



Economic Policy Research Foundation of Turkey

Good Jobs for Jerusalem

**How to support Palestinian entrepreneurship in
East Jerusalem?**

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Framework

- Role of Turkish private sector in Palestine?
 - The Ankara Forum process and Jenin Industrial Zone project
- How should we think of East Jerusalem?
 - Enable Palestinian entrepreneurs to create jobs for Palestinians
 - Establishing good jobs and good companies
 - Strengthen Palestinian middle-class
- Some ideas for concrete actions
 - Catalyzing investments to high-growth Palestinian ventures
 - Boosting growth in tourism, housing and ICT
 - Jerusalem Venture Capital Fund

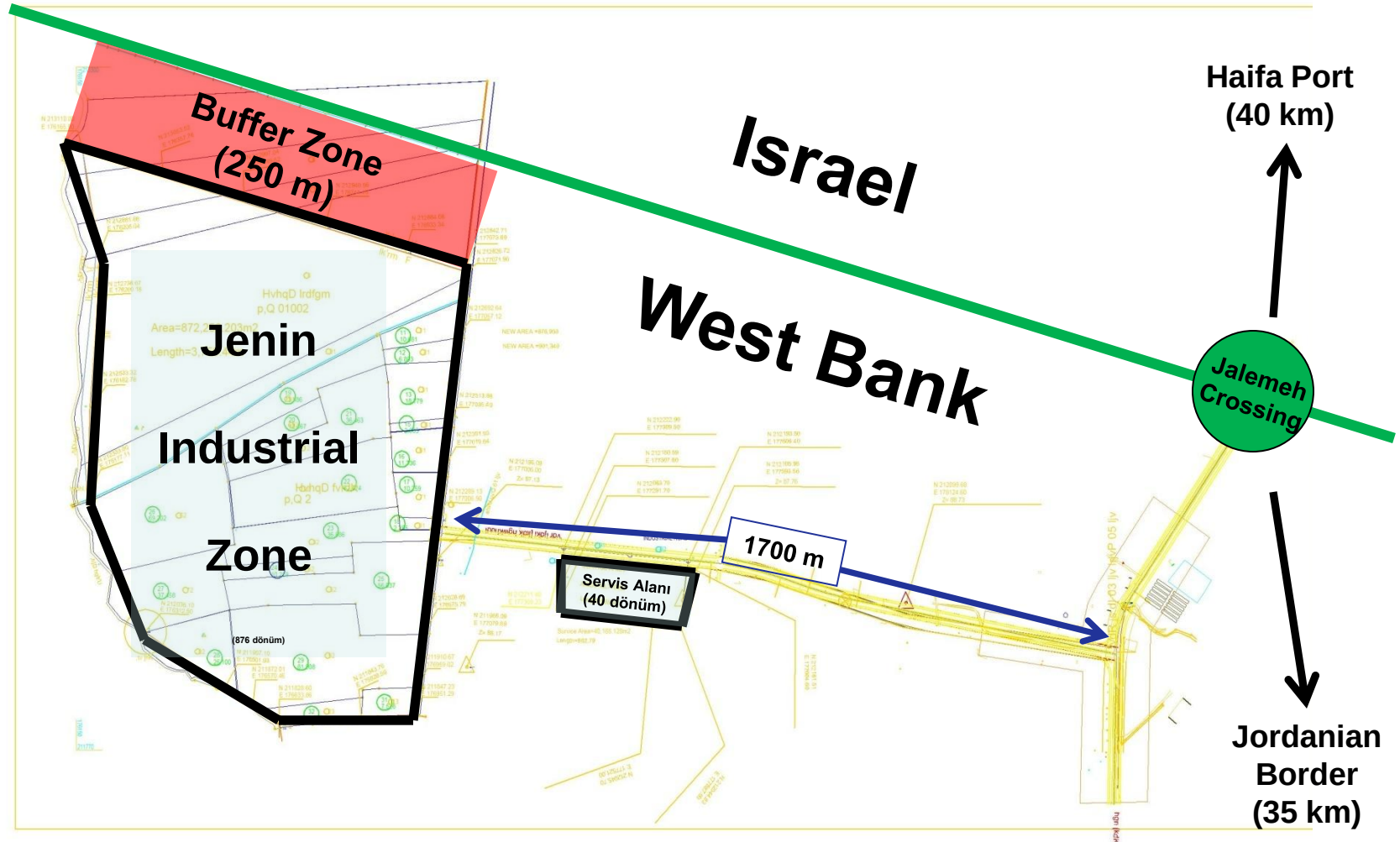
The Ankara Forum process

- Ankara Forum among Palestinian, Israeli & Turkish business communities
 - ➔ An institutional dialogue, problem-solving and confidence building-mechanism
 - ➔ Technical reports, network coordination and negotiations
- Concrete project: Turkish Industrial Zone on the Israel-Palestine border
 - ➔ Started in Erez, Gaza in 2005
 - ➔ Ongoing in Jenin since 2010
- Win-win approach:
 - ➔ Qualified employment will increase in Palestine
 - ➔ Opportunity for Turkish businesses to establish a value chain in the region





Jenin Industrial Zone



How to think of Jerusalem?(1)

- Total of 890,000 residents in Jerusalem (2013)
 - 39% is Palestinian,
 - 98% of Palestinian Jerusalemites live in East Jerusalem,
 - Two thirds of the Palestinian population is below the age of 29,
 - About 9000 Palestinians enter labor force annually.
- GDP per capita in East Jerusalem is 8 times lower than Israel.
- 79% of non-Jewish Jerusalemites live below the poverty line.

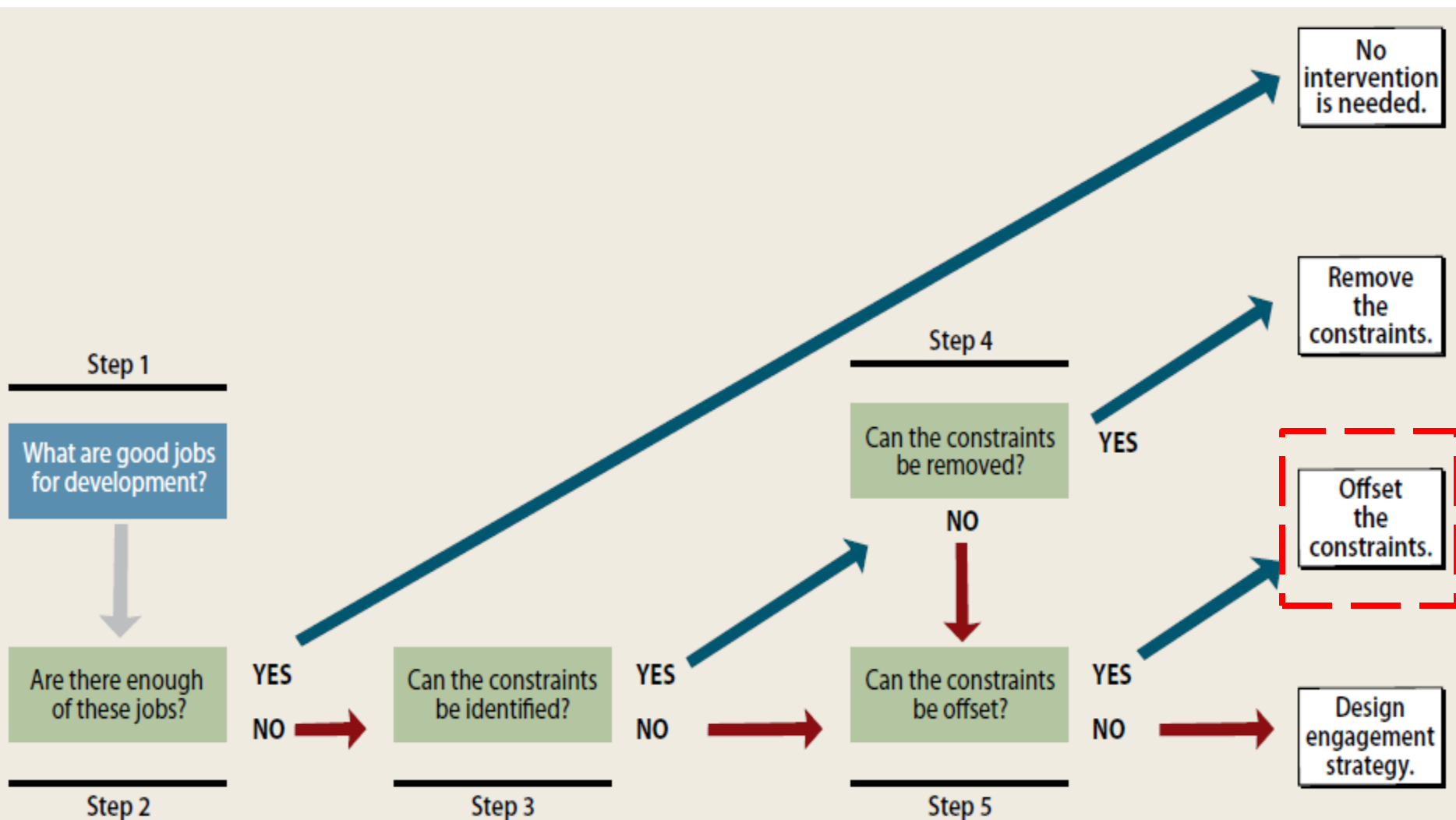
How to think of Jerusalem?(2)

- 75% of business owners in East Jerusalem say that their revenues decreased in the past 2 years.
- East Jerusalem now accounts for 7% of Palestine's total economy, down from 15% at the time of Oslo Accords.
- Waiting for a political settlement to invest in Jerusalem will deteriorate conditions even further.

Investing in East Jerusalem?

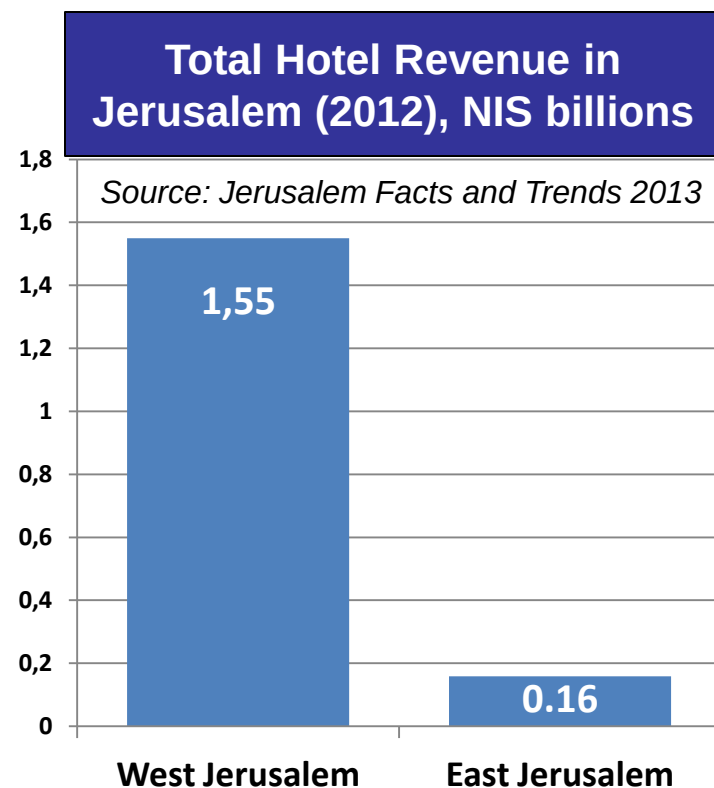
- Three primary areas
 - Tourism, housing, and ICT
- Enabling Palestinian entrepreneurs create jobs for Palestinian labor force.
 - Reverse the recent shift from entrepreneurship to wage employment.
 - Reinforce Palestinian middle-class.
- Creating **good jobs** for development.
 - Rebuild infrastructure and invest in human capital,
 - Provide opportunities for women,
 - Decrease youth unemployment.

Priorities for Investing in East Jerusalem



Tourism in East Jerusalem

- In 2012;
 - Only %12 percent of tourists stayed in East Jerusalem,
 - West Jerusalem has 4 times more rooms than East Jerusalem,
 - Tourists stayed %20 longer in West Jerusalem hotels,
 - Room occupancy was lower in East Jerusalem (53% vs. 66%).
- Three main areas of investment;
 - Renovation of existing hotels,
 - Development of new facilities ,
 - Investing in related sectors.
- Tourism in East Jerusalem is in need of revitalization.
 - Need to create a Tourism Development Plan;
 - Draw tourists from the West, attract religious tourism, increase quality.

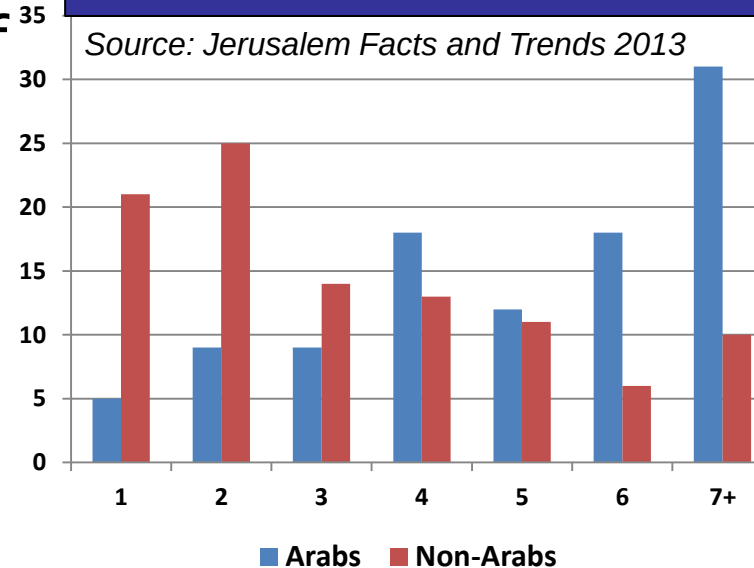


Need for cheap housing units

- Arabs constitute %35 of Jerusalem's population, but reside in only %24 of its housing.
- Most Arab families are living in cramped conditions (avg 5.5 ppl),
- Only %13 of East Jerusalem is available to be built on for Palestinians,
- Studies indicate that Jerusalem will need 40,000 new housing units by 2020.
 - ➔ No government policy in providing land or permits,
 - ➔ Municipal budget on Palestinian neighborhoods is below %10,

Households in Jerusalem, by size of household and ethnicity, % (2011)

Source: Jerusalem Facts and Trends 2013



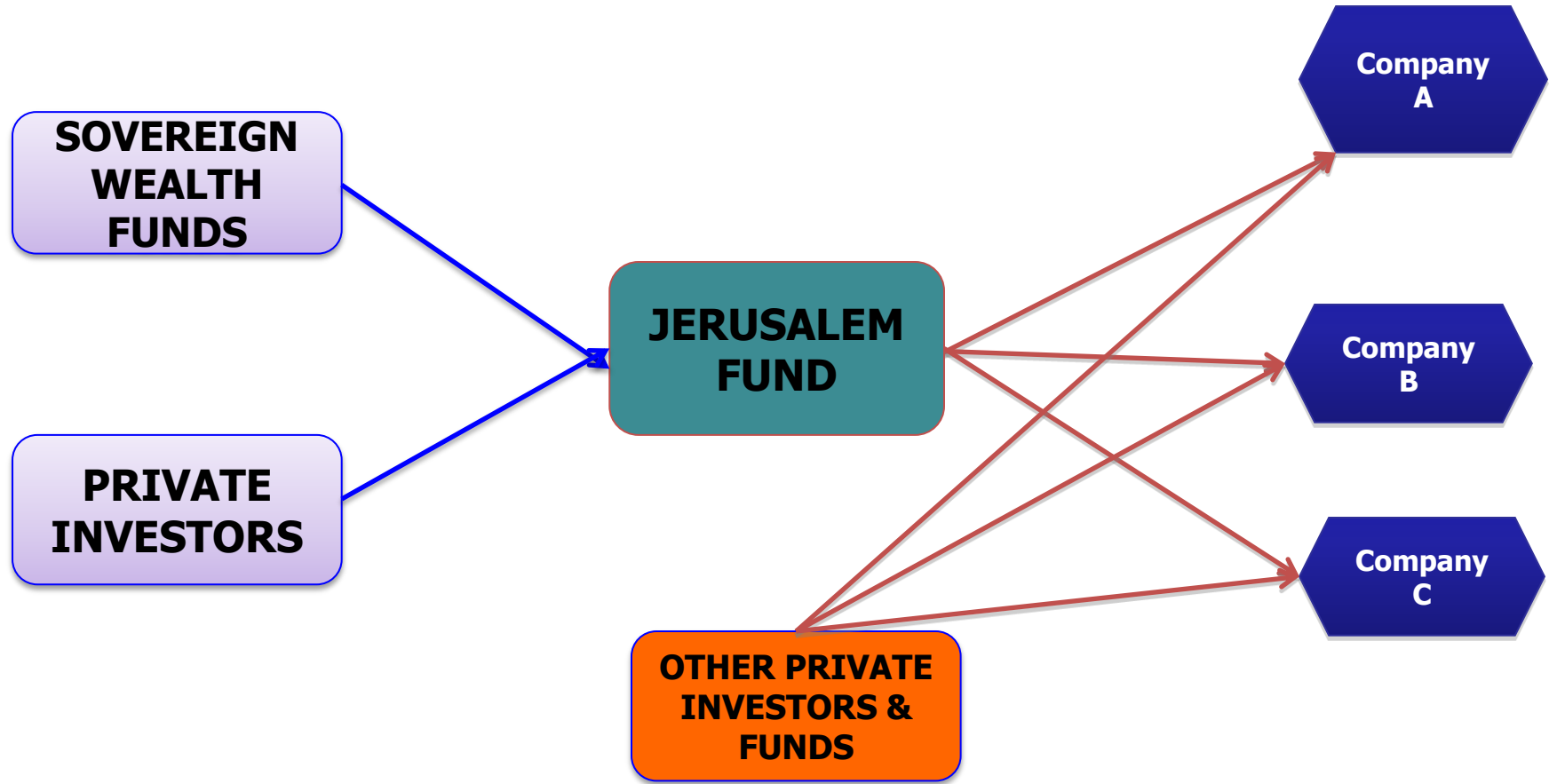
ICT in Jerusalem

- 141 Million Arabic users on the Internet
 - 360 million total speakers
- The proportion of Arabic speakers online grew 30-fold between 2000 and 2012.
- Arabic is the 8th most used language on the internet
- In Twitter, Arabic is the 6th most used language,
- The majority of uploaded content on YouTube in MENA countries is in Arabic.
- ICT sector strengthening in nearby cities
 - Investments in Palestinian startups in Ramallah
 - Online booking, development solutions, mobile games etc.
 - Investments in Israeli-Arab startups in Nazareth.

Jerusalem Fund for Arab-PAL Entrepreneurship

- When triggering full-scale reform is unlikely, supporting high growth companies is the most effective policy for institutional change,
- Mission for the Jerusalem Fund
 - Contribute to the modernization of regional economies through investments,
 - Improve the local SME's competitiveness and access to international markets,
 - Support entrepreneurship, and therefore middle class, in turn contribute to stability and democratization.
- Structure
 - Fund can start by co-investing with other private investors, and later engage in stand alone investments
 - Early-stage & mature companies
 - Private funds and sovereign wealth funds as limited partners

Jerusalem Venture Capital Fund



Examples of VCIFs

- JAFCO,
 - Established in 1973 with the initiative of the Japanese government,
 - Invested domestically and around Asia in line with Japanese companies' strategy of moving parts of their value chains to markets with lower costs,
- Russian Venture Company,
 - Set up in 2006 with a domestic vision, operating globally since 2010,
 - Investing in early phase tech companies through its offices in San Francisco, Boston and London in order to enable Russian private sector to keep close tabs on upcoming technologies.
- Fons Mediterrània Capital
 - Promoted by the Catalan Institute of Finance (ICF)
 - Investing in the Maghreb Region with a focus on small and medium sized companies
 - Aims to consolidate existent sectors, with the purpose of fostering growth in emerging sectors.

Conclusion

- Good job creation in Palestine requires good companies to flourish
 - Private sector based economic activity
- There are constraints for private sector based economic activity
 - Occupation is one major constraint specific to Palestine
 - Location is a major constraint around the globe
 - Jerusalem is easy when compared to Jenin
- If you can not remove the constraint immediately, you need to find a way to offset it.
 - Role for an active government in supporting economic activity,
 - Role for market based risk sharing mechanisms,
 - Corporate social responsibility project for all of us.