

The World Bank Group in Palestine

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Situation in Gaza

- 2006: formation of the Hamas led authority in Gaza
- 2007: Israel's blockade on Gaza
 - GDP losses estimated at 50%
- 2013: Crackdown on illegal tunnel trade with Egypt
- Absence of internal reconciliation
- 2014: Gaza war => humanitarian crisis, more than \$2 billion infrastructure loss



- Real per capita income one third less than 20 years ago
- GDP couple of percent higher than in 1994
- Unemployment rate is 41%
- 1 in 2 Gazans below poverty line
- Nearly 80% of residents receive aid
- One in three Gazans lives in a camp
- A third of Cairo pledges disbursed (end of September 2015)

World Bank engagement

- Involved since the very beginning (1993)
- Palestine not a member of the World Bank
 - Assistance financed from the Bank's own income
- Guiding principle of Bank engagement: Help lay the foundation for a Palestinian state
- Relying on World Bank's
 - Grasp of longer term development issues
 - Convening influence with development partners
 - Technical expertise in sectors.
 - Economic development stance helps to coordinate with the Government of Israel.

World Bank Assistance Strategy

1. Strengthen the PA's ability to deliver services
2. Help private sector create jobs

Our support

- Development Assistance  
- Analytical Work  
- Donor Collaboration

Development partners critical for the World Bank program

Knowledge products, secretariat to Ad Hoc Liaison Committee chaired by Norway

Leverage donor resources with Bank funds (1:4)

World Bank's \$55 million annual assistance is complemented by \$200 million from multi-donor Trust Funds: Japan \$30 million to PRDP in 2014 and in 2015

Palestinian Recovery and Development Trust Fund

Australia, France, Japan, Kuwait, Norway, UK

Partnership in Infrastructure Trust Fund

Croatia, Denmark, Finland, France, Netherlands, Norway, Portugal, Sweden.

Selectivity in Bank engagement, staying out of sectors where other donors have advantage

--We are not engaged in transport and agriculture sectors.

--Business development services to SMEs: Japan is engaged, we are not.

--Solid Waste Management: Japan supports individual municipalities, we support large-scale infrastructure

Focus on long term institution building where other donors have specific interventions

--Municipal Development Lending Fund, Water Sector Regulatory Council, Coastal Municipalities Water Utility (Gaza).

Development partners and the World Bank -- Gaza

- Close partnership with UN and EU to develop Detailed Needs Assessment and Recovery Framework after 2014 war with Bank lead in the infrastructure sectors
- Bank-managed Multi-Donor Trust Fund provided critical channel for financing partners to deliver emergency response quickly and effectively (six week turn-around time)
- Following the UN's lead where it has a comparative advantage (humanitarian and immediate relief, social service provision to IDPs, housing reconstruction)
- Tracking Cairo pledges & receipts

Palestinian economy

Growth

- Strong from large inflows of aid during 2007 and 2011, waned since 2012 with falling aid levels.
- With Gaza war, 0.4% contraction in 2014, slow recovery in 2015
- Constrained by political uncertainty and restrictions on movement, access and trade.
 - Private investment is 15% of GDP; trade deficit nearly a third of GDP

Unemployment

- 25% of Palestinian labor force unemployed, West Bank unemployment improved slightly in 2015 due to more workers allowed in Israel

Fiscal

- Donors' contributions amount to 7% of GDP, 20% of expenditure
- VAT and import duties collected by Israel on behalf of the PA, transferred on a monthly basis
 - Deductions – 3% administrative fee, debt on utility bills and the cost of medical health referrals to Israeli hospitals.

Palestinian private sector potential

Bank knowledge products drawing international attention to private sector development and jobs

- Palestinian businesses' access to Area C would boost the Palestinian economy by about a third and lower the PA's fiscal deficit by half
- Fully opening up Gaza could potentially increase its GDP by nearly two and a half times
- Labor productivity of Palestinian firms is on par with comparator countries with much less capital, while unit labor cost is competitive within the region.
- Access to finance is not a binding constraint
- Limited but important gains in export market and product diversification -- pharmaceuticals, furniture, agribusiness

The World Bank Group in Palestine comprises IFC, MIGA and the World Bank

Multilateral Investment Guarantee Agency (MIGA)

Japan Ministry of Finance sponsored trust fund offers political risk insurance to local and foreign investors to support private sector investments (mainly SMEs)

--Nakheel Palestine for Agricultural

Investments: a dates farm in Jericho (Area C) exports to mainly Turkey and the US, employs around 250 people of which 40% are women.

--National Beverage Company- Gaza branch: bottling manufacturing facility employing 300, of which 30% are women.

International Finance Corporation (IFC)

- Total accumulated Investments: \$329 million.
- Current outstanding portfolio: \$155 million.
- Focus on financial markets and infrastructure sectors.
- Improving Access to Finance:
 - Leasing Law enacted,
 - Secured Transaction Law/Movable asset registry in progress.
- SME Banking for Women: Supporting Bank of Palestine to provide customized services to women entrepreneurs: provide business training, \$7 million for new collateral-free lending products for women businesses.
- Pipeline (\$200 million): Jenin power plant, Renewable energy, financing for banks and microfinance institutions.

Program innovations for private sector development and results-orientation

Finance for Jobs

- Actual private sector investment for creating jobs
- Targets financing gaps to leverage private sector investment where it is needed most

Job creation for marginalized rural communities (Abraham Path project)

- Specialized trainings and coaching for homestays, guides and entrepreneurs incl. marketing/branding
- Path marketing and promotion to international audience

Improved service delivery in villages through project disbursements dependent on achieving pre-agreed results

- Away from traditional Project Implementation Units' mode to the use of existing PA systems.

Going forward:

World Bank will actively promote trust and cooperation in the neighborhood (Israel, Palestine, Egypt and Jordan)

Water

- Red-Dead-Sea project major regional initiative with significant scope for regional water security and enhancing stability through cooperation
- Bank as facilitator to develop and help implementing joint MoUs for water resource sharing between I/P/J
- Gaza Desalination Plant -- including joint financing schemes with traditional and GCC donors

Energy

- New gas finds may have significant potential for larger scale regional cooperation among Egypt, Israel, Jordan, and Palestine
- Bank is preparing an Energy Vision piece to outline roadmap, including for regional collaboration
- Existing electricity sharing arrangements due to network inter-dependencies as solid foundation for scaling up, including through Jenin Power Plant and Gaza-Israel-Gas pipeline

Going forward:

Increased emphasis on resilience, welfare of refugees / IDPs

- 1/5 of population in Palestine is in refugee camps in Gaza and in the West Bank – Gaza 1 million out of 1.8.
- Because of long history of refugees, UNRWA (funded by donors) dedicated to both humanitarian and development services.

Currently

- Beneficiaries of our Cash Transfer project (the most vulnerable) includes refugee population
- IDPs outside of refugee camps benefit from our projects
- Bank-support to basic local service provision critical to IDPs in Gaza scattered across municipalities
- Bank's Poverty targeting used by UNRWA;
- Bank evaluation of UNRWA schools

Opportunity to utilize ongoing cooperation with UNRWA and their long experience to:

- Expand the scope of our existing projects to cover refugee camps' population
- Share the experience of economic development refugees and UNRWA more widely in the region
- Consider Gaza integrated neighborhood reconstruction to effectively support IDP and non-IDP population