

## **INDUSTRIAL ZONES IN WEST BANK**

“Therefore, we need projects that can rapidly create job opportunities. We also need rapid accomplishments to improve the infrastructure and promote economic production, as well as exports. Similarly, we need genuine development in the aid mechanisms, modalities, strategies and priorities. We need rapid, intensive and job-creating aid. Such aid must help build institutions and be capable of addressing our priorities.” (Yasir Arafat, Brussel, 1994)

The Valley of Peace plan constitutes the beginning of economic hope, a plan that will serve the political negotiations taking place in parallel, with each plan able to move forward independently, and without having to wait for the other. (Peres, 2007)

### **APRIL 1994 - PROTOCOL ON ECONOMIC RELATIONS**

In September 1993 Israel and the Palestine Liberation Organization signed the Declaration of principles on Interim Self-Governing Arrangements, which outlined the gradual handover to the Palestinian Authority of responsibility over the West Bank and Gaza Strip. The advent of self-rule and easing of political and social tensions were expected to usher in a period of rapid economic growth and higher living standards for Palestinians. Expectations, especially those of private investors, were buoyed by the Protocol on Economic Relations agreed in April 1994, which outlined the Palestinian Authority's responsibilities in key economic areas and envisaged close economic cooperation between Israel and the Authority, as well as by the Authority's commitment to institution-building and to a private-sector-led, outward-oriented development strategy. Donors pledged generous support, which was gradually to shift away from emergency aid and toward public investment projects.

Oussama Kanaan in the paper “ Uncertainty Deters Private Investment in West Bank and Gaza Strip” ( IMF, June 1998) wrote:

“The trade regime envisaged by the Protocol on Economic Relations would encourage the expansion and reorientation of the West Bank and Gaza Strip's productive base toward agricultural and industrial export production and gradually reduce dependence on the export of labour. From the viewpoint of private investors, one of the attractive features of the protocol was the removal of most restrictions on Palestinian commodity exports to Israel, which would increase the profitability of investments in agricultural and industrial production. The protocol also gave Palestinians greater—albeit still limited—flexibility in determining their own import policies and tariff structures with regard to specific products and exporting countries—for example, those applying to raw materials and capital goods imported from neighbouring Arab countries—with potentially favourable effects on investment costs.

Despite these advantages, the protocol had a number of limitations. In addition to setting up an import policy with limited flexibility, it did not address important obstacles to external trade (in particular, the absence of outlets, such as seaports and airports) or to trade within Palestinian areas, in particular between the West Bank and the Gaza Strip. Nevertheless, although consideration of such key issues was postponed until the permanent-status negotiations scheduled for 1996–99, expectations were raised simply by the fact that such issues were put on the table.

In addition to heralding a favourable trade environment, the accords of 1993 and 1994 had the potential to open up business opportunities by removing impediments to private investment. First, because of the dearth of banks in the West Bank and Gaza Strip during the Israeli occupation, a large part of Palestinian households' savings had been held in financial institutions abroad, stored through informal domestic financial channels, or hoarded in cash. An improved trade environment

and other positive changes likely to ensue from the accords were expected to lead to a boom in domestic private investment demand, creating lucrative domestic outlets for a large stock of savings. Second, although physical infrastructure had become extremely dilapidated during the occupation, leading to higher investment costs, particularly with regard to transportation, these costs were expected to decline as a result of the public investment program, to which donors committed about \$1.2 billion. Finally, the rapid initial progress of the peace process and the transfer of control over important economic spheres to the Palestinian Authority signaled improved prospects for political and economic stability”.

## **THE INDUSTRIAL ZONES IN THE MID 90's**

At the time of the agreement, there was much talk of industrial zones, a World Bank brainchild, that would line the Israel/Gaza border and would be fed by cheap Palestinian labour.

In mid-February **1994**, Palestinian Authority economy, trade and industry minister Ahmed Qrei' announced that work would soon begin on a Gaza Strip "industrial park", to be followed by similar projects in Jenin and Tulkarem in the West Bank. According to the February 23<sup>rd</sup> *Palestine Report*, the US would pay for the Gaza park, Israel for the Tulkarem park, and Germany for the Jenin park. Other industrial zones are planned for Rafah and Beit Hanoun (in the Gaza Strip) and Hebron, Bethlehem, Qalqilya, and Ramallah.

On 23<sup>rd</sup> of May **1995** Foreign Minister Shimon Peres met with PA Chairman, Yasser Arafat, and it was decided that the five industrial parks would be built at Jenin, Hebron, Tulkarm, the Karni Crossing Point and the Erez Crossing Point. A joint concept paper has been concluded between Israel and the PA on this matter.

In addition, Foreign Minister Peres discussed with PA Chairman Arafat a major international plan, involving the World Bank and the private sector both in Israel and abroad, for the joint development of the Industrial Parks.

## **SEPTEMBER 1995 – THE INTERIM AGREEMENT**

On 28<sup>th</sup> of September 1995, the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip was signed in Washington, D.C. It sets forth the future relations between Israel and the Palestinians. To the main body of the agreement are appended seven annexes dealing with: security arrangements, elections, civil affairs (transfer of powers), legal matters, economic relations, Israeli-Palestinian cooperation, and the release of Palestinian prisoners.

### **Annex VI - Cooperation and Economic Relations**

## Article V: Sectors of Economic Cooperation

### 1. Industrial Cooperation

d. seek ways to increase Palestinian industrial **output through, inter alia, the promotion of a program of industrial [I: parks] [P: zones] in accordance with an agreed concept and in cooperation with all relevant institutions**

#### **with the remarks to Chairman Arafat**

*“First of all, we have to thank His Excellency for giving us this very important opportunity. This meeting today is one of the most important results of what was agreed upon yesterday. We hope that what was mentioned and what was discussed--especially the industrial zones and the water treatment and all other projects--will be very soon implemented because we are in need of it, as you know.”*

#### **Foreign Minister Peres**

*“I would like to add that between the peace agreement and the peace reality lies the economic success.*

*We have specific ideas--such as industrial parks along-side the dividing line between us and the Palestinians instead of putting mines. We want to build occasions for cooperation.*

## **INDUSTRIAL ZONES IN THE LATE 90's**

Apropos of Industrial Zones, and particularly the Karni Industrial Zone, in **1997** the West Bank stressed that “Export-oriented industrial production is one of the main promising sectors to create sustainable employment and to stimulate overall economic growth. To improve industrial competitiveness and current living standards in the West Bank and Gaza, it is vital that Palestinian industry expand and move into higher value-added activities, better quality goods, and more sophisticated markets.

The recently signed trade agreements between the PA and the United States and European Union together with a well-educated workforce and relatively low wages make the WBG an attractive option for investors, both local and foreign. Palestinian and Israeli investors' demand for industrial space and for reliable access to labour and markets remains strong, provided certain guarantees are met. Private entrepreneurial groups are moving forward with plans for developing these estates.”

And, in turn, in July 1997, Israel asserted that the preparations for the establishment of the Karni Industrial Zone in Gaza had reached an advanced stage, with ground work already under way. Negotiations regarding the operation of the zone were being conducted by Israel and the Palestinian Authority at an accelerated pace. Israel allocated seven million dollars for the Karni security arrangements. Preparations were also being conducted for the establishment of an industrial zone in the Jenin area.

Also the Ambassador Victor Harel, at the ad Hoc Liaison Committee on 6<sup>th</sup> of November 1997 asserted: *” I would like to point out the importance of the development of the industrial zones. The Erez Industrial Zone, which is functioning for several years, demonstrates that even in most difficult periods in the Israeli-Palestinian relationship the pattern of economic relations, established at*

*Erez, has continued to function and even to expand. The Erez Industrial Zone, comprising today over 80 factories - a significant part of which are owned by Palestinians - and employing more than 3,000 residents of Gaza, is an example of a viable economic project based upon solid mutual interest.*

*Israel and the Palestinians are currently finalizing the principles for the Gaza Industrial Estate regarding the movement of goods and people. This first Palestinian Industrial Estate, which will open at the mid of 1998, is planned to provide employment for 20,000 Palestinians. It will make available to the individual Palestinian worker an alternative to the option of working in Israel.*

*Karni is designed specifically so that it will be able to function continuously and without interruptions subject to security needs. The Israeli business sector has shown a great interest in Karni's potential and in investing either unilaterally or in joint ventures together with Palestinian or international entrepreneurs in this promising project. Furthermore, the Israeli government has designated the Minister of Trade and Industry to coordinate between all the relevant authorities in order to facilitate the active involvement of potential investors in Karni. In addition, it has been decided on a vast simplification of the relevant bureaucratic processes in order to enable the speedy development of the project.*

*Corresponding to the work on Karni and realizing the potential of the industrial zones, Israel is currently engaged in evaluating the possibilities of continuation of the successful Erez/Karni model. The Israeli government has expressed its willingness to finalize the location of the first industrial zone in the West Bank. Donor countries are also involved in this process and have expressed an interest in financing the building of the required infrastructure for such a West Bank Industrial Zone.”*

## **THE PALESTINIAN LAWS FOR INDUSTRIAL ESTATES AND INDUSTRIAL FREE ZONES**

The Palestine National Authority, in **1998**, approved two important laws that support the Industrial Estates and Industrial Free Zones.

Palestinian law distinguishes between an **industrial estate**, “ a geographically defined areas designated to service a number of businesses that carry out industrial activities and services” and an **industrial free zone**, “ a geographically defined area assigned to service one or more beneficiaries for export related activities having a special customs and tax provisions”, in fact extraterritorial customs and duty free areas established with the aim of attracting direct foreign investments and joint ventures in export-oriented manufacturing activities.

The **Palestinian Investment Promotion Law** (Law n.1/1998): this law supports the PNA’s goals of encouraging and promoting investment, providing guarantees to all investors operating in Palestine, granting incentives and providing an appropriate environment for investments.

For the article 2:

“ The Investment Law aims to achieve the development objectives and priorities in Palestine by promoting investment through the followings:

- Establishing the Agency, an institution responsible for encouraging and promoting investment in Palestine.
- Providing guarantees to all Investors and Investments operating in Palestine.
- Granting the Incentives to Investors.
- Providing the appropriate environment for encouraging investment in Palestine.”

The principal general provisions of the Law are that it

- prohibits the nationalisation of any investment in Palestine
- excludes the expropriation of investments except in exceptional cases
- guarantees to all investors access to foreign currencies for the purposes of their enterprise activities as well as free transfer out of Palestine of all financial resources, including capital, profits, dividends, royalties, and the like.

More importantly, the Law provides for income tax incentives, depending on the amount of investments, as follows:

- for direct capital investments between the equivalent of US\$ 100,000 and US\$ 1.0 million, an exemption from income tax during the first five years and a preferential income tax rate of 10 % (instead of the general tax rate of 37.5 % presently applicable for personal and corporate income in the WBG) during the following eight years;
- for investments between US\$ 1.0 million up to US\$ 5.0 million, a tax exemption during the first five years and a reduced income tax rate (10 %) during a further 12 years;
- for investments exceeding a value of US\$ 5.0 million, an income tax exemption during the first five years and a reduced rate (10 %) during 16 years; and
- for special projects, to be approved by the Council of Ministers, the period of preferential income tax treatment following the first five years of exemption can be extended to 20 years.

Finally, the Law contains provisions for the establishment of the „Palestinian Investment Promotion Agency“ whose function is to promote and facilitate investment in Palestine. Pending the creation of this Agency, its functions are being assumed by the Ministry of Economy and Trade.

The **Industrial Estates and Free Zones law** (Law n. 10/1998) : this law provides the legal framework for the interaction, authorities and responsibilities between the government and the developers, and supports the government’s goals of economic development and regional stability through trade, cooperation and greater employment.

The Law essentially defines the establishment, organisation and functions of the „Palestinian Industrial Estate and Industrial Free Zone Authority“ - PIEFZA, an autonomous agency to be in charge of all aspects of the development, establishment and operation of industrial estates (and free zones) in Palestine.

Specifically, the main responsibilities of PIEFZA with regard to industrial estates will be to (inter alia – art.5)

- prepare a comprehensive policy for the establishment and development of industrial estates and industrial free zones in Palestine

- develop industrial estates either directly or through developers and enter into concession contracts and agreements with such developers
- act as a „one-stop shop“ agency for entrepreneurs planning to invest in industrial estates, with the authority to issue all required permits and licences required, thus avoiding the need for entrepreneurs to deal with a variety of government agencies to obtain such permits and licences
- establish the public facilities (off-site infrastructure) required by industrial estates directly or by a third party
- determine the fees for services provided by PIEFZA within the industrial estates
- supervise, and publish reports on, the performance and development of industrial estates.

PIEFZA (art. 18), directly or at a request submitted to it, may recommend the Council of Ministers to declare any suitable place in Palestine to be an industrial estate and/or industrial free zone. If the industrial estate or the industrial free zone is established on a leased land, the lease period may not exceed forty-nine years.

PIEFZA(art. 25) shall determine the conditions of the concession deed, term, master lay-out, general specifications of buildings and infrastructure of the industrial estate or industrial free zone, operations and maintenance plan and type of activities and services to be carried out, all in accordance with the regulations and instructions of the concession deed.

If (art.24)a developer fails to develop and operate the industrial estate or industrial free zone, he may, subject to approval by PIEFZA, delegate to a third party, the performance of his duties as indicated in the concession deed.

The objective of these laws is clearly in line with that which was under discussion at the international level: to promote the industrial sector, the regional stability through trade, and to create additional employment.

## **AUGUST 1998 – THE ISRAELI-PALESTINIAN ECONOMIC RELATIONS**

Analysing the state of **Israeli-Palestinian Economic Relations in August 1998** the Government of Israel considered the Palestinian economic prosperity an important Israeli interest. This concept derived from the understanding that the peace process needed to be backed by economic arrangements that would result in improving the socio-economic situation in the region.

“In the nature of things, the Israeli economy and the Palestinian economy are closely interrelated; an increase in the standard of living of the Palestinians is therefore an important goal for the achievement of good neighbourly relations between the two peoples.

Israel and the Palestinian Authority cooperate closely in locating employment opportunities and in creating jobs for Palestinians. For example, a number of successful job fairs which have provided employment, mainly in the field of construction, have taken place. Israel and the Palestinian Authority also cooperate in creating employment opportunities in the industrial zones at Erez and Karni. About 3,500 workers are employed today at Erez, while the plans for Karni call for the creation of tens of thousands of jobs.

## **Development of private sector**

In accordance with the economic policy guidelines laid down by the donor-countries, Israel has been investing much effort, jointly with the Palestinian Authority, to promote the Palestinian private sector. Included in this sphere are: assistance rendered to Palestinian businessmen; assistance in development of industrial zones; assistance in attracting foreign investors; and boosting trade.

## **Industrial Zones**

The idea behind the new industrial zones is to create employment opportunities along the seam-line" between Israel and the territories (West Bank, Gaza) and in areas under the jurisdiction of the PA. They are also intended as a means of developing an industrial infrastructure and promoting Israeli-Palestinian economic cooperation.

A considerable degree of success in meeting these goals has been achieved in the Erez Industrial Zone. Today some 3,500 workers are employed there in 115 industrial plants, of which about one-third are Palestinian-owned.

Work is soon to be completed on the Gaza Industrial Estate (GIE), and operations are scheduled to begin before the end of 1998. This industrial area is slated to provide some 20,000 jobs within its first year of operation. When completed, the projects will provide up to 50,000 jobs directly and indirectly. Israeli role includes, inter alia, the linking up of infrastructures and the installation of a new, state-of-the-art cargo terminal (now in final stages of completion), to be operated by the Israel Ports Authority.

A number of possible locations in the West Bank are being examined, with a view to setting up industrial zones capable of generating employment for thousands of additional workers.

Israeli governmental and non-governmental bodies have been arranging visits to the industrial zones, in order to attract investors and generate interest in cooperative ventures.

## **Expanding Trade**

Israel would like to see an increase in the scope of commerce between the Palestinians and Israel, and between the Palestinians and the rest of the world. Towards this end, efforts are being made to remove bottlenecks from the commercial chain. Following are some of the steps taken:

- *Passages:* Procedures at the Erez and Karni Passages have been streamlined so as to facilitate and expedite the flow of persons and goods. The operation of these passages is soon to be taken over by a civilian authority (the Israel Ports Authority), which will introduce modern technology. Innovations to be introduced include improvement in service and in overall efficiency, on the principle that the needs and wishes of the customer have top priority. The new Erez Passage, scheduled to be completed by the end of 1999, will boast technology providing for biometric examinations that will speed up the flow of persons.
- *Import / Export:* Here, too, procedures have been streamlined to eliminate delays in the handling of goods at ports of entry and exit.
- *Information:* Palestinian exporters and importers are provided with business information and groups of Palestinian industrialists regularly tour port facilities. The Israel Customs Authority recently produced a paper on import and export regulations applying to the Palestinian Authority.

- *Specific Economic Sectors:* An effort is being made to deal innovatively and imaginatively with sectors that appear to require a non-routine approach. A special plan has been drawn up, for example, to ship citrus fruit grown in Gaza to Jordan via the Allenby Bridge. The plan has proved very successful and has resulted in a substantial rise in the quantity of fruit exported during the last citrus season. Special plans have also been implemented this year with regard to the export of vegetables and flowers, as well as marble and stone.
- *Transport:* Israel has taken steps to allow Palestinian trucks to enter Israel and move about freely on its roads. Subject to security regulations, more and more Palestinian trucks are now allowed to enter Israel; when the GIE becomes operational, this will increase considerably. This is expected to boost the Palestinian transport sector.”

## **1999 – THE PALESTINIAN INDUSTRIAL ESTATES PROGRAM**

In the mid-1990’s, at the onset of the Oslo Peace Process, the Palestinian Authority, under the direction of Arafat, adopted a strategy of private-sector driven economic development for the West bank and Gaza. The Industrial Estates program was created as part of that strategy.

The Palestinian Industrial Estates program (IEP) was launched in **1999** with a view to increasing private-sector employment, attracting foreign and inward private investment (including from Israel, the Palestinian diaspora and Arab countries), contributing to the growth of Palestinian economy, and generating foreign exchange earnings by promoting non-traditional exports.

The IEP sought to address the physical need for expanded, accessible, and well-serviced industrial land. It also sought to establish a sound policy framework under which IEs were to operate. This framework, captured in the Palestinian Industrial Estate and Free Zone Law (PIEFZL), is based on a public-private partnership concept. In addition, PIEFZL established an “industrial free zone” model, whereby enterprises that produce goods primarily for export are exempt from customs and other taxes if they operate on an industrial estate which is part of the IEP.

This private-public partnership became a reality with the construction of the Gaza Industrial Estate (GIE) at the Karni (Al Montar) border crossing. The Palestinian Industrial Estate Development and management Company - PIEDCO, a private developer, signed a long-term lease agreement to develop and operate the GIE. At the same time regulatory authority, the Palestinian Industrial Estates Free Zones Authority –PIEFZA, was established to oversee site development and operations.

Five years after the launch of the IEP, the GIE remained the only industrial estate of the nine originally identified. These were Rafah Industrial Estate, Jenin Industrial Estate, Nablus Industrial Estate, Khadoury Technology Development Center, Tarqumyia Industrial Estate, Jerico Free Industrial Estate, Qalqelia Industrial Estate and Dier El Balah Industrial Estate.

## **2006 – THE PEACE VALLEY PLAN**

In July 2006, Japan announced a plan for peace called "Corridor for Peace and Prosperity," which would be based on common economic development and effort, rather than on continuous contention over land.

“.....the two-state solution is the only way and it is important to make efforts towards coexistence and co-prosperity while at the same time, managing the current situation.

For this to happen, it is crucial to establish a viable state for Palestinians accompanied with sustainable economic development through the strengthening of their partnership with neighboring countries, especially Israel and Jordan.

The role of the private sector, coupled with the development of the public private partnership (PPP) is crucial in achieving sustainable economic development. In the West Bank, agriculture and agro-industry could be a driving force for sustainable economic development.

Not only are the results of cooperation projects important but so is the process in terms of promoting confidence-building”.

Japan proposed its concept of creating "the corridor for peace and prosperity" in cooperation with Israelis, Palestinians and Jordanians. The concept was to work collaboratively to materialize projects that promote regional cooperation for the prosperity of the region, such as establishing an agro-industrial park in the West Bank and facilitating the transportation of goods.

And Japan said it was ready to prepare a feasibility study for establishing an agro-industrial park and to finance a project to facilitate the transportation, mainly, products produced from the above-mentioned agro-industrial park to the above-mentioned distribution center of goods.

Shimon Peres gave this idea much attention during his participation in an international conference in New York in September 2006 which was organized by former U.S. President Bill Clinton and in March 2007, at a two-day conference in Tokyo which included officials from Japan, Israel and the Palestinian Authority, Japan discussed its plan for peace based on common economic development and effort. Both sides stated their support.

*"I think Japan has taken us to the future with their vision," said Palestinian negotiator Saeb Erakat. "This is an incentive of how things would look if Palestinians and Israelis would reach peace."*

*"Jordanians, Palestinians, and Israelis, we shall work together. This is the first time in the Middle East that such an economic cooperation takes place," said Israeli Vice Premier Shimon Peres.*

In March 2007, The government of Israel adopted an important, precedential decision, designating the "Valley of Peace" plan as a "National Project" for all intents and purposes, which would entail promotion of and cooperation on economic development for Palestinians.

*“The political track deals with borders, but the economic track deals with relationships. It is easier to reach an agreement regarding relations than one regarding borders. Positive economic relations will eventually facilitate reaching an agreement regarding borders. The Valley of Peace plan constitutes the first attempt to make a transition towards the modern worldview, using global leverages, risk-taking, a future-oriented perspective, development of new markets, and an openness to new relationships. The project will rely on funding from extra-governmental sources who have an interest in developing new markets and technologies.”* Said Shimon Peres

The **Valley of Peace plan** extends over the Great Rift Valley, spanning 520 kilometers of the Israeli-Jordanian border, from the Red Sea in the South, to the Yarmouk River in the North. 420 of those kilometers are on our border with Jordan, with whom we now have peaceful relations. 10% of this route extends over the future border with the Palestinians, who are in need of economic encouragement, as well as financial aid.

The Valley of Peace vision is generating a great deal of interest, and economic initiatives are already blooming, based on private investments and support from institutions and states. These economic enterprises will promote regional development, resulting in a vast array of benefits for the region's countries and their inhabitants.

The first projects would include the digging of the Peace Carrier, to carry water from the Red Sea to the Dead Sea; the cooperative development of agriculture and tourism; the establishment of a joint Israeli-Jordanian airport; the creation of railway connections between Jordan and Israel; the establishment of an industrial area in Jenin and an agro-industrial area in the Jericho-Demya region, with the aid of the governments of Germany and Japan; and the development and establishment of incubators for technological initiative.

**The railway - transportation connection:** the plan takes into account a railway - transportation connection between Jordan and Israel, a link that will shorten distances, decrease costs, and develop new shipment opportunities between Europe and America and the Middle East region. The Europeans are also proposing the laying of two future railway tracks to connect Europe and the Middle East. A track in the North can be built between Irbid in Jordan and Haifa in Israel, and another track in the South can be built towards the Red Sea, tying Akabah, the Red Sea and the Ashdod port in a single rail web. Railways of this kind can facilitate integration of the Middle East with Europe and generate economic momentum

**The industrial area in Jenin:** In the region of North Samaria, potential has been created for the development of an industrial area. The government of Germany has agreed to allot some \$30 million to the establishment of such an area, and other governments are willing to encourage their private companies to open branches in the region. The towns of the Jezreel Valley are also showing interest in this possibility. The area can be used to develop industry in the fields of textile, wood, and food products, and to develop a logistical service array that can support this industry on the Israeli side. An industrial area of this kind can generate tens thousands of jobs for the entire area, as has already happened in the Jordanian industrial zone.

**Agro-industrial development in Jericho:** the Jericho region can serve as an agricultural centre for the entire Middle East. The government of Japan has offered to aid in the development of industrial agriculture in Jericho, including a knowledge-rich industrial agriculture park, as well as an airport on the Jordanian side, capable of distributing agricultural produce to the entire region. This project will enable the West Bank to export produce to markets throughout the entire Middle East and raise the quality of life in the region.

Peres *“The Valley of Peace plan, therefore, opens the door to new possibilities. It can serve as a bridge between three partners who are required to act cooperatively by the demands of nature as well as of peace. It will take time, and difficulties will be encountered, but then every great initiative creates great conflict, both with the nature of the land and with the nature of man. The Valley of*

*Peace plan is an extraordinary opportunity for creating change in the atmosphere of the region: an opportunity for the improvement of relations, and for shared experiences.*

*The Valley of Peace plan constitutes the beginning of economic hope, a plan that will serve the political negotiations taking place in parallel, with each plan able to move forward independently, and without having to wait for the other.”*

In his inaugural speech in July **2007**, Peres mentioned this effort, and asserted that there was great potential for cooperation among Israel, Palestinians, and Jordan. “ *In the Valley of Peace we will see how, for the first time, it will be possible to harness the economy as a bulldozer for peace. A partnership between organized Jordan and modern Israel will help the Palestinians overcome their destitution and establish their country.* ”

And he presented to several Israeli businessmen the economic projects he is promoting, primarily the Valley of Peace which extends along the Israel, Jordan and Palestinian Authority border, and the establishment of two joint industrial zones in Jericho and in Jenin, which will be established with the assistance of the governments of Germany and of Japan.

In this occasion, Elisha Yanai - Director General of Motorola - noted that economic cooperation between the countries and the economic strengthening of the Palestinian Authority are necessary and required in order to strengthen the peace camp on the Palestinian side: “*I have tens of examples of economic success which are a result of economic cooperation between Israel and its neighbours and especially between us and Jordan in the establishment of technological and electronic industries which have added thousands of places of work and have strengthened our relations with the Jordanians.*”

In August 2007, Foreign Ministers of Israel, Jordan, the Palestinian Authority, and Japan met in Jericho, and formally agreed to go ahead with this plan.

On **November 2007** the leaders of Israel, Palestine and Turkey signed a landmark agreement to establish joint industrial zones in the West Bank set to create employment for thousands of Palestinians.

The Ankara agreement paved the way for the establishment of industrial zones first in Tarqumia and then in Jenin under the leadership of the Turkish Union of Chambers and Commodities Exchanges (TOBB). The establishment of industrial zones in the West Bank would attract investments in the region and contribute to the development of the region's economy in the medium and long term.

Under the agreement the goods produced in those zones will easily access markets in the United States, Europe and Gulf countries. Israel has assured it will assist the shipment of these products to access the markets.

“The international community also will support the project. The donors include the United States, Britain, World Bank, Organization for Economic Cooperation and Development (OECD), G8 and the Middle East Quartet”, said a statement released by the Turkish Foreign Ministry. It also said the U.S. Chamber of Commerce announced it would participate in the Ankara Forum studies as observer.

In his speech the President Gül said the industrial zones would open the way for foreign entrepreneurs to produce there. He stressed that the deal would encourage a settlement to the political dispute between the Israelis and Palestinians.

## AFTER ANNAPOLIS

At the summit in Annapolis in 2007, joint Israeli-Palestinian industrial zone projects were designated as an object of future collaboration and a peace-building initiative between Israel and the Palestinian Authority (PA). Major industrial zones backed by the World Bank and European Union are slated to be constructed in the West Bank.

At the same time of the Annapolis conference, in a trilateral meeting held in Jerusalem on 19<sup>th</sup> of November 2007, Tony Blair, along with the Palestinian Prime Minister Salam Fayyad and Israel's Minister of Defense Ehud Barak, expressed a commitment to revive the Palestinian economy and improve living standards. Four projects were picked out as key:

A north **Gaza** emergency sewage treatment project. Important progress has been made among the parties involved in the last weeks in order to ensure the proper implementation of this critical project for providing basic services to the citizens of Gaza. The project provided an urgently needed alternative to the dangerous Beit Lahia treatment plant and sewage lake in order to avoid a potential catastrophe in the current lake in Beit Lahia.

The construction of an agro-industrial park in **Jericho**. Understanding has recently been reached under the leadership of the Japanese government concerning the location of the agro-industrial park and arrangements for access to Jordan in the framework of the 'Corridor for Peace and Prosperity'. Parties agreed to create an enabling environment for the private sector and the donor community to step up its activities in the Jericho and Jordan Valley region.

Support was also given to the development of **industrial zones**, in particular relevant after the decision taken by the Ankara Forum on Tuesday 13<sup>th</sup> of November 2007 to develop an industrial zone in the area of Tarqumiya. The development of industrial zones in the area of Tarqumiya, Jenin and other locations will create large employment opportunities both in the short and the long term. Moreover, it will improve services for the Palestinian industries and offer opportunities for regional and international business cooperation.

There was also agreement to work together to revive the Palestinian and Israeli **tourism sector**. This will offer significant employment opportunities for both Israeli and Palestinian economies. As a first step, tourism in Bethlehem is promoted. This initiative will include measures aimed at improving access to Bethlehem and upgrading the tourism facilities in the Palestinian territories. A number of other projects, under different stages of implementation were also picked out.

In the press conference, Tony Blair said:

*“To create lasting peace, three things must happen:*

*- a clear political vision of a two-state solution;*

*- the building of Palestinian capacity and institutions of governance, because statehood is about*

*more than geography and territory;*

*- and the facts on the ground must not contradict the process of state building, but enhance it and support it economically.*

*Today, we focus on the third aspect: creating more jobs, and greater prosperity for ordinary Palestinians on the ground. In doing this, we do not separate the economic from the political, or either from the security concerns, but we simply say, in parallel with the Annapolis and Paris Conferences, which focus on the politics and the capacity building, we should give impetus to economic progress. Obviously, all three aspects continue to be linked. The greater the political progress, the easier the economic progress. The greater the Palestinian capability on security, the easier the politics and the economics.*

*But getting investment projects going matters in itself. And that's what we are doing today.*

*Prime Minister Fayyad, Defence Minister Barak and myself are all committed to doing what we can to boost the Palestinian economy.*

*We have today "greenlighted" four such projects. All have been debated for some time. Now all can be given the go-ahead to happen. We will meet again in December before the Paris conference and discuss progress and hopefully greenlight more. Some we can list as under active consideration. Others we don't mention today but we are working on. Others, we can add, as momentum builds.*

*I would like to thank both leaders for their leadership. Prime Minister Fayyad is determined to revive the Palestinian economy. Defence Minister Barak is determined to help, consistent with maintaining Israel's security.*

*Since many of the projects require close security analysis, that's why I asked Defence Minister Barak to be part of this process. But I also thank Minister Herzog for his help.*

*So, I will not exaggerate the significance of today. It is not a substitute for the politics. It will not, by itself, transform the future. But it is a strong beginning for what is a critical part of the whole process. And without hope of prosperity, rising living standards, and an economic stake in the future for ordinary Palestinians, the politics will never succeed."*

The projects of planned Quick-Impact Projects, advanced by Quartet Representative Blair, Palestinian prime Minister Fayyad and Israeli Defence Minister Barak were embedded in the PRDP, with the intention to provide quick wins, create employment and encourage additional private investment.

Equally importantly, they are intended to showcase the dividends of collective action by the Palestinian and Israeli authorities in promoting private sectors, including tourism, education, youth and women's empowerment, housing industrial estates agriculture and water and sanitation.

We can find all these decisions into the Palestinian Reform and Development Plan 2008-2010.

The Palestinian Reform and Development Plan (PRDP) was presented by Prime Minister Salaam Fayyad at the Paris Donors Conference on December 17, 2007. The three-year plan aims to lay the foundations for a future Palestinian state and build its infrastructure and economy. It has been widely endorsed by donor governments, including the EU and the United States, along with the International Monetary Fund and the World Bank.

The PRDP presents a coherent development plan that reflects a frank assessment of the PA's absorptive capacity for project implementation. The development agenda contains priority investments in governance, social, economics and private sector, and infrastructure development worth \$ 1,895 billion over three years. The development budget increases progressively over this three year period – from \$ 492 in 2008 to \$ 634 in 2009 and to \$ 769 in 2010 – reflecting pragmatic assumptions by the PA of its own absorptive capacity.

#### Governance:

The PRDP proposes the improvement of the institutional capabilities of the Palestinian National Authority (PNA) through a number of reforms and new initiatives, including:

- the trimming of the size of the PNA to an effective, affordable organization;
- the creation of a new security service that is loyal to the PNA along with improvements in the justice system and increased accountability and transparency; and,
- defining the relationship between local government and the PNA and making government more accessible.

The main parts of the governance development agenda are security and local government reform, which together account \$ 257 million of the total \$ 453 million planned in this sector over the three years.

#### Social Development:

The plan also calls for the development of the capacities of the Palestinian people by:

- focusing on efficiently coordinating social protection programs to maximize their benefit;
- expanding the Palestinian education system as population expands as well as supporting higher and vocational education
- rebuilding the Palestinian territories' health system and making it affordable for its citizens; and,
- empowering traditionally-neglected groups through women and youth empowerment programs.

Access to education and Quality education for all worth \$ 302 million account for the bulk of the social development allocation of \$ 583 million over the three years.

#### Economic and Private Sector Development:

The PRDP envisions an open, free market economy based on the private sector, which it seeks to develop through:

- economic programs targeted at agriculture, industry and services, tourism, and the construction of new, affordable housing;
- the building of economic capabilities, such as the industrial and tourism sectors;

- . targeted support for small- and medium-sized enterprises; and,
- . seeking further markets for the Palestinian economy.

In the PRDP it's underline that the Palestinian private sector must be the engine of sustainable economic growth. It needs to generate productive employment, produce high value-added goods and services and to enhance national prosperity. "*We are committed to creating an enabling environment for private sector growth.*" Of course, its full potential can only be realized by the lifting of restrictions on the movement of Palestinian goods and people, and, more generally, meaningful progress towards peace.

In the economic development , the focus is varied, but with an emphasis on developing the capacity and competitiveness of the agricultural ( \$ 66 million), industrial ( \$ 78 million) and Enterprise investment & development ( \$ 52 million), reflecting an aim of triggering a Palestinian trade-driven recovery.

The Quick-Impact Projects, which are incorporated in the PRDP are designed to provide near-term stimulus and to illustrate the positive impact of parallel actions by the PNA, Israel and donors to create the proper environment for Palestinian business to flourish. They are selected based on this criteria: a) the ability to create economic stimulus , create jobs and revitalize the labour market (Through grater Youth, women and micro-enterprise participation); b) the ability to build export-oriented businesses and supply chain linkages that can be replicated throughout the occupied territory; c) the reliance on commitment from Israel to remove existing restriction and create an environment for the re-emergence of investment and private sector growth.

In particular, among other projects (2008-2010):

Program: Trade Infrastructure and Facilitation

- Projects: Improved institutional arrangements at border crossing (Costs: \$ 24 m)
- Improved infrastructure at border crossings (Costs: \$ 6m)
- Supporting marketing and export promotion; Implementation of trade agreements; Implementation of Paris Protocol (Costs: \$ 6m)

Program: Enterprise Investment and Development

- Projects: Enterprise learning fund-focus on export-oriented SMEs (Cost: \$ 24m)
- Micro-finance and micro-credit services for rural and urban entrepreneurs (Costs: \$ 9m)
- Finance & credit services to encourage establishment of businesses in "strategic" sectors –e.g. trade services & logistics (Costs: \$ 16 m)
- Build PNA capacity to oversee the provision, financial investment and credit services (Costs: \$ 3m)

Program: Agribusiness Development

- Projects: Agro-industrial park (Jericho) (Costs: \$ 24m)
- Development of post-harvest services sector-processing, packaging, distribution, marketing, export promotion (Costs: \$ 13m)
- Rehabilitate farms, orchards & other damaged infrastructure (Costs: \$ 8m)
- Natural resources conservation and reclamation – land and water (Costs: \$11m)
- Capacity building for Ministry of Agriculture and Standards Institute (Costs: \$10m)

Program: Industrial Capacity Development

- Projects: Build municipal industrial parks – Tulkarem & Hebron (Costs: \$ 23m)
- Build border industrial parks – Jenin & Tarqumiya (Costs: \$ 40m)
- Capacity building for SME industrial establishments-productive & managerial

capacity, quality standards (Costs: \$ 15m)

But it's necessary to notice that the investments in the economic sector are only a little part of the resources that are assigned for the PRDP, while we need to underline that the economic development projects are vital for creating an environment for investment and trade. And, in the final analysis, to finally make Palestine independent from foreign aid and from humanitarian assistance.

#### Public Infrastructure Development:

The plan notes a deficiency in public infrastructure due to conflict and under-development, which it aims to repair through:

- focusing on the building of new roads as well as improving the electric grid;
- outlining a need for greater water supply as well as a plan for wastewater treatment and solid waste facilities; and,
- proposing public recreation and cultural facilities.

The focus of the infrastructure agenda is on transport (\$155 million) and water and wastewater management ( \$138 million) , comprising \$ 293 million of the total \$ 464 million over three years.

#### Possible Macroeconomic/Fiscal Framework

to create a fiscal system that is less erratic and more independent the plan proposes a fiscal outline through 2010 that aims to bring recurrent expenditures down from 54% of GDP to 44% and better target these expenditures toward those in need. It also seeks to reduce the PNA's budget deficit. This outline, however, is premised on gradual improvements in movement and access as well as PNA control of Gaza. Continued economic problems are forecasted if those impediments remain.

#### Implementation

The PRDP calls for tri-partite action to be successful.

- The PNA must impose law and order, implement key economic reforms and build effective governing institutions.
- Israel needs to remove the obstacles that hinder the proper functioning of government and the economy and hence the creation of a truly viable Palestinian state.
- The international community needs to provide aid to the PNA and support the peace process.

Additionally, the plan calls for better coordination and integration within the PNA and better coordination with NGOs and other parties working in the Palestinian territories as well as 'untied' donor commitments that allow the PNA to use funds as needed to meet objectives in a timely manner.

### **FROM "VALLEY OF PACE" TO "TOWARDS PALESTINIAN STATE"**

In January **2008**, Peres announced that the plan "Valley of Peace" had moved closer to realization, as new details were announced for implementation of joint economic effort in four locations in the West Bank.. This included specific plans for industrial projects, and a jointly-built university, and investments from several countries, including Japan, Turkey and Germany.

Peres discussed this with Tony Blair during Blair's visit to the Mideast in February 2008.

Blair told that despite causes for concern over continuing rocket attacks from the Gaza Strip, it was important to keep focusing on economic potential. Many industrial projects were making progress, he said. *"There's an awful lot we can do. None of it is a substitute for political negotiations and the political process, but economic progress can supplement the political process."*

In May 2008 Tony Blair announced a new plan for peace and for Palestinian rights: **“Towards a Palestinian State”**, based heavily on the ideas on the Peace Valley Plan. It involves the creation of a Palestinian security and economic free zone around the northern West Bank town of Jenin, where Palestinian security forces would take charge, easing freedom of movement and allowing significant investment in infrastructure projects, including an industrial park near the impoverished town of about 35,000 inhabitants.

The plan would also involve the removal of four strategic checkpoints across the West Bank that do not lead directly into Israel, and changes to eight more that would allow traders and workers free access to markets.

Blair said that what distinguished his project from others that have tried and failed to cut through the complex social, political and security issues of the occupied West Bank, was that he intended to co-ordinate massive investment with increased security.

*“The package could be extended to the rest of the West Bank if it proved successful”*, Tony Blair said. He also announced plans to ease access to Bethlehem and plans for other industrial parks and for a new mobile telecoms company to invest in the area, a deal that could generate \$350 million (£175 million) in licence fees for the Palestinian Authority.

With reference to the economic and social development, in the paper **“Towards a Palestinian State”** there are some proposals about the industrial parks:

- Jenin Industrial Park

Preparations for the establishment of the Jenin Industrial Estate have advanced significantly over the last few months and construction can now start with the support of the German government following agreement reached by the Government of Israel and the Palestinian Authority on arrangements for water and electricity services and access to the site. Construction of the industrial park will stimulate Palestinian economic activity by attracting (foreign) investments and creating sustainable employment and income generation in the region of Jenin. The park will improve services for the Palestinian industries and offer opportunities for regional and international business cooperation.

- Tarqumiya Industrial Park

Following the decision of the Ankara Forum on Tuesday 13th of November 2007, the Government of Israel and the Palestinian Authority have agreed to establish Tarqumiya Industrial Estate, which will be located in Area C and B, and for which, the precise location still has to be decided. Construction of the industrial park will stimulate Palestinian economic activity by attracting (foreign) investments and creating sustainable employment and income generation in the region of Hebron.

- Wataniya Telephony Licence

The Government of Israel has agreed to approve this enterprise and to release a frequency of 2.4 Mhz in the 900 bandwidth. The Government of Israel will commit, in writing, that within 6 to 8 months, the assignment of frequency will be amended to a total bandwidth of 4.8 MHz at the 900/1800 Mhz bands and will assign a frequency of more than 4.8MhZ in due course, with details to be finalised between the parties.

This deal will contribute to the overall growth of the Palestinian economy. First, it will involve an injection of funds to the PA of over \$354 million in license fees (with an immediate transfer of \$100 million). Secondly, Wataniya will invest more than \$700 million in the Palestinian Authority over 10 years, create 750 jobs for Palestinians and generate 1,500-2,000 indirect jobs.

- Bethlehem Tourism

Tourism to the Holy Land is on the rise with positive effects for both the Palestinian and Israeli tourism sector. This has had a significant impact on hotel occupancy rates; for example in Bethlehem. However, investments are needed to rehabilitate hotels and rooms to increase overall capacity to meet pre-Intifada levels. A number of permanent improvements in the tourism sector have been agreed in order to encourage private investments. It was agreed among both sides that immediately after the Palestinian Investment Conference the facilitation of access from and to Bethlehem will be improved on a permanent basis. 500 new trader permits and the existing permits for tour guides will be renewed, on an ongoing basis. The Government of Israel will allow the transport of goods and services to go directly from Bethlehem to Jerusalem through the existing checkpoints, except for specific defined categories, pending technical and security arrangements.

- Allenby Bridge

The Government of Israel has recently extended the opening hours from 18:00 to 20:00, and has expressed its general willingness to extend the opening hours even more. The Government of Israel will seriously consider at the earliest possible date, the presence of a limited number of Palestinian customs officials - under existing arrangements and procedures - at the bridge as part of the larger long-term effort to create a professional Palestinian Border Authority.

- Jericho agro-industrial project

The parties are cooperating and facilitating the efforts of the Japanese International Cooperation Agency in establishing an agro-industrial park in the Area of Jericho.

- Water/sanitation projects

I. Projects agreed on the West Bank:

- a. Construction of Wastewater Treatment Plant in Nablus- Wadi Ziemar Project- Part A;
- b. Construction of Wastewater Treatment Plant in Tulkarem- Wadi Ziemar Project, Part B;
- c. Construction of Wastewater Treatment Plant in Salfit;
- d. Construction of a Wastewater Treatment Plant in Ramallah based on the outcome of ongoing negotiations between Israeli and Palestinian Water Authorities; and
- e. Supply and installation of main transmission line and internal network for Aqraba cluster of villages.

II. Gaza WATSAN

a. North Gaza Sewage Treatment Works .

Phase 1 of the North Gaza Sewage Treatment Works (the construction of 2 infiltrations basins, a pumping station and pipe network) is expected to be completed in the first or second week of June. The Palestinian Water Authority (PWA) will tender the contract for Phase 2 - the treatment plant – in June. The Ministry of Development (MOD) will provide a letter of comfort to the PWA in order to encourage potential bidders. MOD will also pre-clear a list of goods provided by PWA. This part is likely to take two years to complete as it involves a state-of-the art water treatment facility. However, sewage will start to be partially redirected from the dangerous Beit Lahia lake as of the completion of Phase 1 in June;

b. Construction of Wastewater Treatment Plant in Khan Younis, Gaza; and

c. Construction of a Wastewater Treatment Plant in Gaza Middle Area Allow the entry of critical goods for the maintenance of the water and sanitation sector in Gaza

The Coastal Municipal Water Utility (CMWU) has provided the MOD and Mekorot with a list of critical items to ensure the continued provision of water and sanitation services to Gaza's population. Some have already been cleared and the immediate clearance of this list is critical without prejudice to Israel's legitimate security needs.

## **THE PALESTINE INVESTMENT CONFERENCES – 2008**

### **Bethlehem – 21-23 May**

The Palestinian Investment Conference - PIC that took place on 21<sup>st</sup>-23<sup>rd</sup> of May 2008 in Bethlehem was inspired by the success of the Paris Donors' Conference, at which the international community committed to a comprehensive three-year development and rehabilitation plan for Palestine. During the Paris conference, different donor countries combined to pledge \$7.7 billion toward the social and economic development of Palestine. Inspired by this show of support, the Palestinian private and public sectors, with the support of local social institutions, came together to create this conference as a forum to showcase the Palestinian economy and highlight the investment opportunities in Palestine's different sectors, promoting investment in various promising sectors while building a strong network of local, regional, and international business leaders. The conference underscored the Palestinian Government's reform plans for the public sector, intended to increase efficiency in the private sector while strengthening public and private sector partnership.

The target audience for the conference included: Members of Arab Business Councils, Arab Business Associations, and General Unions of Arab Chambers of Commerce throughout the world; the business community of the Palestinian Diaspora; Government representatives; delegates from international aid agencies; Arab and Islamic financial committees and development funds representatives; public figures and notable representatives of international, regional, and local civil society institutions; local, regional, and international media representatives; and the broader Arab and international community.

*“The time has come to invest in Palestine”,* said the Prime Minister Salam Fayyad. *“The international community showed its overwhelming support of the Palestinian economy in Paris last*

*December, and PIC-Palestine intends to continue this process of creating an environment conducive to investment-led growth”.*

The objective of the conference included:

- Showcasing business opportunities and projects ready for launching;
- Demonstrating high-level political commitment from the Palestinian Authority to the investment-led growth of the Palestinian economy;
- Educating and informing potential investors regarding the local investment climate;
- Challenging popular perceptions about doing business in Palestine;
- Promoting promising investment opportunities in a variety of sectors;
- Showcasing the business success stories of Palestine;
- Creating linkages between Palestinian and international businesses;
- Initiating an ongoing dialogue between the Palestinian government, the Palestinian business community, and international investors; and
- Building momentum for the removal of barriers that hinder partnership between Palestinian businesses and the international business community.

The 1997 international participants came mostly from the Arabian peninsula - about 40% -, 10% were from Europe and North America and the remaining 50% from Palestine itself. On this point it's interesting to note the presence of 105 businessmen from Gaza, whom Israel gave the opportunity to travel to the West Bank, despite the military block.

The President of the Conference, Abu Libdeh, repeated loudly for all three days a very effective slogan: *"You can do business in Palestine."*

To endorse this argument a total of 165 submissions were received ranging from developed investment opportunities from well-established market leader to young entrepreneurs with innovative and imaginative ideas. All submissions were evaluated by the PIC – Palestine Technical Unit and submitted to the program committee for approval against an agreed set of criteria. In total 105 projects and concepts were approved for a total value of about US \$ 2 billion in these sectors: agriculture; finance; information and communication technology; infrastructure, real estate and construction; manufacturing; and tourism.

In his speech, the Prime Minister Fayyad assured the investors that *“ the Palestinian authority is doing everything in its capacity to encourage and push the private sector to liaise with different civil society organisation. It has been pushing the private sector to further growth by passing new laws and legislation to benefit it, such as alleviating taxes, as well as a new set of legislations to improve the compatibility and capability of the private sector, in order to enhance the economy significantly”.*

## **Nablus - The North Forum – 22-23 November**

The Palestine Investment Conference – The North Forum, on 22<sup>nd</sup>-23<sup>rd</sup> of November 2008 held in Nablus. It followed upon the success of the first Palestine Investment Conference that was held in Bethlehem in May 2008. The primary objective of this conference was to provide participants with investment opportunities in the North of the West Bank.

The forum brought together more than 200 Arab and foreign investors and more than 400 local businessmen from the West Bank, Gaza and from within the Green Line.

The aims of the Conference were: to shed light on investment opportunities in Palestine, with a focus on the northern regions of the West Bank and the sectors of interest; to provide investment opportunities to local and foreign investors, by showcasing suggestions for projects on hold, or funding new projects; to assist local businessmen in identifying, studying and promoting viable business opportunities that have the potential to attract local and foreign investors.

\$ 510 million of projects were announced at this Conference in Nablus.

Five of the projects were in the infrastructure sector, one in industry, and one to finance investments. All are concentrated in the northern part of the West Bank. The biggest project was the power plant planned for the northern parts of the West Bank with a capital of \$300 million shared among several investors. The second is an iron factory in the West Bank, city of Jenin, with a capital of \$100 million, of which \$15 million has been allocated to begin the first phase of the galvanized iron plant. A fund to revive the economy of the northern parts of the West Bank was launched at a cost of \$50 million to be funded by the PA, the private sector and donors.

Palestine Industrial Estates Development and Management Company (PIEDCO), a company affiliated to the Palestine Development and Investment Company (PADICO,) announced a grain silos project in Jalama, north of Jenin, at a cost of \$18 million.

On the sidelines of the conference, the Palestinian Investment Fund (PIF) and the municipality of Nablus signed a memorandum of understanding to establish an industrial zone on an area of 120 dunams in Nablus to cost \$25 million in the first phase, then to be expanded to 350 dunams at a total cost of \$85 million. In addition, a solid waste treatment project in the governorate of Nablus, to cost \$2.1 million, was launched.

Twelve other projects were presented in the four sessions during the conference.

During the four sessions of the conference, which discussed infrastructure, industry, agriculture and domestic tourism, the Palestinians tried to convince their Arab counterparts and Palestinians living in the diaspora of the opportunities available in the Palestinian territories and especially in the northern parts of the West Bank.

Robert Danin, head of mission of the Office of the Quartet Representative, said: *"Since I arrived here in April, I have had the opportunity to meet a broad range of Palestinians from the public and the private sector. I have been very impressed with the vitality, professionalism, courage and pro-activeness of both the PA and the private sector."*

He added that Tony Blair, the Quartet representative, had been meeting regularly with members of the Palestinian business community from throughout the Palestinian territories: from Hebron, Nablus, Bethlehem, Ramallah, Jericho, Jenin and Gaza.

*"These discussions have helped shape our understanding of the huge potential of Palestinian entrepreneurship, as well as our understanding of what needs to take place to enhance the investment climate, so that this entrepreneurship and investment potential can bear fruit", he added*

## **2009**

Benjamin Netanyahu, a former Finance Minister of Israel and the current Prime Minister of Israel has repeatedly made public statements during the 2009 Israeli elections which advocated an approach to peace based on economic cooperation and joint effort, rather than continuous contention over political and diplomatic issues.

He told the closing plenary of the United Jewish Communities General Assembly in November 2008 that the peace process needs to focus on economic issues and not political disagreements.

*"We must weave an economic peace alongside a political process" Netanyahu said. "That means that we have to strengthen the moderate parts of the Palestinian economy by handing rapid growth in those area, rapid economic growth that gives a stake for peace for the ordinary Palestinians"... .."Right now, if you look at the division of labour, maybe 99 of our efforts are going to into political negotiations, and less than one percent are going to economic development. I propose we change the proportions, not reverse it, but change the proportion, because economic peace will support and bolster the achievement of political settlements down the line."*

Similarly, in a Jerusalem Post interview, Tony Blair said in May 2009:

*Question: .."we're hearing about a determination to build from the bottom up with the Palestinians, including assurances that economic projects that had been stymied will now be advanced."..*

*Blair: .."you have to build from the bottom up as well as negotiate from the top down...because once you take the three "headings" - politics, economics and security... Each of these things take decisions...it will become apparent, whether Israelis are prepared to build from the bottom up, and whether Palestinians understand that Israel will only tolerate a Palestinian state that is a stable and secure neighbor...*

*...people ask me, why are you bothered about whether there's a bit of agro-industrial thing around Jericho. And I say, because it matters. The detail on the ground really matters. Just supposing you've created the conditions in the Jericho area to exploit the tourism potential it has got. You're creating a whole set of stake-holders who, when it comes to those difficult concessions, are going to say, "We want the state." They are then believing in a reality, not a shibboleth.."*

In **November 2009** there were good news.

The Jalama crossing connecting the lower Galilee with the Palestinian city of Jenin was opened to vehicles on 10th of November for the first time in eight years.

The crossing – The Jerusalem Post reports- was inaugurated in a ceremony, which included Quartet envoy Tony Blair, government ministers Silvan Shalom, Avishai Braverman and Matan Vilna'i, and Jenin Governor Musa Qadura. Until these date, the crossing was only open to pedestrian traffic. It is

hoped that allowing vehicular traffic will increase the number of visitors and give a boost to the local Palestinian economy.

"Economic cooperation can bring about dramatic change in the Middle East," said Shalom, deputy prime minister and minister for regional cooperation. "The Palestinians are still wary that the economic dialogue will come at the expense of the political dialogue - and that is a mistake."

Shalom said Israel was interested in continuing negotiations with the Palestinians, but that "it takes two to tango." He added that the progress on the economic front had proved that progress could also be made on the political front.

Shalom called on Palestinian Authority President Mahmoud Abbas and Prime Minister Salaam Fayad to return to the negotiating table.

"The opening of the Jalama crossing, like other actions we are promoting, contributes not only to creating trust and understanding, but [is an] important engine of growth," he said. "Opening the crossing to vehicles will enable the movement of dozens of cars and trucks between Israel and the city of Jenin every day. Opening the crossing will promote the Palestinian economy by bringing in Israeli Arabs as consumers to Palestinian cities."

Blair praised the opening of the crossing, saying that it might look like a simple act, but it indicated something larger and more meaningful. He echoed Shalom's sentiments that the move would promote the local economy and show that peaceful cooperation could succeed and he complimented Qadura and Gilboa Regional Council head Danny Atar for their efforts toward normalizing relations. Blair said the men possessed vision and courage and that the regional cooperation would be an example of coexistence and the path of peace.

Minority Affairs Minister Braverman, meanwhile, said of an economic peace that "the role of the prime minister is to serve our grandchildren and work courageously toward peace. The Israeli-Palestinian cooperation in the Gilboa proves that with vision and courage, things can be different."

The Jalama crossing is planned to serve thousands of people who wish to visit Jenin and other Palestinian cities. "We anticipate 500 cars a day on weekends," said Defense Ministry spokesman Shlomo Dror. "Opening the crossing saves people long drives, having to go around using alternate routes and crossings. It now takes 10 minutes to get to Jenin, whereas before, it could have taken up to an hour."

The Jalama crossing had been sealed since the early days of the second intifada. Its opening is another step in a series of normalization efforts taking place in the region.

Improved security in Jenin and good relations between the local leaders and their staff have enabled several joint projects to take place. The fact that 40% of the population in the Gilboa is Arab and that many are connected to their Palestinian neighbours through links of friendship and kin, has aided in generating a positive atmosphere. Already the two local authorities are working on joint tourism and trade projects, and there are plans in the works to form a commercial zone that spans the border.

## **THE PROGRAM OF THE THIRTEENTH GOVERNMENT – AUGUST 2009**

## PALESTINE: MOVING FORWARD – Priority Interventions for 2010 – JANUARY 2010

### 2009

In August 2009, the 13th Government of the Palestinian National Authority (PNA) announced and published its program to unify Palestinian society and friends in the international community behind the effort to end the occupation and establish the State of Palestine in two years. This document sets out the PNA's high priority interventions to be initiated or continued in 2010 to implement this program.

Regarding the **economy**, to initiate a sustainable recovery and to rebuild the national economy as a pillar of a modern Palestinian state, the Government has defined policy priorities in seven domains.

*Creating an enabling investment environment:* The Government will promote investment in Palestine through, inter alia, tax incentives to local and foreign investors and develop the package of modern investment laws and regulations to promote investment and economic activity.

*Promoting the role of private sector in social and economic development:* The Government will act to enhance the role of the private sector in national development and support the development of Palestinian private sector institutions to increase their capacity to represent the interests of their members.

*Support Palestinian products and expertise:* The Government will give priority to Palestinian goods and services without prejudice to competition on grounds of cost and quality.

*Developing national resources:* Palestine is abundant with human resources, but has limited natural resources. Therefore, the Government will focus on developing human capital through an education system that meets the needs of a labour market in a productive and globally-competitive national economy. On the other hand, the Government will develop techniques to conserve and manage our limited natural resources for the benefit of the Palestinian society and economy.

*Developing infrastructure:* Insufficient and inadequate infrastructure is a major factor driving up the cost of production. The Government will develop national infrastructure, including industrial zones, electricity networks, roads, crossing points, and other critical infrastructure to reduce production costs and enable Palestinian products to be more competitive in the domestic, regional and international markets.

*Transmit knowledge and support Palestinian innovation:* In light of the rapid pace of globalization, Palestinian businesses need international exposure to benefit from international expertise and promote Palestinian goods and services overseas. The Government will support international knowledge transfer and marketing activities in order to develop and enrich the national economy. In addition, the Government will encourage Palestinian innovation through promoting research and development.

*Expand bilateral and multilateral cooperation:* The Government will develop and sign agreements on commercial cooperation with states that grant Palestine preferential treatment, and raise awareness and utilization of existing agreements. It will also continue efforts to enrol Palestine as a full member on the World Trade Organization, World Customs Organization and other international bodies.

Regarding **infrastructure**, the Government has defined policy priorities in six domains.

*Develop infrastructure in rural and marginalized areas:* The Government will strive to build water, electricity and roads infrastructure in the in rural and marginalized areas, thereby advancing social justice, equitable distribution of resources and citizens' steadfastness on their homeland.

*Develop and maintain existing infrastructure:* The Government will promote the importance of infrastructure maintenance and provide the necessary budgetary allocations, thereby prolonging the life of public infrastructure. It will also continue to implement projects for the development and rehabilitation of infrastructure throughout the Palestinian territory and give priority to the most underdeveloped areas, taking into account population levels in order respond to needs of the natural growth.

*Develop large infrastructure projects:* The Government will work with the international community to apply pressure on Israel to bring an end to the control of water resources and land in Area C. These areas are natural locations for large infrastructure projects, such as wastewater treatment plants, landfills, water pipelines, and main roads.

*Develop regional infrastructure:* The Government will work with regional and international partners to develop the regional infrastructure in Palestine, which will promote competitiveness of the national economy through modern transportation networks that are interconnected regionally and internationally

*Ensure local participation in developing infrastructure:* In order to increase the social value of infrastructure projects, the Government will develop techniques to maximize the utilization of the domestic labour force and local products in infrastructure construction.

*Improve local implementation capacity:* Limited domestic capacity, stunted by a multiplicity of Israeli measures, has left the national construction sector without essential human capital and equipment needed to implement large-scale infrastructure projects. The Government has adopted a two-pronged approach to increase infrastructure project implementation capacity, in light both of the urgent need to reconstruct the Gaza Strip and to assist domestic construction businesses by providing programs to develop the capacity of local manpower and providing financial support to procure capital equipment.

## **2010**

The Ministry of Planning and Administrative Development and the Ministry of Finance have worked closely with all government ministries and relevant government agencies to define and initiate the interventions, which are defined in the Program of the thirteenth Government and in January 2010 they submitted the document: "Palestine: Moving Forwards- Priority Interventions for 2010".

The list of priority interventions highlights a total of 201 development projects which the Council of Ministers has decided to categorize as high priority initiatives for implementation through 2010 and beyond. Some of these projects are already funded and are being implemented on the ground. Others are funded, or partially funded, and are due for implementation. There are also many projects which are either unfunded or which have yet to move beyond the pledging stage.

High priority has been given to interventions designed to:

- Finalize the building of central and local government institutions that are essential to the establishment of a modern and sovereign State of Palestine on the June 1967 borders.
- Upgrade public service delivery to all citizens throughout the Palestinian territory occupied in June 1967.
- Launch major projects to build strategically significant infrastructure throughout the Palestinian territory occupied in June 1967.
- Improve and promote the image of Palestine internationally and the role which the State of Palestine will play in bringing stability and prosperity to the region.

We report the previous interventions which are linked to the Industrial areas:

## **TABELLA**

For reaching these goals, the MoPAD and MoF established a process which plans to involve:

- Working with the responsible PNA bodies and international partners to secure funding for development projects which are currently unfunded or only partially funded.
- Tracking the conversion of pledges into hard commitments and disbursements.
- Monitoring and evaluating the outputs and outcomes of implementation of projects.