

IFC DIGITAL SCOPING

COUNTRY REPORT: PALESTINE



Creating Markets, Creating Opportunities

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ABBREVIATIONS

AML:	Anti Money Laundering
BoP:	Bank of Palestine
GS:	Gaza Strip
JTC:	Joint Technical Committee
KYC:	Know Your Customer
MFI:	Microfinance Institutions
MTIT:	Ministry of Telecom & Information Technology
PA:	Palestinian Authority
PCMA:	Palestinian Capital Market Authority
PEX:	Palestine Exchange
PMA:	Palestine Monetary Authority
PTRA:	Palestinian Telecommunications Regulatory Authority
SLIs:	Specialized Lending Institutions
TNB:	The National Bank
WB:	West Bank

PALESTINE SUMMARY

OVERALL READINESS RANKING

While there is some regulation in place, Israel's restrictions and the dependency of Palestine on the Israel Central bank and regulation pose a huge barrier

CURRENT MOBILE MONEY SOLUTION

The mobile money sector is quite undeveloped, with a single player (PalPay) in place.

POPULATION

4.8 million

MOBILE PENETRATION

78%

BANKED POPULATION

24% through formal banks

PERCENT UNDER POVERTY LINE

16% in WB and 39% in GS Source: IMF*

ECONOMICALLY ACTIVE POPULATION

Workforce: 1.93 million (2015), Source: CIA

ADULT LITERACY

96.5% (2015), age 15 and over can read and write, Source: CIA

MOBILE NETWORK OPERATORS

Jawal (3.1 million subscribers)

Wataniya (0.8 million subscribers)



Market Readiness

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Macro-economic Overview

Regulations

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Telecom Sector

Other Sectors

Digital Financial Services Landscape

MOBILE BANKING MARKET POTENTIAL

Key Country Statistics

- Population: 4.8 million (2016) [Source: BMI]
- Age distribution: 40% (0-14 years), 21% (15 -24 years), 31% (25-54 years), 4% (55-64 years), 3% (over 65 years) [Source: CIA]
- Median age: 20.8 WB, 16.9 GS [Source: CIA]
- GDP (PPP): \$12.7 billion (2015) [Source: WBG]
- GDP per Capita (PPP): \$2,700 (2015) [Source: WBG]
- Percent under poverty line: 16% in WB and 39% in GS Source: IMF
- Account Penetration (age 15+): 24% all transaction accounts, 24% account with financial institution, [Source: World Bank FINDEX]
- Money IN & OUT: Outflows \$842 million (2015), Inflows \$2 billion (2015) [Source: World Bank]
- Urban population: 75.3% (2015) [Source: CIA]
- Labour force: 1.93 million (2015) [Source: CIA]
- Mobile Penetration: 78% (2016) [Source: GSMA]
- Internet penetration: 57.4% (2015) [Source: CIA]

Insights

- Palestine's population is relatively young, with around 61% under the age of 25 and around 90% under the age of 55. This young population poses big potential for digital financial services adoption
- Mobile penetration ~78% and in the rise, increasing potential demand for e-wallet services (although smartphone adoption is still quite low at ~25%)
- Israel's restrictions and the dependency of Palestine on the Israel Central bank and regulation pose a huge barrier for e-banking development in the territories, especially due to strict KYC requirements
- The retail sector in Palestine is highly dispersed without a major retail chain, posing difficulties for establishing a distribution network

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REGULATORY BODIES INVOLVED IN MOBILE BANKING

Roles & Responsibilities

Palestine Monetary Authority (PMA)¹

- The Palestine Monetary Authority (PMA) is an independent public institution responsible for the formulation and implementation of monetary and banking policies to maintain price stability and low inflation, foster financial stability and safeguard the banking sector and promote sustainable growth of the national economy. This is done through-
- Development and execution of monetary policy designed to ensure low inflation and achieve price stability.
- Effective and transparent regulation and supervision of banks, specialized lending institutions and money changers.
- Overseeing the development, implementation and operation of modern, efficient payment systems. *

Ministry of Telecom & Information Technology (MTIT)²

- In 1996 the Telecommunications Law 3/1996 gave the MTIT *the duty of setting up, running and operating telecommunications networks in the Palestinian territories*" (PA Law 3/1996, Art. 5).

Implications

- Although the PMA, created in 1996, was provided with the traditional functions of a central bank, the political reality compromises its capacity to act as a full-fledged bank. To this day, the PA lacks an official central bank and its own sovereign currency.
- The lack of a local currency brought to the use of 3 different currencies- Jordanian Dinars, Israeli Sheqels and US dollars.
- The PMA is unable to perform one of the central bank's very core responsibilities- to provide liquidity in times of need. This leaves Palestine, both economically and politically under the mercy of outside finance to cover its needs

- The Palestinian Authority (PA) is responsible for regulating the telecommunications sector areas under its jurisdiction (Areas A and B) as provided in the Oslo Agreement, which subjects many regulatory areas to coordination between the Palestinian and the Israeli authorities.

¹ PMA official website <http://www.pma.ps>

² <https://openknowledge.worldbank.org/bitstream/handle/10986/24019/104263.pdf?sequence=5&isAllowed=y>

REGULATORY BODIES INVOLVED IN MOBILE BANKING

Roles & Responsibilities

Ministry of
Telecom &
Information
Technology
(MTIT)- Cont.¹

- In 2004 MTIT and PA started a process to draft a new legal and regulatory framework to oversee the reform of the market, including the establishment of an independent Palestinian Telecommunications Regulatory Authority (PTRA) which would assume all responsibilities held by MTIT for the telecommunications sector **. The Oslo agreement leaves important regulatory and technical coordination decisions between the PA and Israeli authorities in the hands of a Joint Technical Committee (JTC) gathering specialists from both sides to coordinate frequency assignment, importation of telecommunications equipment, telecommunication activities in area C, permits to build infrastructure, etc. In practice, the JTC has only met a few times since 2000 and remains dysfunctional

Implications

- Despite the drafting of a new Law on Telecommunications and the PA Statement 2010, there has been no progress on the creation of the PTRA
- Local telecom companies depend on the Israeli authorities to issue spectrum and frequencies, oftentimes delaying operations.
- Due to restrictions, mobile operators can only supply a 2G mobile system. Israeli operators have an edge in the competition as they are capable of offering 3G/4G signals in the West Bank.

¹ <https://openknowledge.worldbank.org/bitstream/handle/10986/24019/104263.pdf?sequence=5&isAllowed=y>

REGULATORY BODIES INVOLVED IN MOBILE BANKING

Roles & Responsibilities

Palestinian Capital Market Authority (PCMA)¹

- Established as an autonomous agency by law No.(13) of the year (2004)
- Governed by a Board of Directors composed of seven members. Its jurisdiction encompasses securities, insurance, financial mortgage and financial leasing sectors, along with any other non-banking financial institutions
- Supervises the Securities Exchange, ensuring the integrity of transactions, insurance companies, financial leasing companies and mortgage financing companies.
- Regulates, controls and supervise the activities of non-banking financial institutions including securities trading and non banking financial services.*

Implications

- The PCMA is a regulatory authority that aims at developing a sound capital market and protecting the interests of stakeholders

¹ <https://www.pcma.ps/portal/english/CMA/Pages/Authority-mission-goals.aspx>

REGULATORY FRAMEWORK, SLIDE 3

Current Regulations

MONEY CHANGERS

- Have been historically a major pillar of the Palestinian financial system
- Decree No. 1 of 2008 with regard to Licensing and Monitoring the Profession of Money Changing in Palestine was issued by the PMA in February 2008.

KYC/AML

- KYC in the West Bank and Gaza is controlled by the AML Law and the Palestine Monetary Authority Law #2 of 1997. The PA has a very effective supervision and regulatory compliance function for financial institutions and non-financial businesses and professions (DNFBPs)¹
- The AML law was decreed by the president in 2007 which was developed with the IMF technical assistance and in line with the international standards for combating money laundering²
- The Financial Follow Up Unit was officially established in 2007 as highlighted earlier aiming to keep the Palestinian economy safe from ML activities³

Implications

- The PMA worked in cooperation with the Attorney General Office to take legal action against companies whose business licenses was revoked and unlicensed money changers, in an effort to increase supervision and prevent money laundering
- KYC and AML laws and regulations are crucial, and are recognized by the local banks in order to avoid fraud and most importantly avoid financing terrorism.
- The PA can only properly control these issues in A and B areas, leaving C areas wide open. Currently, PA officials consider trade-based money laundering and customs fraud are among the largest money laundering threats to the PA.³

¹ <https://www.state.gov/j/inl/rls/nrcrpt/2015/vol2/239084.htm>

² [Role of the National Committee for Anti-Money Laundering](#)

³ <http://www.ffu.ps/category.php?id=8973y35187Y8973>

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FINANCIAL SYSTEM OVERVIEW

BANKS

- There are 15 Commercial Banks active in Palestine
 - 6 local banks
 - 7 Jordanian banks
 - 1 Egyptian bank
 - 1 British bank
- There are at 274 commercial bank branches across the country, 155 of these belong to local banks¹
- ATMs: 592
- PoS: 5,987
- Most members of the population have a bank account but lack access to electronic transaction cards, such as debit, ATM, and credit cards

MICROFINANCE INSTITUTIONS (MFIs)

- MFIs in Palestine are all under the umbrella of the non-profit NGO 'Palestinian Network for Small and Micro Finance (Sharakeh). Currently, there are around 12 MFIs

MONEY CHANGERS

- There are a total of 292 (2015) money changers in Palestine (PMA annual report)
- Their primary function is to exchange currency, as Palestine utilizes three different currencies as accepted tender for transacting
- All money changers need to be licensed by the PMA
- It is prohibited from money changers to engage in any deposit-taking or lending activities. They are permitted to process international transfers only if they are executed through a bank that is licensed in Palestine

LEASING COMPANIES

- There are 10 leasing companies supervised by the PCMA. However, the high costs of leasing in comparison with the costs of credit facilities offered by banks, in addition to the lack of public awareness of the activity of leasing and its importance have constrained the development and evolution of this sector

SPECIALIZED LENDING INSTITUTIONS (SLIs)

- There are 6 SLIs in Palestine licensed by the PMA -(4 for-profit and 2 non-profits)- spanning across 64 branches. An SLI is any juridical institution or body that undertakes lending or financing actions and is registered and licensed in Palestine in accordance with the provisions of the PMA²

¹ [PMA Annual Report 2015](#)

² [PMA Licensing of Specialized Lending Institutions in Palestine](#)

FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

ELECTRONIC NATIONAL SWITCH¹

- The PMA announced in 2015 the launch of the first phase of the ATM/POS National Switch. Bank of Palestine, Bank of Jordan, Cairo Amman Bank, Arab Bank, Quds Bank, The National Bank, Palestine Investment Bank, Palestine Islamic Bank, Arab Islamic Bank, Jordan Ahli Bank, Jordan Kuwaiti Bank, and Housing Bank of Trade and Finance were connected through the PMA National Switch at this stage and the customers of these banks will be able to use the ATM machines of the mentioned banks with affordable transaction fees
- According to the PMA the introduction of the national Switch will encourage the banks to issue more debit and prepaid card and will also encourage the distribution of the point of sale machines.” This is part of PMA’s recent efforts to gradually replace the use of cash in Palestine with advanced payment methods, including digital checks, electronic wallets, and mobile payments

CREDIT BUREAU²

- At the beginning of 2006, the PMA undertook a comprehensive evaluation process for credit bureaus of several emerging and developed countries. Afterwards, the PMA implemented the necessary measures to develop the credit bureau service infrastructure and officially launch it, on April 18th 2008
- Sijil-ly system- a computerized database which collects demographic and financial data on borrowers and their guarantors. The system provides this information to banks and FI’s via a banking network

PALESTINE EXCHANGE (PEX)³

- The PEX was launched as a public shareholding company in 2010, and it operates under the supervision of the Palestinian Capital Market Authority.
- During 2013, PCMA dedicated significant efforts to comply with the International Organization of Securities Commissions (IOSCO) requirements, and in 2014 the PCMA was admitted as an ordinary member to IOSCO and the State of Palestine was accepted, through PCMA, as a new signatory to the Multilateral Memorandum of Understanding (MMoU)
- The number of listed companies is 48 as of the end of 2016, with market capitalization of about \$3,390 million across five main economic sectors; banking and financial services, insurance, investments, industry, and services. Most of the listed companies are profitable and trade in Jordanian Dinar, while others trade in US Dollars

¹ <http://www.pma.ps/Media/PressReleases/TabId/205/ArtMID/793/ArticleID/738/PMA-Launches-the-first-phase-of-the-National-ATMPOS-Switch-System.aspx>

² <http://www.pma.ps/Portals/1/Users/002/02/2/Publications/English/Brochures%20and%20Booklets/Credit-En.pdf>

³ <http://www.pex.ps/PSEWebSite/English/AboutPSE.aspx?TabIndex=0>

³ <https://www.pcma.ps/portal/english/Securities/Pages/Sector-Overview.aspx>

FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

REAL-TIME GROSS SETTLEMENT SYSTEM (BURAQ)¹

- The BURAQ RTGS system, launched in 2010, handles the clearing and settlement of wholesale and retail payments in the Palestinian territory.
- The payments system should also allow for developments in online and mobile banking in the future.
- Following the launch of the BURAQ system, all credit transfers exceeding ten thousand of any active currency are transferred for settlement through the BURAQ system

¹http://www.pma.ps/Portals/1/Users/002/02/2/Publications/English/Annual%20Reports/Payment%20Systems/Payment_Systems_Oversight_1_2013.pdf

BANKING SECTOR- LOCAL BANKS

Amounts are in USD '000 unless otherwise stated

Bank of Palestine P.L.C	Total assets: 2,785,203 Total liabilities: 2,479,446	<ul style="list-style-type: none"> • Branches: 57 • ATMs: 117 • POSs: 5,914 	<ul style="list-style-type: none"> • Major shareholders are Qais Abdullah Al-Ghanim (2.13%), IFC (4.98%), Blakeney Management (5.41%), Al-Yazan Co. for Real Estate & Financial Investments (20%), Mr. Abed Dayeh (7.22%)
Palestine Investment Bank	Total assets: 327,770 Total liabilities: 254,294	<ul style="list-style-type: none"> • Branches: 15 • ATMs: N/A • POSs: N/A 	<ul style="list-style-type: none"> • Major shareholders are Al-Yazan Co. for Real Estate & Financial Investments (20%), Al-Shorooq Co. for Real Estate & Financial Investments (20.29%)
Al Quds Bank	Total assets: 804,160 Total liabilities: 727,207	<ul style="list-style-type: none"> • Branches: 37 • ATMs: 54 • POSs: N/A 	<ul style="list-style-type: none"> • Major shareholder are Akram Abdul Latif Hasan Jerab (21.18%), Abdul Rahim Jardanah & Sons co. (8%), Palestine Investment Fund Co. (5.21%)
Arab Islamic Bank	Total assets: 650,593 Total liabilities: 241,091	<ul style="list-style-type: none"> • Branches: 12 • ATMs: 41 • POSs: N/A 	<ul style="list-style-type: none"> • Major shareholders are Bank of Palestine (20.98%), Aswaq Investment Portfolios Company (11.76%), Palestine Investment Fund Company (9.47%), Bank of Jordan Company (8.94%)
The National Bank	Total assets: 529,598 Total liabilities: 474,632	<ul style="list-style-type: none"> • Branches: • ATMs: 32 	<ul style="list-style-type: none"> • Major shareholders are Siraj Palestine Fund I (20%), Enterprise Investment Company (18.5%), Palestine Telecommunication Company (Paltel Group) (16.7%), Bank al Etihad (10%)

Bank of Palestine, as of December 2015. Source: [BOP financial statements](#)
 Palestine Investment Bank, as of December 2015. Source: [PIB Annual report 2015](#)
 Al Quds Bank, as of December 2015. Source: [Al Quds Annual report 2015](#)
 Arab Islamic Bank, as of December 2015. Source: [AIB Annual report 2015](#)

Note: This list includes only the local Palestinian banks.

BANK SNAPSHOT: Bank of Palestine



- Established in 1960, Bank of Palestine (BoP) is one of the largest national banks operating in Palestine with a broad range of branches, offices and ATMs, and providing services to more than 750.000 customers.
- In 2007 Bank of Palestine founded Al-Wasta Securities Co. to operate as Bank of Palestine's investment arm.
- In 2011 Bank of Palestine inaugurated PalPay in order to facilitate electronic payments through a large network of 5,000 Points of Sale distributed in commercial supermarkets, hotels, restaurants, public services centers, etc.
- BoP would like to continue the strong partnership with IFC and further deepen the relationship, in particular in becoming know as an innovator bank. Opportunities for IFC to partner in this area with BoP lie in supporting the expansion of PalPay beyond Palestine (develop a joint proposition complementing existing partnership, open new markets, access to international billers, utilization of PalPay data for additional banking products and new customers) and a review of BoP's digital strategy.
- BoP has recently launched a mobile app and has increased subscription of clients using digital channels from 10,000 to 50,000 over the past twelve months thanks to the app. BoP is also in the process of launching an IVR call center to enable customers to transact as well as developing a USSD offering
- BoP is currently working on a business intelligence platform to be deployed in 2017; initially for MIS, followed by dashboards to monitor the business, up- and cross selling as well as data analytics.

Bank of Palestine [website](#)

BANK SNAPSHOT:



The National Bank **الوطني TNB**

- Born from a merger between Al Rafah Microfinance Bank and the Arab Palestinian Investment Bank in 2012, The National Bank has progressively transformed itself from a microfinance banking institution to a universal banking solutions and premium corporate, retail and investment banking services provider.
- TNB has for the past two years focused on replacing its legacy system with T24. T24 is fully implemented for all retail modules and implementation of Trisk, Tcorporate and Tbusiness intelligence are expected to be completed by the end of Q2 2017.

Quds Bank

- Established in Ramallah in 1995, Quds Bank today has a portfolio that offers a wide range of retail and corporate banking solutions including but not limited to personal account services, home and auto financing, SME's financing, commercial loans and project support.
- The bank runs its' main operations through its' headquarter located in Ramallah, Al Massiyoun, in addition to 34 fully-fledged branches and offices across Palestine (West Bank and Gaza).
- Quds Bank is in the early stages of embarking on a digital strategy and is exploring Digitization of workflow between branches and HQ as well as implementing an E-wallet.
- Current channels include: 37 branches, Internet banking and a mobile app which also enables use of credit cards for e-commerce with a one time password. Whether or not to deactivate phone banking is currently under review.
- Quds Bank prefers cloud based solutions and is requesting support in a dialogue on this with PMA as it pursues to fully automate CBS in three years.

The National Bank [website](#)

Quds Bank [website](#)

MICROFINANCE SECTOR (MFIS)

ASALA

- Number of branches: 7
- Number of active clients: 4,489
- Gross loan portfolio: \$13,159,598
 - WB: \$10,030,360
 - GS: \$3,129,238

- Portfolio at risk: 4.0%
- Loans to agriculture: 26.3%
- Loans to general trade: 33.7%
- Loans to housing: 3.0%

VITAS

- Number of branches: 10
- Number of active clients: 8,275
- Gross loan portfolio: \$35,807,187
 - WB: \$21,221,085
 - GS: \$14,586,102

- Portfolio at risk: 0.4%
- Loans to agriculture: 2.1%
- Loans to general trade: 14.8%
- Loans to housing: 66.4%

ACAD

- Number of branches: 7
- Number of active clients: 4,579
- Gross loan portfolio: \$12,614,136
 - WB: \$11,470,907
 - GS: \$1,143,229

- Portfolio at risk: 3.5%
- Loans to agriculture: 30.6%
- Loans to general trade: 47.6%
- Loans to housing: 0.0%

FATEN

- Number of branches: 38
- Number of active clients: 39,712
- Gross loan portfolio: \$116,879,347
 - WB: \$77,179,802
 - GS: \$39,699,545

- Portfolio at risk: 1.5%
- Loans to agriculture: 9.5%
- Loans to general trade: 24.4%
- Loans to housing: 29.3%

MICROFINANCE SECTOR (MFIS)

UNRWA

- Number of branches: 11
- Number of active clients: 17,171
- Gross loan portfolio: \$16,810,249
 - WB: \$10,929,306
 - GS: \$5,880,943

- Portfolio at risk: 6.6%
- Loans to agriculture: 6.6%
- Loans to general trade: 12.4%
- Loans to housing: 19.8%

REEF

- Number of branches: 11
- Number of active clients: 3,052
- Gross loan portfolio: \$9,878,126
 - WB: \$6,059,488
 - GS: \$3,818,638

- Portfolio at risk: 8.5%
- Loans to agriculture: 46.8%
- Loans to general trade: 27.7%
- Loans to housing: 13.6%

AL-IBDAA

- Number of branches: 5
- Number of active clients: 8,805
- Gross loan portfolio: \$11,052,425
 - WB: \$11,052,425
 - GS: \$0

- Portfolio at risk: 4.6%
- Loans to agriculture: 12.2%
- Loans to general trade: 0%
- Loans to housing: 9.9%

PDF

- Number of branches: 6
- Number of active clients: 829
- Gross loan portfolio: \$7,280,618
 - WB: \$5,553,875
 - GS: \$1,726,743

- Portfolio at risk: 27.3%
- Loans to agriculture: 9.9%
- Loans to general trade: 15.7%
- Loans to housing: 50.4%

CURRENT CHALLENGES

POLITICAL AND SECURITY INSTABILITY

Though the financial sector has shown resilience to political and economic shocks and proved ability to deal with such shocks, the continued political and economic uncertainties remain the main challenge to the sector. Further deterioration in the situation would negatively impact FI's ability to grow portfolio, and more importantly, their ability to maintain good asset quality

BANKING SECTOR

TRANSFER OF ISRAELI SHEQELS

Over the past few years, Israeli banks have been refusing to accept cash transfers in Sheqels from Palestinian banks. Though the PMA has been coordinating with Bank of Israel cash transfers, the issues remains unsolved and banks in Palestine have been accumulating huge amounts of Sheqel notes in their coffers.

LACK OF A LOCAL CURRENCY

The fact that there is no local currency in Palestine exposes the region to foreign exchange rate shocks. The banks and people are highly dependent on three different currencies- The Jordanian Dinar, the Israeli Sheqel and the US Dollar (and even the Euro)- making liquidity a problem, especially in times of political and turmoil and war. Banks have assets and liabilities in these three different currencies.

MFI Sector

INABILITY TO COLLECT DEPOSITS

Microfinance Institutions are not allowed to collect deposits and accordingly rely on borrowings from local and international parties to grow assets. Shortages in funding would significantly impact the MFI's operations and growth plans.

REGULATORY FRAMEWORK AND SUPERVISION

Since the PMA has taken over the regulatory role for the microfinance sector, it has been working to develop suitable regulations. However, the PMA has little experience in this field and might negatively impact the sector in case tight prudential regulations are enforced.

PAYMENT SERVICE PROVIDERS

Middle East Payment Services (MEPS)

- With the use of electronic payments growing rapidly in Palestine, MEPS is currently licensed to perform issuing and acquiring activities.
- Operating in Palestine since 2009, serving several banks for cards issuance, ATM driving and management services, as well as POS management.
- MEPS is financially backed by several Jordanian and Kuwaiti banks and provides pre-paid cards in addition to payment processing services for MasterCard, Visa, American Express, Diners Club, and JCB.¹

Middle East Payment Services- <http://www.mepspay.com/>

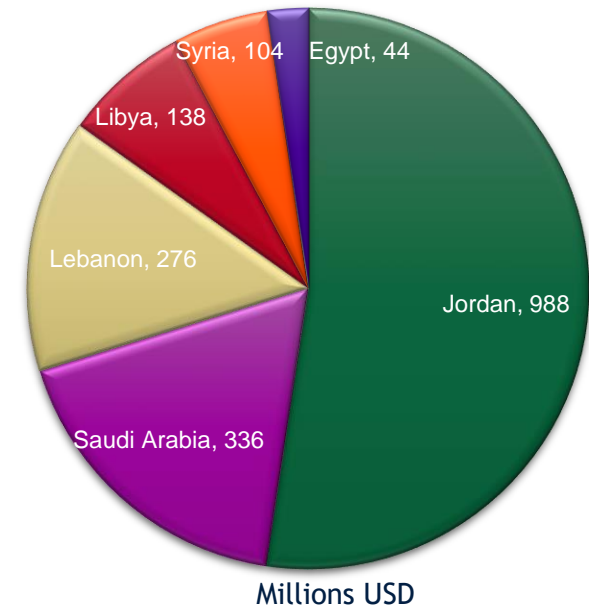
¹ <https://www.trulioo.com/blog/top-10-cross-border-payment-services-in-europe-middle-east-africa-emea/>

FINANCIAL FLOWS - INTERNATIONAL REMITTANCES

MIGRATION AND REMITTANCES

- Remittance inflows to Palestine are an imperative source of foreign exchange. In 2015, remittance inflows amounted to US \$2 billion, making Palestine one of the largest recipients of remittances relative to GDP.¹
- Palestinian refugees– The projected number of Palestinians in the world is 12.70 million, of whom 4.88 million are in Palestine, 1.53 million in Israel, 5.59 million in Arab countries and around 696 thousand in foreign countries.
- As expected, Palestine's remittances are mainly inflow, with outflow remittances summing up to only \$37 million as of 2014²

Top Sources of Remittance Inflows
\$2 billion (99% of which come from only 12 countries)



¹Migration and Remittances Data 2015, World Bank

² Palestinian Central Bureau of Statistics

<http://www.pcbs.gov.ps/site/512/default.aspx?tabID=512&lang=en&ItemID=1823&mid=3171&wversion=Staging>

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TELCOMMUNICATIONS SECTOR IN PALESTINE

Key Statistics

- 2 local MNOs operating in the market¹
- Mobile connections: 3.9 million (89% prepaid)¹
- Unique mobile subscribers as of 2016: 2.2 million
- 78% mobile penetration
- Network coverage as of 2014 (Percentage of population): 99%
- Very concentrated market, with 1 large player and 1 newcomer
- Mobile internet penetration as of 2016: 28%

Internet and Data¹²

Indicators	2010	2012	2014	2016
Mobile Internet unique Subscribers	650,988	970,985	1,146,605	1,348,744
Penetration Rate	15.8%	22.3%	24.9%	27.7%
Fixed Internet Subscriptions	356,000	1,512,273	N/A	3,007,869
Penetration Rate	14.2%	57.7%	N/A	63.2%

Mobile and Fixed Telephony¹²

Indicators	2010	2012	2014	2016
Mobile connections	2.6 million	3.2 million	3.3 million	3.9 million
Penetration Rate	63.3%	73.2%	71.5%	78.0%
Fixed Line Subscriptions	363,000	400,000	406,100	412,300

¹ Data as of Q4 2016. Source: GSMA Intelligence.

² Data as at date indicated. Source: <http://www.internetworldstats.com/me/ps.htm>
BMI Research Data Profile: West Bank and Gaza Telecommunications (Excel)

TELECOMMUNICATIONS SECTOR IN PALESTINE¹

- The Palestinian Authority (PA) is responsible for regulating the telecommunications sector areas under its jurisdiction (Areas A and B) as provided in the Oslo Agreement, which subject many regulatory areas to coordination between the Palestinian and the Israeli authorities. Sector policy and regulation are presently the responsibility of Ministry of Telecommunication and Information Technologies (MTIT) of the PA.
- in 1996 the Telecommunications Law 3/1996 gave the MTIT the “the duty of setting up, running and operating telecommunications networks in the Palestinian territories”
- in June 2009 the PA President issued a decree to enact a new Law on Telecommunications and in April 2010 MTIT published the “The Palestinian National Authority Statement of National Telecommunications Policy” (PA Statement, 2010). The Statement includes six “main policy objectives”, the first of which being the establishment of the PTRA (Palestinian Telecommunications Regulatory Authority): (i) To implement the new regulatory authority, (ii) To create a comprehensive legal framework, (iii) To establish a sound interconnection and access pricing regime, (iv) To introduce wholesale broadband access services, (v) To implement accounting separation and cost accounting and (vi) To regulate cost-oriented retail prices of dominant operators
- Despite the drafting of a new Law on Telecommunications and the PA Statement 2010, there has been no progress on the creation of the PTRA
- The Oslo agreement leaves important regulatory and technical coordination decisions between the PA and Israeli authorities in the hands of a Joint Technical Committee (JTC) gathering specialists from both sides to coordinate frequency assignment, importation of telecommunications equipment, telecommunication activities in area C, permits to build infrastructure, etc. In practice, the JTC has only met a few times since 2000 and remains dysfunctional.

¹ Source: The Telecommunication Sector in the Palestinian Territories: A Missed Opportunity for Economic Development, 2016:

<https://openknowledge.worldbank.org/bitstream/handle/10986/24019/104263.pdf?sequence=5&isAllowed=y> .

POINTS OF INTEREST IN THE MOBILE MARKET¹

- After the Oslo agreements, the PA the fixed-line incumbent Paltel (Palestine Telecommunications Company) a 20-year license to build, operate and own landlines, data communications, paging services, public telephones, satellite communication services, lease lines, sell telecommunications equipment (peripheral devices), Value-Added Services (VAS) and deploy and operate a mobile network
- Following the award of the 20-year license in November 1996, and after the granting of frequencies by Israel, Paltel launched the mobile operator Jawwal in August 1999. Jawwal operates with strong spectrum constraints and can only operate a 2G system in the Palestinian territories.
- In September 2006 a second mobile operator, Wataniya Mobile Palestine, was declared the highest for a combined 2G and 3G mobile license in the Palestinian territories. However, the second operator could not commercially launch its mobile services in the West Bank before 2009 because of a 2-year delay in releasing the spectrum by Israeli authorities.
- 2G and 3G availability in the Palestinian territories

Territory	Jawwal		Wataniya		Israeli operators	
	2G	3G/4G	2G	3G/4G	2G	3G/4G
West Bank	✓	✗	✓	✗	✓	✓
Gaza	✓	✗	✗	✗	✗	✗

Source: Paltel and Wataniya Annual Reports

¹ Source: The Telecommunication Sector in the Palestinian Territories: A Missed Opportunity for Economic Development, 2016:

<https://openknowledge.worldbank.org/bitstream/handle/10986/24019/104263.pdf?sequence=5&isAllowed=y> .

MOBILE NETWORK OPERATORS



- 3.1 million connections
- 78% market share

Ownership:
Jawwal is 100% owned by Paltel

Source¹

- Jawwal is the first MNO in Palestine and the leading one (79.7% market share). Jawwal is 100% owned by the PalTel Group.
- Jawwal is currently the only MNO providing mobile services to the Gaza Strip (2G).
- The MNO launched PalPay in 2011, which provides a wide range of end-to-end payment solutions.
- While economically not feasible (based on two feasibility studies conducted over the past three years) Jawwal would offer a mobile wallet should regulation allow them to do so. Jawwal views this as corporate social responsibility rather than a business venture.



- 0.8 million connections
- 20% market share

Ownership: Wataniya Mobile is owned by Wataniya International (mostly owned by Ooredoo Group) (48%), Palestine Investment Fund (34%) and publically owned (17%, through the PEX)*

Source²

- Wataniya was granted a mobile license in 2006 but was only able to start its operations in the West Bank in 2009.
- Because of the very low spectrum bandwidth available in the 900 MHz band, Wataniya claims that it has reached its network limits in the West Bank. It could increase its subscriber base by addressing Gaza consumers, but it is currently forbidden to do so by Israeli authorities.
- Due to the Israeli restrictions and Jawwal's ownership of the infrastructure in the West Bank, Wataniya cannot fully play its competitive role for the mobile market.
- Wataniya Mobile was not profitable as of Q4 2014.*

Unless otherwise indicated, data as at Q4 2016. Source: GSMA Intelligence.

¹ Global Comms Database 2016

² Wataniya Mobile [2014 annual report](#)

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PALESTINE GDP

GDP and GDP Per Capita¹

Indicator Name	2012	2013	2014	2015
GDP (PPP, current US\$)	\$11.3b	\$12.5b	\$12.7b	\$12.7b
GDP growth (annual %)	6.3%	2.2%	-0.2%	3.5%
GDP per capita (PPP, current US\$)	\$2,600	\$2,800	\$2,800	\$2,700
GDP per capita growth (annual %)	N/A	8.1%	-0.7%	-4.3%

Palestine GDP by Sector (2013)¹



- Palestine's principle exports are manufactured goods (62%) and agricultural goods (15%), and mainly to Israel
- Palestine's price trends closely follow those in Israel—especially in the West Bank. Prices in Gaza are also affected by restrictions on the movement of goods and people and attempts to curb the use of smuggling tunnels, by both Israel and Egypt.
- Unemployment continues to be an issue in Palestine, with an unemployment rate of 26.9% in 2016
- The West Bank economy will expand in 2017/18, although its growth rate will remain below potential and there are heavy downside risks, as security issues crimp prospects and the government finances remain unstable.
- Various analysts forecast a 3.5% GDP growth for 2017

¹ Economist Intelligence Unit Country Report 2017: Palestine

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MOBILE MONEY PROVIDERS



PALPAY

- Established in 2010 as a JV between Bank of Palestine PLC, and PCNC IT Solutions.
- PalPay connects over 60 billers, two banks, and 5 MFIs as a payment gateway, providing all aspects of payments including a loyalty program.
- With 2000 agents equipped with POS for OTC bill pay, cash-in and cash-out as well as an additional 10,000 airtime reseller access points PalPay operates the largest agent / merchant network in Palestine.
- PalPay is ready to launch a mobile wallet as soon as regulation allows.
- Palpay provides the following platforms:
 - Bill payment platform
 - Top-up and prepaid platform
 - Mobile Payment Platform
 - Mobile Banking app for smart phones. USSD Banking and payment applications for all kinds of mobile phones
 - Internet Banking Platform
 - IBS easy to use systems can be integrated with any Bank system securely..
 - EMV EFT VeriFone Based POS applications
 - Accept Major Credit / Debit cards, Perform Bill Payment, Mobile and account recharge, Loan and student fees payments, and many other types of transactions.