WORLD BANK GROUP

NEWS RELEASE

Lifting Restrictions and Promoting Better Regulation to Unleash the Potential of the Digital Economy in Palestine

Jerusalem, March 31, 2016 – A new World Bank report estimates the Palestinian mobile sector revenue losses at more than US$1 billion in the last three years. The Palestinian Authority's fiscal losses for the same period are as high as US$184 million, counting non-collected VAT alone, up to 3.0% of the GDP.

The report, *Missed Opportunity for Economic Development,* highlights how the Palestinian telecom sector is suffering from several constraints, claiming heavy toll on the economy, the consumer, and the Palestinian Authority. The sector was hindered by years of delay in mobile broadband, presence of unauthorized Israeli operators in the Palestinian market, restrictions on importing equipment, and absence of an independent regulator.

"With unemployment rate at 26%, the *Palestinian telecom sector has the potential to boost the economy and create job opportunities,"* said **Steen Lau Jorgensen, World Bank Country Director for West Bank and Gaza**. *"In order for that to happen, Palestinian operators should be able to access similar resources as their neighbors."*

In late 2015, an agreement with Israel has been reached to release 3G spectrum to the West Bank. However, the Palestinian operators remain at a competitive disadvantage because Israeli operators have 3G and 4G capabilities and are able to attract higher value customers. Unauthorized Israeli operators are capturing more than 20% of the West Bank market in volume.

Restrictive measures have significantly affected the development of the Palestinian telecommunications. These include the Israeli restrictions on the import of equipment for telecom and ICT companies, the inability to operate in more than 60% of the West Bank under Israeli control (Area C), and the requirement by Israel that Palestinian operators go through an Israeli-registered company to access international links. While international practices commend competition in the sector, the second Palestinian mobile operator Wataniya has not been able to start its operations in Gaza due to Israeli restrictions on accessing spectrum and importing material. As a result, Gaza remains a mobile-monopoly market structure.

Despite these constraints, the Palestinian authorities have adopted liberal licensing regime for Internet Service Providers (ISPs). There are more than 20 ISPs that have rights to invest directly in broadband infrastructure and operate them. Few other countries in MENA have adopted this approach.

"*The liberal approach could significantly improve Internet access, if existing bilateral and regulatory constraints are alleviated,"* said ***Carlo*** **Rossotto, Lead ICT policy specialist at the World Bank**. "The *potential economic returns will be significant if the regulatory obstacles are addressed."*

The independent regulatory Authority has yet to be established as stipulated by the 2009 law. At present, the Ministry of Telecommunications and Information Technology remains the sole regulator,

responsible for all pricing, licensing and operational issues. The Palestinian Authority has taken steps to liberalize the market, but there are significant concerns of market dominance and high pricing regime.

Contacts:

West Bank and Gaza: Mary Koussa, (972) 2-2366500, mkoussa@worldbank.org
Washington: Lara Saade, (202) 473-9887, lsaade@worldbank.org

For more information, please visit: http://www.worldbank.org/we

Visit us on Facebook: http://www.facebook.com/WorldBankMiddleEastNorthAfrica

Be updated via Twitter: http://www.twitter.com/worldbankmena

For our YouTube channel: http://www.youtube.com/worldbank

News Release

2015/XXX/MNA