4%	2	Turkey	669	10.1%
3	UAE	32	2.9%	3	China	447	6.8%
4	USA	20	1.8%	4	Jordan	296	4.5%
5	Saudi Arabia	19	1.7%	5	Germany	181	2.7%
6	Kuwait	11	1.0%	6	Italy	112	1.7%
7	Turkey	11	1.0%	7	France	88	1.3%
8	Qatar	8	0.7%	8	Saudi Arabia	80	1.2%
9	UK	6	0.5%	9	USA	79	1.2%
10	Germany	2	0.2%	10	Spain	78	1.2%
	…				…		
	Switzerland	**0.3** (vs. 0.5 in 2018)	**0.03%**		**Switzerland**	**51** (vs. 55 in 2018)	**0.8%**
	Total	**1,104** (vs. 1,156 in 2018)	**100%**		**Total**	**6,613** (vs. 6,540 in 2018)	**100%**

Source: PCBS, Registered Foreign Trade Statistics - Goods and Services, 2019 (latest available as of April. 2021).

Note: Because the OPT and Israel are in a customs union and many goods marked for Israel have a final destination in the OPT, the **above-mentioned trade figures may be understated for countries other than Israel.** In Swiss trade statistics, corresponding figures are indeed lower; this points to overstated figures for Swiss-Israeli trade vs. understated figures for Swiss Trade with the OPT.

ANNEX 4

Bilateral trade in 2020

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln
Periode: Januar bis Dezember 2020
Land: 306 Palästina, Staat

* = Veraenderungsrate / Anteile nicht berechenbar

** = Veraenderungsrate > 999,9 %

Total 2: Ergebnisse inklusive Gold in Barren und anderen Edelmetallen, Münzen, Edel- und Schmucksteinen sowie Kunstgegenständen und Antiquitäten.

Total 2		Import in Mio. CHF				Export in Mio. CHF				Saldo in Mio. CHF	
		2019	2020	+/- %	Anteil	2019	2020	+/- %	Anteil	2019	2020
Total		0.50	0.41	-18.9	100.0	35.49	42.29	19.2	100.0	34.99	41.88
01 - 24	Landwirtschaftliche Produkte	0.42	0.40	-4.2	98.1	10.88	16.21	49.0	38.3	10.46	15.81
27	Energieträger			*	*	0.00	0.00	-29.4	0.0	0.00	0.00
28 - 29	Chemische Grundprodukte			*	*		0.00	*	0.0		0.00
30	Pharmazeutische Erzeugnisse			*	*	22.79	24.77	8.7	58.6	22.79	24.77
31 - 32	Düngemittel, Farbstoffe, Pigmente			*	*		0.01	*	0.0		0.01
33 - 34	Schönheitsmittel, Waschmittel			*	*	0.08	0.12	48.8	0.3	0.08	0.12
35 - 38	Stärke, versch. chemische Erzeugnisse			*	*	0.00	0.01	440.6	0.0	0.00	0.01
39 - 40	Kunststoffe, Kautschuk			*	*	0.04	0.01	-69.8	0.0	0.04	0.01
41 - 43	Felle, Leder, Lederwaren	0.00		-100.0	*	0.00		-100.0	*	0.00	
47 - 49	Papier und Papierwaren			*	*	0.00	0.00	234.9	0.0	0.00	0.00
68 - 70	Waren aus Steinen, Keramik, Glas			*	*		0.02	*	0.1		0.02
72 - 83	Unedle Metalle und Waren daraus			*	*	0.10	0.09	-12.4	0.2	0.10	0.09
84	Maschinen (nicht elektrisch)		0.00	*	1.1	0.15	0.13	-13.7	0.3	0.15	0.12
85	Maschinen (elektrisch)			*	*	0.20	0.22	9.9	0.5	0.20	0.22
90	Opt. / medizin. Instrumente	0.05		-100.0	*	1.12	0.55	-50.8	1.3	1.07	0.55
94	Möbel, Bettzeug usw.			*	*	0.02	0.06	238.9	0.1	0.02	0.06
95 - 96	Spielzeuge, Sportgeräte usw.	0.03		-100.0	*	0.12	0.10	-18.2	0.2	0.09	0.10
97	Kunstgegenstände, Antiquitäten		0.00	*	0.8			*	*		0.00

ANNEX 5

Main investing countries in the OPT in 2019 (latest year available)

Rank	**Country**	**Direct investments** (Stock in million USD)	**Share%**	**Variation**	**Inflows** (value in million USD)
1	Jordan	1,432	82.6%	0.1%	2
2	Qatar	146	8.4%	15.9%	20
3	Egypt	48	2.8%	6.7%	3
4	United States of America	36	2.1%	2.9%	1
5	Kingdom of Saudi Arabia	27	1.6%	-	-
6	Cyprus	26	1.5%	-	-
…	Other Countries	17	3.3%	-	-
…	Switzerland	2	0.1%		
	Total	**1732**			

Source : Palestinian Central Bureau of Statistics/PCBS, Foreign Investment Survey of Resident Enterprises in Palestine, 2018, 2019 - Preliminary Results