

PPD in Fragile and Conflict-Affected States

PPD in Volatile Economies

Palestinian Case

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إتحاد الغرف التجارية الصناعية الزراعية الفلسطينية

Federation of Palestinian Chambers of Commerce, Industry & Agriculture

Main Features, Facts about Palestinian Economy :

- Market-Based Economy
- Dominated By SMEs (more than 95% of enterprises)
- Diversification of Economic Sectors: Agriculture, Food Processing, Services and ICT, Tourism, Construction, Stone and Marbles ...etc.
- Slow Economic Growth due to external factors.
- Private Sector Employ more than 63% of the Labor Force and contribute to more than 70% of GDP.
- Unemployment Rates 25% , and 25% of poverty rates,
- Paris Protocol, 1994, establishes the contractual Agreement that Govern Palestinian-Israeli Economic Relations.
- Unified Customs System between Israeli economy with (*GDP current USD 290 Billion in 2013, Source: World Bank*) and the Palestinian economy (*GDP current USD 12.4 , Billion,2013, Source: Annual National Accounts at current Prices, pcbs.gov.ps)*
- GDP per capita USD 36,051 in Israel compared with USD 2,992 in Palestine.

Factors Affecting Performance of Palestinian Economy:

External Factors:

- Continued Israeli Occupation of the Palestinian Territory.
- Disclaimer of Israel from implementing Oslo Interim Agreement
- Israeli control of borders and restrictions imposed on movement of people and goods.
- Israeli Control on natural resources (water, gas, minerals..)
- Full control on 61% of the Palestinian land (Area C). As per the world bank report The report estimates that if businesses and farms were permitted to develop in Area C, this would add as much as 35 percent to the Palestinian GDP.
- Israeli Wars on Gaza (2008-2009-2014).
- Detention of Palestinian tax revenues by Israel
- Aid-Dependency: Lack of Donors' Commitments to the PNA.

Internal Factors:

- Absence of National Laws and Regulations (Legislative and Legal reform).
- Inadequate income tax law and Weak tax collective system (limited tax payers to large and registered companies)---Budget Deficits.
- Reconstruction of Gaza due to mass destruction of the Israeli attacks on Gaza.
- Separation of Gaza Strip in 2007.
- The absence of the role of Palestinian Legislative Council in control and accountability on the government performance

PPD in Palestine:

- PPD officially started 2002
- Four PPD Conferences were organized. The last one in 2014.
- Private Sector represented and Led by the PSCC that consists of 10 PS organizations.
- PPD conferences organized and coordinated according the Public sector readiness and availability of all relevant ministries.
- Most of the economic issues are discussed on Ad Hoc Basis.
- Unstable political and economic environment lead to a change in priorities of PPD topics.
- Reconstruction of Gaza is a private and public Responsibility
- PPD issues and topics are all discussed at Macro Level.
- **Why Cluster Model:**
- Most PPD initiatives and conferences in Palestine tend to focus on large firms which is easier for ministers to deal with a few rather than many small ones.
- In this Model; MSMEs classified and segmented according to subsectors and proximity mainly those operating in marginal areas.
- *PPD using clusters' model will focus on providing bottom-up inputs to the dialogue involving MSMEs rather than lead by high level experts.*
- *PPD topics on subsector level within the same proximity will achieve tangible results because of the concentration on specific topics.*

**Based on the External and Internal factors
PPD in this case should be and is Resilience**