WEST BANK AND GAZA
INVESTMENT CLIMATE STATEMENT
2015
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Executive Summary

The Palestinian economy is small and relatively open, with several large holding companies dominating certain sectors. Palestinian businesses have a reputation for their professionalism as well as the quality of their products. Large Palestinian enterprises are internationally connected, with partnerships extending to Asia, Europe, the Gulf, and the Americas. Due to the small size of the local market, access to foreign markets through trade is essential for private sector growth. However, restrictions on the movement and access of goods and people between the West Bank, the Gaza Strip, and external markets imposed by the Government of Israel (GOI) continue to have a deleterious effect on the private sector and limit economic growth. Private sector opportunities are constrained in Gaza due the de facto rule of Hamas, which has been designated as a foreign terrorist organization (FTO), combined with GOI restrictions on many imports and most exports.

Since 2007, the West Bank’s economy has made significant progress—primarily due to improved security, economic and legal reforms, international donor support and the easing of GOI restrictions—economic growth slowed drastically during 2013 and contracted in 2014. Gross Domestic Product (GDP) growth in the West Bank and Gaza was 2 percent in 2013 and in 2014 declined to nearly 1 percent, down from a combined average 9 percent GDP growth in 2010–2012. According to international organizations, the decline in 2014 is mainly a result of that summer’s conflict in Gaza, the ongoing political conflict with Israel, the uncertainty in the Palestinian Authority’s (PA) ability to pay salaries, and the accumulation of high levels of private sector arrears. In 2014, donor countries provided the PA USD 1.030 billion to support its budget, about USD 297 million short of the amount needed to cover the PA’s recurrent deficit. Future economic growth depends on a series of factors; an easing of Israeli movement and access restrictions, further expanding external trade and private sector growth, improved PA governance on commercial regulation, political stability, Israel prompt releasing the PA’s customs and VAT revenues, and the general recovery of global and regional economic growth. Economic sectors that are not dependent on traditional infrastructure and freedom of movement, such as information and communications technologies (ICT), are able to grow somewhat independent of these factors, enjoying greater success in the Palestinian territories during the past decade.

According to the Palestinian Bureau of Statistics (PCBS), the unemployment rate in the Palestinian territories is 26.5 percent, with a disproportionate effect on youth: between the ages of 20-24 where unemployment is at a rate of 45.6 percent. In addition, the workforce is expected to significantly expand in the coming years as 47.1 percent of the population of the West Bank and Gaza is currently below the age of 18. The labor force is relatively well-educated, boasting a high literacy rate, with high technology penetration and familiarity with overseas markets. Wages are low relative to Israel, but higher than other neighboring Arab countries. In January 2013, the PA implemented the first Palestinian minimum wage, set at NIS 1,450 (USD 389) per month. Palestinians remain dependent on the public sector, which employs 22.9 percent of the workforce. The PA depends primarily on the transfer of its customs and VAT revenue, which Israel collects on the PA’s behalf, to cover its operational expenses, including its wage bill.
1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Despite some progress, the PA continues to rank poorly in the World Bank’s Ease of Doing Business category, receiving a ranking of 143 out of 189 in 2015. Beginning in June 2007, the PA has demonstrated a renewed determination to improve the investment climate and to attract foreign investment, undertaking a number of significant reforms. These broad economic policies are aimed at stimulating growth through private sector investment and consolidating public finances. The National Development Plan (NDP) for 2011-2013, the PA’s reform and development framework from earlier this decade, highlighted the need for sovereign control over its borders and developing domestic resources to attract investment for sustainable economic development. Through 23 sector strategies contained in the NDP, the PA focused on private sector growth in agriculture and tourism in particular, and committed to continued legal and institutional reform, strategic investments in national infrastructure, and negotiated international trade agreements. Currently, the 2014-2016 NDP is used to guide the PA. The NDP emphasizes the need to create an additional 600,000 jobs during the next decade to maintain at least 10 percent annual growth in GDP. As with the previous NDP, the current version is structured along the lines of four key sectors: economic development and employment, good governance and institution building, social protection and development, and infrastructure. Within the economic sector, the NDP actively seeks to encourage private sector and foreign investment, improve Palestinian infrastructure, increase the competitiveness of Palestinian companies, and encourage entrepreneurship in the West Bank and Gaza, among other goals. The NDP caveats, that any economic progress is inextricably linked to resolution of the political conflict with Israel, as well as overcoming internal divisions between the West Bank and Gaza.

Since 2006, there have been no general elections, and the Palestinian Legislative Council (PLC) has not met since April 2007. This means that any new laws or amendments must be issued by presidential decree. In the absence of a renewed political mandate or the endorsement of a legislative body, the PA has been reluctant to issue any laws that are not viewed as immediately necessary. For amendments and changes to business regulations, the PA normally engages in a series of consultations involving ministry officials, the private sector, donors and other stakeholders, resulting in lengthy delays for many key pieces of legislation. The United States Government (USG), through the U.S. Agency for International Development (USAID) and other agencies, is providing technical assistance to the PA to improve the investment climate and strengthen the trade regime through legislative reforms, improved regulations, and capacity building.

Since June of 2010, the PA has not hosted any major investment conference, even when they used to do so in the past. The 2010 conference attracted over 1,000 potential investors and business representatives. Over 100 projects were presented at the conference, and further information on these and other projects is available at www.pic-palestine.ps.

Beginning in 1995, the PA has taken steps to facilitate and increase foreign trade by signing free trade agreements with the European Union, the European Free Trade Association (EFTA), Canada, and Turkey. The PA also enjoys the benefit of the Free Trade Agreement signed between the United States and Israel. The PA has finalized other trade agreements with Russia,
Jordan, Egypt, the Gulf States, Morocco, Tunisia Mercosur, Vietnam and Germany. On July 31, 2012 Israel and the Palestinian Authority reached an understanding on trade and taxation designed to facilitate the flow of goods between Israel and the PA, reduce smuggling, and increase tax revenues to be shared by both parties. Additionally, the PA is actively preparing itself for eventual observer status in the World Trade Organization (WTO), and participated in the 2005, 2009, 2011 and 2013 WTO Ministerial meetings as an ad hoc observer.

This report focuses on investment issues related to areas under the administrative jurisdiction of the PA, except where explicitly stated. Due to the changing circumstances, potential investors are encouraged to contact the PA Ministry of National Economy www.mne.gov.ps, Palestinian Investment Promotion Agency www.pipa.gov.ps, the Palestine Trade Center www.paltrade.org, and the Palestinian-American Chamber of Commerce www.pal-am.com, as well as the U.S. Consulate General in Jerusalem http://jerusalem.usconsulate.gov/, and the U.S. Commercial Service http://export.gov/westbank/ for the latest information.

Where applicable, this report addresses issues related to investment in the Gaza Strip, although Hamas’s implementation of PA legislation and regulations may differ significantly from the West Bank. In 2014, Fatah (a major political party) and Hamas initiated a reconciliation process; however, at the time of writing the PA does not exercise operational control within Gaza.

Opportunities for meaningful foreign direct investment in Gaza are few, due to Hamas’s control and Israeli restrictions on the flow of imports and exports. Numerous consumer goods enter Gaza through Israel, but there are restrictions in place that limit the import of a number of dual-use items, including construction materials, which are only allowed to enter with advance coordination and approval from Israel. Likewise, only a few hundred truckloads of exports can exit each year.

**Other Investment Policy Reviews**

Beginning in 2013, the Office of the Quartet Representative (OQR), began work on the Initiative for the Palestinian Economy (IPE), a multi-year plan, which seeks to engage the private sector to drive economic growth and job creation across the Palestinian territories. Unveiled in 2014, the initiative focuses on catalyzing private sector-led growth by leveraging new financing and investment into the Palestinian economy, continued and expanded Israeli easing measures, and increased institutional capacity within the PA. The IPE centers on eight sectors: (1) agriculture; (2) construction; (3) tourism; (4) information and communication technology (ICT); (5) light manufacturing; (6) building materials; (7) energy; and (8) water. The IPE aims to catalyze investment and encourage economic growth.

In spring of 2014, following the impasse in the political negotiations, OQR has continued to work on advancing economic development and the application of the rule of law, while giving priority to areas where accomplishments are most viable under the current conditions. Looking ahead, OQR’s forward priorities focus on five strategic pillars that represent the fundamental impact areas that contribute to economic growth and capacity building: (i) movement and trade; (ii) investment promotion; (iii) reliable infrastructure; (iv) unlocking value of land and human capital; and (v) strengthening government. A summary overview of the Initiative for the Palestinian Economy is available at http://blair.3cdn.net/a0302ab9e588825b29_1bm6yhgjy.pdf.
The Organization for Economic Cooperation and Development (OECD), The World Trade Organization (WTO), and The United Nations Conference on Trade and Development (UNCTAD) do not provide investment policy reviews for The West Bank and Gaza.

**Laws/Regulations of Foreign Direct Investment**

The legal framework for foreign investment in the West Bank and Gaza is based on the 1998 Law on the Encouragement of Investment in Palestine Law (Investment Law) No. 1, which was amended by Presidential Decree in 2011 and subsequently in 2014. All business entities must be registered with PIPA’s registry of investments either in the West Bank or Gaza. According to existing PA company laws, three different types of companies may be incorporated:

- **General Partnership:** The liability of each partner in a general partnership is unlimited. All partners are personally responsible for the liabilities of the partnership. The name of at least one of the partners must be included in the title of the General Partnership.

- **Limited Partnership:** This includes two different types of partners: general and limited. A limited partnership must have at least one general partner who is personally responsible for the liabilities of the company. There is also at least one limited partner whose liability is limited to the amount of the capital.

- **Local Companies (Limited Liability Company (LLC) and Public Liability):** Most investors prefer to use LLCs for the purposes of conducting commercial affairs.

**Industrial Promotion**

The PA’s 2014 amendments to Promotion of Investment in Palestine Law No. 1 of 1998, shifted promotional incentives from those that benefit industrial projects providing large capital investments to a focus on employment growth, development of human capital, increased exports, and local sourcing of machinery and raw materials (See 5.2 Investment Incentives).

**Limits on Foreign Control**

Under the Jordanian Company Law for 1966, the foreign investor should own no more than 49 percent of a company and the local partner holding at least 51 percent control. However, foreign investors can readily obtain exceptions to this policy by working with PIPA and the Ministry of National Economy. The Minister of National Economy issues exceptions without delay.

**Privatization Program**

There is no privatization program for industries by the PA within the Palestinian Territories.
Screening of FDI

The procedures that have to be followed to register this form of company are as follows:

1) Search for company name and reserve proposed name.
2) Submit company incorporation papers and sign document pledging to deposit initial capital within three months, if applicable (Jordanian Dinars (JD) 250,000 for a public shareholding company, JD 10,000 for a private shareholding company, or JD 10,000 for a nonprofit; other companies are exempt from this requirement). Obtain certificate of registration from the Ministry of National Economy.
3) Register with the Companies Registry and pay registration fee.
4) Register for income tax and value added tax.
5) Register with the Chamber of Commerce.
6) Obtain business license from the municipality.
7) Obtain approval from fire department.

Certain investment categories require the Council of Ministers’ pre-approval. These include investments involving (1) weapons and ammunition, (2) aviation products and airport construction, (3) electrical power generation/distribution, (4) reprocessing of petroleum and its derivatives, (5) waste and solid waste reprocessing, (6) wired and wireless telecommunication, and (7) radio and television. Purchase of land by foreigners also requires the approval of the Council of Ministers.

Competition Law

There is no competition law for the Palestinian Territories at this time. The PA drafted a law in 2003 that was not enacted, and in 2012 the PA prepared a new draft law that has not yet passed. Because of the geographic division between businesses in East Jerusalem, the West Bank, and Gaza, many firms in disparate geographic locations within the Palestinian territories have little to no competition, causing variations in both pricing and firm productivity between regions and sometimes cities within a region.

Investment Trends

Despite the regulatory and political challenges, there are opportunities for potential investors in the West Bank and Gaza. For example, the information and communications technology (ICT) sector is one of the fastest growing sectors in the Palestinian territories, with an average growth rate of 25-30 percent since 2000, according to PA statistics. Software development and outsourcing are particularly attractive sectors with a growing number of high tech-focused Palestinian college graduates, one of the highest Internet penetration rates in the Middle East, and competitive salaries. Multinational companies working with Palestinian companies enjoy lower costs and lower attrition rates than operations in similar markets, and several U.S. and multinational firms actively outsource software development to Palestinian companies.
Table 1

<table>
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<td>2013</td>
<td>USD 3070</td>
<td>data.worldbank.org/indicator/NY.GNP.PCAP.CD</td>
</tr>
</tbody>
</table>

2. Conversion and Transfer Policies

Foreign Exchange

The PA does not have its own currency. According to the 1995 Interim Agreement, the Israeli Shekel (ILS) freely circulates in the Palestinian territories and serves as means of payment for all purposes including official transactions. The exchange of foreign currency for NIS and vice-versa by the PMA is carried out through the Bank of Israel Dealing Room, at the market exchange rates.

Remittance Policies

The Investment Law guarantees investors the free transfer of all financial resources out of the Palestinian territories, including capital, profits, dividends, wages, salaries, and interest and principal payments on debts. No Palestinian currency exists, but the Israeli Shekel (ILS) is the accepted currency, and U.S. dollars (USD) and Jordanian dinars (JOD) are widely used in business transactions. There are no other PA restrictions governing foreign currency accounts and currency transfer policies. Banks operating in the Palestinian territories, however, are subject to Israeli restrictions on correspondent relations with Israeli banks and the ability to transfer shekels into Israel, which occasionally limit services such as wire transfers and foreign exchange transactions.

3. Expropriation and Compensation

The Investment Law, as amended in 2014, prohibits expropriation and nationalization of approved foreign investments, except in exceptional cases for a public purpose with due process of law, which shall be in return for fair compensation based on market prices and for losses suffered because of such expropriation. The PA must secure a court decision before proceeding with expropriation.

PA sources and independent lawyers say that any Palestinian citizen can file a petition or a lawsuit against the PA. In 2011, the PA established independent, specialized courts for labor,
chambers, customs, and anti-corruption. These courts are composed of judges and representatives from the Ministry of National Economy and Ministry of Finance. While general confidence in the judicial system is improving and businesses are increasingly using the courts and police to enforce contracts and seek redress, alternative means of arbitration are still used to resolve some disputes.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Investment Law, as amended in 2014, provides for dispute resolution between the investor and official agencies either through binding arbitration or in Palestinian domestic courts. In 2010, International Chamber of Commerce Palestine began work to establish the Jerusalem Arbitration Center (JAC) to provide a forum to resolve business disputes between Palestinian and Israeli companies; it officially launched in November 2013.

The PA is not a member of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) or the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

Commercial disputes can be resolved by way of conciliation, mediation, or domestic arbitration. Arbitration in the Palestinian territories is governed by Law No. 3 of 2000. International arbitration is accepted. The law sets out the basis for court recognition and enforcement of arbitral awards. As a general rule, every dispute may be referred to arbitration by the agreement of the parties, unless prohibited by the law. Article 4 of the law states that certain disputes cannot be referred to arbitration, including those involving marital status, public order issues, and cases where no conciliation is permitted. In the event that parties do not agree on the formation of the arbitration tribunal, each party may choose one arbitrator and arbitrators shall then choose a presiding arbitrator, unless the parties agree to do it otherwise. Local legal commentators have alleged that the Palestinian court system has become less efficient and organized in its handling of civil and administrative (non-criminal) matters during the last two years. Litigants suggested that the decisions at different levels of the courts were less consistent, prompting more appeals and a larger overall caseload.

Judgments made in other countries that need to be enforced in the West Bank/Gaza are honored, according to the prevailing law in the West Bank, mainly Jordanian Law No. 8 of 1952 as amended by the PA in 2005. The law covers many issues in relation to the enforcement of foreign judgments.

Bankruptcy

The World Bank’s 2015 Doing Business Report did not cite any cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure) in the previous five years. The PA Ministry of National Economy, with the assistance of international donors, is in the process of drafting a number of proposed laws related to bankruptcy, but no bankruptcy reform has been enacted.
Investment Disputes

The Investment Law, as amended in 2014, provides for dispute resolution between the investor and official agencies by binding independent arbitration or in Palestinian courts. It has been reported that some contracts contain clauses referring dispute resolutions to the London Court of Arbitration. In 2010, International Chamber of Commerce Palestine began work to establish the Jerusalem Arbitration Center (JAC) to provide a forum to resolve business disputes between Palestinian and Israeli companies; it officially launched in November 2013.

Commercial disputes are resolved by way of conciliation, mediation, or arbitration. Arbitration in the Palestinian territories is governed by Law No. 3 of 2000.

International Arbitration

International arbitration is permitted. The law sets out the basis for court recognition and enforcement of awards. As a general rule, every dispute may be referred to arbitration by the agreement of the parties, unless prohibited by the law. Article 4 of the law states that certain disputes cannot be referred to arbitration, including those involving marital status, public order issues, and cases where no conciliation is permitted. In the event that parties do not agree on the formation of the arbitration panel, each party may choose an arbitrator and arbitrators shall choose a casting arbitrator unless the parties agree to proceed otherwise.

Arbitral awards made in other countries that need to be enforced in the West Bank/Gaza are honored, according to the prevailing law in the West Bank, mainly Jordanian Law Number 8 of 1952 as amended by the PA in 2005. The law covers many issues in relation to the enforcement of foreign judgments.

ICSID Convention and New York Convention

The PA is not a member of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) or the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

Duration of Dispute Resolution

In 2014 the IMF reported an average of 540 days to resolve a standardized commercial dispute through the courts with 44 separate procedures required for a dispute resolution. Local legal commentators reported that the Palestinian court system has become less efficient and organized in its handling of civil and administrative (non-criminal) matters during the past two years. Litigants suggested that the decisions at different levels of the courts were less consistent, prompting more appeals and a larger overall caseload.
5. Performance Requirements and Investment Incentives

WTO/TRIMS

The PA is not a member of the world Trade Organization (WTO), but is actively preparing itself for eventual observer status, and participated in the 2005, 2009, 2011 and 2013 WTO Ministerial meetings as an ad hoc observer.

Investment Incentives

In 2014, by presidential degree, President Abbas, in order to align the PA’s development priorities with the investment incentives provided by Palestinian law, enacted amendments to the Promotion of Investment in Palestine Law No. 1 of 1998, the investment and tax law. This amendment extended tax incentives to small and medium companies, exporters and agriculture and tourist businesses and shifted a focus towards incentives on human capital instead of fixed assets. While the presidential decree enacted the amendments, the specific incentives provided are still being determined. The amendments add tourism projects and agricultural projects to qualifying industries, and removed real estate development projects from the industries promoted through the incentives. The amendments also gave additional authority to the Palestinian Investment Promotion Agency (PIPA) to create incentive packages targeted to individual business needs. PIPA expects the changes to create a streamlined investment and incentive processes to circumvent some PA bureaucratic red tape to obtain licenses for investment projects. For example, if any step in the business registration process takes longer than 30 days, PIPA can intervene and issue a business license or registration on its own authority.

Article 23 of the Promotion of Investment in Palestine Law Number 1 of 1998 incentives were amended as follows:

1. The projects approved by the Agency and which have obtained the required licenses in accordance with the law, shall be granted the following incentives and exemptions:
   A. Income Tax of zero (0 percent) for the agricultural products whose income is being directly generated from land cultivation or livestock.
   B. Income Tax of (5 percent) for a period of 5 years commencing from the date of realizing profit but not exceeding four years, whichever is earlier.
   C. Income tax for (10 percent) for a period of three years commencing from the end of the first phase. Its will be thereafter, calculated based on the applicable and in effect percentages and segments.

Projects may be targeted for the taxation incentives and support services include:
- The industrial sector
- The tourism sector
- New projects within any sector that employ at least 25 workers during the period of benefit
- Projects that increase their production exports ratio by more than 40 percent
- Projects within any sector which use approximately 70 percent of locally sourced machinery and raw materials
- Any existing project that adds 25 workers to the number of already existing workers
- Developmental expansions on projects to be based on a percentage of paid-in capital but not land value
• Projects in which PIPA Board of Directors provides specific incentive packages that comply with special criteria, meet international environment conditions or alternative energy services, or are projects located within areas of developmental priorities.
• PIPA’s Board of Directors may, to advance the public interest and subject to the nature of a project’s activity, geographical location, the extent to which the project contributes to increasing exports, creating job opportunities, to advance development, transfer knowledge, support research and development for the purposes of enhancing the public benefit services.

Excluded from the incentives are:
• Commercial projects
• Insurance companies
• Banks
• Money changers
• Real estate projects
• Some electricity projects
• Telecommunication services
• Commercial services
• Crushers
• Quarries
• Any companies that obtained concessions contracts from the Council of Ministers and operate as monopolistic companies.

Research and Development

U.S. and other foreign firms are able to participate in partnership with the PA for research and development programs; however, because of the PA’s budgetary restrictions much of the financing for such projects come from donor countries or NGOs and not the PA itself.

Performance Requirements

The current performance requirements for investment incentives have reduced the focus on a capital investment requirement and now focus on job growth and locally sourced production.

While the PA does not require foreign nationals working in the West Bank to seek work permits, the Government of Israel (GOI) does require foreigners to obtain Israeli visas in order to enter the West Bank and Gaza via Israel. Israel generally grants foreign passport holders of countries that have diplomatic relations with Israel three-month tourist visas upon arrival, but longer business visas may only be obtained by businesses or organizations with an Israeli presence. Israel often requires foreign passport holders of Palestinian descent to apply for a Palestinian ID card. Israeli authorities may consider as Palestinian anyone who has a Palestinian identification number, was born in the West Bank or Gaza, or was born in the United States (or elsewhere) but has parents or grandparents who were born or lived in the West Bank or Gaza. Any such U.S. citizen may be required to use a Palestinian Authority (PA) travel document and enter via the Allenby Bridge crossing on the Jordanian border instead of Ben Gurion Airport in Tel Aviv. If they decide not to obtain a PA travel document, such Americans may be barred from entering or exiting Israel, the West Bank or Gaza, face long delays, or be denied entry at the ports of entry. Palestinian-Americans holding Palestinian IDs and PA exit permits may depart via the Allenby
Crossing between Jordan and the West Bank, provided they have a valid Jordanian visa in their U.S. passports.

According to the GOI, foreign nationals working in the West Bank should either apply for work visas at Israeli embassies in their country of origin or seek adjustment of status through the Israeli Coordinator of Government Activities in the Territories (COGAT) after their arrival in the West Bank. This process, however, is opaque, time consuming, and may not result in issuance of a work visa. As a result, many foreign passport holders depart and reenter the West Bank every three months in order to receive a new three-month tourist visa upon re-entry. The GOI has placed a stamp reading “Judea & Samaria Only” on the visas of some U.S. citizens working in the West Bank, thereby prohibiting them from entering Israel or Jerusalem from the West Bank. The United States government continues to press the GOI to cease this policy.

Data Storage

There are no data storage requirements under PA law for IT companies. The PA does not follow a forced localization, policy and there are no requirements for foreign IT providers to turn over source code or provide access to surveillance.

6. Right to Private Ownership and Establishment

Jordanian law in the West Bank, as amended by PA regulations, guarantees the right to private ownership. Similarly, the right to private ownership in Gaza is guaranteed by British Mandate law, as amended by regulations issued by the PA. Foreigners must obtain permission from the PA before purchasing property in areas under PA civil authority and from the appropriate Israeli authorities before purchasing property in West Bank areas under Israeli control. Under the terms of Oslo-era agreements, over 60 percent of the West Bank is designated Area C and remains under Israeli control for security, construction, and planning. PIPA outlines the following concerning foreign ownership of property.

7. Protection of Property Rights

Real Property

The Acquisition Law in the West Bank, which regulates foreign acquisition and the rental or lease of immovable properties, classifies foreigners into three categories:

• Foreigners who formerly possessed Palestinian or Jordanian passports shall have the right to own certain properties sufficient to erect buildings and/or for their agricultural projects.
• Foreigners who hold other Arab passports have the right to own certain property that suffices for their living and business needs only.
• Other foreigners, including Jerusalem ID holders, must receive permission from the PA Cabinet to own buildings or purchase land.

The permission process can be lengthy, and includes clearances from the intelligence and preventive security agencies. It is critical that potential purchasers of land or buildings perform a title search to ensure that no outstanding violations or unpaid penalties exist on the property. Under current law, violations and penalties are transferred to the new owner.
Title searches can only be obtained from the PA Land Authority (al-Taboh). Land registration is done through the Land Registries in Hebron, Ramallah, Qalqilya, Tulkarem, Nablus, Bethlehem, Jericho, Jenin, and Gaza City. In order to purchase land in the West Bank or Gaza, an application that includes supporting documents, such as deeds to the property and powers of attorney, should be submitted to the land registry office having jurisdiction over the land.

The issue of land registration in the West Bank is complicated by overlapping, and sometimes conflicting, laws and customs derived from the Ottoman, British Mandate and Jordanian periods of rule. In addition, there is no comprehensive registry of land ownership for the West Bank and efforts to complete one are expected to take decades at the current pace. The majority of the land has not been registered, and even where land is registered, titles are often more than a generation old, with unresolved rights to numerous inheritors, which affects the mortgage market. The Palestinian Land Authority is currently working with support from the Government of Finland and the World Bank on land titling and registration. In addition, Israeli administrative control over 60 percent of the West Bank designated as “Area C” adds an additional layer of bureaucracy and restrictions with respect to sale and use of privately held lands in those areas.

**Intellectual Property Rights**

The West Bank and Gaza do not have a modern intellectual property rights (IPR) regime in place, and IPR legislation originates from a combination of Ottoman-era, British Mandate, and pre-1967 Jordanian laws. The PA was indirectly committed to the General Agreement on Tariffs and Trade and the agreement of Trade Related Aspects of Intellectual Property Rights (GATT-TRIPS) when it signed the 1995 Interim Agreement on West Bank/Gaza according to Annex III (Protocol Concerning Civil Affairs), Appendix 1, Article 23.

Currently, intellectual property is governed by the Civil Claims Law of 1933 and the Palestinian Trademark and Patent Laws of 1938 in Gaza, and the Commercial Law No. 19 of 1953 and the Patent Law No. 22 of 1953 in the West Bank. Registration is very similar, and, despite different authorizing legislation, there are few substantive differences between IPR laws in the West Bank and Gaza Strip.

In order to register a trademark, four copies of the proposed trademark must be attached to the application, one of them in color, along with a copy of the company’s Certificate of Registration. A foreign company is entitled to register its trademark in the Palestinian territories by giving power of attorney in this regard either to a trademark agent or to a lawyer. Trademarks can be registered unless they fall within the recognized prohibition, such as being similar to or identical to an already registered trademark, are likely to lead to deception of the public, or are contrary to public morality. Trademark protection is available for registered trademarks for a period of seven years, which may be extended for additional periods of 14 years. The proprietor of a trademark in the West Bank/Gaza owns the sole right to the use of the trademark in association with the goods with which the trademark is registered. The trademark is open for opposition after being published in the Gazette for a period of three months. The holder of a trademark retains the right to bring civil action against any perpetrator in addition to criminal proceedings.
Trade names are registered in the Palestinian territories according to specific procedures and conditions that are laid out in the Jordanian Trade Names Registration Law No. 30 of 1953, which is still applicable in the West Bank, and Law No. 1 of 1929 in Gaza.

The Patents and Design Law No. 22 of 1953 is applicable in the West Bank and the Patents Design Law No. 64 of 1947 is applicable in Gaza. A foreign company is entitled to have a patent or design registered by giving power of attorney in this regard to a patent agent or to a lawyer, with the requisite documents. Patent protection is provided for a period of 16 years from the date of filing the patent application.

Copyright in the Palestinian territories is governed by the Copyright Laws of 1911 and 1924. The protection lasts for a period of 50 years after the death of the author of the work. The law also deals with infringements, compulsory licenses, and many other procedural issues as well.

The law prescribes imprisonment for a maximum period of one year or a fine not exceeding 100 Jordanian dinars for infringement of a registered mark.

There is minimal enforcement of IPR laws for music and movies in the West Bank/Gaza, while the PA has enforced some of these laws to protect the Palestinian pharmaceutical industry. The PA has drafted a modern law that will encompass IPR, including copyright, patents and designs, trademarks, and merchandise branding, but the law has not yet been adopted in the absence of a functioning legislature. The PA is keen to obtain membership in the different organizations and agreements concerned with intellectual property, such as the World Trade Organization (WTO) and the World Intellectual Property Organization; it has held observer status in the latter since 2005.

**Resources for Rights Holders**

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**8. Transparency of the Regulatory System**

The PA has worked to erect a sound legislative framework for business and other economic activity in the areas under its jurisdiction since its creation in 1994; however, implementation and monitoring of implementation needs to be strengthened, according to many observers. The PA Ministry of National Economy, with the assistance of international donors, is in the process of drafting a number of proposed laws related to business and commercial regulation, including licensing, intellectual property rights, business registration regulation of competition, secured lending, bankruptcy, and trademark and copyright. The Ministry of National Economy regularly holds stakeholder meetings for draft commercial legislation, in order to gather input from the private sector, and publishes drafts of the proposed law. Because the Palestinian Legislative
Council has not met since 2007, each law must be adopted as a presidential decree, an effort that often delays reform efforts. The proposed laws will likely need to be approved by the PLC, should it reconvene in the future.

There is a regulatory body that governs the insurance sector, and the PA has adopted a telecom law that calls for establishment of an independent regulator. However, establishment of the telecom regulator has stalled due to disagreement over its proposed members and authorities.

9. Efficient Capital Markets and Portfolio Investment

Major progress was achieved in 2004 with the passage by the PLC of the Capital Markets Authority Law, the Securities Commission Law, and the establishment of the Capital Market Authority, the regulator of the stock exchange, and the insurance, leasing, and mortgage industries. In 2010, a banking law was adopted to bring the Palestinian Monetary Authority’s (PMA) regulatory capabilities in line with The Basel Accords, a set of recommendations for regulations in the banking industry. The 2010 law provides a legal framework for the establishment of deposit insurance, management of the Real Time Gross Settlement (RTGS) system, and treatment of weak banks in areas such as merger, liquidation, and guardianship. It gives the PMA regulatory authority over the microfinance sector. In 2013, the PA passed a commercial leasing law and the Ministry of National Economy is drafting legislation to create a registry for moveable assets, which should facilitate secured transactions.

The World Bank Ad Hoc Liaison Committee (AHLC) report released in September 2012 noted that the PMA is effectively supervising the banking sector, and therefore the Palestinian banking sector continues to perform well under the supervision of the Palestinian Monetary Authority (PMA). The PMA continues to enhance its institutional capacity and is steadily building the capabilities of a central bank. It provides rigorous supervision and regulation of the banking sector, consistent with international practice. An Anti-Money Laundering law that was prepared in line with international standards with technical assistance from the International Monetary Fund (IMF) and USAID has been in force since October 2007. The PMA is currently finalizing a draft law that solidifies its independence and provides the legislative framework for it to become a full-fledged central bank.”

In addition, the PA passed the Deposit Insurance Corporation Act in 2013, establishing the Deposit Insurance Corporation to safeguard small depositors and support the stability of the banking system. A director has been appointed for the new institution, which is expected to begin functioning in mid-2014.

Credit is limited by concerns over uncertain political and economic conditions and limited availability of real estate collateral due to non-registration of most West Bank land. The PMA has taken steps to improve the sector’s loan-to-deposit ratio from 28 percent in 2008 to 56 percent at the end of January 2015 by encouraging banks to participate in loan guarantee programs sponsored by the United States and international financial institutions, supporting a national strategy on microfinance, and putting in restrictions on foreign placements. The Ministry of National Economy’s draft secured transactions legislation would allow moveable assets, such as equipment, as collateral for loans. Non-performing loans are around 3 percent of
total loans, due to credit bureau assessments of borrowers’ credit worthiness and a heavy collateral system.

In early 1997, the Palestinian Securities Exchange (PSE) started operations on a limited scale as a fully virtual exchange. The PSE has grown, and as of April 2014, 48 companies spanning a wide range of sectors, including telecoms, banking, services, and insurance are listed on the “Al Quds” index with a market capitalization of USD 2.993 billion.

**Money and Banking System, Hostile Takeovers**

Palestinian banks have remained stable despite the global economic crisis, but have suffered from deteriorated relations with Israeli correspondent banks since the Hamas takeover of Gaza in 2007, at which time Israeli banks cut ties with Gaza branches and gradually restricted cash services provided to West Bank branches. All Palestinian banks were required to move their headquarters to Ramallah in 2008. Israeli restrictions on the movement of cash between West Bank and Gaza branches of Palestinian banks have caused intermittent liquidity crises in Gaza and the West Bank for all major currencies: U.S. dollars, Jordanian dinars, but mainly Israeli shekels (ILS).

The PMA regulates and supervises 16 banks with 260 branches and offices in the Palestinian territories, several of which are foreign banks, mostly Jordanian; the top three banks have assets of more than USD 5.8 billion combined. No Palestinian currency exists, and, as a result, the PA places no restrictions on foreign currency accounts. The PMA is responsible for bank regulation in both the West Bank and Gaza. Palestinian banks are some of the most liquid in the region, with net assets of USD 11.5 billion, total deposits of USD 9.6 billion and gross credit of USD 4.9 billion at the end of January 2015.

**10. Competition from State-Owned Enterprises**

Although there are no state-owned enterprises (SOEs), some observers have noted that the Palestine Investment Fund (PIF), an investment fund that essentially acts as a sovereign wealth fund, enjoys a competitive advantage in some sectors, including housing and telecom, due to its close ties with the PA. The import of petroleum products falls solely under the mandate of the Ministry of Finance’s General Petroleum Corporation, which then re-sells the products to private distributors at fixed prices.

**OECD Guidelines on Corporate Governance of SOEs**

Not applicable.

**Sovereign Wealth Funds**

The PIF acts as a sovereign wealth fund, owned by the People of Palestine. While it returns a dividend payment each year to the PA, PIF leadership do not report to Palestinian Authority leadership per PIF bylaws, and international auditing firms conduct both internal and external audits of the PIF.
11. Corporate Social Responsibility

Most large or multinational businesses in the West Bank include corporate social responsibility (CSR) in their business plans, mainly focusing on philanthropy related to education, health, and youth. Some medium sized enterprises, particularly in healthcare and the food industry started CSR initiatives as a means to create goodwill for their products. CSR engagement remains relatively low because most companies are small, family run businesses – over 68 percent of Palestinian companies employ one or two people – and many of these do not have the budgetary resources for CSR.

OECD Guidelines for Multinational Enterprises

Palestinian law does not offer tax incentives for business activities related to CSR.

12. Political Violence

In June 2007, Hamas, a designated Foreign Terrorist Organization (FTO), violently seized control of the Gaza Strip, effectively removing the PA from government facilities. Following the Hamas takeover, the GOI implemented a closure policy that restricted imports to limited humanitarian and commercial shipments and cut off most exports. The economic situation and investment outlook in Gaza have continuously deteriorated since that time and following Israeli combat operations there in December 2008 to January 2009 (Operation Cast Lead), November 2012 (Operation Pillar of Defense) and July 2014 to August 2014 (Operation Protective Edge). Even before the substantial physical damage sustained by the private sector during the military operations, the World Bank estimated as many as 90 percent of private sector businesses had closed. The GOI has from time to time eased its closure policy by lifting some restrictions on goods imported and exported into and out of Gaza, but the measures have been largely symbolic and the situation remains unstable. The GOI allows limited exports to overseas markets, Israel and some sales to the West Bank. According to the 2014 World Bank Investment Climate report, political instability, and the restrictions on movement and access to resource and markets remain the key obstacles to investment.

The State Department currently has in place a travel warning that urges American citizens to avoid all travel in the Gaza Strip and to exercise caution when traveling in the West Bank.

13. Corruption

The Anti-Graft Law (AGL) of 2005 criminalizes corruption, and the State Audit and Administrative Control Law and Civil Service Law both aim to prevent favoritism, conflict of interest, or exploitation of position for personal gain. The AGL was amended in 2010 to establish a specialized anti-graft court and the Palestinian Anti-Corruption Commission tasked with collecting, investigating, and prosecuting allegations of public corruption. The Anti-Corruption Commission, appointed in 2010, has indicted several high profile PA officials; these cases are now pending before the courts. However, the PLC, which is the legislative body responsible for oversight of the PA’s executive branch, has not met since April 2007. In May 2011, the World Bank reported that the PA had made significant progress in establishing a strong governance environment in many critical areas, but highlighted continuing areas of concern,
including management of state land assets, transparency in licensing and business rights, and public access to government information. Palestinian civil society and media are active advocates of anti-corruption measures, and there are also international and Palestinian non-governmental organizations that work to raise public awareness and promote anti-corruption initiatives. The most active of these is as the AMAN Coalition for Integrity and Accountability, the Palestinian chapter of Transparency International. According to the World Bank 2014 Investment Climate Assessment report, Palestinians firms do not consider corruption to be one of the most serious problems they face. Seven percent of the firms surveyed reported having experienced a request from a government official for a bribe. Please see http://www.aman-palestine.org/eng/index.htm for further information.

During the past decade the perception of corruption involving political figures and institutions, once widespread, has largely disappeared. Private sector businesses agree that the PA has been successful in reducing institutional corruption and local perceptions of line ministries and PA agencies are generally favorable in this regard. PA officials, businesses and representatives of service sectors note, however, that the largely discretionary authority given to Israeli military, police, and civilian officials in administering economic policy in the West Bank – touching on imports, checkpoint crossings, labor permits, and building licenses, among other things – create regular opportunities for low-level corruption on a range of daily decisions.

UN Anticorruption Convention, OECD Convention on Combating Bribery

In April 2014 the PA acceded to the UN Anticorruption Convention. The PA is not a party to the OECD Convention on Combating Bribery.

Resources to Report Corruption

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WEBSITE: http://www.aman-palestine.org/

14. Bilateral Investment Agreements

The Palestine Liberation Organization (PLO), on behalf of the PA, has signed international trade agreements, which refer implicitly or explicitly to WTO rules. These include:

1) Paris Protocol Agreement with Israel (1994) – free trade in products between Israel and Palestinian markets
2) Technical and Economic Cooperation Accord with Egypt (1994)
3) Trade Agreement between the PA and Jordan (1995)
4) Duty Free Arrangements with the United States (1996)
6) Interim Agreement between European Free Trade Area (EFTA) states and the PLO (1997)
8) Agreement on Commercial Cooperation with Russia – extends MFN status
9) Greater Arab Free Trade Area, to which PA is a party (2001)
10) Free Trade Agreement with Turkey (2004)
11) Trade Agreement with the EU – duty free access for Palestinian agricultural and fishery goods (2011)
12) Free Trade Agreement with Mercosur (2011)
13) Unilateral acts by other Arab trade partners extending preferential treatment to trade with Palestine.

Since 1996, duty-free treatment has been available to all goods exported from the West Bank/Gaza to the United States, provided they meet qualifying criteria as spelled out in the U.S. - Israel Free Trade Area (FTA) Implementation Act of 1985, as amended. The duty-free benefits accorded under the FTA exceed those benefits which would be provided under the Generalized System of Preferences (GSP). It is worth noting that the benefits for imports provided in all of the trade agreements listed above are subject to application by the GOI, since all goods destined for the West Bank or Gaza must enter through Israeli-controlled crossings or ports. The GOI generally applies duties and tariffs consistent with its trade agreements, not with the PA’s trade agreements.

**Bilateral Taxation Treaties**

The West Bank and Gaza does not have a bilateral taxation treaty with the United States.

**15. OPIC and Other Investment Insurance Programs**

The Overseas Private Investment Corporation (OPIC) provides a variety of services to qualified investors with either U.S. partners and/or subsidiaries in emerging economies and developing nations. During the early stages of investment planning, U.S. investors may contact OPIC for insurance against political violence, inconvertibility of currency, and expropriation in the form of an insurance registration letter. OPIC has initiated a number of programs in the West Bank and Gaza to support private sector development, including a successful loan guarantee facility which OPIC plans to replenish with a commitment of an additional USD 100 million to enable the current program to continue beyond its end in September 2015. The new facility LGF II will include USD 100 million in a revolving fund. This will allow banks to make loans for up to 5 years through the final year (8th year) of the facility agreement thus extending the program to 13 years. Given that the new fund is a revolving line of credit, banks will be able to make new loans throughout the 8 year period of the facility, thus increasing the total availability of coverage.

The World Bank, via a USD 26 million fund administered by its Multilateral Investment Guarantee Agency (MIGA), provides loan guarantees in the form of insurance against political risk for private investments in the West Bank and Gaza. Under the terms of the Fund, investors
who are nationals of companies incorporated in a MIGA member country, or who are Palestinian residents of the West Bank or Gaza, are eligible to obtain guarantees for up to 15 years. The Fund currently has the capacity to issue guarantees for up to USD 5 million per project. This trust fund, administered by MIGA on behalf of the government of Japan and the Palestinian Authority, aims at encouraging investment in the West Bank and Gaza by providing political risk insurance to both local and foreign investors. The Fund is designed to facilitate small and medium-size investments, with a special emphasis on projects with high employment-generating capacity. The fund is currently backing the development of Medjool date palm and herb farms, a dairy factory, a plastic manufacturing plant, and the expansion of a company that produces and distributes beverages.

16. Labor

With its growing youth population, the Palestinian territories have an abundant labor supply with a high level of education and skills. According to PCBS, the total population of the Palestinian territories in December 2014 was about 4.62 million, 2.83 million in the West Bank, and 1.79 million in the Gaza Strip. PCBS estimates 1.273 million people or 45.8 percent of the population over age 15 participated in the labor force as of the end of 2014. Since 2001 when the GOI began restricting the number of labor permits available to Palestinians, areas adjacent to the Green Line between Israel and the West Bank, such as Jenin, Tulkarem, and Qalqilya have seen their unemployment rates increase substantially above the West Bank average.

The most recent PCBS labor statistics estimate 2014 unemployment at 18.6 percent in the West Bank and 32.6 percent in Gaza. Unemployment disproportionately affects youth: when broken down, the highest unemployment rate in 2014 was 45.6 percent among youth ages 20-24 years.

According to PCBS, at the end of 2014, the service sector was the biggest employer in the local market with 31.8 percent in the West Bank and 58.4 percent in Gaza Strip. The public sector employed 22.9 percent of the workforce as of the end of 2014 (16.5 percent in the West Bank and 39.6 percent in Gaza Strip). The average daily wage during the fourth quarter of 2014 in the West Bank was 91.4 ILS (USD 23.3) compared with 66.1 (USD 16.8) NIS in the Gaza Strip. The average daily wage for persons employed in Israel and Israeli settlements was NIS 194.2 (USD 49.5).

Labor force distribution by sector is as follows. Source: PCBS labor force survey for the Fourth Quarter of 2014.

- 35.8 percent - Services and other percent - Commerce, Hotels, Restaurants
- 15.1 percent - Construction
- 12.4 percent - Mining, Quarrying, Manufacturing
- 10.8 percent - Agriculture, Forestry, Fishing, Hunting
- 7.4 percent - Transportation, Storage, Communication
17. Foreign Trade Zones/Free Ports/Trade Facilitation

There are no foreign trade zones or free ports in the West Bank or Gaza.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to the PCBS, the stock of foreign investment in the Palestinian territories at the end of 2014 amounted USD 4.716 billion. This includes foreign direct investment, portfolio investments, and other investments. Note: The 2013 figure was lower as it did not include portfolio and other investments.

\[\text{Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy}\]

<table>
<thead>
<tr>
<th>Economic Data</th>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
<th>Statistical source*</th>
<th>USG or international statistical source</th>
<th>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Foreign Direct Investment</th>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
<th>Statistical source*</th>
<th>USG or international statistical source</th>
<th>USG or International Source of data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. FDI in partner country ($M USD, stock positions)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Host country’s FDI in the United States ($M USD, stock positions)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Total inbound stock of FDI as % host GDP</td>
<td>2012</td>
<td>26%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>-----------------------------------------------------------------------</td>
</tr>
</tbody>
</table>

* A list of foreign investments in the Palestinian territories is not publically available.
Table 3: Sources and Destination of FDI

The largest foreign company in the West Bank/Gaza is the Palestine Development and Investment Company (PADICO), which has invested over USD 250 million in the economy. Key PADICO investors include diaspora Palestinians from Jordan, the United Kingdom, and the Gulf. PADICO has made significant investments in telecommunications, housing, and the establishment of the Palestinian Securities Exchange. The Arab Palestinian Investment Company (APIC), headquartered in Ramallah, is a large foreign investment group with authorized capital of over USD 100 million. Three new private equity funds, largely comprised of foreign investors, launched in 2010 and 2011: Riyada, Siraj, and Sadara. Other significant foreign investments include Qatari mobile operator QTel’s projected USD 600 million investments in Wataniya Mobile over a 10-year period, and Qatari Diar’s projected USD 1 billion investment in Rawabi, a mixed use/affordable housing real estate development. The largest U.S. investment is Coca Cola’s 15 percent stake in the local bottler, National Beverage Company, a company valued at USD 70 million. The National Beverage Company is currently investing in a bottling facility in Gaza, in addition to its Ramallah-based plant.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

<table>
<thead>
<tr>
<th>Inward Direct Investment</th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Inward</td>
<td>100%</td>
</tr>
<tr>
<td>Jordan</td>
<td>1194</td>
</tr>
<tr>
<td>Qatar</td>
<td>161</td>
</tr>
<tr>
<td>Egypt</td>
<td>59</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>18</td>
</tr>
<tr>
<td>Cyprus</td>
<td>15</td>
</tr>
</tbody>
</table>

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

The Palestinian Economy is not included in the Coordinated Portfolio Investment Survey (CPIS) site; therefore, data is not available for Table 4.

19. Contact for More Information

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