



State of Palestine

**Palestine Central
Bureau of Statistics**

**Palestine Monetary
Authority**

Foreign Investment Survey of Resident Enterprises in Palestine, 2014 - Preliminary Results

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Introduction

The Foreign Investment Survey is considered to be the primary tool for collecting data about the International Investment Position (IIP); it collects details about the flows and stocks of foreign investments, using special forms. The IIP is an account which records the total balance of foreign financial assets and liabilities of the economy. Changes in IIP are categorized in two levels: the first differentiates between assets and liabilities and the difference represents the net IIP. The second level focuses on the division of assets and liabilities on a functional basis that is fully consistent with the basic elements of financial accounting in the balance of payments, in addition to changes between stocks at the beginning and end of the period. This may include changes in prices, currency exchange rates, or a quantitative change resulting from sudden profit or loss as a result of natural disasters or war. The Foreign Investment Survey was conducted in accordance with recent international recommendations (Balance of Payments Manual 1993 issued by the International Monetary Fund), taking into account the unique circumstances of Palestine.

The Palestinian Central Bureau of Statistics and Palestine Monetary Authority are pleased to issue the Fifth version of the Foreign Investment Survey report of Resident Enterprises in Palestine for 2014.

The first chapter of the report details the main results of the survey. The second chapter describes the methodology used in the implementation of this survey and the measures implemented to ensure the quality control of data. The third chapter covers the concepts and definitions used in the report. The report also comprises detailed tables on the most important results of the survey on a national level.

The results of the Foreign Investment Survey constitute the basic pillar for the compilation of the Palestine International Investment Position (IIP) and for statistics on gross external debt for Palestine. PCBS hopes that the results of the survey will provide statistical evidence about foreign investments in terms of type, economic activity, and country of investment, and will meet the needs of both the public and private sector for such statistical data.

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November, 2015

Main Findings

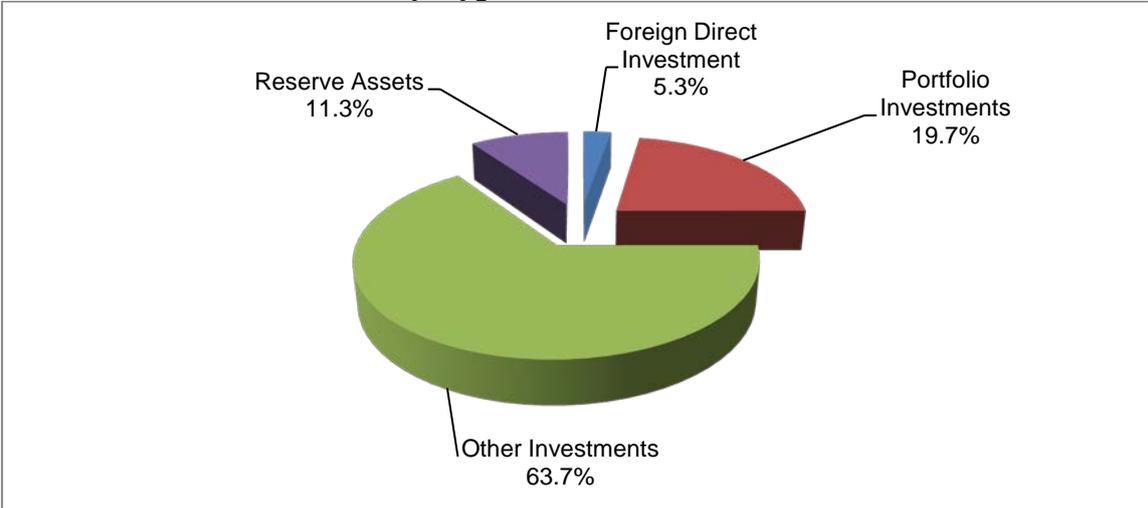
The Foreign Investment Survey of resident enterprises in Palestine 2014 has revealed important results for researchers, academics, and decision makers. The results indicated that external investments by resident enterprises in Palestine were greater than investment by non-residents in resident enterprises in Palestine at the end of 2014.

The main findings of the survey are as follows:

- The total stock of resident enterprises in Palestine investments abroad (assets) amounted to USD 5,954 million at end 2014.
- The total foreign investment stock in resident enterprises in Palestine (liabilities) amounted to USD 2,746 million at end of 2014.

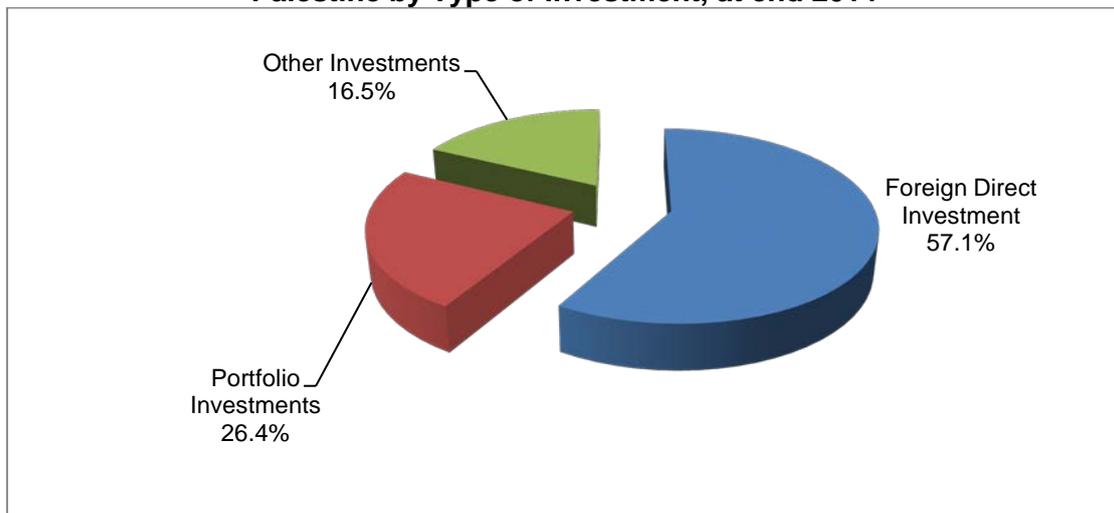
With regard to the distribution of assets, foreign direct investment (FDI) abroad amounted to USD 316 million, at 5.3 % of total assets; portfolio investments abroad amounted to USD 1,172 million with 19.7% of total assets; Other Investments abroad amounted to USD 3,794 million, at 63.7% of total assets; and the stock of reserve assets for the PMA amounted to USD 672 million, at 11.3% of total assets at end 2014.

Percentage Distribution of External Assets Stocks of Resident Enterprises in Palestine by Type of Investment, at end 2014



With regard to the distribution of liabilities, foreign direct investment (FDI) amounted to USD 1,568 million, at 57.1% of total liabilities; portfolio investments were USD 725 million, at 26.4% of total liabilities; while Other Investments totaled USD 453 million, at 16.5% of total liabilities by the end of 2014.

Percentage Distribution of Foreign Liabilities Stocks in Resident Enterprises in Palestine by Type of Investment, at end 2014



The results show that 57.3% of foreign direct investment (FDI) in resident enterprises in Palestine is concentrated in the financial intermediation sector, while investment from Jordan contributed 81.3% of total stock of FDI in resident enterprises in Palestine .

The results also show that 50.0% of total portfolio investments in resident enterprises in Palestine is concentrated in services, transport, storage, communications and internal trade activities, while investments from Jordan contributed 48.0% of the total stock of Portfolio investments in resident enterprises in Palestine.

Methodology and Data Quality

This chapter details the objectives of the survey, the questionnaire for the economic surveys series, the frame, sample and implementation stage, and the accuracy of the data with relation to non-statistical errors at all stages of the survey, including data collection and data entry.

2.1 Survey Objectives

The Foreign Investment Survey of resident enterprises in Palestine for 2014 aims to provide indicators about:

1. Stocks of foreign direct investment and of portfolio investment in resident enterprises in Palestine and its distribution by economic activity and country.
2. Stocks of direct investments and portfolio investments abroad.
3. Stocks of other foreign investments in resident enterprises in Palestine and abroad.
4. Stocks of reserve assets (for the Palestine Monetary Authority).

2.2 Questionnaire

The design of the questionnaire considered integration with the economic surveys series implemented by the PCBS, while taking into account the specific targets of this survey. The survey questionnaire ensured the inclusion of the most important economic variables related to investment activities with the rest of the world, and addressed the need for the preparation of national accounts, balance of payments (BOP), and international investment position (IIP).

2.3 Coverage and Sampling

2.3.1 Coverage

The sampling frame included profit enterprises that perform any economic activity in Palestine, particularly enterprises with investment from abroad or which have overseas investments.

2.3.2 Sampling Frame Design

The sampling frame for the Foreign Investment Survey 2014 comprised two groups: the first group included non-financial enterprises and financial enterprises (other than banks), located in the West Bank and Gaza Strip, PCBS carried out the collection of relevant data pertaining to these enterprises. The second group included banks in the West Bank and Gaza Strip, and the Palestine Monetary Authority conducted data collection from the banks. The total sample size of the enterprises in the West Bank and Gaza Strip was 120 (17 banks, 103 enterprises other than banks).

2.3.3 The Implementation Stage

This phase included field work operations, data processing, and tabulation:

- Field work operations: The number of field workers was related to the number of enterprises in each governorate. Five field workers were recruited and trained for data collection. These field workers held interviews with the manager or accountant of the enterprise to fill in the questionnaires. In addition, field visits were conducted by the survey's management team to ensure data collection was conducted according to applicable standards.
- Data processing and tabulation, which included:

- Developing a data entry program and training of data entry clerks.
- Organizing data entry processes.
- Post-data entry editing.
- Tabulation.

2.4 Data Accuracy

2.4.1 Statistical Errors

These data are not affected by statistical errors, since the frame of the survey included all enterprises.

2.4.2 Non-Statistical Errors

These types of error could appear in one or in all of the survey stages that include data collection and data entry:

Response rate values:

- Non-response rate: 0%.
- Response rate: 100%.
- Over-coverage rate: 0%.

Response errors: this type of error relates to respondents, field workers, and data entry personnel. To avoid mistakes and reduce their impact, a series of measures were implemented to enhance data accuracy through the process of data collection from the field and data processing.

2.5 Comparability

We can make comparisons of survey data over a time period. And the survey allows data comparability with other countries that publish statistics based on the Balance of Payments Manual- Fifth edition issued by the International Monetary Fund (IMF). The survey was conducted according to the recommendations and standards of this manual.

Comparing Main Indicators by year

(Values in US\$ million)

Indicators	Year			
	2011	2012	2013	2014
Foreign Direct Investment in Palestine	1,505	1,463	1,558	1,568
Portfolio Investments in Palestine	611	676	768	725
Other Investment In Palestine	456	486	612	453

2.6 Data Quality Control

2.6.1 During Field Work

- A specialized field work team with a background in economics was selected and trained theoretically and practically on the questionnaire used for the survey.
- Field work visits were made by both field work and project management staff to monitor and follow up the data collection process and work progress. On average, two visits were made per field worker. All of completed questionnaires were reviewed and corrected if necessary and comments and notes were directed to the team accordingly.
- Different levels of supervision and monitoring were implemented according to the following hierarchy:
 - Field workers
 - Field worker supervisors
 - Field work coordinators (each with supervisory responsibilities).
- The project managers received a weekly progress report about completeness and response rates.
- A refresher meeting was held and followed up by telephone during data collection to reiterate the main points of training and to answer field workers' questions about issues faced in the field.

2.6.2 During Data Processing

To ensure data quality and consistency, a set of measures was introduced to enhance data accuracy as follows:

- Preparation of a data entry program prior to data collection to guarantee the preparedness of an appropriate data entry program.
- A set of validation rules were applied to the program to check data consistency.
- The efficiency of the program was checked through pre-testing by entering some questionnaires, including incorrect information, to check that the incorrect information was identified.
- Well-trained data personnel were selected and trained for main data entry.
- Weekly data files were received by project managers to check accuracy and consistency and correction notes were provided for data entry supervisors.

2.7 Notes on Data

1. The implementation of the Foreign Investment Survey for resident enterprises in Palestine 2014 for non-financial and financial enterprises (excluding banks) was conducted by the Central Bureau of Statistics (PCBS).
2. The Palestinian Central Bureau of Statistics collected data of liabilities of listed companies in the Palestine Exchange through the stock exchange.
3. The implementation of the foreign investment survey for resident enterprises in Palestine in 2014 for financial enterprises (banks) was conducted by the Palestine Monetary Authority (PMA).

- **Exchange rates:**

The USD exchange rates of balances were based on those valid at the end of the base year 2014:

- USD / NIS = 3.57

- USD /JD = 0.71

Chapter Three

Concepts and Definitions

This chapter defines the concepts used in the preparation of the survey's tools on which data collection and processing were based. These concepts and their definitions are based on international recommendations in the fields of economic statistics and national accounts, while taking into consideration the particular aspects of Palestine.

Residency:

Residency is defined from an economic perspective rather than a legal one. The fundamental criterion to determine the residency of an entity is its center of economic interest, known as the location of housing, or of production or other sites, within the economic territory of a country. The entity initiates large scale activities and economic transactions for a limited or unlimited period, but usually a long period of time. In practice, an individual is resident if he/she remains in a country for a period of at least one year, excluding embassies (apart from local staff who are considered residents in the country where they live, patients being treated abroad, and students who are studying abroad even if their stay exceeds one year).

A company is considered resident in an economy when it has been operating in that economy for one year and more, has a building or office, and has independent accounting records that are not included in the financial statements of the parent company, if any.

Enterprise (project):

Any economic entity legally capable of acquiring assets, assuming liabilities, exercising economic activities, and conducting transactions with other parties resulting in profits and losses. The entity prepares a balance sheet of its assets and liabilities at the end of the year, including performed economic activity or group of economic activities (establishments).

External Assets:

The stocks invested abroad by residents in Palestine (individuals or enterprises).

Foreign Liabilities:

The stocks of non-residents (individuals or enterprises) invested in enterprises located in Palestine.

Direct Investment Enterprise:

An incorporated or unincorporated enterprise in which a foreign investor owns 10 percent or more of the ordinary shares or voting power for an incorporated enterprise, or the equivalent for an unincorporated enterprise.

Direct Investor:

An investor who owns 10% or more of the capital of the company.

Portfolio Investor:

An investor who owns less than 10% of the capital of the company or investments in bonds.

Other Foreign Investments:

Other investments include all stocks of external assets and foreign liabilities not classified under any of the other three broad categories. The most important of these are trade credits, currency and deposits, loans and other assets and liabilities.

Reserve Assets:

These are assets that must be controllable by the Palestine Monetary Authority. They must be accessible to the Palestine Monetary Authority at relatively short notice for balance of payments purposes and be denominated in a convertible currency.

Tables

Table 1: Main Indicators of the Foreign Investment Survey of Resident Enterprises in Palestine (stocks) at end 2014

(Value in million USD)		
	Stock 2014	%
Total Assets*	5,954	100
Stocks of Foreign Direct Investment	316	5.3
Stocks of Portfolio Investments	1,172	19.7
<i>of which: Equity securities</i>	114	
<i>of which: Debt securities</i>	1,058	
Stocks of Other Investments:	3,794	63.7
<i>of which: Trade credits</i>	4	
<i>of which: Loans</i>	24	
<i>of which: Currency and deposits</i>	3,766	
<i>of which: Other Assets</i>	0	
Stocks of Reserves Assets	672	11.3
Total Liabilities**	2,746	100
Stocks of Foreign Direct Investment	1,568	57.1
Stocks of Portfolio Investments	725	26.4
<i>of which: Equity securities</i>	725	
<i>of which: Debt securities</i>	0	
Stocks of Other Investments:	453	16.5
<i>of which: Trade credits</i>	0	
<i>of which: Loans</i>	49	
<i>of which: Currency and deposits</i>	404	
<i>of which: Other Liabilities</i>	0	

* Assets are the investments abroad of Resident enterprises in Palestine.

** Liabilities are the foreign investments in Resident enterprises in Palestine

Table 2: Percentage Distribution of Foreign Direct Investment (FDI) in Resident Enterprises in Palestine by Economic Activity at end 2014

Economic Activity	Value (in Million USD)	%
Financial Intermediation	898	57.3
Services, Transport, Storage, communications & internal trade	563	35.9
Industry	61	3.9
Constructions	46	2.9
Total	1,568	100

Country	Value (in Million USD)	%
Jordan	1,275	81.3
Qatar	129	8.2
Egypt	54	3.5
United States of America	39	2.5
Cyprus	16	1.0
United Kingdom	10	0.6
Other Countries	45	2.9
Total	1,568	100

Table 4: Percentage Distribution of Foreign Portfolio Investments in Resident Enterprises in Palestine by Economic Activity at end 2014

Economic Activity	Value (in Million USD)	%
Services, Transport, Storage, Communications & Internal Trade	363	50.0
Financial Intermediation	329	45.4
Industry	19	2.6
Constructions	14	2.0
Total	725	100

Table 5: Percentage Distribution of Foreign Portfolio Investments in Resident Enterprises in Palestine by Country at end 2014

Country	Value (in Million USD)	%
Jordan	348	48.0
United Arab Emirates	75	10.3
Saudi Arabia	64	8.8
Qatar	35	4.8
United States of America	28	4.0
Kuwait	14	1.9
Other countries	161	22.2
Total	725	100