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## Investing in Palestine: Partners for Change - Speech by Juan-Jose Daboub

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Saba' Al Kheir!

Excellencies, ladies, gentlemen, members of the press.

Coming from a Palestinian family that emigrated to El Salvador over a century ago, my ancestors' homeland and its future prospects are issues that are close to my heart.

As is the importance of peace and prosperity in the region.

We are here to explore and capitalize on the economic potential of the Palestinian economy.  
We are here to be part of the future of Palestine.

I'm confident that good matchmaking will take place.

I know that when you enter a Palestinian store you can't leave without buying something!

A growing economy able to provide opportunities and jobs for the Palestinian people must be at the core of a lasting peace process.

This can also encourage greater stability and business throughout the region.

While the difficulties of investing here must be acknowledged, the returns can be significant.

### **Opportunities in the Arab World**

Countries in the Arab World have made significant economic progress over the past few years.

Since 2003, economic growth throughout the region has averaged over 6% per year – the strongest sustained growth performance since the 1970s.

Strong growth is coming not just from high oil prices, but also from real efforts by governments to improve the business environment and make room for the private sector.

Of course, more can be done by countries to integrate with the global economy and encourage innovation.

But entrepreneurs throughout the region are showing that success is possible.

### **Opportunities in the West Bank and Gaza**

The situation in the West Bank and Gaza is perhaps more difficult than in other parts of the Arab World.

But so was Europe after World War II and East Asia before the introduction of economic freedoms.  
It can be done. We can make it happen!

You may have several justified questions about the viability of commercial activities here under the current circumstances, with the number of checkpoints riddling the Palestinian Territories, and with the security incidents often taking place.

And rightly you should.

Analysis by the World Bank has shown that while economic growth will be modestly positive this year, this trend would have been much higher in the absence of the current movement and access restrictions.

There is a need for a resolution of the current difficult situation in Gaza, which represents a large part of the population, and a critical part of Palestinian identity.

These issues must be addressed more broadly – and are being addressed.

We look forward to a practical and sustained resolution of these roadblocks to progress.

To assist these efforts, the international community is committed to supporting West Bank and Gaza.

In December last year, donors pledged over \$7.7 billion to support the Palestinian Reform and Development Plan.

Much of this has been delivered, although a critical need remains for budget financing.

We are encouraged by the efforts of the Palestinian Authority to make continued progress toward the goals of the Reform and Development Plan.

But simply throwing MASARI at the Palestinian territories is not the answer.

The key is removing obstacles, so that people can take destiny into their own hands, and to encourage productive investment.

We must remember that throughout these turbulent periods, and at times much more difficult than this, the resilient Palestinian private sector was able to find opportunities, and to flourish.

Despite constraints, the Palestinian economy began to grow in the second half of 2007, and is expected to grow further this coming year.

And growth is likely to accelerate should there be progress in easing movement restrictions – as all parties have made commitments to do.

While there are risks, there can also be considerable returns for those businesses prepared to “get in the elevator on the ground floor”.

The World Bank has conducted a thorough analysis of the Palestinian business environment, concluding that it compared favorably with much of the rest of the region.

The Bank's *Doing Business* report ranks West Bank and Gaza as comparable with countries like India, Indonesia or Honduras.

In particular, West Bank and Gaza ranks 22<sup>nd</sup> in the world in terms of the tax regime for business, and 33<sup>rd</sup> in the world in terms of the legal framework to protect investors.

Further efforts could help, especially to streamline business registration and entry procedures.  
The Bank Group will work with the Authorities on these issues.

As we have heard yesterday and today from President Abbas and Prime Minister Fayyad, however, the Palestinian Authority seeks to enable and not to stifle business.

Looking at the policy framework, the Palestinian economy is one of the world's most open – despite the obvious constraints.

West Bank and Gaza ranks among the top half of all economies in regard to import and export costs and procedures, even taking account of current constraints.

It enjoys generous trade arrangements with the European Union and with countries in the region.  
There is a ready made market among the 5 million people in the Palestinian diaspora spread across the world.

Many of whom would consider buying or distributing products with the label “Made by Palestinian hands”.

During a visit to the Bethlehem Chamber of Commerce yesterday, I was very pleased to see the 14 star “Made in Bethlehem” label displayed prominently on a wide range of goods.

So there is the human talent and ingenuity, and the markets needed, to start a successful enterprise in the West Bank and Gaza.

You may ask yourself, if this is such a lucrative place, why have others not come?

My answer is that others have, and many have succeeded.

Around you are the leaders of several Palestinian corporations.

Investments range from smaller handicrafts manufacturers, to large, sophisticated, internationally focused stone and construction companies; from garments and food processing, to furniture, to pharmaceuticals.

There are also pioneers in a rapidly growing ICT sector.

All these businesses are displaying the craftsmanship, ingenuity, and entrepreneurial spirit to succeed.

These businesses have not only flourished locally but are exporting to Europe, the US, and elsewhere.

Against all odds, these businesses are generating jobs and prosperity.

They are also helping to encourage people throughout the world to see the Palestinian people as reliable, committed, and hard working suppliers of high quality products.

### **World Bank Group Engagement**

The Bank Group is “putting its money where its mouth is”.

We are not encouraging investors to do anything that we are not doing ourselves.

Our financing for both the public and private sector in the Arab World has approximately doubled in the past five years.

Across the Arab World, the Bank, and its two main private sector arms – IFC and MIGA – are now supporting a portfolio of activities valued at about \$3 billion.

The World Bank Group has been operating in the West Bank and Gaza without interruption for fifteen years, since the 1993 Oslo Accords.

In the past decade, IFC has committed almost \$130 million for 16 companies in West Bank and Gaza.

Last month, IFC signed a commitment to invest \$75 million in a new \$500 million Affordable Housing Initiative.

This will increase access for housing finance in the Palestinian territories, which will create over 3,000 jobs and ensure thousands of people can better afford houses.

IFC investments in the Jacir Palace are also an example of the opportunities available.

Additional potential investments being explored include:

- Student loan facilities, which could provide loans to over 10,000 students on a commercial basis,
  - Trade finance facilities to commercial banks, and other financial sector investments.
- This gives just a small sense of the wide range of commercial opportunities we see in West Bank and Gaza.

I am pleased to add that MGA is finalizing an expansion of a \$30 million West Bank and Gaza Investment Guarantee Fund.

The fund can provide insurance for investors against risks such as war and civil disturbance, expropriation, or restrictions on repatriating profits.

It is now being expanded to provide insurance not just for new foreign investors, but for local investors and for existing projects.

The availability of insurance can give comfort to those investors looking for partners to share risks, encouraging both new investors and those considering scaling up current activities.

The Bank has provided over \$580 million in public investment projects in West Bank and Gaza, and mobilized an additional \$1 billion in donor co-financing.

Investments in critical infrastructure and the education system will help ensure that the transport links and skilled work force needed for investment continue to be built.

The Palestinian Authority is relying heavily on the private sector to build its social and economic infrastructure.

Proposed reforms in the telecommunications and energy sectors could significantly improve the ease of doing business – as well as potentially opening up opportunities in these sectors.

Similarly, reforms to strengthen the legal and regulatory environment for leasing will provide new instruments in the financial sector, and for small businesses for which leasing is often more suitable than bank credit.

## **Conclusion**

Fee El Khitam

Investment opportunities are rarely realized from a distance.

I am pleased by the large number of business leaders that have come to this Conference to take a first hand look at potential investments here.

Investments now have the potential to set the stage for an even more vibrant Palestinian economy, which will be critical to provide jobs and prosperity to people, and to underpin the peace process.

For those of you from the region, investments in the West Bank and Gaza can be seen as investments in the strategic security of the region – potentially leading to more business, not just here but in neighboring countries.

But investments are not altruism.

Investments in West Bank and Gaza are also a chance to get in early.

Leaders like you are uniquely placed to step up to the challenges and take the opportunities available.

You have the ability and the responsibility to make it happen.

Palestinians have proven to the world that they never give up.

Such passion and perseverance can transform this land into a beacon of hope, despite adversities.  
The World Bank Group is here to contribute.

My family left Bethlehem – the holy land – with a dream of a better future.

They arrived in El Salvador, worked hard, overcame cultural, political, economic, and security obstacles, and made that dream a reality.

Just two generations later, I'm pleased to be back here, just a few blocks from my grandfather's birthplace, to help make the dreams of this generation of Palestinians come true, Inshallah.

Shukran Gazilan!