EXECUTIVE SUMMARY

Across the board, all 6 parallel sessions were exceptionally well-attended with active participation from audience members. In addition to the exchanges within the formal sessions there were active exchanges on the margins of the conference, including networking facilitated by the B-2-B booth. The conference met its stated aims of presenting both a factual and realistic picture of challenges and opportunities, while at the same time presenting an inspiring view of the enthusiasm of the Palestinian private sector and the PA’s commitment to private-sector led growth.

These notes were compiled by English-speaking notetakers and, as such, are somewhat incomplete due to translation glitches.

HIGHLIGHTS:
- Enthusiastic participation of Gazan delegation.
- Participation of Gulf Arabs: The visible symbol that Palestine truly is open, and of the commitment of the Arab world to its success.
- Participation of Palestinian Diaspora: Including, surprisingly, the World Bank Managing Director whose family left Bethlehem over 100 years ago.
- Visibility of the Palestinian leadership: the fact that Abu Mazen was so accessible throughout the day on Wednesday and that PM Fayyad was an active participant (and equally accessible) throughout the day on Thursday.
- That the conference came off at the scale and quality that it did: a demonstration to the world that Palestine is serious and committed to its reform agenda.

Open Session on Business Environment
Investing in Palestine: Perceptions, Realities and Opportunities

Salam Fayyad Prime Minister, Palestine

Dr. Salam Fayyad emphasized that investing in Palestine is investing in peace and the importance of the Palestine Investment Conference and its significance. Now more than ever with the ongoing Israeli occupation, the Palestinians are still persistent and determined to establish a pioneering economy in a flourishing Palestinian state on 1967 borders. Dr. Fayyad elaborated on the strengths of investment in Palestine, such as its strategic location, low income tax, the transparency of the Palestinian Authority’s financial system and free trade agreements with the United States and
Europe among many others. The weaknesses facing the investment opportunities in Palestine are all due to the occupation and its strangulations on the West Bank and Gaza.

The Israeli government has been very cooperative throughout the organization of this conference by easing transportation. There was a call to the international community to pressuring the Israeli government to continue this cooperation by also allowing the free flow of resources as well and importing and exporting to and from Palestine and not just during this conference. Dr. Fayyad stressed that the Palestinian Authority is trying its best to lift the siege on Gaza, and that Gaza is an indivisible part of Palestine including of course its economy. The economic cycle needs to be restored as well as reopening of the borders for both citizens and commodities of Gaza.

Dr. 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 organizations. 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. Strengthening the private sector in Palestine will touch the lives of Palestinians personally by creating more job opportunities, and providing affordable housing projects to the average income Palestinian, which are both necessities regardless of the current political situation.

Dr. Fayyad concluded by providing some success stories about the Palestinian economy such as the pharmaceutical industry – which will start exporting to Europe next month – as well as other stories which create a positive reality on the ground to be leverage to achieving an established Palestinian economy. Dr. Fayyad finally reassured the investors that Palestine has many other hidden and promising investment opportunities which they will have the chance to explore when they invest in Palestine.

Tony Blair, Quartet Representative to the Middle East
Focus on the business opportunities. World Bank provided a good overview of the opportunities to invest in Palestine.

Juan-Jose Dadoub, Managing Director, World Bank
Mr. Juan-Jose Daboub gave a World Bank perspective on the opportunities and realities of Investing in Palestine. He reminded the investors that there are many difficulties and risks with investing in Palestine which are obvious to the eye, but that also the opportunities are very promising and will yield considerable profit. A World Bank study analysis has shown that the economical situation will be so much better if Israel eases the movement of Palestinians and their commodities. Mr. Daboub emphasized that the international community is committed to supporting the West Bank and Gaza in this endeavor and recalled that the Palestinian private sector has been able to find opportunities to flourish regardless of all the closures and practices of the Israeli Occupation.

The policy framework of the Palestinian Authority is one of the most open in the world regardless of the Israeli constraints on it, there are generous trade arrangements with the European union. Palestine is becoming a pioneering economy in the ICT sector, and goods and commodities are being exported all over the world. A very positive aspect of investing in Palestine is that the Palestinian people are very committed and hard working people, in the past couple of years alone the private sector has doubled in the Arab world.

Dr. Daboub gave an example of IFC’s commitment to providing affordable housing which in turn creates new jobs, making housing and basic human needs for the Palestinian feasible. IFC is also investing in creating student loan facilities for around 10,000 students as well as creating trade finance facilities. Insurance to investors will be granted for both foreign and local investors, this will provide investors to minimize risk. From the World Bank’s experience in investing in the Palestinian private sector, Palestinian workers are highly skilled.

Mr. Daboub concluded by emphasizing to the investors that investing in Palestine is investing in security of the whole region and leading to more business for everyone, and encouraged the investors to get in first to make the best out of the opportunities available.

Amer Hadidi

Mr. Amer Hadidi noted that the first step to sustainable economic growth is ending the occupation, and then a business environment to attract investors should be created. Mr. Hadidi talked about Jordan’s economic development experience and what Palestine can learn from it. While considering an investment opportunity, investors’ first consideration is normally the stability and security of the country and that is definitely the first priority in Palestine; peace and stability. A sustainable Palestinian
economy needs the growth of ICT, road networks, power, electricity, and water as well as basic human needs. Jordan’s reform plans invested heavily in human resources because that is the richest investment an economy can make. Jordan also provided exemptions for investors and created the free zone. Mr. Hadidi strongly encouraged Palestine to benefit and learn from Jordan’s experience in reform and development.

Ronald Cohen Chairman, The Portland Trust - UK
Mr. Cohen gave hope by recounting his own story as a 26 year old businessman in England at a time where there were 3 million people unemployed. Studies have shown that over the past 30 years there was a correlation between poverty and unemployment and violence. Mr. Cohen stressed the importance of economics to achieving peace and a better life for Palestinians and that the Portland Trust is determined to achieve a Palestinian stable economy by working with the private sector to improve the standard of living in Palestine. This economy can be envisioned as three times bigger than it is today just by seeing the Palestinian industries and their high literacy in addition to the support of the Palestinian businessmen in the Diaspora.

Mr. Cohen highlighted the strengths of the Palestinian economy starting with PIF as the major driver in funding loans for medium to small size businesses, as well as the fact that Palestine enjoys a strong microfinance network and hoping to increase the private sector pensions. The affordable housing project being implemented right now is a one billion dollar project which will have a very positive impact on Palestinian economy and civil society as well. The project will increase the Palestinian GDP 1.5% per capita, and touch the lives of 200,000 Palestinians. Mr. Cohen emphasized that it is important to provide grounds which will enable leveraging equity and debt into these schemes which the private sector will use to achieve a higher growth. Mr. Cohen finally saluted the efforts of the Palestinian government to lead a modern economy and the Portland trust will do everything in their capacity to help achieve this goal.

Mounib Masri, Chairman Palestinian Development and Investment Co.-Padico, Palestine
Palestine and its economy and investment opportunities are still in good shape, the economy is growing with the assistance of local, foreign and donor countries. Mr. Mounib Masri, as a leading businessman and investor in Palestine, called on all investors present to take this opportunity that Palestine is currently providing. The capacity of the Palestinian people and the success stories create a good track record for
investment in Palestine and to market Palestine internationally and put it on the economic world map.

The most positive aspect in Palestine is the human resources; the level of education is one of the highest in the region. Some of the encouraging factors in investing in Palestine is that the private sector is pioneering the Palestinian development, as well as the fact that the Palestinian Authority’s support by trying to ease all the restrictions of the Israeli occupation as much as they are able to. The World Bank reported that Palestine is currently one of the best areas to invest in, and it assured that there is great capacity for investments in the country.

Walter Isaacson President & CEO, Aspen Institute, USA
An overview of ASPEN institute achievements and projects in Palestine was summarized, some examples such as expanding youth community centers throughout the West Bank and Gaza, as well as an information call center. This will empower the future professional generation to participate effectively in the Palestinian economy. Mr. Isaacson then informed the audience about some of the MEII sectors in Palestine which include construction and manufacturing and this includes 18 projects. The MEII project, being implemented in partnership with PIF, will create around a 1000 new jobs and provide homes. MEII also works on insurance to protect the exporting against restrictions due to violence. Mr. Isaacson concluded by quoting Benjamin Franklin when he said that in order to have a stable democracy and economy you have to create opportunities for middle class businesses, stressing that this is what will be worked on in Palestine and that this success will go down in history.

SESSION 1A: FINANCING OPPORTUNITIES AND STIMULATING GROWTH
Session Chaired by Ibrahim Dabdoub, CEO, National Bank of Kuwait

Yvon LeRoux, Vice President, CISCO, USA
Mr. Le Roux started the session by welcoming the audience to the financial section of the conference, stressing the role played by CISCO in the region regarding corporate social responsibility and their resolve to explore investment opportunities in Palestine.

Hashim Shawwa, General Manager, Bank of Palestine
Mr. Shawwa expressed the general aim of the Bank of Palestine to boost the economy and expose the conditions of the financial sector to those international investors interested in participating.
Mr. Shawwa began by offering some statistics on the population of Palestine and the Diaspora, mentioning examples of extremely successful and eminent Palestinian entrepreneurs around the world. Furthermore, the BOP General Manager explained the immense prospects for Palestinian investment with a current growth rate of 3.3%, the fact that half a million Palestinians will join the workforce in the next five years with 66% of the population under the age of 25. Mr. Shawwa quoted the recent World Bank report which placed Palestine 33rd out of 178 counties for protecting investors as testament of Palestine’s financial potential. Mr. Shawwa declared how Palestine’s bank sector and stock market were remarkably resilient due to Palestine’s growing investor base and the regulatory institutions implemented. Following the establishment of the PNA and PMA after Oslo in 1994, there are now 21 banks with 175 branches in Palestine, privately owned and operating under the jurisdiction of the PMA. In 1993, customer deposits stood at $150m but have increased by 41% in the last five. Total assets have now reached $7 billion.

Conservative policies have stemmed from the political climate. In Palestine, loan-deposit ratios stand at 35% compared to 65% in the region and 78% in developed countries. Political and economic stability play a large role. Banks offer wide range of products and services. Technologically advanced international swift transfers, online e-banking banking and phone banking. Credit and debit card business initiated in 1997 transferring from card to plastic has also boosted the financial sector with 60m dollars credit and debit going through 1500 units in the West Bank and Gaza.

In 1997, the stock exchange had its first session. Modest beginning followed by continued growth with an improved amount of listed companies and trading volumes. 36 listings in 2008. 3.1 dollars in 2008 market cap after just half a billion in 1997. Expected increase.

Al-Quds index has regularly outperformed regional markets. It is strong, safe and a gateway in investing in Palestine.

Samir Huleileh, CEO, Palestine Development and Investment Co. Padico

Why would Padico found the Al Quds investment fund – the first of its kind? It doesn’t have the same mechanisms as the West Bank, donors do not operate there, 250,000 Palestinians are in east Jerusalem subjected to Israeli law. Jerusalem has its own unique characteristics and own problems in the banking sector. Nevertheless Jerusalem has a religious
and historical character, a growing young population with a general lack of financial infrastructure. To list a few, we have identified 11-12 projects that vary in size amongst small/medium sized enterprises which encompass quality housing, hotels, commercial real estate, tourism and industrial buildings.

There is an endeavor to fundraise and manage mechanisms to enable to implement feasible east Jerusalem projects. The fund size is $100million – 25% Padico have committed to and 25% vouched by local and regional banks – all aspects of the fund are dealt with in a professional manner hiring international and experienced auditors, consultants and coordinators. Jerusalem is an integral part of Palestine and will continue to be in the future. Investing in this fund is investing in the future of Palestine.

Michael Essex, Director of the Middle East and North Africa, International Finance Corporation, USA

Even under difficult conditions, financial sector remains vibrant. 82 branches belong to local banks. International Monetary Fund and World Bank offer technological support. Asset quality is weak. Bank penetration is low. Good lending opportunities remain limited.

Aim is to assist local Palestinian banks particularly in housing, finance and student loans. Housing and finance partnership investment fund with DFID as well as other prevalent organizations for West Bank housing. Affordable housing for 30,000 middle-low income families. The innovative student loan Bank of Palestine initiative fund will lend directly to 8000 students a year. Also means of extending students the opportunity of a higher education with be explored in addition to helping out local universities. Signing to the Global Trade Finance Program to join the other 175,000 names with the goal of reducing cash collateral.

All initiatives bring with them international experience. Despite the constraints private sector is vibrant and engine of growth in economy. It is essential to seize the opportunities.

Jihad El-Wazir, Governor, Palestine Monetary Authority

The importance of disproving preconceptions about the Palestinian finance industry. They should not be viewed as Wild West Banks in Texas but are instead modern, vibrant, well regulated and compliant with the most up to date international practices. 21 Banks have compliance officers, there are anti laundering and corruption codes. Palestine possesses a technological electronic credit deal, which according to the IMF is one of
the best regional instantaneous, zero threshold available with more loans for less collateral. There is a code of governance which lives up to OECD regulations and has banking performance benchmarks.

In addition, there are Independent ethics offices with banking secrecy, enhancing relationships with customers and covering everything from decorum in the office to sexual harassment. There exists an internal audit office and risk management office. Transparency and governance ensures accountability and adherence. The PMA encourage implementation of good governance. Banks are more eager to implement systems in Palestine and the PMA is designed to protect banks and make sure they maintain neutrality despite obstacles.

Despite popular assumptions, the system in Palestine is well regulated as proved by an IMF progress and reforms report. Palestine is ready for investment. PMA plans to urge mergers to improve competition to become not only a premier economy in Palestine but a major contributor to the Arab world.

Robert Mosbacher, President and CEO, Overseas Private Investment Cooperation, USA

Mr. Mosbacher emphasized what OPIC does concerning foreign investment, political risk insurance and private equity asserting that lasting peace and stability is not possible when there is no economic growth. Aimed not just to create jobs but strengthen financial systems in the area. Palestine has enormous untapped potential. There is no substitute to credit access with affordable interest rates. Launching a loan guarantee scheme which will involve $228m in Small Medium Enterprises lending. Not just aimed at providing credit to SME’s but to create capacity among lenders on how to screen business credit. In emerging markets no knowledge about small business learning. Is the market too risky? Mr. Mosbacher disagrees. Last July proposed the affordable mortgage program for $500million. Bank of Palestine pledged $75 as did the Palestine Investment Fund…OPIC invested $250million as testament to their confidence in the market - offering 25 year mortgages at fixed rates.

OPIC have announced a small business trade, disruption and political violence product to support exporters move products. OPIC believe economic opportunities in Palestine are ripe, investment in Palestine appropriate. OPIC will stand by and allay fears about risk.

SESSION 1B: INVESTING IN PALESTINE’S TREASURES
Introduction by Donald Pressely

Yousef Daher Associate, ABS Tourism

Mr. Yousef Daher provided some facts about the Palestinian tourist industries, recounting that tourists to Palestine are 30% of Israel’s all over tourists. After a recession in tourism from 2000-2007 due to the Intifada, in 2008 the first quarter alone the number of tourists has doubled and that now the Palestine tourism contribution to the economy is now at 10% after rebounding from 4-5% during the above mentioned years.

Mr. Daher reminded the audience that the major weakness with the tourism industry is that it’s difficult for both private and public sectors to plan ahead because of the occupation and the instability it carries with it. Other weaknesses include the run down condition the tourist destinations are in and more importantly lack of access to finance. The opportunities are many however, starting with the richness in the destinations and the potential for new investments which would be at low cost.

The global tourist trend now is towards the Middle East. Israel is expecting 5 million tourists so according to statistics 30% of those 5 million tourists means 1.5 million tourists to Palestine, and it’s important to note here that this is all under the current political situation and without the achievement of peace yet. Mr. Daher also gave an overview of the numbers of travel agents, tour operators, coaches and guides in Palestine who have suffered hardships in the past years because of strangulation of movements to Israel. It is worth noting that there is plenty of room to invest in Jerusalem because 700 rooms have been lost in the past years due to not meeting the international standards.

Mr. Daher concluded with going back to the main problem the tourism industry faces which is lack of access to finance because Israel, and another flourishing opportunity of investment is in Jericho especially that the 10,000 years of Jericho celebrations are coming up soon, last but not least Ramallah is becoming another target for tourism because Bethlehem and Jerusalem have been receiving a big number of tourists which leads to overbooking of hotels.

Mr. Sami Abu Dayyeh, Managing Director, Ambassador Hotel, Palestine

Mr. Sami Abu Dayyeh emphasized the importance of investing money in Jerusalem because it is still considered the main tourist attraction in Palestine. This investment in turn creates new jobs for people for which they are in dire need. Other places for flourishing investment opportunities include the Jordan valley (Dead Sea) in particular, where
success can be easily achieved. The Northern part of the Dead Sea should be accessible for Palestinian investments soon when an agreement with Israel is made. The tourism industry is the best and most promising industry to invest in Palestine because of the various opportunities available.

H.E Kholoud Du'aibes, Minister of Tourism, Palestine

Global tourist activity is increasing and Palestine is part of this movement. H.E Kholoud Du'aibes reminded the investors of the high demand of tourism in Palestine, especially for religious pilgrimages and such, and also because the current political situation is relatively calmer than it has been in the past 8 years. There’s a necessity to create a regional cooperation between Egypt and Jordan in specific to make the best out of the increasing tourist movement to the region.

Local tourism is just as important as international tourism, and in order to meet these demands H.E the minister emphasized the importance of providing the necessary infrastructure. This tourism promotion and infrastructure development should not be restricted to the tourism triangle of Palestine (Jericho, Bethlehem, and Jerusalem) but should also expand to all of Palestine especially in the north. The Palestinian government wants to provide other forms of tourism as well, such as environmental tourism and alternative tourism.

During the Paris Conference, donors pledged a considerable amount of money to developing tourism in Palestine recognizing the importance of it. The ministry of tourism is committed to developing historic sites in museums as well as creating other touristic venues such as museums, zoos, resorts, etc. The Palestinian Authority fully supports the tourism industry and has passed new legislations which focus on liaising the tourism and private sector to develop a body of cooperation between the 2 parties. H.E Du'aibes concluded with reiterating the need to invest quickly because there are projects that are ready to be implemented but waiting on the funds to start this process.

Maen Nsour, CEO, Jordan Investment Board, Jordan
Coordinator of the second part of the session

Mr. Bassam Badran

Gave an overview of the Muntad resort project: located on Muntad Mountain in Tulkarem, 15 km from the Mediterranean, where there is a clear view of the coast from Jaffa to Haifa. The resort will include a playground, museum, restaurant, zoo and many other facilities. The main
theme of the resort is to create a mini Palestinian village where everything
is Palestinian from the animals, to the museum, to the food. One third of
this project is completely ready and still working; a project of this size will
cost 3.5 million dollars; so far 1,700,000 dollars have been spent on the
project, and the profit is expected to be 18% annually.

Mr. Osama Salah
The project is an existing one which is the National Hotel in Jerusalem, it
is the oldest hotel in Jerusalem and is marked part of modern Jerusalem
history. The project entails a commercial building in addition to the hotel.
This commercial building is 65% completed and includes 60 top notch
offices, 14 commercial stores and children’s playground. An overview of
the hotel was demonstrated on a slide show: it will include 120 rooms and
is expandable, 3 parking lots, 2 pools, a coffee shop and a health club. Mr.
Salah reminded the investors that this complex is in an excellent location
and very well known in addition being a very profitable investment.

Dr. Yasir Shahin
The Qruntol resort is a demonstration of a success story in Palestine due
to its unique location in Jericho – Dead Sea, and its creation 25 years ago.
The resort includes: 70 rooms, a coffee shop, cosmetics from the Dead Sea,
a playground, bazaar and many other facilities. The total cost of this resort
is 40 million dollars, and so far the partners in this resort have been
personally financing it. The pending required investment is still 20 million
dollars. The tourist turnout to this resort is expected at 1500 plus tourists
and more than 500 local tourists. The internal return on investment is
expected to be 13%, and estimated NPV is 49,392 US dollars using a
discount rate of 14% for five years. This strength of this project is that it
has proven to be profitable over the years.

SESSION 1C: CULTIVATING PALESTINE
Introduction and facilitation by Salem Al Lozi, Director General for Agricultural
Development.

Ismail Daig, Chairman, Palestinian Agricultural committees (PARC).
The Palestinian Agricultural sector had been seriously neglected, and,
historically, investment was rare. The last five years, however, have seen a
significant increase in investment.

The main problems faced by the agricultural sector are i) a lack of
investment, and ii) the measures implemented by occupation forces. To
boost opportunities for investment, therefore, a two pronged strategy
needs to be implemented: i) Political pressure needs to be exerted on Israel which must allow farmers to establish new projects, especially in area C. Movement restrictions must be eased, and Palestinian farmers must be allowed access to water. ii) An agri-business insurance company must be established to protect investments from national disasters, both natural and man made.

Several factors make the Palestinian Agricultural Sector a unique and fantastic prospect for investment: with several growing regions, each with very different climates and environmental features, high quality fresh produce can be farmed all year round; the close proximity of the valuable Israeli market; a free trade agreement with the EU; and fantastic prospects for industry infrastructure development through donor funding.

Medicinal herbs, poultry, fish products, and fruit and vegetables all have fantastic export potential. Recent investments in the agricultural sector have proven lucrative. Targets for the coming years include a planned increase in the production of high value goods such as almonds and herbs, which yield up to $1500 per dunum per year. Entrepreneurs are also starting to utilize the West Bank’s naturally occurring saline water West Bank to farm fish.

Nabil Fawaz, Global Head, Agribusiness Manufacturing and Services MIGA, USA MIGA believes that an agricultural revival is vital for economic stability and employment security. In order to make this sector a more attractive and less potentially risky investment, MIGA provide multi lateral investment guarantees against political risk, enabling investors to concentrate only on investment risks.

MIGA, which is under the auspices of the World Bank, plans to increase the size of its fund to $30 million in mid 2008. It will open to local as well as foreign investors, it will begin to invest in projects less than three years old, and it will also station staff in the West Bank.

Imad Qamhawi, Director, Valley Project Holy Land Company, Palestine I have 20 years experience of farming cash crops in the Jordan Valley. I built the valley’s first Palestinian greenhouses in 1992, and today there are more than 1500 dunums of land now used for greenhouse farming. I have received returns averaging 40% of my initial investments, and I employ up to 80 workers per day.

Israel is currently our prime market, however, we plan into the EU and the UK in 2009. the Jordan Valley is uniquely fertile, and it's location and
climate allow for off season production of fresh fruits and vegetables at no extra cost. An investment friendly tax system, and a large, youthful workforce are further assets to the Agricultural sector in the Jordan Valley. The Valley Project Holy Land Company’s Agribusiness strategy encompasses every stage of the business process, including production, packaging, marketing and sales.

Howard Sumka, Mission Director for West Bank and Gaza, USAID USAID first implemented the PAPA project 3 years ago, and has since invested $3m to create jobs in the agricultural sector and increase worker’s incomes. USAID uses a ‘Partnership Model’, linking Palestinian farmers with foreign companies, investors and individuals with technological expertise in order to maximize for both parties. USAID also trains local farmers to meet international standards. USAID has invested $4.5m in these partnerships, and has helped facilitate $8m of investment. They have overseen projects which together, annually, export more than $10m worth of goods to the EU, the USA and Russia, and create 1500 new jobs.

USAID is also working to implement a $24m program with Palestinian producers, Israeli fresh goods exporters and the Israeli government to facilitate a ‘Known Trader’ program which will ensure the expeditious movement of perishable goods through checkpoints and border controls. The Israeli government will select several traders with which to implement a pilot project in the near future. USAID also works with olive oil producers in Nablus, Ramallah and other cities, and is starting a Jordan Valley Agriculture Program in which it plans to help facilitate the movement of fresh vegetables across the Allenby bridge for sale in Jordan.

Walid Abed Rabboh, Director General, Horizon for Sustainable Development, Palestine Mr Rabboh outlined the importance of the agricultural sector, and stated that a sustainable peace is heavily reliant on economic development. The agricultural sector has a proven track record of being able to absorb crises, especially with regards to current high fuel prices. He also stressed the importance of meeting the crucial challenge of food security, which he stated is intrinsically linked to both national and political security. Palestine’s rapid population growth will ensure that the agriculture sector remains an economically viable industry in which the Palestinian private sector is currently proposing to implement 8 new major projects. He concluded by restating his optimism for the future of the Palestinian Agricultural Sector.
Samir Abdullah, Minister of Planning

Introduction made by Samir Abdullah. Of course, Palestinians are affected by the events in Gaza, the PA wants to alleviate Gaza from its troubles as it is the beating heart of the Palestinian economy. Gaza remains the heart for the vision with many assets and much potential geographically (a gateway to Europe), natural resources and great deal of human capital able to host an airport and a sea port for trade. Climate exceptionally mild, natural gas, agriculture, tourism. Private sector there has demonstrated resilience and adaptability in face of instability. There are young, educated people in the area and competition is high. Hope that Gaza’s potential will be realized.

Ma’moun Abu Shala, Vice President, Bank of Palestine

Difficult to convince or attract one to Gaza as an investment prospect. Speaking as a businessman Abu Shala stated that chances are flourishing - Gaza is very profitable. Go back in history to Europe and Asia after Second World War and see how they rose from the ashes to societies that now make a huge difference. Young population 66% under the age 25. Trained, educated and skilled labor force as well as being responsible and effective.

Abu Shala reiterated that it wouldn’t be investing in an unknown entity but one that had proven to be prosperous before Israeli occupation and the blockade - not breaking or delving into uncharted territory.

There is a very high demand for housing, food, medical, education in Gaza and the society has the impetus to take charge. The sea ports could be accessible in a matter of weeks if the situation was solved. The population from the past learnt different methods of agriculture, industrial techniques from Israelis and are ready to apply them to Gaza. Stressed the importance of the gas reservoirs as fundamental in economical production of electricity and energy required for the population. In order to rebuild Gaza it would need $20-30 billion investment in the next few years.

Gaza has trade agreements with other countries and the conditions are set. There are modest taxes in the country, modern banking systems, flexible laws and regulations ticking all boxes for potential investors.

Important to note that projects can be fulfilled now despite the situation in Gaza with borders. 24 projects could start tomorrow for $190m as well as strategy projects worth $1.9 billion can be executed in a matter of two
years – agriculture, furniture, garment, construction in training and educating, health, pharmaceuticals, steel, packaging etc. Full studies ready for any investor. Whoever starts now has the privilege before the others to proceed and reap the benefits.

Mohammed Yazegi, Chairman, Al-Yaziji Group

Mr. Yazegi offered the audience a brief inkling into Gaza’s economic and tumultuous history from 1948 to the present mainly focusing on the notion that Gaza has proved in the past to be a self dependent and flourishing area of economic prosperity.

Under the Egyptian mandate, Palestinians were educated in Egypt and traveled to practice their trades all over the Arab world even returning to Gaza. This outsourcing of Palestinian labor provided a source of income for the strip mainly due to its geographical location. Gaza was a free trade zone and enjoyed good relations with Eastern Europe. Foreigners came to Gaza for shopping while the Egyptians established a legal framework as well as court and judicial systems in Gaza. This invariably led to a growing economy and increasingly developed financial system.

After 1967, the occupation linked the Gaza economy to Israel in every sense. Israel did not allow Gaza to develop a proper independent economy and turned into one dependent on Israel. As Palestinians became skilled in Israel, banks started returning to Gaza and by 1994 Gaza was the cornerstone of the Palestinian economy with a wealth of investors. This changed in 2000 after the second Intifada – Gaza began to deteriorate and obstacles were imposed such as restrictions on movement and consequently the growth rate closed down and investors reconsidered decisions. In 2003-2004, further Israeli closures on crossing points led to further commercial disintegration. The coup in 2007 justified the Israeli blockade. The movement of business, farmers and laborers stopped completely, proving hugely detrimental to the economy. Economic activity must be resumed while Palestinians still have the vitality and the courage but they are in desperate need of support.

Hanan Taha, Gaza Branch Manager, Palestine Trade Centre

Ms. Taha focused on the industries in Gaza that investors should be versed on. The garment sector; furniture sector (60% of total manufactured in Gaza); cash crop sector (strawberries and cherry tomatoes). ICT sector (30% of households have computer, 16% have internet, over 70% have the use of the phones).
Further prospects include software development, human resource management and private enterprises as well as the construction sector, housing and infrastructure.

There are challenges such as political instability, inbound and outbound restrictions and limited finances but the positives outweigh the negatives with an abundance of laborers, high levels of potential productivity, geographical location, significant experience, substantial endurance and an inherent resistance to failure.

Sami Abdel Shafi, General Manager, Emerge Consulting Group

Reviving Gaza - cannot let the current problems overshadow the potential declaring that investors would simply be returning Gaza to a position it has recently been in before. This is far from a new venture. There must be positive advancements with the private sector working in tandem with politics. At the moment, factories are without parts and electricity is on the verge of being obsolete.

The course of action must be to continue to push for support and for the government to attempt to assist the private sector in upholding Gaza even if it is not producing. If everything grinds to a halt, there is a danger that the competitive edge will be lost. The private sector borrowed a lot of money from banks and must stay true to their commitments but require assistance to get through this time. If ensured, once the situation returns to normal and business can recommence, the private sector will already be in the position to seize on the opportunity and produce quickly rather than experience a time delay before functioning efficiently.

Even in the worst case scenario, Gaza can still surge forward and operate outside the confines of border restrictions, create incentives to brush up on skills and technology, introduce measures to ensure motivation doesn’t diminish so that the demoralizing factor can be prevented from prevailing.

Save this potential before it disappears.

Salam Fayyad, Prime Minister, Palestine

The Prime Minister made the concluding remarks and summarized what had been said by listing the projects already mentioned and reiterating prospects in IT. Gaza needs more than anything else a dependence on commerce - this is the most important element. Movement of goods and of people cannot flourish unless restrictions are lifted. Welcoming ideas for active participation of private sector, electricity generation are examples as
there are huge amounts of off shore gas on the coast of Gaza. Urged audience to take a look at pamphlet of projects and take advantage of strong delegation from Gaza and hope that next year there is no special section on Gaza - integrate it into Palestinian framework of investment as it is an integral component.

SESSION 2A: DIGITAL BRIDGE TO THE FUTURE

Karim Kawar, President, Kawar Group of Companies, Jordan
Session coordinator

William Swope, G.M., Corporate Affairs, INTEL, USA
Mr. Sowpe gave an overview of Intel’s achievements over the years, INTEL works in 3 main areas: helping children by running INTEL Teach which is not being implemented with the Ministry of Education. Encouraging businesses; currently working on encouraging ecosystem development, and content for both educations and business sectors. INTEL currently employs around 10,000 software engineers around the world. Third area is the investments area: INTEL is eager to figure out the right of investments in Palestine, a Mid-East fund has been established and is available for Palestine.

Mr. Swope then invited the directors of four INTEL projects being implanted in Palestine: BCI communications, Yaffa.net, Fusion, and GlobalCom.

Ala' Alaeddin, Chairman, Palestinian IT Association of Companies (PITA), Palestine
Gave a general overview of the ICT sector; 30% of ICT companies have more than 12 years of experience. The total size of ICT industry is half a billion dollars which contributes 5% to the Palestinian GDP. The total exports are 10-14 dollars million software. ICT sector has the highest productivity rate. Indicators showed that ICT is an emerging market with high gains. Other assets that ICT sector possess is the human resources as in many other sectors. There are currently 3600 professionals working in the field.

Weaknesses: is the business know how and marketing, many associations working to enhance the capabilities. Threats: common one is the political conflict and the other one is a brain drain; professionals leaving every year to work outside the country. These weaknesses and threats are manageable in light of the strengths and opportunities.
Mr. Alaeddin also talked about the opportunities available: CISCO invested 10 million dollars to invest in the ICT sector over the next 10 years. Also Intel and others are working with local partners on enhancing this sector. Other opportunities: investments, incubator – which helps the entrepreneurs and companies. ICT is a place for viable investments.

Andre Hawit, Vice President, IDS Software Systems, USA
Why international companies would come do business in Palestine: cost savings, low cost center, window to the Arab world, honorable culture-loyalty and trust, time zone- supporting Europe, language- English and French, and the location is strategic. Ingredients for success: good local workforce, good universities, stability and security, infrastructure, access to the world, healthy legal and regulatory environment this is lacking but there’s a room for improvement, foreign investment benefits – tax advantages.

Mr. Hawit talked about his experience with GSSI, which was established in 1999 in Palestine where his annual cost here is 2 million dollars as opposed to 10 million dollars in the US. All companies here should work with universities, employees should teach in the universities to benefit the youth with their expertise. Mr. Hawit suggested increasing taxes, because it’s what supports public schools, streets, and infrastructure, so this is a solution to waiting around for donor money to achieve basic needs. You can help by opening a branch of your company if you are foreign or invest in local ones, buy Palestinian services and products. You can also support school and sponsor social programs.

Computer access should be in every school, annual science fair (competition between high schools – it’s been done once before and was very successful). Technology scholarship, establish a science park which is high technology center, and establish a real incubator – means office buildings with internet access and fax and copying machines for start up businesses.

Finally potential areas of investment: software which doesn’t need raw material which is lacking here plus no export and importing problems. Services – local companies should sell support centers, quality assurance for companies outside, alternative energy of course but won’t go into detail about it.

Ammar Al-Aker General Manager, Palestine’s Cellular Communications Co. “Jawwal”, Palestine
Telecommunication sector is one of the fastest growing industries in Palestinian economy despite all the challenges, political, economic and security and stability, equipment confiscation, illegal competition by the Israelis. Also interconnecting with Israel mobile phones, and lack of satisfaction. JAWWAL is still competing with the Israeli companies.

Estimate contribution of the telecommunication sector is 12% in 2006. Within 10 years of operation a capital 151 million JDs and the market cap is 1.5 billion dollars, which makes 36% of the GDP in 2007. Currently 1.1 million subscribers in 2008. In 2005 decided to make a change and not just sit still, link the West Bank and Gaza to switches in London in order not to allow the occupation to stop our work which bans equipment needed. We want Palestinian competition because it’s healthy, but not Israeli competition.

H.E. Sabri Saidam Leader of Birzeit Innovation Group, Palestine

Family ownership of computers between 2000-2007 has tripled and internet connectivity has multiplied by 20. Government school computer has doubled. And the number of TV stations and radio has become 108. Major contributors to ICT include the private sector and it produces half the GDP. It presses the government to get things done. The government is an initiator of projects and ideas – is a leader sometimes. Two challenges are to work legislations and regulations. The donor community is sponsoring initiatives, encouraging and building capacity. We have to endorse coordination between the different parties, and achieve sustainability. Focus on development based projects and not relief based projects and that applies to everything. Keen on working on the chemistry of ICT to see it become a reliable tool in the society, it’s the tool to make our lives easier and make the economy prosper.

SESSION 2B: FOUNDATIONS FOR GROWTH

Mohammed Mustafa, CEO Palestine Investment Fund

Mr. Mustafa first of all introduced himself and the role of the Palestinian Investment Fund. At the moment there are five projects currently in motion:

1) Developing a commercial complex in the Ersalle area. The agreement was signed with the Saudi Company on 50 dunums of land with an investment fund of $200 million.

2) Suburb in north Ramallah. One of ten that plans to be built with the aim of securing funding for the construction of 30 residential units over three years.
3) Developing a mortgage finance company, consented by President Abbas and which will raise $500 million with the help of the investment fund, the World Bank and the OPIC.

4) The Mobile National Company. Although formed a few months previously, hoping to launch it soon after the obstacles have been surmounted.

5) Another project in Gaza.

Infrastructure is a promising sector and the returns are fruitful. Of course there are risks, like anything else, but are solvable with cooperation. Palestine has excellent local experience and therefore able to implement contracts reliably.

Marwan Tabari, Chairman, Ranya Group, UAE

Brief introduction given about the Ranya Group and the specialty of their work. There are currently 26 projects in infrastructure, real estate and construction worth over $1 billion in Palestine. There is a dire need to develop through investment, despite the risks involved, as it is integral to boosting the Palestinian economic situation and building the Palestinian society.

Samir Huleileh, CEO, Palestine Development and Investment Co. Padico

A big risk is the problem of deciphering, determining and defining the areas of the West Bank and who controls them. Access to areas A and B for example are difficult when Israel claim that those areas are in area C. Work must be done to reach these areas and negotiate over their use – a better method than asking area C to be transformed to area A. There are also problems in registering in Palestine and especially converting lands that are not properly registered. However, real estate and housing are very promising sectors worth investing in.

Ibrahim Abu Ayyash, Chairman, Arabtech-Jardaneh Engineers & Architects, Jordan

By definition in this area occupation is unique and almost incomparable. Palestine is faced with the existence of settlers, an uprooted population, an annexed east Jerusalem form the West Bank as well as an isolated Gaza. All are minute enclaves where restrictions on movement and access, land confiscation and settlement building make progression difficult. However, the investment opportunities are abundant with plentiful supplies of water, roads, electricity, medical supplies, agriculture, education etc. Privatization of what are normally seen to be public domains is very beneficial for developing the heath, education and housing sectors. Real estate and construction have always been the reserve of the private sector as they are more lucrative and their success affect other parts of the
economy and receive high return, subsidies and tax breaks. Palestine has a great framework with high security, limited risk, legal and fiscal regulations and a skilled labor force. The key is a change of situation on the ground and it must ensue. Unless the international community forces Israel to make changes there will be no peace as there are laws and regulations in Palestine which has an economic canvass conducive for investment.

Abu Ayyash then listed a group of buildings his company was responsible for including the Intercontinental in Bethlehem. It takes moral courage and political will to invest in Palestine to overcome risks on the ground. Look at it as a challenge against political injustice in the hope that peace will prevail.

Naser Kamal, Chairman, Byder Real Estate, Palestine

Palestine still under occupation so no point comparing it with other situations around the world. Israel plays a key role that cannot be ignored. There is a political agenda but it is still possible to invest under occupation. Instability, fluctuating growth in the past have led to a period of freeze. It can be positive to benefit despite the conditions as one learns how to survive in the worst of times and still manage to be productive. With limited means we succeeded even in the face of adversity. The international community must take their successful experience from abroad and apply it to Palestine.

Positive aspects in investing include contracting, real estate and construction. Firstly, the ease of finding skilled local contractors, technical requirements are reasonably cheap and laws are acceptable but should be activated and encouraged. General prices considered reasonably cheap. Palestine is seeking to be relieved from its deteriorating health. The legal framework is safe and government is committed to consolidating Palestine’s economic situation.

Impediments include the lack in response of the banking system, who are wary of changes, fluctuations in material as the dinar, dollar and Euro, which are all used. Investment is possible and economic interests and patriotic interests must be realized to encourage a national investment that serves national goals.

Mohammed Shtayyeh, President, Palestinian Economic Council for Development and Reconstruction, PECDAR

There is a need to reverse Palestine’s dependency on Israel in the economic sphere. 64% of Palestine’s exports go to Israel. Infrastructure at
the moment is governed by and serves the occupation. Negotiations must occur to ensure the future of infrastructure and help reestablish the Palestinian economy.

The construction skills and education are present in Palestine and moves are being made to protect the contractors from price fluctuations and also to compensate them for that eventuality.

Projects
Dr. Amer Dajani, Bayti
Town of Rawabi - first Palestinian planned community for 5000 residential units. This addresses the present climate in which there is a blatant absence of housing. In addition, these planned communities are cheaper than regular housing and are preferred by Palestinians.

Mr. Nafez Husseini
Water Plant in Gaza project – reverse osmosis plan

Mrs. Banan Jadallah
Ramallah Financial Quarter project

SESSION 2C: PRODUCING FOR GROWTH
Nassar Nassar, General Manager, Nassar Company for Marble and Stone, Palestine
Mr. Nassar began by stressing the importance of industry to the Palestinian economy. It contributes 18% of the GDP, and accounts for 19% of the total number of jobs for Palestinian workers. The marble and stone industries, which export high quality products to the EU and the USA, are amongst most vital and competitive. Despite the lack of political stability, major growth and success have been achieved through determination and good management in the food, leather goods, garment and textile, chemical, and construction material industries - this is testament to the feasibility of investment in Palestine. He closed by encouraging investment in Palestine, stressing that, not only does it make good business sense, but that it is also vital for the creation peace and stability.

Ali Al-Aqqad, Chief Operating Officer, The Arab Palestinian Investment Co, Jordan
Mr. Al-Aqqad opened by outlining the strengths and weakness of the Palestinian manufacturing sector, stating that Palestine is home to some 1500 registered companies which have created around 80000 jobs. The main challenges to the manufacturing sector are movement restrictions and other sanctions imposed by the occupying authority, which prevent utilization of natural resources, both in terms of land which is available for use, and in terms of access to water. A lack of control of the flow of
raw material and workers, and the siege of Gaza which has denied West Bank businesses access to 40% of Palestinian consumers also present major obstacles to growth.

Despite this situation, however, there are enormous opportunities for investment in Palestine due to its youthful population, 50% of which is under 18. Annual Palestinian population growth stands at 4%, and demand for food goods grows by 10% each year. Palestine also has a highly educated population compared with neighboring Arab states, and has favorable export agreements with the USA, the EU, and many other countries in the Middle East. Corporations’ tax is just 15%, and new businesses are tax exempt for up to ten years. Mr. Al-Aqqad recommended that, in future, the government should adopt a national strategy to orient current and future investors towards certain growth industries. He also believed that they should subsidize certain industries.

**Michel Sayegh, President, Sayegh group, Jordan**

Mr. Sayegh opened by stating his hope that the Palestinian Investment Conference would become an annual event which would keep Arab and other nations informed of developments in the economic potential of Palestinian industry. He outlined the fluctuating situation of his investments in agriculture and real estate over the past few years, and noted an overall improvement in the fortune of these investments even despite the unstable political situation. For example, Arab Paint continued to increase its share of the lucrative paint market, averaging 12% profit per year.

He went on to highlight the potential for investment, stating that the size of the Palestinian market is $4bn, $2bn worth of goods are sourced from Israel. Local and foreign markets are ready and able to absorb Palestinian goods in several key areas such as steel and bricks. Palestinian production of these commodities does not yet nearly supply the demands of the domestic market.

He believes it is a patriotic duty to invest in Palestine, and outlines the favorable tax conditions which are among the best for business in the Arab world. The infrastructure and even distribution of the abundant work force are also very positive. He believes that investments are feasible in all areas of Palestinian industry.

**Bassem Khoury, Dar Al Shifa Pharmaceuticals, Palestine**

Mr. Khoury outlined the potential of the manufacturing sector, and stated that the main challenge are the occupation, poverty, unemployment
(particularly among the educated workforce), and stagflation, and the ‘brain drain.’ The infrastructure, and financial issues related to corruption and bureaucracy are considerably better in Palestine in comparison with neighboring countries. He also listed Palestine’s high literacy rate and its pride in its heritage as huge assets. Among the challenges he listed were border crossing, poor access to technology, poor access to high end markets, a need for new investment, and a reduction in the cost of doing business. At present there are more than 600 checkpoints in the West Bank, and in due to siege of Gaza, less than 2% of factories still operate there.

Al-Shifa pharmaceuticals is the first Palestinian company to export to eastern Europe, and has formed a partnerships with a German company to implement the quality controls that will open up the lucrative western European pharmaceutical market to them. Their first shipment will leave on the 3rd of June 2008. They currently employ 235 people, 150 of whom are university grads. The pharmaceutical industry has a proven track record, a highly educated workforce, and labor costs which are comparable to India.

Tony Barclay, President and CEO, DAI, USA
DAI started working in Palestine in 1994. It has since worked with over 3000 companies, most of which were manufacturers. They recently made a long term commitment to the region when they established a company in Ramallah.

Mr. Barclay believes that Palestine is blessed with abundant technical and managerial talent, and is continually impressed with dynamism and vitality of the Palestinian business community. Obstacles have limited growth, nevertheless, many Palestinian companies have made huge gains. When he arrived in 1994, the majority of companies were small family businesses with little experience in marketing, and a lack of skills to compete in international and domestic markets due to low awareness and an inability to adhere to international standards. The economy is now much more outward looking, and more than 300 companies now have ISO certification enabling them to compete internationally. The government has taken steps to promote growth, and Palestine now ranks above Egypt, India, Morocco and Indonesia in terms of investment ‘friendliness.’ While the manufacturing sector has not grown much in actual size and numbers of workers it employs, its contribution to the GDP has risen by more than 50% since 1994. There are currently high production costs due to the constraints of the occupation, yet, when these constraints are eased, there is the full and ready potential for a threefold increase in the GDP.
Mr. Barclay commends the donors for their vision and the groundwork they have laid for a self-reliant economy, and he recommends that the government now reduce the complexity of the legal system with regards to investment and business in order to streamline processes and attract further investment.

Ayman Majali, Vice Chairman, Jordan Commercial Bank, Jordan

Mr. Majali invited the assistant mayor of Hebron to lecture about a project he has begun to implement, which transforms waste industrial residue into exportable commodities. His scheme involves collecting the ‘sludge’ produced when stone and marble are manufactured. He will then transform it into pure calcium carbonate, which he will then export to local and foreign markets including the Middle East and the EU.

He predicts the lowest possible return on the $4m investment will 13% after 5 years. The first stage of the project – a water recycling plant – will become operational in June of this year.

Mr. Majali then introduced Mr. Ibrahim Cassis. He has patented “Locrete”, a revolutionary new building material which is incredibly strong and cheap to produce. He has contracts to make build a large number of cost housing units in Jordan, and also plans to implement similar projects in Palestine in the near future.