



# PEGASE: Providing for sustainable economic growth

## Assisting business in a difficult environment



The *Palestinian Reform and Development Plan* (PRDP) sets out the Palestinian Authority's (PA) vision for a diversified and thriving free market economy, with the private sector as the driver of sustainable economic growth. The ongoing conflict has meant that the Palestinian economy is increasingly dependent on international aid. There are high levels of unemployment, and Palestinian businesses face major difficulties operating due to restrictions on trade and movement. Through PEGASE, the European Union (EU) is supporting the Ministry of National Economy and the private sector to increase levels of trade and investment and to build the long-term capacity of the Palestinian economy.

### Promoting trade and investment

The PRDP sets out a number of

medium-term programmes of reform that aim to promote trade, investment and growth of the Palestinian economy.

The *Institutional Reform for Enterprise* programme focuses on creating a comprehensive and coherent legal regulatory framework for private business. The EU is supporting the PA's efforts to prepare for observership status in the World Trade Organisation as part of this regulatory reform.

The *Trade Infrastructure and Facilitation* programme seeks to ensure the predictable and efficient movement of goods through crossing points and to promote trade with other markets. Through PEGASE, the EU provides €432,000 to finance the *Trade Corridors' Facilitation* project in cooperation with PalTrade and



### Small business loans create jobs and boost the economy

The Ramallah-based *European Palestinian Credit Guarantee Fund* encourages Palestinian banks to provide loans to small and medium sized enterprises thereby creating jobs that boost the Palestinian economy. The Fund provides guarantees for short and medium-term loans for entrepreneurs to maintain and expand their businesses in the difficult Palestinian economic conditions where credit for SMEs is limited. The Fund's director, John P. Khoury, explains how the scheme works, "To qualify for the loans, businesses must employ 20 staff or less, be operational for at least two years and have a positive cash flow. The average loan size is around €22,600 and the programme has helped both create and preserve 3,308 jobs since it began in September 2006." Between the launch of the fund and the end of 2008, 670 loans were provided to SMEs in a range of sectors from construction to tourism.

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## Economic



the Palestinian Shippers Council. Under the third *Automated System for Customs Data* programme (ASCUYUDA) programme, the EU has contributed €2.5 million to modernise Palestinian customs procedures.

The *Enterprise Investment and Development* programme focuses on improving small and medium-sized enterprises' (SMEs) access to credit and investment finance. The EU has contributed €14.5m to the *European-Palestinian Credit Guarantee Fund* which guarantees loans to SMEs through the Palestinian banking system. In 2008, the EU also contributed €750,000 to Palestinian micro-finance projects.

### Attracting tourists

Through PEGASE, the EU supports the PRDP's *Tourism Industry Development* programme, which aims both to repair and reconstruct existing tourism infrastructure and to build the capacity of the sector. The EU is working closely with UNESCO to renovate the Old City of Nablus, and has contributed €2.5 million for the

renovation of the historical Khan Al-Wakala building, an Ottoman caravanserai.

### Improving product quality

The PRDP's *Industrial and Services Capacity Development* programme seeks to modernise the Palestinian industrial sector. Palestinian entrepreneurs face significant challenges in producing products of international quality standards. In 2008, the EU together with the Ministry of National Economy, the Palestinian Standards Institution and the Palestinian Federation of Industries began a needs assessment of the Palestinian Quality Framework to launch a multi-annual assistance programme in 2009.

### Reviving Palestinian agriculture

The Palestinian agricultural sector is an important employer contributing eight per cent to Gross Domestic Product (GDP). Agriculture has the potential to stimulate economic recovery, but the ongoing conflict has greatly damaged the sector. The export-oriented agriculture industry in Gaza has virtually collapsed and most land and water in the West Bank are under Israeli control. The EU provides €10 million to support a number of agriculture-based initiatives such as land reclaiming projects to increase levels of arable land and olive oil projects that produce export-quality, organic and fair trade Palestinian olive oil. In 2009, the EU is launching a €10 million programme to promote the reuse of treated wastewater for agricultural purposes.

### A global market for Palestinian olive oil

*As part of an EU-funded project, the Palestinian Farmers Union (PFU), Oxfam and the Fair Trade Centre of Bethlehem University are assisting olive farmers recover from the collapse of the olive oil market during the Second Intifada. The PFU provides olive farmer cooperatives with equipment, training, technical assistance and advice on marketing their olive oil. Mahmoud Al-Qadi is president of the Cooperative for Organic Oil for East Bani Zaid. In the past three years, his cooperative has produced 60 tonnes of olive oil and generated €75,000 in additional income. The cooperative's olive oil has been sold in France, Italy and Canada. For Mahmoud, the founding of the cooperative was a major cultural change, "Olive farmers in Palestine like to work individually and each farmer thinks his olive oil is the best. But more and more farmers are realising that by working together we can produce higher quality olive oil and sell it at more competitive prices."*

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