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NEWS RELEASE

Reforms Underway to Boost Palestinian Business Environment

Critical for Economic Growth and Employment Opportunities

Jerusalem, November 16, 2016 – The Palestinian economy remains mired in income stagnation and high unemployment, with reforms to lay the foundation for sustainable growth a priority. While Israeli restrictions remain the biggest impediment for the Palestinian economy to realize its full potential, progressive reforms to improve the business environment could set the stage for a more dynamic private sector as an engine of economic growth.

The Palestinian Authority has recently taken concrete steps towards improving the business environment. Most notably the enactment of the Law of Secured Transactions in April 2016, which established the legal grounds and modern systems to regulate the use of movable assets as collateral. Traditionally, lenders required fixed assets, such as land or real estate, as collateral, to approve a loan. However, many small firms were constrained in their access to finance due to the lack of fixed assets. With the support of the World Bank Group, the Ministry of National Economy recently launched the registry for movable assets, including machinery, accounts receivables, or consumer goods.

"*The Palestinian territories will be among the first in the Middle East and North Africa to implement a modern secured transactions framework, which includes a collateral registry. I expect this to have a big impact on the Palestinian economy. Along with giving many small and medium enterprises access to the banking system for the first time, it will drive growth and create much needed jobs,*" said **Marina Wes, World Bank West Bank and Gaza Country Director.**

"The registry is a milestone in our efforts to support private sector development through improving the business environment and facilitating access to finance. With the ability to use these movable assets as collateral to secure loans, more firms will be able to expand their businesses," said **Youssef Habesch, World Bank/IFC Resident Representative in the West Bank and Gaza.**

As further support for a conducive environment for Palestinian businesses, the cost of starting a business in the Palestinian territories has been reduced by eliminating the minimum paid-in capital requirement at registration. In addition, paying taxes became easier for companies with the new option of 1 or 4 advance payments of corporate income tax. Dealing with construction permits became smoother by streamlining the process for obtaining the civil defense permit and for submitting the stamped concrete casting permit to the municipality. Overall, the World Bank's Doing Business 2017 indicates improvement in the regulatory environment when comparing with best practice indicators, but a decline when measuring progress against other economies.

The World Bank commends further reforms in strengthening the operation of Palestinian companies, now being considered by the Ministry of National Economy, such as the Draft Companies Law. Currently, the registration of companies is operating under an old Jordanian law of 1964 that is no longer fit for current business conditions. The new draft law prepared by the Palestinian Ministry of National Economy entails some good practices for registration, protecting minority investors, and regulating debt resolution– and is expected to be approved in the first quarter of 2017.

Contacts:

West Bank and Gaza: Mary Koussa, (972) 2-2366500, mkoussa@worldbank.org
Washington: William Stebbins, (202) 458-7883, wstebbins@worldbank.org

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