

The Initiative for the Palestinian Economy - An Overview

The Initiative for the Palestinian Economy (IPE) is designed to effect transformative change and substantial growth in the Palestinian economy and create hundreds of thousands of new jobs. It is a complementary process to the political negotiations between Israel and the Palestinian Authority (PA), led by U.S. Secretary of State John Kerry, and is not a substitute for it.

The ambitious plan was drafted by a team of policy advisors, external economic analysts and international domain experts under the leadership of Quartet Representative **Tony Blair** in support of renewed Palestinian-Israeli negotiations.

The initiative focuses on catalysing private sector-led growth in the West Bank, the Gaza Strip and East Jerusalem. The success of the IPE relies heavily on the inflow of new financing into the Palestinian economy, in particular from the private sector, continued and significantly expanded Israeli easing measures and boosted institutional capacity within the PA.

The plan:

- Is a focused, multi-year project covering eight key sectors to support the Middle East Peace Process;
- Aims to achieve a significant reduction in unemployment, a substantial increase in average Palestinian household income, a large surge in investment flows - both domestic and foreign - and a significant decline in PA reliance on direct budgetary assistance;
- Is underpinned by in-depth sector analyses and project proposals, which include mechanisms to deliver and finance the projects;
- Is tied to a clear set of regulatory and economic enablers that are pre-requisites to the success of the economic plan;
- Takes into account the interdependency of the different sectors (e.g. water and agriculture), requiring thoughtful coordination to execute successfully;
- Leverages the resources of the local and international private sector to finance the economic plan.

Key Sectors as Catalysts for Growth

Eight sectors are included in the IPE. These were chosen based on their private sector orientation, relative contribution to GDP and employment figures, their potential for economic growth and their potential as enablers for other sectors (such as water and energy).

The IPE centres on:

- **Agriculture:** This sector already makes a relatively large contribution to GDP, but it could deliver significantly more to the Palestinian economy, including through better economies of scale, bringing more land into production, and access for Gazan produce to the Israeli and West Bank markets.
- **Construction:** Expanding construction in housing is a central part of the Initiative as we aim to better meet the huge demand for affordable housing. The IPE envisions the construction of different types of housing to address the various demographic and geographic segments across the West Bank, East Jerusalem and Gaza - including on available land in city centers, around the urban periphery, and in new locations.
- **Tourism:** Boosting tourism is vital to long-term Palestinian economic growth. The West Bank, East Jerusalem, and Gaza are immensely rich in historical and ecological attractions. We will focus on two tracks: a short-term track concentrating on strategic marketing of the Holy Land in certain target markets, and a medium-term track aimed at the development of five tourism hubs within the West Bank and Gaza.
- **Information and communication technology (ICT):** This is a critically-important and growing service sector in the Palestinian economy, and the IPE aims to attract both domestic and international investment in specific IT services. The goal is to leverage the quality and relative wage competitiveness of the Palestinian labour force, create opportunities for multinational corporations and encourage investment in IT incubators and trade promotion agencies to create a platform around which start-ups can grow and attract more funds.
- **Light manufacturing:** The potential for growth in this sector hinges on the competitive wages of a young and educated Palestinian workforce, low operating costs and a positive investment climate. The IPE foresees the scaling up of investment in several sub-sectors with high growth potential (e.g. domestic appliances, motor vehicle parts, pharmaceuticals). Multi-national companies (MNCs) would be a key driver for this sector, and target important export markets in the region. By enhancing existing local small and medium enterprises (SMEs) to supply complementary products to the MNCs, exports and transfers can be furthered expanded in certain sub-sectors.
- **Building materials:** Expanding this sector will help unlock the economic potential of other sectors, with the Initiative focusing on increasing domestic production capacity, diversifying import sources and improving capabilities.
- **Energy:** Reliable energy supply is critical for all sectors of the Palestinian economy. The goal is an increase of the supply of electricity from third-party power producers, and at the same time, expansion of capacity for local electricity generation through local power plants. These plants will need to be fueled by natural gas, and so the development of the Palestinian Gaza Marine gas field, as well as gas pipeline infrastructure will play an important part in these efforts. In addition, the development of a robust renewable energy sector will help increase the supply of electricity in the West Bank and Gaza.
- **Water:** To match the ever growing need for water by Palestinian households and business, major efforts in infrastructure are required to generate new sources of water. The development of waste water treatment facilities in the West Bank and in Gaza are important not only for health and sanitation - but also to enable the re-use of treated water for agricultural irrigation.

Next Steps

The Office of the Quartet Representative (OQR) is working closely with the Palestinian Authority and the Israeli government on implementation of the initiative, and on ensuring that the necessary enablers are in place to safeguard the success of the plan. Furthermore, the OQR is involved in focused outreach efforts with donors and investors to secure financing support, in conjunction with key stakeholders.

In addition over the coming months, the Office of the Quartet Representative will:

- Work with the PA on outreach to donors on the public financing aspects of the plan and supporting the PA in attracting private sector investments, both domestic and overseas;
- Participate in a series of high-level conferences and meetings that will bring together potential investors and unveil the Initiative's specific proposals and projects.
- Support the Palestinian private sector and, where relevant, PA, to implement specific projects (e.g., development of a cement mill in the West Bank) within the context of the IPE;
- Continue discussions with the Government of Israel - at all levels - on the next steps (enablers) necessary for the implementation of the IPE;
- Engage with the PA and the Government of Israel on ensuring high-level implementation and monitoring arrangements for the IPE.

For an In-depth look click [here](#)

<http://www.quartetrep.org/quartet/news-entry/ipe-overview/>