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Investment and Economic Development in Palestine (A Case Study: Tulkarm Governorate)

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ABSTRACT

This study aimed at analyzing the economic situation in Tulkarm Governorate in terms of labor force, structure of economic facilities and activities, small enterprises in the region, and poverty rates. Data were collected from different resources including the Palestinian Central Bureau of Statistics and some of the research centers with high credibility in this area. The researchers also held a number of meetings with local public and private sectors experts in the field to trace the pros and cons of the economic development and investment situation in order to identify the economic priorities of the governorate. The study found a bunch of positive factors that influence the economy of the area including the availability of economic infrastructure, water, professional work force, and the suitable geographical location. On the other hand, the weak economic sector and tourism infrastructure alongside the restrictions imposed on investors by local authorities (municipalities) were among the factors that affect the economy there negatively. The researchers recommended establishing an industrial zone as well as specialized research centers in the region besides and supporting the infrastructure of the tourism sector.

1. Introduction

Tulkarm Governorate, as other Palestinian governorates, has lived under the injustice of the Israeli occupation for long. The industrial sector has constantly suffered from substantial fluctuations, imbalances, and structural weaknesses as a result of the Israeli practices that seek to tighten control over the Palestinian economy and keep it completely dependent on the Israeli economy. Since 1967 this sector has faced many challenges and difficulties that have hampered its growth and development due to the Israeli occupation which imposed many restrictions on the various economic activities in order to keep the economy of the occupied territories tied to and dependent on its Israeli counterpart. The economy of Tulkarm is a combination of various elements of agricultural, commercial, industrial and tourism activities, but it is dominated by the agricultural sector especially vegetables and olives as can be seen in the large volume of production in the governorate. This economy is also dominated, to some extent, by the industrial activity.

Workers' income comes normally from working in fixed careers and occupations in the governmental sector. Yet, there is the private sector which is centered around working in commerce and industry. It is somehow consistent with the capital and those who are involved from inside the governorate itself. On the other hand, the private sector's share in Tulkarm area is normal compared with its counterpart in other Palestinian governorates because of the small number of the population there and the Segregation Wall which Israel has built to separate the Palestinians from the Israelis and confiscate hundreds of hectares of the Palestinian land (Gannam, 2014)

1.1. Statement of the Problem

Tulkarm faces a number of challenges and difficulties. One leading problem is lack of plants and factories in the region despite the rapidly increasing number of residents who are interested in getting employed at a governmental institution or department. The labor force is adequate and, above all, well-trained; yet they incline to find a monthly based job regardless of the payment. Another major obstacle is that most of the goods are either Israeli or imported. Unemployment rates are high, and despite the construction of the Segregation Wall, nobody thought of building factories to employ the huge labor force. The researchers aimed at investigating the problem to identify the reasons and find solutions so that officials and those interested know how possible it is to invest in and develop the economy of the region as a whole. The researchers held a bunch of interviews with many experts and officials.

1.2. Purpose of the Study

The study aims at investigating the reality of economic investment and development in Tulkarm Governorate by:

- a. Identifying the positive factors that encourage investment in the region.
- b. Identifying the negative factors that discourage investors to come to the area.
- c. Recognizing the stimulating role of the Palestinian authority to support the economy.
- d. Putting forth suggestions and recommendations to increase investment in the region.

1.3. Significance of the Study

This study is deemed significant as it tries to identify the positive factors that affect investment and encourage the economic development in Tulkarm Governorate which was previously dependent on agriculture but is no longer so due to land confiscation by the Israelis. The study is mainly important as it:

- a. Provides those interested with clear understanding of the reality of economic investment in the area.
- b. Supplies the interested and involved government departments and investors with new information about the investment situation and, consequently, draw policies and build and envisage programs and mechanisms to develop the region.
- c. Acts as a reference text that can be used by the Industrial and Economic Committee that the Governorate, the Municipality, and the Chamber of Trade and Commerce form and establish.
- d. May theoretically participate in identifying the needs of the society in terms of preparing local administration cadres that are capable of running industrial facilities. The study can also be used by instructors and lecturers in Palestine Technical University- Kadoori to prepare other cadres to and recognize the governorate needs in terms of economic and investment activity (Sweis, 2009).

2. External Trade

Exports in Tulkarm Governorate amounted (\$24,177,000) in 2012 while imports amounted (\$167,445,000). The Governorate recorded a trade deficit of (\$143,268,000) (Palestinian Central Bureau of Statistics, 2012).

2.1. Labor Force, Unemployment, and Poverty

The total domestic labor force rate in Tulkarm in 2010 was (43.2%). The study showed that women participation in this field is low. The unemployment rate in the region in 2010 was (16.5%) comparing with (18.6 %) in the West Bank for the same year. Poverty rate was (10.9%) in Tulkarm in 2010 and (20%) in 2013 while it was (18.3%) in 2010 and (17.7%) in 2013 in the West Bank (Palestinian Central Bureau of Statistics, 2012)

2.2. Agriculture

The total agricultural/arable land in Tulkarm Governorate amounts to (121,000) acres. The permanently planted area is (118000) acres and the temporarily is (3,000) acres. The irrigated land area amounts to (15,200) acres where (4,200) acres are planted with protected vegetables including cucumbers, tomatoes, colored pepper, beans and mallow) and (4,000) acres of citrus fruits and others, such as avocados, almonds, guava, etc. The rest of the irrigated area is planted with unshielded vegetables (cauliflower, cabbage, eggplant, zucchini, beans, schumer, tomato, cucumber, draw, radish ... etc).

The rain-fed agricultural land amounts to (94 600) acres where (82,000) acres planted with olive trees and (1,200) acres of almond. The rest of the agricultural land is planted mostly with important field

crops (for instance, wheat, barley, vetch (*vicia sativa*)) and rain-fed vegetable crops (tomato, zucchini, and cucumber).

As far as the livestock is concerned, Tulkarm has about (30000) sheep and goats, (1200) cows, (2,700,000) hens for poultry meat, (315,000) hens for egg production, and (3383) bee hives.

The agricultural sector is very useful to the Governorate of Tulkarm; consequently, a lot of farming and agricultural facilities have been built including (33) olives extractors, (3) egg incubators or hatchers to produce eggs and (2) incubators to produce poultry for meat.

Because of the abundance of water in the region and the increase of water-fed arable areas, there are (11) plant nurseries that produce different types of veggies and (43) plant nurseries that produce trees. There are also many local and international agricultural societies and establishments (26 societies) that care about this sector in the region (Tulkarm Brochure, 2011).

In terms of agricultural holdings, there are (8035) ones including 6595 floral (82.1%), (544 fauna) (6.8 %), and (894) mixed holdings (1.1 %) of the total agricultural properties/holdings.

2.3. Industry and Crafts

The industrial sector is also very important as it plays a vital role in developing the whole region. It reduces unemployment rates and increases developments rates. Yet, this sector is at the early beginnings although it is rapidly improving mainly in food production especially meat production sector. In 2012 there were (211) industrial facilities/factories, (130) cloth facilities, and (83) furniture plants and workshops (Chamber of Commerce , 2013) .

2.4. Trade and Services

In 2010 there were (4767) different working economical facilities that provided trade and services facilities with (6562) workers. Most of these workers were involved in wholesalers and retailers with (5661) facilities, while the number of facilities that provide services was (460) with (844) workers (Palestinian Central Bureau of Statistics, 2010).

3. Tourism

Tourism, too, plays a significant role in the economy of Tulkarm Governorate as it is the largest service sector that provides job opportunities. Despite the fact that the Governorate tourism sector is still developing, it was ranked the first in terms of local tourism as huge numbers of Israeli Arabs come to the region because they find plenty of recreational facilities that provide a variety of tourist attractions, restaurants, cafeterias, crafts stores, etc. Yet, the Governorate lacks hotels and tourist guide centers.

According to a recent tourist survey, recreational journeys or trips in the West Bank were as follows: (24.5%) headed to Tulkarm; Jericho and the Jordan Valley (21.7 %); Nablus (20.6 %); Ramallah and Al-Bireh (9.9 %); Qalqilya (8.3 %); Jenin (6.1 %); and the rest of West Bank (8.9 %). The majority of these trips (99.8 %) were organized and conducted individually, and only (0.02 %) was organized through tourist offices.

The tourist sector suffers from lack of hotels, tourist guide centers, guides within recreational facilities, cafes, toilets, and other facilities.

Tulkarm Governorate was announced a tourist attraction in 2014. This may contribute to the development of the sector and attract investors who will improve the region further and further.

3.1. Small Projects and Enterprises

There is no clear classification for small projects, but the recognized rating used is given by the Chambers of Commerce. A small project is the one whose capital ranges between (7,000) to (22,000) thousand dollars or the one which has (5 - 19) workers. Consequently, the majority of projects (97%) in the region is classified as small or micro and sometimes individual projects (family). It goes without saying that small enterprises are the most important element in the economic development in most developing countries because it is the primary tributary to increase production capacity and reduce unemployment and poverty rates (PCBS Center 2013).

3.2. Economic Indicators

Table (1) below show the most important economic indicators in Tulkarm while table (2) shows the number of operating establishments in both the public and private sectors as well as the governmental companies in Tulkarm by Economic activity and labor force size.

Table-1. Economic Activity in Tulkarm Governorate

Percentage Distribution of Economic Activity	Percentage		Evaluation		
	Referential Value	Local Value	Good	Medium	Weak
Agriculture, fishing and forestry	10.5	22.6	X		
Mining, quarrying and manufacturing	12.2	10.7			X
Construction	15.6	15.4		X	
Commerce, restaurants and hotels	19.6	18			X
Transportation, storage and communication	6.4	4.1			X
Services and other branches	6.4	29.2			X

(Source: Palestinian Central Bureau of Statistics, 2012)

Table-2. Number of operating establishments by main economic activity in Tulkarm Governorate

Economic Activity	Total No.	Labor force size					
		1- 4	5-9	9-10	20-49	50-99	100+
Mining & quarrying	5		2	2	1		
Manufacturing	840	648	111	54	19	6	2
Electricity, gas, steam and air conditioning supply	2	1		1			
Water supply; sewerage, waste management and remediation activities	51	47	3		1		
Construction	16	6	8	2			
Wholesale and retail trade; repair of motor vehicles and motorcycles	3786	3670	98	14	4		
Transportation and storage	51	17	16	12	6		
Accommodation and food service activities	392	368	22	2			
Information and telecommunications	53	43	4	6			
Financial and insurance activities	43	22	11	7	3		
Real estate activities	4	3	1				
Professional, scientific and technical activities	179	163	13	2	1		
Administrative and support service activities	68	62	5			1	
Public administration and defence; compulsory social security	2	1		1			
Education	141	86	63	14	3	2	
Human health and social work activities	238	223	8	3	3		1
Arts, entertainment and recreation	115	99	10	5	1		
Other service activities	551	534	15	2			

(Source: Palestinian Central Bureau of Statistics, 2012)

It is clear that the majority of projects in 2012 were small projects.

There is a correlation between the percentage distribution of individuals (15 years or above) and the strength of labor force (table 3), number of study years (table 4), employment status (table 5), and imports and exports (table 6) in 2013.

Table-3. Percentage Distribution of employed individuals (aged 15 years or above) in Tulkarm Governorate by Labor Force status.

Labor Force Status	Percentage		Evaluation		
	Tulkarm	West Bank	Strong	Medium	Weak
In labor force	46.9	45	X		
Outside labor force	53.1	55		X	
Total	100	100			
Full employment	75.9	75.5	X		
Underemployment	7.9	5.9			X
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Unemployment	16.5	18.6	X		
Poverty Rate	20	17.8			X
Average daily net wage in NIS	82.7	88.9			X

(Data collected from Palestinian Central Bureau of Statistics, 2013)

Table-4. Percentage Distribution of employed individuals (aged 15 years or above) in Tulkarm Governorate by study years.

Years of study	Percentage		Evaluation		
	Tulkarm	West Bank	Strong	Medium	Weak
0	1	1		X	
1-6	8.1	11		X	
7-9	20.7	21.2		X	
10-12	35.7	36.5		X	
13+	34.5	30.3	X		
Total	100	100			

(Source: Palestinian Central Bureau of Statistics, 2013)

Table-5. Percentage Distribution of employed individuals (aged 15 years or above) in Tulkarm Governorate by employment status

Years of study	Percentage		Evaluation		
	Tulkarm	West Bank	Strong	Medium	Weak
Employer	5.2	7.1			X
Self employed	21.6	18.4	X		
Wage employee	59.5	65.9			X
Unpaid family member	13.7	8.6	X		

(Source: Palestinian Central Bureau of Statistics, 2013)

Table-6. Exports and imports (external trade) in Tulkarm Governorate in 2012

Digital index	Value in thousand dollars		Evaluation		
	Tulkarm	West Bank	Strong	Medium	Weak
Total Value of Exports in 2012	24177	782369			X
Total Value of imports in 2012	167445	4697356		X	
Trade deficit	143268	3914987		X	

(Source: Palestinian Central Bureau of Statistics, 2012)

The researchers put forward a number of descriptive indicators related to the economy of the region; they got information from different resources as shown in table (7) below.

Table-7. The descriptive indicators of the economy of Tulkarm Governorate

Descriptive indicator	Source	Evaluation		
		Strong	Medium	Weak
Infrastructure (power services, water supplies and industrial zone)	Municipality			X
Trade deficit	Palestinian Central Bureau of Statistics			X
Unemployment and poverty rates	Palestinian Central Bureau of Statistics			X
Water abundance and its price	Researchers via interviews with well owners			
Average daily net wage	Palestinian Central Bureau of Statistics			

4. Results and Discussion

Based on the previous Statistical Data and Diagnostic Report, which was prepared during the Strategic Development Plan of the Tulkarem Governorate for the next 10 years (2015-2024), we explain the pros and cons of the Economic Sector and the Governorate's Economic Development.

A- The Positive Factors are

- Availability of convenient infrastructure to suit the labor market including (universities, vocational schools)

- Abundance of water and availability of artesian aquifers.
- Availability of trained labor force mainly in agriculture and manufacturing especially clothing and food production.
- Geographical location of the governorate .
- Availability of a trade crossing or cargo terminal to the west of the city; it increases goods movement and exchange.
- Abundance of tourist and recreational paces and attractions which bring visitors and increases trade.
- Fertile arable land and moderate climate which leads to agricultural variations using modern farming techniques.
- Availability of branches of financial institutions, banks and operating loan giving agencies in Palestine.
- Availability of employer experts in the field of manufacturing process management in some industrial sectors namely clothing and food production.
- Availability of local raw material especially agricultural stuff for food production.
- Availability of experts in the field counseling and guidance in the fields of agriculture and industry such as those who work for the Ministry of Agriculture and other official and civil institutions.

B- The Positive Factors are

- Poor infrastructure, especially the industrial sector, such as the lack of an industrial zone and electric power capacity.
- Poor infrastructure in tourism sector (lack of hotels and guidance centers etc.
- Restrictions laid down by the local authorities (municipalities) on investors when determining investment.
- Shortness of reclaimed land area due to urbanization process at the expense of agricultural land.
- Shortage of raw materials for some industries and rising in their costs because of the absence of unions and syndicates that assume collective import of industrial process equipment.
- The small size of the facilities and the lack of clarity in their productive and administrative structures as well as the low technological level of the machines because of their age.
- Lack of scientific research centers that encourage innovation in enterprises. Such innovation supports the product quality and the development of the productive sector in the province.
- Adopting a relief approach in the fight against unemployment and poverty, rather than adopting a developmental approach that generates job opportunities.
- The existence of internal marketing obstacles and barriers because of the restrictions imposed by the Israeli occupation.
- Not keeping up with the requirements of the global markets due to lack of studies relating to global needs.
- High taxes on production inputs due to the lack of clear tax policies.
- The small size of the domestic market.
- Tough procedures and restrictions imposed by Israel on the crossings (cargo terminals) in order to impede the movement of goods.
- The existence of the Segregation Wall built by Israel, which has carved out a lot of the Palestinian territories.
- The existence of the Israeli occupation.

5. Recommendations

The researchers recommend that the public and private sectors should work side by side to enhance the economic growth and encourage investment through:

- Establishing a fully-equipped industrial zone with adequate power capacity.
- Establishing industrial clusters (cluster groupings) and/or sectorial incubators.
- Creating a specialized body or institution that is responsible for developing exports.
- Creating scientific research centers and providing specialized studies.
- Supporting and promoting the tourism sector.

- Promoting and encouraging investment in the Governorate.
- Bringing in foreign capitals and international businesses (American and European) on a partnership basis so that they act as a protective shield when dealing with the Israeli side during import and export processes.
- Conduction feasibility studies by the private sector representatives and university professors to identify the needs of the Governorate and its investment priorities.

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