
MEPPA REPORT 2022

Opportunities for Lasting Impact

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INTEGRATED BUSINESS ROUNDTABLE

I. Executive Summary

This report analyzes the opportunities for the Middle East Partnership for Peace Act to generate economic growth for Palestinians and Israelis through people-to-people programs. The analysis begins with an overview of the historical context within which MEPPA operates, from Israel's independence through the intifadas and from the Oslo Accords through the current day. Following the historic review, the report enumerates macro-level obstacles to shared prosperity, including but not limited to civic and government misalignment, security limitations, anti-normalization policy and the impact of traditional aid approaches.

With the goal of grappling with the challenges to reach promising outcomes, the report delves into micro-level obstacles and their remedies. The remedies are described as opportunities, each with a pragmatic and, in most cases, tested methodological approach. For example, commercial opportunities including improved logistics services, land ports and land bridges, environmental renewal opportunities including waste management and river conservation, industrial development opportunities such as an increase in co-employment and value-chain collaboration, technology opportunities such as training and outsourcing services, and investment opportunities through risk reduction and confidence building. Each opportunity represents a subset of programs that are either underway and can be scaled or that are on the cusp of realization.

The analysis of obstacles and opportunities would be incomplete without a broader perspective regarding strategic approaches to optimizing impact. At first, a case is made for MEPPA to assume the role of a regional catalyst by adopting an ecosystem development approach. The Israel Innovation Authority provides a point of reference as a government agency that has successfully incentivized the Start-Up Nation to develop a series of regional technology ecosystems across Israel over the course of decades. A number of these ecosystems have addressed inter-population dynamics between Israeli Arabs and Israeli Jews much as MEPPA intends to do between Palestinians and Israelis. In addition to the potential scope of MEPPA impact, additional principles for increased success are discussed including neighbor-to-neighbor collaboration between Palestinians and Israelis residing in the West Bank, leveraging the mutual benefits of humanitarian and economic development, the value of incremental progress and the need for outcome-based measures.

The report closes with a recommendation to view MEPPA not only in terms of scope but in terms of longevity as well. MEPPA has the capacity to generate impact beyond the 5-year range of implementation by serving as a harbinger for continued scaling and benefit. By setting the stage for transformational change, MEPPA program operators and a community of business and policy associates can take the next steps towards incremental development, sustainable growth and conflict mitigation.

This report is authored by the Integrated Business Roundtable (IBR). IBR opens the document with a Preface that contextualizes their work, their roles and their goals in preparing this report. It provides the reader with a window into how a potential partner envisions the opportunities at hand.

An appendix follows the document with a list of practical, implementable projects that meet the criteria set forth in the report. This list is not a recommendation but rather a real-time glimpse at opportunities that are already underway.



II. Preface: IBR as an ecosystem catalyst

Background

This report has been authored by the Integrated Business Roundtable. It draws on our CEO Avi Zimmerman's rich, hands-on experience in economic development work in the West Bank and is augmented by deep venture capital and global private equity investing experience from our Chairman Mike Humphrey and from our Venture Partner David Lin, who was a top leader in Microsoft Venture's accelerator program.

For more than ten years Avi led the Ariel Development Fund, an economic planning and development agency that enabled the West Bank city of Ariel to flourish as one of the largest Israeli cities in the region. His work also provided keen insight into a remarkable, and often under-reported, special development of the past years---a recognizable, "integrated" Israeli-Palestinian economy is taking shape and rising despite the many historical challenges. This rising economy includes many well-known stories that range from flourishing integrated workplaces like the Rami Levy supermarkets to stories that are less well known but just as impactful, of integrated workplaces in areas like the Barkan Industrial Zone where growing Palestinian workforces are earning at rates that are multiples of the traditional street wage. And what's being added to the mix now are bold, new entrepreneurial startups that include Jewish and Palestinian partners

Aspiring to encourage growth in this integrated economy, in 2017 Avi and his co-founding partner Sheikh Ashraf Jabari from Hebron formed the Judea and Samaria Chamber of Commerce and Industry ("JS Chamber"). Comprising a multi-industry membership of over 250 Jewish-owned businesses and 250 Palestinian-owned businesses, the Chamber is committed to fostering growth in the region and greater economic cooperation between populations. Avi and Ashraf share an abiding conviction that trust built in successful business cooperation is a key that can step-by-step help unlock a more prosperous, peaceful future.

The learning and so many practical insights from the Chamber led in 2019 to the launch of the Israel-Palestinian Economic Forum ("IPEF")---a forum where policy makers and business leaders could meet to advocate for the rising Israeli-Palestinian economy and the myriad policy changes sorely needed in the West Bank to more fully unlock its economy and greater prosperity. The initial Forum in 2019 included important policy speeches from the US ambassador and US Senator Lankford pledging support from the US government for policies that encourage economic cooperation in the West Bank. The first forum also unveiled a Regional Economic Development Initiative that the JS Chamber co-developed with the Milken Innovation Center – Jerusalem Policy Center. The second Forum in 2020 focused much more on the practical work on the ground of building up integrated workforces and businesses.

IPEF's pioneering work also helped to crystalize another important, even essential need---to create an intentional strategy to build up the technology ecosystem in the West Bank and focus it explicitly on nourishing a fledgling number of integrated businesses with business acceleration services and connecting them to bold providers of "impact" venture capital. Given the transformational success of the Israel Innovation Authority in similar "peripheral" areas---especially in the Galilee and the Negev---



we saw deep parallels to the needs in the West Bank and wanted to replicate their extraordinary successes in building out the West Bank technology ecosystem as well.

In late 2019, the Integrated Business Roundtable was formed to meet that need.

In forming IBR, Avi partnered with Mike Humphrey, a deeply experienced venture capital investor who has invested in the pioneering new venture ecosystem in China after that country's 2001 inclusion in the WTO, and in the rise of the Austin, TX venture ecosystem when Dell Computer first brought Austin to institutional investors' attention.

With contributions from Mike's history and input from other very experienced VC relationships in Israel's own venture ecosystem, IBR established the Field Integrated Innovation Accelerator ("FIIA") which has since incubated more than ten integrated startups. IBR has also invested seed startup capital in two promising "integrated" startups. Dawsat, an Arabic diet concept, has competed for and won a seat at the prestigious Hub 71 Accelerator in Abu Dhabi. The second company, Standard Carbon, was a clean energy company formed from intellectual property developed by and licensed from a West Bank University and has gone on to raise an expansion round of \$1.5 million USD from a US corporate VC.

As we approached 2022, we sensed IBR's work supporting the rising Israeli-Palestinian economy should nurture both the established industry base, as well as the growing technology industry that more and more was spilling over beyond Tel Aviv and Jerusalem. And that to create IBR's most impactful go forward strategy, we should do a deeper Assessment of the extraordinary success of the Israel Innovation Authority's work in Israel--- especially in the peripheral areas of the Galilee and the Negev.

Assessment of the Israel Technology Ecosystem

During the first half of 2022, IBR made a major commitment to assessing the technology and innovation ecosystem of Israel---all developed just over the Green Line. With a view to creating deeper insight into what drove the extraordinary success of the policies and practices deployed by the Israel Innovation Authority over the past 20 years.

The assessment was led by Avi Zimmerman and was supported by Mike Humphrey and David Lin, a former top leader of Microsoft Ventures accelerator business.

The assessment comprised over 80 meetings with a wide range of policy makers, the Israel Innovation Authority, venture capitalists, technology accelerators, entrepreneurs and angel investors. IBR also placed a substantial focus on the work to develop the tech ecosystems in the frontiers of the Galilee and Negev.

A detailed summary of many of IBR's key findings is included as an attachment to this report. A few of the key findings and conclusions included:

1. Wise national policy in the form of the Yozma program demonstrated that a limited amount of initial matching venture funds from government could catalyze a large and thriving VC fund industry. Not just in the center of Israel, but in the periphery as well.

2. The Israel Innovation Authority's incubator program is a key driver of high quality, investable startups. And its key attributes are commercial know-how and the availability of grant funding to get startups going.
3. A thriving tech sector plays to Israel's strength, that been variously written about as Startup Nation. The West Bank should naturally connect to and grow its tech ecosystem in tandem with Israel's.
4. We found evidence that a thriving tech ecosystem was creating more opportunities for Arab employment and for integrated business. One reason being that even in the current downturn, high tech labor in the traditional center from Tel Aviv to Jerusalem is expensive and scarce.

In sum, IBR's key finding encouraged us that continuing to place a major emphasis on developing the West Bank technology ecosystem was the sound strategy. And should be further developed side by side with other core initiatives to help traditional West Bank industries flourish too.

Opportunities for Lasting Impact

With IBR's experienced hands, we remain keenly aware of ongoing challenges and misalignments that make economic development in the West Bank a challenge. To provide our reader with a broad overview of those challenges---and outline that's at once historical and fresh---we've outlined the key issues in Section III.

But as we turned our hand to writing the full report, we also identified several very substantial opportunities---areas where pioneering social and business entrepreneurs are starting bold new ventures that are posting encouraging results. Results that could be accelerated with catalytic investment.

This is where we see a number of exciting opportunities for lasting impact.

At IBR, we are encouraged by the daily interaction with these formidable social and business entrepreneurs making a difference in the region. In so many ways, they are the hands and feet of the rising Israeli-Palestinian economy.

And they can be found creating projects in needed environmental infrastructure, medical facilities that will provide care for Jewish and Palestinian populations alike, and in building industrial zones and growing local exports.

We've listed several specific opportunities in Appendix I.

Long-term, we also believe that building out the West Bank technology ecosystem to support and grow integrated businesses could be the biggest game changer....the one with the most lasting impact. And in Appendix I we have included several projects that would strengthen the region's tech ecosystem: including high-tech and industrial training, and environmental business accelerators, among others.



We are grateful for the opportunity to share this report, with the hope it proves a useful tool in identifying actionable areas of opportunity to generate economic growth and shared prosperity for Palestinians and Israelis through people-to-people programs.

III. Context

The historical significance of MEPPA can best be understood in context. The sorted economic relationship between Israelis and Palestinians has developed over time with peaks and lows that reflect domestic, inter-population and international politics and policies. MEPPA enters this dialectic as a catalyst with experience-based insights and a commitment to drive progress.

Independence to Intifada

At the close of Israel's War of Independence, business ties with the West Bank and Gaza were essentially non-existent. The West Bank was under Jordanian control, Gaza was under Egyptian control, and neither country had normalized relations with Israel. Although the Arab populations across the region had previously enjoyed open travel and unlimited access to Israel's ports and growing energy infrastructure, the end of the war meant that those regions were isolated from Israel. Almost two decades later, during the Six Day War of 1967, Israel gained control over the West Bank and Gaza and economic cooperation began to emerge.

The aftermath of the Six Day War ushered in an era of increased inter-population economic integration. Israel assumed responsibility for the regions within its control, Arab and Jewish neighborhoods of Jerusalem were united and Jewish Israelis moved to the West Bank and Gaza. Palestinians began working for Israeli employers in agriculture and construction. Goods and services were traded between the populations, and the Palestinian economy benefitted from accelerated growth. In order to facilitate normalized economic relations between the West Bank and Jordan, Israel implemented an open bridges policy for mutual access at the Allenby and Adam crossings. All in all, from 1969-1972 the real Palestinian per capita national income grew at an annual rate of nearly 20 percent and from 1973-1980 it grew at a rate of 5%.¹ But those gains would later fluctuate, and they would eventually decrease when hostilities were on the rise.

Israel's growing economy provided increased employment opportunities for Palestinians. In 1968 5,000 Palestinians were employed by Israelis, in 1973 the number rose to 61,500 and in 1987, on the eve of the First Intifada, the number reached 109,000. At the time the Palestinian unemployment rate was 5% and 40% of employees worked for Israelis.²

Economic integration was set back during the First Intifada (1987-1993). Israel responded to the sharp increase in violence with regulations that limited shift lengths for Palestinian employees. Palestinian manufacturing and trade suffered losses due Israeli customers who distanced themselves from the security risks associated with Palestinian communities. With time, terrorism resulted in travel limitations for Palestinians and the number of Gaza residents employed in Israel dropped from 43,000 in 1992 to

¹ Nadav Halevi. A Brief Economic History of Modern Israel, *Economic History*, <https://eh.net/encyclopedia/a-brief-economic-history-of-modern-israel/>.

²https://he.wikipedia.org/wiki/%D7%9B%D7%9C%D7%9B%D7%9C%D7%AA_%D7%94%D7%A8%D7%A9%D7%95%D7%AA_%D7%94%D7%A4%D7%9C%D7%A1%D7%98%D7%99%D7%A0%D7%99%D7%AA

4,000 in 1995. Israel began providing permits for foreign workers to meet the demands of its economy, thereby replacing much of the Palestinian workforce.³

The Oslo Accords, the Paris Protocol and Thereafter

In addition to the political and diplomatic opportunities that the Oslo Accords offered the Palestinians, the peace building measures that began in 1993 presented economic opportunities as well. The Paris Protocol of 1994 serves as the leading policy document for governing Israeli-Palestinian economic relations. The Protocol is designed to provide the Palestinian Authority with a significant degree of economic independence, though it identifies Israel as the primary governing agent with full control of the passage of goods to and from international markets. The Protocol set out to establish a trade union between Israel and the Palestinian Authority whereby Israel is responsible for processing imports and exports, collecting taxes and transferring agreed upon payments to the Palestinian Authority. As such, a status quo has been in place for nearly three decades which straddles the line between population segregation and semi-economic integration.⁴

With the goal of aligning the two economies and providing opportunities for shared trading zones, the Protocol determined that the Israeli Shekel would be the currency for both populations, that tax collection and product standardization would be under Israeli auspices and that import policies would be separate but identical. Collectively these policies are known as the Customs Envelope.

The case has been made that the Customs Envelope prevents the Palestinian Authority from realizing a greater degree of economic independence. On the other hand, it's interesting to note that when the continuation of the Envelope policies for Gaza was called into question by Israel during its unilateral withdrawal in 2005, the Palestinian Authority opposed such an approach. Although there were those who supported the notion of a more decisive break between Israel and Gaza through the nullification of the Envelope (while maintaining the Envelope for the West Bank), the World Bank and the International Monetary Fund prevailed in insisting that the Envelope be maintained.

As with the two decades of economic integration from 1967 until the First Intifada, the years following the Oslo Accords and the Paris Protocol ushered in Palestinian growth that came to a halt with the Second Intifada. At first, Palestinians benefitted from extensive commerce with Israelis in areas such as Bidiya, Tulqarem and Qalqilya. An increase of job opportunities with Israeli employers, from 65,000 jobs in 1995 to 110,000 jobs in 2000, provided employment for roughly 25% of the Palestinian workforce. But these interactions between the populations could not be sustained during the renewed wave of terrorism.⁵

³ Ibid.

⁴ The Paris Protocol. https://unctad.org/system/files/information-document/ParisProtocol_en.pdf.

⁵ https://he.wikipedia.org/wiki/%D7%9B%D7%9C%D7%9B%D7%9C%D7%AA_%D7%94%D7%A8%D7%A9%D7%95%D7%AA_%D7%94%D7%A4%D7%9C%D7%A1%D7%98%D7%99%D7%A0%D7%99%D7%AA

The World Bank referred to the years of the Second Intifada as the Palestinian Authority's Great Depression.⁶ Terrorism drove Israel's Ministry of Defense to impose extended and extensive lockdowns that prevented Palestinian travel and employment in Israeli cities and communities. As with the First Intifada, Israel subsequently shut its doors to Palestinian employees in favor of foreign workers. In parallel, Israelis ceased to enter Palestinian Authority controlled areas and economic cooperation and commerce shrunk swiftly and significantly.

In 2005 Israel unilaterally withdrew from the Gaza Strip. In 2007 the PLO leadership in Gaza was replaced by Hamas, leading the US and the European Union to cease sending foreign aid to the region.

In the West Bank, the pattern of Israeli-Palestinian mutual productivity persisted as domestic commerce was, again, on the upswing after the Second Intifada. The improved security situation allowed Israel to relax restrictions. Palestinian employment was renewed, Israeli Arabs were permitted to enter Palestinian villages and checkpoints within the West Bank were reduced. The West Bank began to experience economic growth at a rate of 5-7% per year, enjoying increased GDP and decreased unemployment. Gaza, on the other hand, was closed off from Israel and its economy continued to deteriorate.⁷

Current Systemic Challenges to Palestinian – Israeli Economic Cooperation

Civic Misalignment

Israelis and Palestinians live at a distance from one another, if not by design then by default. First, there is the obvious language barrier; Israelis' primary language is Hebrew, Palestinians' primary language is Arabic. Second, there are the cultural barriers and biases. And third, the gap between the populations is exacerbated due to physical distance and negative experiences.

In terms of physical distance, Israel's security measures dating back to the Second Intifada include fences, checkpoints and mobility restrictions. As such, Palestinians from the West Bank and Gaza are only allowed entry to Israel with special permits and they're only granted access to Israeli communities in the West Bank with security clearance. Similarly, Israelis are not allowed entry to Palestinian communities in Areas A and B, nor can they enter Gaza. These policies prevent the organic development of business relationships and hamper proactive attempts to overcome the given circumstances.

There is also a confluence of challenges when considering the mix of mobility restrictions and each population's perspective. Checkpoint experiences can be insulting or humiliating for Palestinians, and their perspectives regarding Israelis are often colored by those experiences. Palestinian employees at Israeli companies often point out that previously the only Israelis they had met were soldiers at checkpoints. Their experiences with Israelis as peers were significantly more positive, but that could only

⁶ Ibid.

⁷ Ibid.

be accomplished after surmounting the more common default circumstances of population segregation.⁸

Gaza - West Bank Disconnect

Before working towards Israeli-Palestinian economic cooperation, it's important to recognize the internal handicap within the Palestinian business community. The geographic distance between the Gaza Strip and the West Bank causes a natural barrier, affecting not only traditional businesses and trade but more technologically leaning enterprises as well. This challenge is further entrenched by administrative and political policies as the regions are governed by different Palestinian governments.

Governing Systems

As separate entities, the Israeli government and the Palestinian Authority are not fully in alignment with one another. They represent different populations, and they work to advance different and at times differing national goals. They have succeeded in developing communication and coordination channels in a variety of fields, including security, economics, health, environment and more. However, the two governments do not always maintain the full range of communication channels, and even when they do communicate there remains room for improvement.

In terms of economics, standard policies govern the large volume of trade and monetary relations between the two populations. For example, Israel collects taxes on behalf of the Palestinian Authority (PA) and transfers them to the PA. Those funds amount to 65% of the PA's budget.⁹ But there have been times when Israel has withheld those payments to prevent the direct support of terrorists. In addition to mistrust between the parties, inconsistencies in the application of economic policies creates a sense of uncertainty in the Palestinian public sector.¹⁰

The asynchronization between the governments adversely affects not only the business community but the governments themselves. Businesses are at a disadvantage due to the need to comply with two systems. As described below, this disincentivizes international trade and commerce between Israelis and Palestinians.¹¹ The governments are also negatively impacted when it comes to tax and customs collection, as businesses can exploit gaps in government coordination to their advantage.

Security Limitations

In an attempt to prevent terrorism, Israel has instituted a robust security regime which results in obstacles to economic development such as security fences between Israel and its neighbors in the West Bank and the Gaza Strip and networks of checkpoints across the region. These measures have proven effective in terms of security, but they have also created a disconnect between the societies, hindered the transfer of goods, significantly diminished the ability for businesspeople to convene and limited access for Palestinians who seek Israeli employment.

⁸ Interviews with Palestinian engineers at the Ariel Industrial Park.

⁹ General Assembly, United Nations. Economic costs of the Israeli occupation for the Palestinian people: fiscal aspects. 2019.

¹⁰ Interviews, Palestinian businessmen.

¹¹ Interview, Palestinian businessman.



In 2022 Israel authorized 120,000 work permits for Palestinians.¹² Work permits require security clearance and need to be renewed once every 3 months. There are an additional 35,000 Palestinians who are employed by Israelis within the West Bank.¹³ These employees require security clearance to enter Israeli communities and industrial zones, but they do not require work permits.

Israel also accommodates permits for businesspeople who sell to Israeli customers or buy from Israeli suppliers. Businessman entry permits are in high demand, as they provide preferred access to Israel thereby streamlining the ability to establish business to business partnerships. Roughly 9,000 Palestinians carry these permits.¹⁴

Notwithstanding the opportunities that these permit programs provide, they are not made available to all Palestinians. Both Israel's Shin Bet and the Israeli Police have the ability to suspend or revoke access based upon security or criminal concerns.

For the majority of Palestinians who do not hold permits, convening with Israelis is exceedingly challenging. Considering the inability for Israelis to access Areas A and B and for Palestinians to access Israel and Area C, there remain extremely limited options for the organic interactions necessary to develop business networks. Those limitations hinder business partnerships, collaboration and market access for entrepreneurs and, at times, experienced businesspeople.

Anti-Normalization

There is an ongoing debate as to what degree the Israeli and Palestinian societies should be segregated or integrated. In this discussion, the Palestinian Authority has determined that anti-normalization policies are in its best interests. Anti-normalization undermines and, when possible, prevents organic business relations between the populations. Whereas anti-normalization characterizes the PA's general approach towards partnerships with Israelis, bona fide laws have been passed to illegalize economic relations between Palestinians and Israelis in the West Bank.

Specifically, the PA has illegalized commerce between Palestinians and Israelis in the West Bank.¹⁵ These regulations are enforced with penalties including fines and incarceration¹⁶. The PA also legislated that it is illegal for Palestinians to work for Israeli employers in the West Bank, though this section of the law is not actively enforced.¹⁷

For over a decade this anti-normalization policy has created a splintered reality wherein the PA's delegitimization of economic cooperation with Israelis in the West Bank is abundantly clear, but it is undermined by Palestinians who are willing to take risks in favor of economic prosperity. Tens of

¹² <https://www.ynetnews.com/article/s1e39kdkc>

¹³ COGAT https://www.gov.il/en/departments/units/employment_unit.

¹⁴ Interview with a Civil Administration official.

¹⁵ <https://edition.cnn.com/2010/WORLD/meast/04/30/palestinian.israeli.product.ban/index.html>

¹⁶ Interview with an Israeli industrialist in the Barkan Industrial Park.

¹⁷ http://archive.boston.com/news/world/middleeast/articles/2010/04/28/no_penalties_yet_for_palestinian_settlement_work/

thousands of Palestinians work for Israelis in the West Bank on a daily basis, and businesspeople arrange partnerships with their Israeli neighbors through invoicing and shipping arrangements that circumvent regulations. All in all, anti-normalization policy is a tangible stumbling block for economic collaboration, even if Palestinians don't see it as serving their best interests.¹⁸

International Diplomacy

From the recurrent diplomatic impasse between Israel and the PA to the well-intentioned intervention of the international diplomatic community, the highly political nature of international relations often trickles down to the economic sector. This is true with regards to both direct economic impact, such as PA supportive grants from the international community, and indirect economic impact, as in the case of highly publicized international relations flare-ups. With the international community providing a third of the PA's revenue¹⁹ and upwards of 350 million USD for UNRWA²⁰, the UN's Palestinian refugee support agency, the policies of other state actors are of primary significance.

Of course, diplomacy is a two-way street, and when the PA feels threatened it reserves the right to respond. Such was the case with the 2019 Peace to Prosperity Workshop in Bahrain. The Workshop, led by Senior Advisor to the President Jared Kushner, served as an international platform to promote a 50-billion-dollar program that would support the Palestinians and their Arab neighbors. Due to the discontinuation of US support for the PA at that time, coupled with a diplomatic disposition that prioritized statehood before economic development, the PA chose to boycott the Workshop. Their lack of participation was pronounced.

BDS

The Boycott, Divest, Sanction movement, known by the acronym BDS, can also be characterized as a macro-level economic influencer, though not as its proponents might envision. At times, supporters of Palestinian statehood use anti-Israeli tactics with the goal of assisting Palestinians. These tactics are designed to delegitimize Israel through a guilty by association approach to those who do business with or consider doing business with Israel. In practice, however, the impact of BDS is more often felt by Palestinians who are adversely affected.²¹

From afar, it might seem that Israelis and Palestinians are regularly at odds with one another and that support of one necessarily means an attack on the other. However, this zero-sum game theoretical construct is not supported by reality and attempts to entrench this approach tend to boomerang. In reality, the Palestinian economy is directly linked to Israel's economy and more than 150,000

¹⁸ Interviews, Palestinian members of the Judea and Samaria Chamber of Commerce and Industry.

¹⁹ Jacob Udell and Glenn Yago, Still Digging Out: The Economics of a Palestinian Future, *Milken Institute Review*, 2017.

²⁰ https://en.wikipedia.org/wiki/International_aid_to_Palestinians#UNRWA

²¹ Interview with a Palestinian family member of Palestinians who lost their jobs following the relocation of the Bagel Bagel factory from Area C to Safed in the Galilee. Similar sentiments were publicly expressed by Palestinians who lost their jobs after SodaStream relocated from Area C to Idan Hanegev in southern Israel. It should be noted that despite claims of victory within the BDS camp, in both instances the companies explained that they did not relocate due to BDS pressure.

Palestinians are employed by Israeli companies. Indeed, whereas BDS has not succeeded in causing any Israeli companies to close, it has caused some to reorganize. At times restructuring results in the relocation of a business from the West Bank to internationally recognized Israel, thereby causing large numbers of Palestinians to lose their jobs.²²

Although the BDS movement has made a name for itself in the public discourse, its economic footprint has served to harm Palestinians far more than harming Israel. In those cases when BDS actions threaten to harm an Israeli entity, that entity will often take to the courts and in many cases the courts have ruled in their favor.²³ BDS hinders organic economic growth, mutual productivity and incremental development. Despite its limited and somewhat counterintuitive impact, it is listed here as a root issue due to the ubiquity of its activities.

Traditional Aid Strategies

The well-intentioned support provided to the nascent Palestinian economy does not always produce the intended results. An array of countries, from the US to Europe to the Middle East, have provided aid to the Palestinian Authority over a period of decades, but that aid is periodically called into question and at times discontinued. The case for withdrawing the monetary support of the PA normally stems from poor performance or a misuse of funds. But there is a more fundamental challenge at the heart of aid strategies that warrants further exploration.

Multigenerational international handouts to the Palestinians have failed to motivate the community to substantiate a vibrant economy. Whereas the PA promotes anti-normalization in relation to Israel, it has not yet developed a full range independent economy that inspires the confidence of the Palestinian community. When the international community provides for a third of the PA's operational budget, builds schools and hospitals and provides basic humanitarian aid, the question becomes whether that support assists Palestinians in reaching independence or perpetuates dependencies.²⁴

Traditional aid strategies have made an important contribution to Palestinian society, but they are a double-edged sword. Progress generating programs are most effective when they incentivize Palestinian economic growth without encouraging Palestinian dependencies.²⁵

MEPPA Window of Opportunity

In 2020 the bipartisan Middle East Partnership for Peace Act (MEPPA) was signed into law. MEPPA was born through a recognition of the Israeli-Palestinian diplomatic gridlock and a drive to promote people-to-people programs that would prove productive and impactful notwithstanding the challenges at hand.

²² See footnote 10.

²³ Examples include the recent attempt of Ben and Jerry's to boycott the Israeli franchise, a move that was overturned by parent company Unilever following litigation. Similarly, Spain awarded Ariel University damages for the disqualification of its participation in the 2010 Solar Decathlon on account of the institution's location.

²⁴ Jacob Udell and Glenn Yago, *Still Digging Out: The Economics of a Palestinian Future*, *Milken Institute Review*, 2017.

²⁵ Interviews, US based policymakers, US based investors, Palestinian MEPPA applicants.



MEPPA represents an innovative approach to conflict mitigation. Whereas previous Palestinian aid was focused primarily on grantmaking for Palestinian society with a degree of support for people-to-people projects, MEPPA does the opposite. The people-to-people focus envisions Israelis as primary partners and potential leverage for the Palestinian community. MEPPA also embraces economic development as a leading driver for Palestinian growth, a healthy departure from the pitfalls of aid dependencies.

MEPPA stands to make a significant contribution. As a five-year project, it's support of Israeli-Palestinian partnership programs can move the needle on inter-population dynamics in the short term and advance an economic ecosystem with the potential for exponential growth in the long term.

This report seeks to identify how MEPPA can be most effective as an economic catalyst for growth. This requires an appreciation for the historical context as described above and a careful analysis of the obstacles and opportunities at hand as described below.

IV. Obstacles and Opportunities

An itemized analysis of the numerous obstacles to economic development will allow us to characterize the status quo with the goal of advancing pragmatic steps towards improved conditions. Due to the fractured nature of the systems that influence economics for Palestinians and Israelis, the business community faces many challenges that seem unresolvable. Notwithstanding that frustration, the ability to provide remedies begins with identifying each of the challenges and contextualizing them in terms of cause and effect.

This report addresses two levels of challenges. The macro-level described above refers to the systemic and pervasive obstacles that represent root issues and from which additional challenges arise. The micro-level, to be addressed below, focuses on sectors of the economy that are consistently and adversely affected by the root level obstacles.

A counterweight to the macro-level root issues is required to disrupt the status quo. That counterweight is MEPPA and the offices through which it will be implemented. Not every challenge can be remedied in the near term, but as a 5-year initiative MEPPA presents a window of opportunity to generate meaningful impact. To prove effective, MEPPA will need to address sector-level obstacles and identify opportunities for incremental progress. Ideally, those opportunities will be implemented in the form of pragmatic programs and projects, which can in turn be scaled and will collectively serve as a foundation for significant and cumulative progress.

For each of the sector level challenges at hand, this report enumerates opportunities with multiple pathways to incremental progress. These opportunities are born through a recognition of the obstacles coupled with the innovative and forward-thinking approaches of practitioners who have grappled with the challenges and identified productive practices. They have been presented, tried and tested at varying degrees with carefully engineered approaches that incorporate private, public and social actors. Ultimately, the opportunities are based upon principles that can guide the various actors towards successful outcomes.

Imports and Exports

Economic policy dictates that Israel oversees shipping through ports, port storage of goods, tax policy, standardization requirements and security checks for Palestinian imports and exports.²⁶ This creates a host of challenges for the Palestinian business that works with international markets and partners. These challenges include limited mobility, processing inefficiencies at ports, insufficient logistics support services and high costs of goods storage.

The challenges to Palestinian mobility include travel within the West Bank due to security check points, commerce between the West Bank and Gaza due to territorial non-contiguity and access to international markets due to Israel's control of the ports. Palestinian direct port access is currently limited to the Allenby Crossing between Israel and Jordan.

²⁶ See Footnote 4.

At the ports, whether via Israel's sea ports of Ashdod and Haifa or via ground shipping through the Allenby crossing, Palestinian imports are subject to security examination above and beyond parallel Israeli imports. Security checks, in turn, require Palestinian goods to arrive earlier and incur longer periods of storage. Ultimately the extended security processing becomes more costly for the Palestinian importer.²⁷

Import and Export Opportunities

The challenges for Palestinian importers are closely associated with root-level obstacles that date back to the Paris Protocol. Assuming that a comprehensive reconfiguration of the policy status quo is not on the horizon, a number of programs and adjustments are required to improve efficiency. This is not an all-or-nothing approach. Each improvement is an exercise in incremental progress that will likely be implemented over a period of time.

Door-to-Door

In 2019 Israel's Coordination of Government Activities in the Territories (COGAT) approved the Door-to-Door program that allows preapproved Palestinian industrialists to export their products directly through Israel's ports. Through the program security measures are implemented in the factory. Israeli trucks are granted access to pick and ship the goods via ground transportation. They ship "door to door", from the Palestinian factory to the sea ports of Ashdod or Haifa. This allows them to bypass extensive security checks, delays and costs that are characteristic of the more common back-to-back practice whereby Palestinian export shipments transfer goods to Israeli ground transportation at checkpoints and crossings.²⁸

The Door-to-Door program is currently run on a pilot basis. Participants have reported a two to three times improvement in efficiency and increase in exports. Palestinians stand to benefit from increased awareness about the program, growing enrollment and additional partnerships with Israel's shipping industry.

Logistics

Comprehensive logistics services can significantly reduce costs for Palestinian exports. The export process, which is disjointed due to security oversight and inefficient due to limited shipping and port options, can benefit greatly from improved logistics. There are a number of Palestinian companies that currently provide short term storage for exports, packaging and labeling services or shipping services. These companies are independent operations with limited capacity.²⁹

There is an opportunity for the private sector to take steps towards increased logistics efficiencies. Dedicated facilities that provide comprehensive services will add material value and may impact a gradual evolutionary process. The spectrum of services should include PA

²⁷ Implementable Steps to Lowering Barriers in the Palestinian Economy, *Shrinking the Conflict*.

²⁸ Improved Processes for Palestinian Import and Export, *Shrinking the Conflict*, 2020.

²⁹ Report produced by Dr. Ihab Barghouti, Executive Director of the Palestinian Shippers Council.

compliant long and short term storage, labeling and packaging and shipping arrangements with numerous service providers. The full array of services would also provide competitive pricing.³⁰

Conceptually, comprehensive service centers would represent an initial stage of improved efficiency. A more advanced full service center could provide an onsite information center that can support producers with procedural support as well as access to international markets. As these service centers mature they can pursue agreements with the Israeli authorities to allow them to function as dry ports with direct access to Israel's sea ports. In addition to export services, either these facilities or parallel facilities could provide import services and may ultimately be recognized as bonded areas that significantly improve efficiency while reducing delays and cost.³¹

Bridges

Currently commercial and pedestrian traffic for Palestinians to and from Jordan runs through the Allenby Bridge Crossing. Extended commercial hours and staff proficiency in Arabic would both improve efficiency. In addition, updated security equipment such as industrial scale imaging scanners could significantly speed the pace of processing shipments.³²

An additional approach to improving efficiency would be the reopening of the Adam Bridge Crossing which was closed during the Second Intifada. By operating two ports between the West Bank and Jordan, Israel can afford Palestinians with different options while distributing traffic and reducing wait times.³³

Domestic Trade

Domestic commerce³⁴ between Israelis and Palestinians is hindered due to the anti-normalization policies of the PA, Israel's security limitations and the bureaucracy that requires compliance with both governments. These affect the ability to establish inter-population business relationships and logistics efficiency.

Aspiring entrepreneurs need to develop strong business networks to facilitate market penetration. In theory, this should be easiest between Israelis and Palestinians within the West Bank, but bona fide anti-normalization laws within the region, civic misalignment, political perspectives and neighbor-to-neighbor mobility restrictions often create a greater degree of distance.

Once business relationships have been established, shipping and logistics challenges remain. Currently, Israeli and Palestinian trucks line up back-to-back at or near checkpoints so that products can be

³⁰ Ibid.

³¹ Ibid.

³² Implementable Steps to Lowering Barriers in the Palestinian Economy, *Shrinking the Conflict*.

³³ Ibid.

³⁴ For purposes of this report, direct trade between Israelis and Palestinians is defined as "domestic commerce" as opposed to the "imports and exports" referenced in the previous section.

transported from one region to the next. The process is cumbersome, time inefficient and costly. In addition, as the sale of goods between the populations is regulated by Israeli and Palestinian tax regimens, businesses that exploit the asynchronization between the systems create income losses for both the PA and Israel.

Domestic Trade Opportunities

In 2020 Israelis sold 3.34 billion dollars worth of goods to Palestinians, and Palestinians sold 886 million dollars worth to Israelis.³⁵ Roughly 9,000 Palestinians have business permits that allow them to travel into and out of Israel regularly.³⁶ These permits are predicated upon a threshold volume of monthly sales to Israelis, substantiated by official receipts that have been reviewed by both Palestinian and Israeli authorities. Indeed, domestic trade between Israelis and Palestinians is a common, recognized, and accepted practice. But, as indicated above, there is room for improvement.

Business Networks

Although many businesses have succeeded in developing cross-population business ties, many more have yet to grow beyond their immediate surroundings. The opportunity, then, lies in the ability to bridge neighbor-to-neighbor gaps within the West Bank and to generate broader business networks between the West Bank and Israel.

Initiatives that consistently and methodologically broaden business networks can play a critical role. Business associations that are committed to people-to-people economics and conferences that convene both populations can generate impact. The Israeli Palestinian Economic Forum (IPEF) is an example of a platform that served these purposes.

IPEF I, held in 2019, was a two-day conference which convened over 200 Israeli and Palestinian participants who were joined by delegates and dignitaries from the United States. The conference incorporated a structural framework to pave the way towards implementable outcomes. A report titled the Regional Development Finance Initiative (RDFI) was presented as a baseline for projected economic growth, sector specific presentations addressed collaborative initiatives that were already underway and participant specific sessions – such as a private gathering for Israeli and Palestinian mayors and mukhtars – introduced potential peers to each other for the first time. The impact of IPEF I was most directly apparent through three primary results: the recurrent convening of sector specific committees committed to advancing RDFI objectives, improved standing for Israeli-Palestinian economic partnerships in international discourse (media, US policy) and the establishment of an impact investment group for Israeli-Palestinian startups.

IPEF II was led by the Integrated Business Roundtable (IBR), the US based impact investment group that was inspired by IPEF I to incentivize Israeli-Palestinian economic collaboration. As with its predecessor, IPEF II effectively enlisted the policy community through the participation

³⁵ The Observatory of Economic Complexity, <https://oec.world/en/profile/bilateral-country/isr/partner/pse>.

³⁶ Interview with a Civil Administration official.



of US and Israeli dignitaries and elected officials. Although the event was relegated to online participation due to COVID-19 regulations, with the exception of direct interpersonal engagement the program successfully incorporated the salient elements of its predecessor while adding an innovative “Shark Tank” style investment competition. Two companies co-led by Israelis and Palestinians - a renewable energy company and a digital health company- were selected from among 17 to receive a total of 1 million NIS in funding. The investments were followed by the Field Integrated Innovation Accelerator, a 9-month program that cultivated a cohort of 10 Israeli-Palestinian business initiatives.

The one-of-a-kind IPEF program is innovative not only as a people-to-people convening platform and as an economic growth generator, but as a neighbor-to-neighbor framework as well. IPEF targets the full range of Israeli-Palestinian business partnerships. It is not limited to cross border interaction, but rather excels in engaging Palestinians and Israelis who reside in the West Bank or who run businesses there.

Land Ports

Similar to the concept of logistics centers to facilitate Palestinian imports and exports, land ports between Israel and the West Bank can facilitate domestic trade. The Tarqumiyah crossing in the south near Hebron and the Gilboa crossing in the north near Jenin could serve as port areas for more than transfer of goods alone.³⁷ By allocating sufficient land and paving the way for private sector investment, each port could accommodate warehouses, ground shipping fleets and logistic service centers. The efficiencies of the logistics centers would be more cost effective and increase trade capacity.³⁸ Back-to-back shipment transfers would be replaced by shipping facilities, and onsite coordination between Israeli and Palestinian processing would make the process seamless for the businesses and less prone to tax evasion for the tax authorities.

Environment

Israeli and Palestinian populations are both adversely affected by environmental abuse. As with other sectors, Israeli and Palestinian environmental regulations are misaligned, leading to a broad spectrum of harmful neglect and unfettered active pollution. The joint environmental administration originally envisioned in the 1995 Interim Agreement is largely nonfunctional, and the disconnected systems lead to data and enforcement gaps.

Israel requires and enforces a significantly higher degree of environmental compliance than the PA, compelling Israeli municipalities and businesses to adopt environmentally friendly policies. Unfortunately, higher local standards do not necessarily translate into improved regional environmental quality as neglect in one locale often affects neighboring areas. Similarly, industrialists are negatively

³⁷ Implementable Steps to Lowering Barriers in the Palestinian Economy, *Shrinking the Conflict*.

³⁸ Report produced by Dr. Ihab Barghouti, Executive Director of the Palestinian Shippers Council.

incentivized to gravitate towards less supervised areas thereby exacerbating environmental deterioration.³⁹

Unregulated industries, illegal water drillings, population growth, poor waste treatment facilities and the common practice of burning solid waste have plagued the Palestinian Authority and its residents. There have been initiatives by the European Union (EU) to sponsor ecological installments for sewage treatment and solid waste management, but they have been discontinued due to poor management and misuse of funds.⁴⁰

EU funding has also been withdrawn on occasion when both Palestinians and Israelis stand to benefit from ecological projects. The EU maintains a clear distinction between the two populations, even when projects are constructed in Area C.

Environmental Renewal Opportunities

Environmental renewal has the capacity to function as an economic development sector, especially when government regulations either incentivize or penalize industrial conduct. In some respects, the impasse on cross-society environmental renewal projects is the most frustrating. The two populations stand to benefit or suffer collectively based on their conduct, but the government misalignment is profound, and the environmental abuse is pervasive. Despite the failures of waste management projects in the past and negligible PA regulatory efforts, there have been a number of initiatives with varying degrees of success. As a rule, these initiatives are most promising when the shared benefit is clear, private-public partnerships are in place and the PA's cost of participation is sponsored by another entity.

Solid Waste Management

There have been under the radar solid waste management partnerships between Israeli and Palestinian municipalities for decades, allowing Israeli businesses to collect waste from Palestinian communities without drawing attention to the normalization of relations⁴¹. It's a clear win-win, though these arrangements are somewhat dated and the waste is deposited in landfills instead of more advanced facilities.

New, more ecologically friendly waste and recycling facilities are currently under development by Israeli businesses. They have successfully enlisted Israeli municipalities as clients, but Palestinian municipalities lack the regulatory incentives to drive their participation. Inevitably, the economic models require subsidies, either from Israel or environmentally supportive actors, to account for the cost of treating Palestinian waste.⁴²

The Rammun waste management facility is an example of unrealized potential. The facility was first designed roughly a decade ago with German funding and the goal of treating Ramallah's waste. However, due to the facility's location in Area C within Israel's Benjamin Regional District

³⁹ Interview with the Barkan Industrial Park Authority.

⁴⁰ Interviews with the Municipal Environmental Association of Samaria.

⁴¹ Ibid.

⁴² Ibid.

coupled with EU refusal to incorporate Israeli waste treatment at the site, the project has been at a standstill. Recently, new regional Israeli leadership has revived the project's prospects by embracing the initiative and convincing the Israeli municipalities to do the same. A viable business model, with subsidies for Palestinian waste treatment, will be a critical step towards success and, subsequently, developing similar operations in additional areas.

Bioreactors

The Mountain Aquifer that sits beneath the West Bank is a primary water source for the region and for parts of Israel. The infiltration of untreated wastewater has contaminated the Mountain Aquifer, along with toxins from industrial and electronic waste. Though better equipped than their Palestinian counterparts, Israeli communities in the West Bank have varying degrees of sewage management. In those cases when they can be connected to Israel's national sewage infrastructure, it's more sensitive and complex to do the same for Palestinian communities.

Researchers from Israeli and Palestinian universities in the West Bank have developed bioreactors that successfully treat the wastewater.⁴³ These facilities can contribute to the reversal of environmental degradation across the region. With people-to-people teams and coordination with COGAT in place, funding is the primary requirement necessary for the installment and management of bioreactors.

River Conservation

Economic development and technology are now being used to improve the water quality of the Kidron River Valley, also known as Wadi-El-Nar, that runs from Jerusalem to the Dead Sea. A process that was a decade in the making, Israel approved funding to clean the river basin and treat the water that was otherwise polluted. Due to an impasse in coordination between Israeli and Palestinian counterparts, the ecological project is implemented in Israeli controlled areas. Although there remain locations along the river's route through Palestinians communities that continue to pollute, the sum total of cleaning efforts are expected to improve the net impact and increase access to potable and agricultural water while restoring biodiversity. Projects of this nature can be implemented at additional locations to scale positive environmental impact.

Tourism

As with Israel, tourism can become a leading business sector in the Palestinian economy. However, due to a mix of mobility restrictions for Palestinian and Israeli tour-guides, political perspectives of visitors and a status quo of either Palestinian or Israeli tourism packages, the industry has been stifled.

Three primary forms of restrictions currently limit the industry's development. The first are the limitations on foreign visitors to the region, the second is on outbound travel for Palestinians, and the third is the lack of offerings for tourists to visit both Palestinian and Israeli sites. International visitors who travel to Israel via Ben Gurion Airport are hosted by Israel's tourism industry. It requires a

⁴³ Interview with Dr. Kobi Anker of the Eastern R&D Center.

concerted effort on the part of a visitor to request to visit the West Bank, and visits to Gaza require special arrangements. Those visitors who intend to spend significant time in Palestinian Authority controlled areas are subject to further screening and their entry visas are not always approved.

Outbound tourism is also limited for Palestinians due to the cumbersome process of traveling through the Allenby Bridge Crossing in order to fly internationally via Jordan. Domestic tourism, for Palestinians who want to visit Israel, is subject to special permits which are normally limited to holidays for purposes of visiting holy sites. Israelis are also limited in terms of access to Palestinian communities and require special security arrangements to accommodate travel.

Tourism Opportunities

In 2018 Palestinian tourism generated 245 million USD in revenue⁴⁴. Israel and the West Bank are heritage rich regions and natural tourism hubs. The post-corona era has ushered in a season of tourism renewal, presenting an excellent opportunity to revisit models for increased mutual benefit.

Heritage Tourism

The region is globally renowned for the rich historical sites that draw Christians, Muslims, Jews and heritage-oriented tourists. Touring agencies and tour guides that are well versed in the region's geopolitical sensitivities can carefully craft experiences that include visits to Israel and the West Bank, but these are the exception and not the rule. Scaling these operations and marketing to broader audiences can serve both economies well.

Dual Narrative Tourism

Some of the tour guides and agencies specialize in conflict tourism, catering to visitors who wish to explore the geopolitical nuances firsthand. Though these groups tend to benefit from exposure to the West Bank and to Israel, they are often subject to a specific worldview that does little to mitigate the conflict and, at times, may serve to intensify hostility. A positive development is the innovation of dual narrative tourism which provides visitors with a taste of Palestinian and Israeli perspectives.⁴⁵ Initiatives of this nature provide guests with a greater appreciation for the region's complexities and a greater respect for the different populations. Though catering to foreign visitors, these programs have the potential to positively influence discourse and to increase partnerships between Israeli and Palestinian service providers in the tourism industry.

Trade Route Tourism

Another innovative approach to people-to-people tourism opportunities is the development of trade route tourism. This new brand of regional tourism introduces visitors to the ancient travel and transportation routes ranging from Asia to Africa. The MENA region has long been traversed by merchants from different societies, introducing different communities to one another through culinary, cultural and product exchange. Preceding political divides, Israel and the West

⁴⁴ <https://www.ceicdata.com/en/indicator/palestinian-territory-occupied/tourism-revenue>

⁴⁵ Interview with Azziz Abu Sarah, Founder, Mejdi Tours.

Bank were organic crossroads for trade, and they can be reframed as such through sub-sovereign coordinated tourism and marketing plans.⁴⁶

Trade-route tourism could, ostensibly, add significant appeal in the wake of the Abraham Accords. Delegations from Abraham Accords partner countries have been visiting Israel in increasing numbers, though they currently focus on the more common visitors' sites. Trade route tourism can provide a thoughtful, enjoyable, cross-cultural set of experiences, if not for first time tourists then for more seasoned visitors. These programs could be custom designed to address the most relevant sites and experiences for visitors from specific countries. In addition, they offer guests direct engagement opportunities with Palestinian communities without politicizing the content or messaging of the experience.

Industrial Development

Manufacturing in the West Bank is a leading economic sector for Palestinians and Israelis alike. First, the segregated administration of Areas A, B and C limits each population to designated spaces for industrial development and presents challenges to businesses that seek strategic partnerships. Second, partnerships between Israeli and Palestinian businesses across the value chain are deterred and hampered due to the PA's anti-normalization policy as described above. And third, security considerations can undermine collaboration.

During the Second Intifada the Atarot Industrial Park, located on the outskirts of Jerusalem not far from Ramallah, was put to test. Originally established in 1970, the Park became home to both Israeli and Palestinian businesses. The populations worked together for decades, but circumstances took a turn for the worst in 2000 with the rise of violence. Terrorist attacks on Israeli owned businesses resulted in the closing of 45 factories in 2001⁴⁷ and the near indefinite closure of the entire Park. Atarot has since been rehabilitated, but the collective conscious remains scarred.

Industrial Development Opportunities

In an age when domestic supply chains and product exports are strong indicators of a high functioning economy, both Palestinians and Israelis have much to gain from industrial and manufacturing development. Traditionally, this sector has enjoyed a certain degree of inter-population cooperation due to the drive for cross-market penetration.

One of the strengths of the industrial and manufacturing sector is the set of highly engaging interpopulation interfaces that it generates. From administrative offices, through design and engineering teams and onto the production floor, Israelis and Palestinians working side by side at factories develop strong bonds. Marketing, sales and shipping may be less interactive, but they too retain a degree of intercommunity engagement which yields greater familiarity and increased social comfort. Although every individual continues to carry a personal identity, this industrial ecosystem is

⁴⁶ Interview with Prof. Glenn Yago, Milken Innovation Center – Jerusalem Policy Center.

⁴⁷ <https://jewishjournal.com/israel/4060/>

adopted as an additional element of that identity through which Israelis and Palestinians become part of a shared community.

Beyond a mitigation of conflict, Israeli industries offer Palestinians compelling opportunities which make employment a highly desirable proposition. Palestinians employed by Israelis, whether in the West Bank or in Israel, earn no less than twice what they would earn in Areas A and B. In addition, they receive full social benefit packages which are virtually unheard of in PA controlled areas.⁴⁸ The positions at these companies are normally production level jobs, but there are Israeli industrial employers who hire Palestinians to fill administrative and engineering roles.⁴⁹ With 120,000 Palestinian employees working in Israel and an additional 35,000 working for Israelis in the West Bank, this sector is a leader in generating shared prosperity. As such, it's important to explore and advance further opportunities for mutually productive industrial growth.

Growth of Area C Industrial Parks

The more industrial parks and factories in Area C the better. Israeli industries are lining up for the opportunity to open facilities in the region due in the short-term to more affordable development costs and in the long-term to dedicated Palestinian workforces.⁵⁰ By law, Israeli employers are required to pay the same salaries and social benefits to Palestinians that they pay to Israelis, but it is not the cost of labor rather the quality of labor that draws them to the region.⁵¹ Palestinians are known by the industrialists for their commitment to their places of employment and their interest in long-term career growth within the company. Interestingly, Palestinians also take interest in establishing their factories in Area C, either due to better access to Israeli services and markets or more stable administration of the industrial parks.⁵² There are plans to establish additional industrial parks in Area C, but land development in the region is politically sensitive and, as a result, delayed.

Industrial Training

Israeli onboarding of Palestinian employees is an established practice, but it is not always as rewarding as expected. Many times employees lack the training, language skills or work ethic that a given position requires. Programs that bridge human resources gaps would be embraced by Israeli employers and, at times, can benefit from their sponsorships.⁵³

Turn-Key Value Chain

The business networks, logistic centers and land ports described above can evolve into more advanced forms of people-to-people collaboration in an industrial context. At a time when domestic manufacturing is valued, and in a constellation wherein Palestinian and Israeli

⁴⁸ Interviews with Palestinian employees in Area C.

⁴⁹ Interviews with Israeli industrialists in Area C.

⁵⁰ Interview with Mayor of Ariel, Eli Shaviro.

⁵¹ Interviews with Israeli Industrialists in Area C.

⁵² Interviews with Palestinian industrialists.

⁵³ Interview with the Ariel Economic Company.

production lines could prove complementary with better communication, opportunities for integrated value chains are within reach. With time, these value chains could evolve into turn-key product solutions, whereby multiple manufacturers work together to develop integrative products. Business associations can play an active role in promoting these processes and relationships, with the goals of mutual investment, global sales and long-term win-win economic growth.

Innovation and Technology

The social distance between Israelis and Palestinians is a primary root source of the significant gaps between the technology industries in each of the societies. Israel is consistently ranked as one of the leading tech start-up countries in the world across numerous measures.⁵⁴ The Palestinian tech sector is ambitious but has yet to realize its potential.

The Israeli tech ecosystem is vibrant and has weathered the challenging global stress tests over the past two decades. Even with the global economic downturn, in 2022 burgeoning Israeli information technology companies still lack over 10,000 tech employees⁵⁵. In contrast, the Palestinian tech companies are few and far between providing nominal job opportunities to thousands of Palestinian college graduates.⁵⁶

Theoretically, Palestinian tech professionals could fill some to many of the available positions in the Israeli market, but that possibility is rarely capitalized upon. Even when Israel provided 200 new permits for Palestinians to work in the Israeli tech sector in 2022 only a nominal number of those slots were filled.⁵⁷ There are gaps between the expectations of the Israeli companies and the professional training of Palestinian candidates, but that does not justify the dearth of employment matches when compared with the complementary needs of each community.

As explained by HR professionals, leadership within an Israeli company needs to be motivated and committed to hire Palestinians.⁵⁸ The civic misalignment between the two communities as described above makes the employment of Palestinians less of a taboo and more of a non-consideration as global online outsourcing possibilities seem more natural. This asynchronization, which may seem awkward considering the physical proximity of the two societies, underscores the distance of consciousness between them.

Innovation and Technology Opportunities

The nascent Palestinian information technology sector stands to benefit from Israel's global IT leadership. Proactive steps are necessary to educate the populations about the potential alignment between them in terms of employment opportunities, outsourcing services and prospects for co-

⁵⁴ <https://www.startupblink.com/startup-ecosystem/israel>

⁵⁵ <https://en.globes.co.il/en/article-tech-job-vacancies-in-israel-down-22-1001427646>.

⁵⁶ Interview with MAOF, Israel's small and medium business association, of East Jerusalem.

⁵⁷ Interview with COGAT officials.

⁵⁸ Discussion at the Peres Center for Peace and Innovation.



innovation. Carefully engineered inter-population tech collaboration programs can then convert growing opportunity awareness into economic growth.

Technical Assistance and Outsourcing Services

A number of innovative programs have recently been launched in the West Bank to support either Palestinian startups, IT trainees or both. Projects run the range of enhanced professional training for college graduates to accelerator programs for entrepreneurs. Some initiatives offer hybrid technical assistance, with both training for teams and product development for real clients.

The technical assistance programs will, inevitably, grow the footprint of Palestinian outsourcing services. Much of the Palestinian technology sector currently provides services for non-Palestinian businesses. By increasing the number of highly trained and market-experienced employees and teams, the outsourcing community can attract greater interest in Israel and beyond.

Internships and Employment

Programs that actively advance Palestinian placement at Israeli software companies, either as employees or interns, are significant contributors to Palestinian prosperity and to the long-term development of the Palestinian technology sector. Israel has opened the door to these programs with the recent approval of 500 new technology permits for Palestinian employees to be granted over a three-year period. In addition, some of the Israeli tech companies have high inclusion standards and consider Palestinian employees an important element of human resource diversity.⁵⁹ As noted above, these opportunities alone cannot reshape the landscape; strategic and methodological programs are required to harness the potential of co-tech employment.

Co-Innovation

The potential for co-innovation between Israeli and Palestinian tech startup founders has been explored over recent years with different operational models and varying degrees of success. Tech2Peace hosts inter-population seminars that incorporate conflict mitigation and tech training, 50:50 Startups runs accelerators for businesses which are co-owned by Israeli and Palestinian partners, and Our Generation Speaks is a Boston based incubator that develops inter-population entrepreneurial teams. These programs yield fresh ideas, new initiatives and improved potential for people-2-people business success.

The Field Integrated Innovation Accelerator (FIIA) was established with a similar goal of inter-population co-innovation, though it stood out in terms of its location and participant composition. FIIA was conducted in the Israeli city of Ariel, located in the northern half of the West Bank. A 9-month business accelerator that convened on a weekly basis, it was the first

⁵⁹ Interview with COGAT officials.



program of the sort that intentionally engaged Israeli and Palestinian residents of the West Bank. The program successfully launched in May of 2021 despite the concurrent surge of violence, and it carried to full term. The initial enlistment of Palestinian participants was challenging, but the quality of the program proved valuable and sufficiently compelling for the teams.

FIIA, which was co-sponsored by IBR and the Field Center for Entrepreneurship at Ariel, adds value to the landscape of co-innovation programs not only in terms of location and participants, but in terms of the diversity of its cohort as well. Whereas most co-innovation programs focus on technology, FIIA provided a home for the more prevalent and traditional businesses in the region. Startups included agriculture, medical services, education, industry and textiles. As with other sectors, co-innovation partnerships stand to benefit from programs that are keenly attentive to the region's organic growth opportunities.⁶⁰

Investment

Over the decades, the PA dependency on international aid did little to motivate either private sector investments or private sector enterprises that would command the attention of the investment community. Exercises in promoting direct investment have been limited by the scarcity of quality Palestinian tech startups, the challenges for those startups to prove themselves and perform beyond the context of Palestinian society, and obstacles to collaboration between those companies and would-be Israeli partners.⁶¹ In addition, Palestinian society tends to function as a cash economy. With limited experience in leveraging businesses beyond close circles of friends and family, Palestinian entrepreneurs may be unaccustomed to soliciting investments to scale.

Investment Opportunities

Fortunately, the Palestinian economy has developed over time, and there are increasing numbers of businesses that warrant investment. In order to address the potential comprehensively, programs geared toward reducing risk and building investor confidence can prove highly valuable.

Confidence Building

Investors need to be convinced not only of the viability of a given startup but of the stability and predictability of the Palestinian economy. An ambitious confidence building initiative was introduced by the US government in 2019 in the form of the Peace to Prosperity Workshop.⁶² As described above, the Workshop was designed to enlist the participation and support of Arab countries and additional foreign investors to play active roles in developing the Palestinian economy. The 50-billion-dollar concept included a revolutionary set of initiatives that were set

⁶⁰ Interviews with IBR leadership, CEO of the Field Center for Entrepreneurship, Tomer Fein, the Field Center staff and cohort participants.

⁶¹ Interviews with Palestinian startup founders.

⁶² The complete plan can be found here <https://trumpwhitehouse.archives.gov/media/peace-prosperity-full-plan/>.



to improve not only the Palestinian economy but civil society and government sectors as well. The initiative was not adopted as-is, though there were two significant outcomes. First, the Workshop was a precursor to the Abraham Accords. And second, it demonstrated that large scale investment is attracted to improved Palestinian governance and economic stability.

Reduced Risk

The United States has long supported developing economies in the form of both grants and investments. Investment offices, such as the Development Finance Corporation (DFC), have contributed to this process by de-risking US based investments in these regions. One such example is DFC's work with the Middle East Investment Initiative (MEII), providing guarantees for debt financing across the Middle East and North Africa.⁶³ MEII has successfully provided investments into small and medium Palestinian enterprises and is now working to explore new financing models. These programs that both reduce risk and encourage investments can be scaled and innovated for further success.

Impact investing

As noted above, the 2020 IPEF conference included a Shark-Tank style investment event sponsored and led by IBR. The motivation for the event was born out of a commitment from a group of US based investors to shared prosperity for Israelis and Palestinians. The process leading up to the event included enlisting co-commerce, co-innovation and co-ownership teams of Israeli and Palestinian entrepreneurs to participate in the competition. IBR reviewed 17 applications, arrived at a shortlist of five, and invited two businesses to compete onstage. The live event was attended by 50 impact investors with varying degrees of familiarity with either Israeli or Palestinian startups. Beyond the direct impact generated for each of the companies that was awarded funding, the event served as a platform to grow awareness regarding the potential of West Bank investing and people-to-people investing. With time, it has also served as proof positive that there is a double bottom line of people and profit with Israeli-Palestinian impact investing.⁶⁴

⁶³ Interview with Jim Pickup, President and CEO of MEII.

⁶⁴ Interviews with IBR leadership and Board Members.

V. Innovative Strategies

The obstacles and opportunities analysis above provides a series of operationally sound approaches to mutually beneficial economic development across a series of sectors. Upon further examination, a number of economic development principles and recurrent themes emerge through the study of the opportunities listed above. When considered holistically, some of these principles represent innovative strategies that are not confined to a given sector. They may depart from traditional approaches in terms of methodology or scope, but they remain rooted in the positive learning experiences of the past and focused on transformational change for the future.

Each of these themes represents an innovative strategy to the promotion and advancement of people-to-people economic development for Palestinians and Israelis. They are enumerated below with the goal of zooming out from the tactical case-by-case sector specific analysis to highlight broader strategic approaches. Ideally, these principles will be factored in when designing and reviewing MEPPA plans for economic growth impact.

Ecosystem Development Model

A robust literature exists that documents Israel's thoughtful—and very successful— public policy prescriptions and public investment to derisk and grow its startup ecosystem into a global leader. Many observers believe one of the best historical accounts of this 25-year economic miracle in Israel has been captured in the book entitled *Startup Nation*.

For the purposes of this paper, there are two aspects of the Israeli government's policy mix and public investment that have been most impactful and successful:

The Yozma Program

With an economy still substantially dependent on government expenditures, in 1993 the Israeli government launched the Yozma Program to incent foreign investors (mostly from the US) to build up a globally significant venture capital industry focused primarily on technology startups. The Israeli national government offered to leverage its public funding by contributing 40% of the capital to any newly formed international venture fund, with a very attractive feature to allow the venture fund to buy-out Israel's public funding over time for cost plus an attractive interest rate. Thirty new venture funds were quickly formed. In 1993, public funding comprised 50% of Israel's very small venture capital industry. Within five years, by 1998, the wise investment by the Israeli government of \$250 million in new venture funds reduced any further public investment into its now thriving VC industry to essentially zero and by 2002 an explosion of 131 private VC funds had been formed managing USD \$10 Billion. Today, Israel's VC industry has grown substantially larger still, and is a strategically important hub in the global innovation ecosystem along with Silicon Valley, New York and London.⁶⁵

⁶⁵ Dan Senor, Saul Singer, *Start-up Nation: The Story of Israel's Economic Miracle*, 2011.

Israel Innovation Authority Incubator Program

Operating under the authority of the Israel Ministry of the Economy, the Israel Innovation Authority develops and implements a multi-faceted strategy to foster leading edge industrial R&D and build a robust tech ecosystem to commercialize new IP and technologies. One of its core programs is to operate a network of more than a dozen technology incubators located in strategic locations across Israel. The Incubator Program has produced excellent results for Israel and is widely regarded internationally as a best-in-class model for the decisive role government can play in building a national technology strategy and incubator system. The key features of the Incubator system include:

- a. Incubator operating licenses of eight (8) years are subject to a competitive bid process from qualifying venture capital operators.
- b. The Innovation Authority provides substantial direct cash investment into startup companies accepted into its Incubators. The key fact is that the money comes in the form of a grant up to 85% of the startup's two-year budget with a maximum of \$3.5 million NIS. The grants are not dilutive to equity ownership.
- c. Entrepreneurial startups also receive comprehensive services from the Incubator including physical space, administrative services, technology and business guidance, legal advice and access to partners, additional investors and potential customers.⁶⁶

The Innovation Authority has also chosen to designate a disproportionately high number of its Incubators to be developed outside of the center-core of Israel's economy (Tel-Aviv—Jerusalem) into its two "periphery" areas of the Galilee and the Negev. An overarching strategic goal for the developing the periphery includes strengthening border economies and populations, and thus, national security. Another is to build greater opportunities for the Israeli Arab and Bedouin populations to participate in the high-tech economy creating a more integrated economy, a greater supply of needed tech-trained labor, and offering hope for greater social harmony.⁶⁷

Many of the best practices developed by the Israel Innovation Authority—and especially as they have been applied to the peripheral economies in the Galilee and the Negev—could be successfully applied in the West Bank without much modification. While the West Bank is in many respects a third "peripheral" area, Israel's Ministry of Economy is not in a position to finance Palestinian-Israeli people-to-people ecosystem development. This presents an opportunity for MEPPA to adopt highly effective Innovation Authority programs by assuming the role of ecosystem catalyst in the region.

Neighbor-to-Neighbor

One of the more delicate issues associated with the Israeli-Palestinian conflict is the interaction between Israeli and Palestinian residents of the West Bank. On one hand, the most productive, mutually

⁶⁶ <https://innovationisrael.org.il/en/our-value-propositions/entrepreneur>

⁶⁷ Interview with an Israel Innovation Authority official.



respectful and hostility-reducing inter-population interactions transpire at co-employment workplaces. On the other hand, the PA enforces anti-normalization policy specifically within the West Bank with the goal of undermining and preventing neighbor-to-neighbor collaboration. There are different values at play, and Palestinians need to choose which approach to embrace.

One of the most common questions posed by foreign visitors to Palestinian employees at Israeli businesses in the West Bank is whether they feel a sense of betrayal to Palestinian nationalism by working for Israelis. Invariably, the response is a resounding “no”. Palestinians distinguish between the virtues of their place of employment ranging from salary to social benefits to comradery with Israelis, and their private lives, identity and convictions. Working with Israelis, as they explain, does not influence diplomacy, but it does improve interpersonal interactions and mitigate conflict.⁶⁸

Traditionally, foreign governments have either overlooked or intentionally sidestepped the Israeli population of the West Bank. The European Union explicitly states in its grantmaking calls for proposals that Israelis residing in the region are precluded from applying or participating.⁶⁹ Until recently, the United States disqualified Israeli research institutions in the West Bank from applying to the Binational Industrial Research and Development Foundation (BIRD), the Binational Science Foundation (BSF), and the Binational Agricultural Research and Development Foundation (BARD). But in October 2020 the US changed its policy and removed geographic restrictions from the application process, thereby allowing Israelis in the West Bank to apply and advance their research.⁷⁰ More importantly, the door has been opened to research and development partnerships between Israeli and Palestinian research teams who are developing focused solutions for the region’s cross-population problems.

Fortunately, MEPPA is not limited by geographic restrictions. This is an opportunity for innovative Israeli-Palestinian neighbor-to-neighbor teams to collaborate. From industrial co-employment to technology co-innovation to environmental cooperation, the needs of the region will often be best served by the two populations who live side by side. To the same extent that residents of the West Bank represent a central feature of the conflict, they can become a central feature of the solution.

Hybrid Economic Humanitarian Projects

Upon reviewing opportunities for mutually productive economic development, it becomes apparent that economic impact reaches far beyond the confines of business models and capital investment. The example given above is in the environmental renewal sector, where private public partnerships can offer both lucrative business enterprises and a more ecologically sound future for the region. Additional humanitarian initiatives, from medical services to social businesses, can similarly yield a double bottom line. At times, the social benefits outweigh the risks associated with collaboration.

⁶⁸ Interviews with Palestinians employed by Israelis in Area C.

⁶⁹ <https://www.haaretz.com/israel-news/2021-10-26/ty-article/.premium/israel-to-join-key-eu-research-program-that-bans-use-of-funds-in-settlements/0000017f-e158-d9aa-afff-f958b6500000>

⁷⁰ <https://il.usembassy.gov/bird-bard-speech-at-ariel-university-as-delivered/>

In a sense, all forms of economic cooperation follow this model as they provide both parties with financial benefits that outweigh concerns of anti-normalization or personal security. But direct and unambiguous humanitarian support, even when economic returns are limited, is no less a motivator.

A number of medical centers are currently being developed in Area C with the goal of providing services to Israelis and Palestinians alike. As with the obstacles and opportunities listed above, these projects require careful planning to address the misalignment between the medical care systems while providing added value to both populations. The investors in these projects have conducted preliminary studies to confirm that when faced with a choice, Palestinians and Israelis will take advantage of medical services close to home rather than traveling greater distances to more segregated facilities.⁷¹

This strength of hybrid economic-humanitarian collaboration is not lost on actors who are looking to support the region without getting caught up in diplomatic discourse. One such philanthropic foundation expressed interest in supporting shared economic prosperity projects on condition that they have a clear humanitarian focus.⁷²

Economic and humanitarian objectives complement one another. Whereas humanitarian goals can often supersede diplomatic sensitivities, economics can substantiate principles such as trust-building, win-win benefits and measurable outcomes. From a strategic perspective, in those programs where either a humanitarian or an economic element is present it would be wise to consider adding the complementary element to improve the probability of success.

Incremental Progress

Status quo gridlock often translates to an all or nothing approach to transformational progress. The findings of this report, however, suggest that incremental progress is more pragmatic and more beneficial in the short to long term.

At first glance, anything short of a policy overhaul regarding imports and exports will not improve the prospects for Palestinian international commerce. But upon closer analysis, focusing on efficiencies rather than policies opens the door to an array of measures that can, individually and collectively, generate growing opportunities. Logistics businesses can be launched in the short term which can then evolve into comprehensive large-scale facilities and eventually land ports and bonded areas in the long term. Once an efficiency is introduced additional efficiencies can follow.

This same is true for domestic trade in terms of improved efficiencies, innovative travel routes that can reshape the tourism industry and impact investments that can pave the way for greater scale and financial innovation. In every economic sector, incremental progress can be scaled to greater and at times exponential growth.

⁷¹ Interviews with the Benjamin Regional Medical Center officials.

⁷² Interview with a representative of the Schusterman Foundation.



Outcome-Based Measures

One of the strengths of economic programs is in their ability to measure outcomes. Business transactions involve agreed upon terms and expectations. When those expectations are defined in terms of economic returns, the success of the business partnership can be easily evaluated.

Not every economic advancement initiative is measured in terms of economic returns, but in all cases the business mindset demands a bottom-line outcome which can be demonstrated. As such, economic programs that are designed to extend business networks can be measured in terms of the number of introductions, projects focused on export in numbers of international relationships, and business conferences can be measured by the quantity and quality of the content. Whatever the circumstance, outcomes should be measured to evaluate the value and impact of a given program.

At times special tools need to be developed to measure outcomes. The farther removed an expected outcome may be from a quantifiable economic return, objective qualitative measures can prove valuable. Academic professionals can conduct studies that review and analyze the relevant data, whether from the initial stages of the program's intervention or at later stages to determine impact.

The offices of USAID and DFC are well versed in the requirements of outcome-based programs. These policies are of strategic value and they will serve MEPPA well.

VI. Lasting Impact

The Middle East Partnership for Peace Act commits the United States to the support of people-to-people Israeli-Palestinian partnerships over a 5-year period of time. MEPPA has the potential to disrupt the status-quo in the short term, generate significant impact in the mid term and serve as a harbinger of increasing shared prosperity in the long term. By tracking progress over time, MEPPA can measure and maximize success.

Each of the opportunity sectors listed above addresses a shortlist of operational programs that can be planned and implemented in the short term. International commerce, domestic trade, environmental renewal, tourism, manufacturing, technology and investments can all be advanced incrementally through carefully planned and well executed programs. Execution timelines for different programs will inevitably vary, but successful projects will yield benefit over periods of months to years. As such, the direct impact of MEPPA programs will run beyond the 5 years of its implementation.

As a catalyst for progress, MEPPA can further extend its impact. Every successful people-to-people program is proof positive that innovative approaches to Palestinian-Israeli partnerships are effective. The cumulative effect is, of course, more compelling for the businessperson, social entrepreneur and policy maker. To build that awareness and inspire a healthy snowball effect, MEPPA can incorporate reporting tools and embrace opportunities for greater interaction between the different economic actors.

The outcome measures discussed above are an important tool for benchmarking and tracking progress. Success will breed success, and programs with proven track records in the short term can be further supported to scale their efforts in the mid term. Academic studies, interdisciplinary conferences and an ever-developing dynamic body of knowledge and experience can emerge to cast vision for what can be achieved for decades to come. Ultimately, MEPPA will mark a milestone in Israeli-Palestinian relations, whereby the United States set both societies on a path of mutual productivity and shared prosperity.

Appendix 1: MEPPA Funding Opportunities

The following is a shortlist of projects at varying stages of development that could potentially be well suited for MEPPA support. IBR has been in discussion with each of these teams and has provided them with guidance through the project development process to better equip them with the ability to tackle obstacles and generate a greater probability of success. This list is not a recommendation but rather a glimpse at opportunities that are already underway.

1. Israeli Palestinian Economic Forum

Description: A convening platform for the business, civic service and policy communities to advance best practices for mutually beneficial Israeli-Palestinian economic development.

Stakeholders: Sagamore Institute, Integrated Business Roundtable, JS Chamber, Milken Innovation Center – Jerusalem Policy Institute.

Budget: 3.24mm USD

Schedule: APS 2022 – Concept Paper submitted.

2. Rammun Waste Management Site

Description: Establishing a solid waste treatment facility for Ramallah and the Benjamin Region in Area C that meets environmental standards. Funding will support Palestinian participation.

Stakeholders: Environmental Association of Municipalities, Benjamin Regional Council, Ramallah Municipality, The German Bank.

Budget: 5mm USD (cost of 40 mm NIS annually for Palestinian waste)

Schedule: 2023

1. BEES High-Tech Training Program

Description: A training program to prepare Palestinian college graduates to be employed in the Israeli high-tech sector.

Stakeholders: The Phoenix Center (Gaza/Ramallah), JS Chamber, Ariel University, COGAT.

Budget: 700k USD

Schedule: APS 2022 – Concept Paper submitted.



2. Academic R&D

Description: A Phd will join with a recognized research center to study the societal impact of professional Israeli-Palestinian relationships.

Stakeholders: Ariel University, Phoenix Center, JS Chamber.

Budget: 500k USD

Schedule: APS 2022 – Concept Paper submitted.

3. Binyamin Medical Center

Description: Establishing a regional medical center that will serve Israeli and Palestinian populations alike.

Stakeholders: Binyamin Regional Council.

Budget: 5mm USD

Schedule: 2023

4. Environmental Business Accelerator

Description: Based upon the success of the Kinneret Innovation Center model, Israeli and Palestinian ecological startups will be invited to participate in a business development program.

Stakeholders: Kinneret Innovation Center, JS Chamber.

Budget: Not yet determined.

Schedule: 2023

5. Ariel University Medical Center

Description: Establishing a university campus medical center and health services center for Israeli and Palestinian populations.

Stakeholders: Ariel University, private medical services company.

Budget: 5mm USD

Schedule: 2023

6. Bioreactors for sewage treatment

Description: Establishing a series of bioreactors to treat Palestinian and Israeli wastewater.

Stakeholders: Ariel University, Bierzet University, An-Najah University, JS Chamber.

Budget: 5mm USD

Schedule: 2023

7. Gush Etzion Medical Center

Description: Establishing a regional medical center near the Gush Etzion intersection to serve all populations south of Jerusalem and north of Be'er Sheva.

Stakeholders: Gush Etzion Regional Council, JS Chamber, private investors and operators.

Budget: 5mm USD

Schedule: 2023

8. Industrial Training Center

Description: Establishing an industrial employment training center at the Ariel Industrial Park for Palestinians seeking work with Israeli employers.

Stakeholders: Ariel Economic Company, private investors, JS Chamber.

Budget: 5mm USD

Schedule: 2023

9. Solid Waste Treatment for the Hebron Region

Description: Establishing a solid waste treatment facility in Area C for Israeli and Palestinian waste. Funding will support Palestinian participation.

Stakeholders: Kiryat Arba Council, Cluster of Judea and Samaria Municipalities, JS Chamber.

Budget: 5mm USD

Schedule: 2023



10. Business to Business Referral Program

Description: Establishing an active and dynamic directory of Palestinian and Israeli businesses seeking to work together with increased efficacy. The service will include referrals and optimized business services.

Stakeholders: Insijam, JS Chamber.

Budget: Not yet determined.

Schedule: 2023

11. COGAT Initiatives

Description: COGAT has expressed an interest in multiple projects including portable power stations and imaging machines for border crossings

Stakeholders: COGAT.

Budget: Portable power stations are 1 mm USD each, imaging screening machines are 25 mm NIS each.

Schedule: COGAT was invited to submit directly to USAID.

Appendix 2: Report Sources

This report organizes extensive experience and information gathering over the course of a five-year period. In order to further refine the insights, conclusions and recommendations presented in the report, tens of interviews were conducted from June to September 2022.

Section III of the report, which addresses MEPPA's historical and economic context, was informed by ongoing conversations with Ashraf Jabari, the Palestinian Co-Founder of the Judea and Samaria Chamber of Commerce and Industry, as well as additional Palestinian members of the Chamber. These conversations added breadth and depth to the historical study while stressing the most frustrating policies and developments that have shaped the inter-population status quo. The similarly pointed to some of the opportunities that were presented in Section IV of the report.

Another group that contributed high value insights during the interview process was Shrinking the Conflict, a non-profit organization committed to pragmatic progress. Their precision analysis of economic policies provided information and direction regarding imports and exports, domestic trade and industrial development. Their collaboration for the purposes of this report also included conducting interviews with Palestinians with whom they already maintain relationships, thereby increasing participation and extending the reach of the study.

The interview process also included tens of conversations with MEPPA grant candidates who either submitted proposals to MEPPA or intend to do so at their earliest opportunity. These interviews included a wide range of Palestinian and Israeli entrepreneurs, businesspeople, academics, community and municipal leaders, and civil society activists. The 11 projects referred to in Appendix 1 represent a subset of these programs. It's worth noting that, with the exception of the Israeli Palestinian Economic Forum, each of the additional 10 project leaders were previously unaware of MEPPA. It was through their interviews for this report that they began to consider applying to MEPPA and, at times, to transform conceptual opportunities into actionable programs.

On rare occasion, government officials were interviewed. This includes representatives of COGAT and the Civil Administration as well as one representative of the Palestinian Authority.

Interviews were also conducted with the two companies that IBR has invested in as a means of studying the full range of conceptualization to realization for Israeli-Palestinian tech startup partnerships.

The report also addresses the salient and relevant points raised in the preceding ecosystem analysis prepared by IBR in early 2022. That analysis, which spans Israel and the West Bank, was rooted in a process of over 80 interviews with Israelis and Palestinians, Jews, Christians and Muslims. It provides the basis for the Ecosystem Development Model which leads the shortlist of recommended innovative strategies that appear in Section V.