غرفة تجارة وصناعة محافظة بيت لحم
Bethlehem Chamber of Commerce & Industry

Analytical reading for the results of the economic survey implemented by Bethlehem Chamber of Commerce and Industry in 2015

Prepared by: BCCI

October, 2015

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Introduction

Bethlehem Chamber of Commerce and Industry (BCCI) has sought hard for several years to achieve a distinctive goal that adds to its balance of achievements and makes it maintain its prestigious position in the leadership of the private sector in the governorate[1]. BCCI has been able recently to carry out a comprehensive survey for the economic enterprises in the Governorate of Bethlehem in order to determine the total number of registered and non-registered enterprises to the membership of the chamber, and their geographical location, so as to prepare an economic map of the governorate, and stand on the most important obstacles facing the domestic economy in order to design and build future economic policies.

This is the first survey of its kind in the country. The survey complied with all the scientific research standards and was based on solid scientific methodology that started with a review of the literature and related studies, followed by the design of a questionnaire related to the registered and non-registered enterprises, and a survey of a preliminary sample (60 enterprises), followed by a modification to the questionnaire, and access to the maps used by the Palestinian Central Bureau of Statistics. The final step was the implementation of the comprehensive survey by the team of the consulting firm. A daily close follow-up from the assigned chamber's staff during the implementation of the survey, which started in October 2014 and ended in December 2015, was an important factor for the success of this project. The preliminary results were released in March 2015.

The most important preliminary results indicated that the total number of economic enterprises in the governorate totaled 6374 of which 1493 are registered to the membership of the chamber, and 4881 are non-registered, distributed on the most important economic sectors in the governorate: the commercial, industrial, agricultural, services, handicraft and construction sectors[2]. The large number of the non-registered enterprises makes it

1 This project was partially financed by USAID- Trade project, and implemented by PIS Consultancy Company with close monitoring and orientation from BCCI staff.

2 The survey does not include some activities like clinics, pharmacies, schools, etc. It is a pure economic survey.

imperative for the chamber’s management and staff to make great efforts to set a plan to target a larger number of enterprises to register to membership and thus achieve financial sustainability especially that the membership in the chambers is mandatory according to the law. The returns will be invested in researches and projects and will result in the provision of more consulting services aimed at the development of the private sector and the development of small and medium-sized enterprises in the governorate.

This study reviews the survey results and provides analytical reading of the most important figures and statistics, in addition to analyzing and spotting investment opportunities in the governorate, where investors can take an appropriate decision on the nature of economic activity in which they will invest in after reviewing the number and nature of the existing enterprises in each geographic region in the governorate.

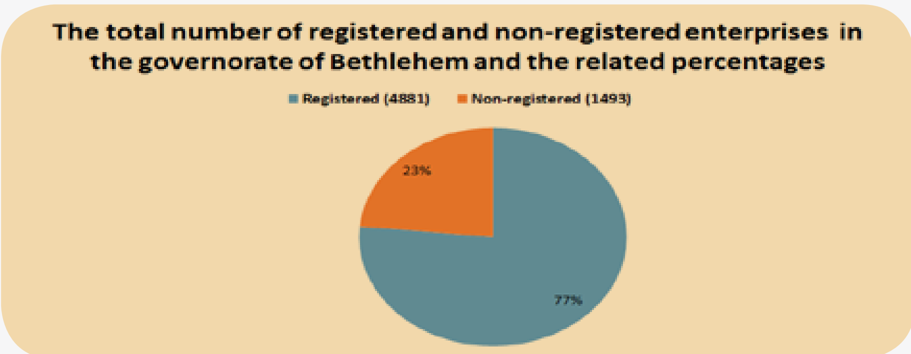
Finally, it is hoped that other chambers of commerce would follow the steps of BCCI and implement similar economic surveys for better planning concerning the private sector in close cooperation with the concerned public institutions and ministries.

1. Statistics on the economic enterprises in the governorate of Bethlehem

The most important preliminary results indicate that the total number of economic enterprises in the governorate totaled 6374 of which 1493 are registered to the membership of the chamber, and 4881 are non-registered, by a ratio of 23% of registered enterprises versus 77% non-registered enterprises distributed on the most important economic sectors in the governorate, which include the commercial,industrial, agricultural, services, handicraft and construction sectors.

The following Graph shows the total number of registered and non-registered enterprises in the governorate and the related percentages:

Graph no. «1» :



The following table shows the distribution of the registered and non-registered enterprises over the various economic sectors:

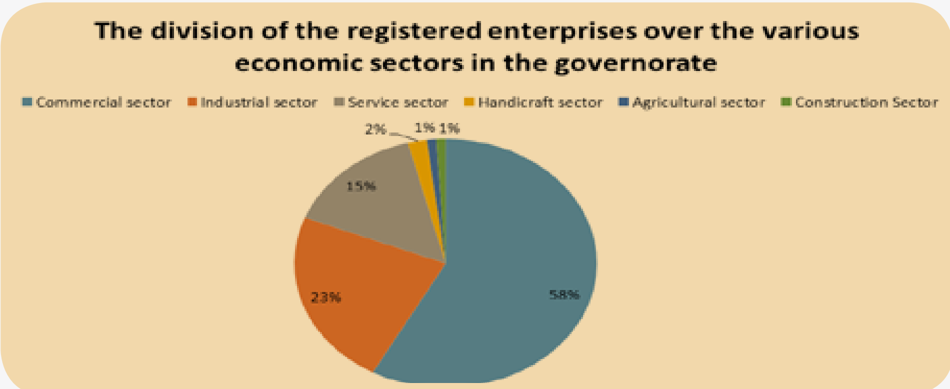
Table no. «1» :

Economic sector	Number of registered enterprises	Number of non- registered enterprises	Total
Commercial	867	2,685	3,552
Industrial	346	673	1,019
Agricultural	14	44	58
Services	222	1,360	1,582
Handicrafts	27	84	111
Construction	12	15	27
Null	5	20	25
TOTAL	1,493	4,881	6,374

It is noted from the previous table that most of the registered enterprises are commercial in nature with a percentage of 58% from the total number of the registered enterprises, and the second largest sector is the industrial (23%), followed by the services sector (15%), then the handicraft sector (2%), followed by the agricultural sector (1%), and finally the construction sector (1%) as well. It is worth noting that the majority of relatively large enterprises are registered to the membership of the chamber.

The following Graph shows the division of the registered enterprises over the various economic sectors in the governorate:

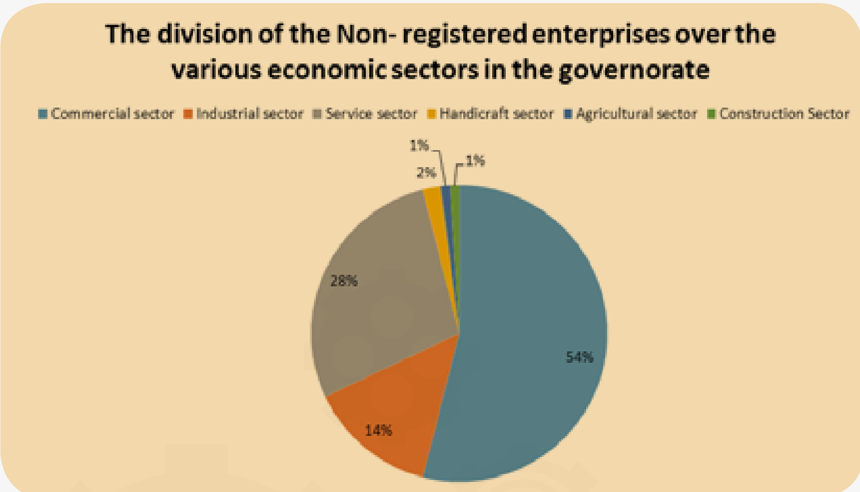
Graph no. «2» :



The non-registered enterprises vary in terms of the nature of economic activities where the results show that most of the enterprises are commercial in nature and accounted for 54%, followed by the services sector (28%), and the industrial sector (14%), then the agricultural sector (2%), and the agricultural sector (1%), and less than (1%) for construction sector.

The following Graph shows the division of the non-registered enterprises over the various economic sectors in the governorate:

Graph no. «3» :



2. Analysis of the statistical indicators for the registered and non-registered enterprises:

2.1 Type of ownership:

- 53% of the registered enterprises are rented, whereas 46% are owned. 1% did not specify the type of ownership.
- 39% of the non- registered enterprises are rented, whereas 61% are owned.

The survey results show that the rented registered enterprises have larger proportion than those owned, but the share of the owned enterprises is excessive, and this is due to the exploitation of the citizens for any space to be converted to an economic facility to generate income and avoid the cost of rents. Remarkably, the non-registered facilities to the membership of the chamber are mostly owned, which shows that the majority of the informal or unorganized sector is of a family businesses nature and seek to avoid any financial burden or increase in expenditure related to any rental cost or registration fees.

2.2 Family or non-family business:

- Survey results show that 91% of the registered enterprises are family businesses, while only 9% are non- family businesses.
- 97% of the non- registered enterprises are family businesses, while only 3% are non- family businesses.

The proportion of the registered and non-registered family businesses emphasize the figures and statistics and previous studies indicating that most working enterprises in Palestine are small and medium enterprises and family businesses. The governorate of Bethlehem is no exception to this rule. This confirms the nature of family relationships in the Palestinian society and the importance of family solidarity which constitutes a relatively safety net, and proves the limited other options in most cases.

2.3 Membership in other institutions:

- 86% of the economic enterprises that are registered to the membership of the general assembly of the chamber are not registered with any other organization, federation or forum, while these enterprises acquire the necessary licenses from the government institutions such as municipalities and village councils, civil defense, the Ministry of Finance, Ministry of National Economy, Ministry of Health, and the Ministry of Tourism.
- 94% of non-registered enterprises to the membership of the chamber are not registered with any other organization, federation or forum (such as the Businessmen Forum, the Union of Stone and Marble, etc.)

The statistical analysis shows that 86% of the registered enterprises with the membership of the chamber are not registered with any other organization, federation or forum and this confirms that the chamber of commerce is the main address for the private sector in the governorate. On the other hand, it also shows that the various licenses and membership fees are considered a burden for the owners of enterprises, thus the optional registration to other institutions or organizations is eliminated. As for the non-registered enterprises, most of them are not members of any other party, and this is expected since they are not registered with the chamber in the first place. This is an attribute of the informal or unregulated sector, where most enterprises avoid any registration to evade increased fees and financial burdens and taxes. In addition, it reflects the lack of sufficient awareness on the importance of registration and registration with any formal institution. This percentage indicates a number of potential members that the chamber should attract in the near future.

2.4 Gender of the employees in the enterprises:

- The participation of women in the labor market in the Governorate of Bethlehem is relatively low and accounts to only 13.2% of the workforce. Only 6% of the registered enterprises are owned by females.
- The results also indicate that 94% of the non-registered enterprises are owned by males.

The analysis shows that despite the low participation of women in the labor market (13.2%), women occupy most of the management positions in the registered enterprises (unlike the case in the non-registered enterprises). The reason may be due to factors related to the family ownership of the enterprises, and not because of the advanced status of women in the Palestinian society. The women's participation rate in the agricultural sector is minimal due to the small size of this sector in the Governorate of Bethlehem. Also, the participation of women in the industrial sector is relatively limited as well due to social factors.

On another hand, the limited number of owned enterprises by females is an attribute of the social mind set and the prevailing culture that sees women's work secondary while considers the man as the bread winner of the family. The economic need is the motivation for women to work and not as a matter of their rights. This situation might have resulted from the weakness or absence of gender policies and laws protecting the right of women in economic participation. Even in the cases of ownership, the property is often hereditary.

2.5 Import and export:

2.5.A Import

- The analysis of the results of the questionnaires on import and export shows that only 5% of the registered enterprises import raw materials, while 13% import semi-finished products. The main import destinations are: Jordan, Israel, Europe, the United States of America, China, Turkey and other countries.
- 52% of imported goods for the registered enterprises come through the port of Haifa or Ashdod, 10% through Allenby Bridge, 9% through the airport, while 29% did not reveal the route of import.
- Only less than 1% of the non-registered enterprises import raw

materials, while 1% import semi-finished products. The main import destinations are: Jordan, Europe and this remains uncertain because 98% of the interviewees were reluctant to reveal the import destination.

- Results of the analysis indicate that 45% of imported goods for the non- registered enterprises come through the port of Ashdod or Haifa, 1% through the airport, and 9% through Allenby Bridge

2.5.B Export

- 9% of the registered enterprises export and the main export destinations according to their percentages are as follows: 50% of the exports go to Israel, 18% to Jordan, 10% to Europe, 9% to the United States, 3% to other Arab countries, while 10% did not mention their export destination.
- 24% of exporters export via the Allenby Bridge, 12% through brokers, shipping and clearance agencies, 10% through the port of Ashdod / Haifa, 5% through the airport, 4% through other routes, and 45% did not reveal the export route.
- Only 1% of the non- registered enterprises export, and the main destination of export according to their percentage: 75% go to Israel, 8% to Jordan, 6% to Europe, 6% to the United States, and 5% did not reveal their export destination.

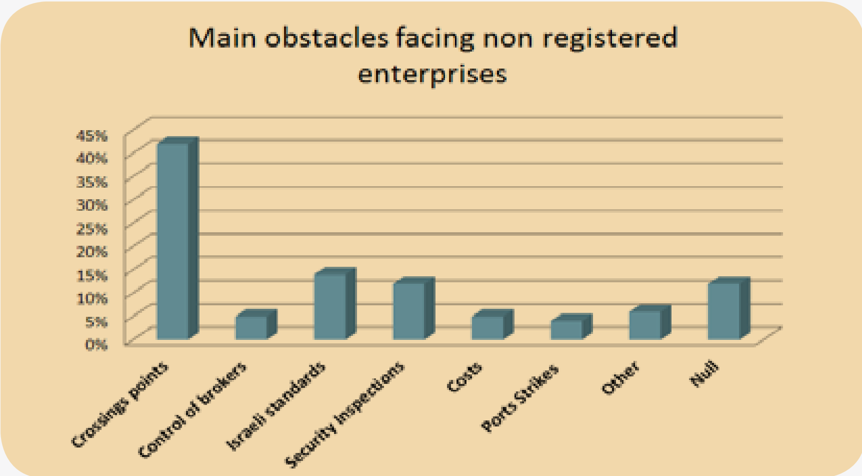
Like other developing and the third world countries, imports exceed exports because of the lack of self-sufficiency, and the limited industrial and agricultural production. The situation is not much different in the governorate of Bethlehem.

Palestine is just different from other developing countries in the obstacles to import which are as tough as obstacles to export. The main import obstacles according to the survey results are: commercial crossings, cost, security checks, specifications and Israeli standards, and ports strikes. Whereas the main obstacles to export are: high costs, export procedures, and specifications and international standards.

The following graphs show the main obstacles of import facing registered and non- registered enterprises:

Graph no. «4» :

Graph no. "5":



On another note, the above mentioned percentages show that Israel is the main import and export destination; a reflection economic dependency and a proof that both parties need one another economically.

2.6 Commercial crossings:

- The results of the analysis of questionnaires on the subject of commercial crossings show that 37% of registered exporters use Barrier Road 60 (the tunnel), while it is used by 49% of the non-registered exporters. Stone and marble products are allowed to pass through this route.
- 34% of the registered exporters use Tarqumiya crossing, while it is used by 26% of the non-registered.
- 29% of registered exporters use other crossings (Hussan, barrier 300, Container, and others), while 25% of non-registered exporters use other crossings.

Although the occupation authorities have specified Tarqumiya crossing as the main southern crossing serving the governorates of Bethlehem and Hebron, the above results suggest that exporters avoid Tarqumiya crossing and use other routes to export products in order to avoid increased costs, efforts, and the time it takes to reach and cross Tarqumiya crossing.

2.7 Commercial obstacles:

The main commercial obstacles facing registered and non- registered enterprises:

a. **The main obstacles facing registered members:**

- 32% believe that the lack of political and economic stability constitute an obstacle to small and medium-sized enterprises.
- 24% believe that the commercial crossings are an obstacle.
- 18% believe that the access to raw materials is an impediment.
- 26% consider other obstacles such as the lack of enforcement of laws and legislation, and high costs of infrastructure.

b. The main obstacles facing non- registered members:

- 32% believe that the lack of political and economic stability constitute an obstacle to small and medium-sized enterprises.
- 25% believe that the commercial crossings are an obstacle.
- 17% believe that the access to raw materials is an impediment.
- 26% consider other obstacles such as the lack of enforcement of laws and legislation, and high costs of infrastructure.

It is remarkable that the most important obstacles cited by the owners of registered and non-registered enterprises are consistent and directly related to the practices of the occupation, and the absence of law enforcement and legislations.

2.8 Obstacles faced by enterprises in general:

In addition to the obstacles mentioned earlier, the survey results show that the most important obstacles faced by enterprises after those associated with competition, limited strategic planning, and limited professional internal financial and administrative systems. This is expected though as most of these enterprises are small and medium and most of them are family businesses. In most of the cases, the owners are "old school" and do not adopt modern trends and advanced technics in keeping financial records, management, marketing and promotion.

2.9 The Relationship between the enterprises (registered and non-registered) and the public, private and civil society institutions:

The field survey results show a very limited relationship between the enterprises and public, private, and civil society institutions. Those limited relations are only in the framework of important and necessary transactions with public institutions, banks and insurance companies.

3. Conclusion

Despite the current political situation, the private sector in the governorate has witnesses a strong movement in the opening of new businesses and this trend makes sense in light of the occupation practices, and urges a lot of people to consider investing their savings in the opening of new businesses. Some prosper, and others struggle and are forced after a while to shut down. There are several reasons for this failure. One of them is the lack of diversification and the repetition in the type of new businesses; another is the condensation of similar businesses in the same area. To help guide investors to investment opportunities, Bethlehem Chamber of Commerce and Industry intended through the economic survey to determine the number of enterprises in each city and village in the Governorate of Bethlehem and their economic activities. The number of enterprises will help potential investors to determine whether the investment is worthy through analyzing the number of existing enterprises and population density in each area.

It should be noted here that this survey, which ended in January 2015, needs to be updated on an ongoing basis, to monitor the ongoing movement in the opening and closing of new businesses.

The city of Bethlehem is considered a distinctive tourist destination because of its historic and religious significance being the birth place of Jesus Christ, and in spite of the tourism slump suffered by Bethlehem recently, and some monopolies in the tourism sector, this sector is one of the promising sectors and may grow vividly and unexpectedly in case of any improvement in the political environment. Thus, more investment ideas and new tourism projects are needed. It is noteworthy to indicate that there are now 44 hotels in the governorate and 9 are still under construction.

Other important sectors in the Governorate of Bethlehem include the services sector especially financial services and banking. There are several bank branches in the governorate to meet the increasing demand of the population, facilitate financial transactions and provide loans for the development of SMEs with reduced collateral requirements.

Another booming sector is the stone and marble. Stone and marble products are the main Palestinian exports. The Palestinian stone is of good quality and distinctive colors, and despite of its high prices it still can compete successfully with the Turkish, Egyptian and Chinese stones.

It is noted from the results of the filed survey in Appendix “1” the availability of large numbers of groceries, clothing shops, vegetables and fruits, butcheries, accessories, toys, and restaurants. This is justifiable because of the high demand for consumer goods; consequently investors are advised to look for new ideas for their investments.

Also it advised that investors with large capital open factories to hire employees and workers to reduce the unemployment rate. Their investments should be oriented to manufacture highly demanded products that do not have imported competitive products.

An industrial zone equipped with ideal infrastructure exists in Bethlehem – Hindaza to embrace industrial projects.

For instructions and specific advice concerning possible investments, please address Bethlehem Chamber of Commerce and Industry, where a specialized team can provide consultations to potential investors to take the appropriate decision on their investments.

Appendix “1”:

The total number of registered and non- registered enterprises for the most important economic activities:

Economic activity	Total number of registered and non-registered enterprises
Telecommunications (Cell phones)	79
Used furniture	108
Shoes	90
Housewares	107
Engineering Consultancy	12
Photography studio	37
Stainless works	3
Bicycles repair	2
Jewelry repair	2
Car body repair (body and paint)	30
Tiers	40
Textile and cotton wear	7
Retail sale of carpets and rugs	39
Aluminum workshops	79
Fuel and gas stations	22
Production of theatrical performance	2
Production, processing and sewing fabrics and clothes (tailor)	43
Entertainment activities (parks)	10
Management activities	1
Security companies	1
Social work activities	2
Elderly home care	6

Social communications and child orientation	1
Education support activities	40
Natural disasters victims and refugees care activities	1
Massage	1
Grocery	1030
Plastic	5
Home furniture	43
Timber	20
Office furniture	24
Garment	449
Flowers and plants	5
Used cars	31
Electricity company	1
Butchery	247
Gifts, accessories, and toys	227
Electric extensions	1
Sanitary fittings	68
Car spare	113
Sewing supplies	3
Construction supplies	162
Cosmetics	51
Detergents	17
Renting furniture and other tools	24
Rent a car	22
Renting construction and engineering equipment	1
Renting clothes (bridal gowns and soiree dresses)	10
Insurance companies- branches	26
Electric supplies	138

Hall	19
Shoes repair	6
Automobile mechanic	318
Vocational training	13
Grain and feed	25
Nursery	20
Charcoal	7
Money changer	44
Internet services and radio stations	23
Concrete	8
Fruits and vegetables	144
Bamboo	1
Economic studies	2
Advertising	16
Computer training courses	1
Disks for saws	8
Interior design	16
Glass	16
Oils and filters for cars	90
Watches	6
Broker	1
Tour agency	32
Clearance and shipping	12
Beauty salon (not including men and women hairdressers)	17
Pharmaceutical production	1
Towel manufacture	1
Tile manufacture	3
Pastry	43

Paint manufacture	2
Wax manufacture	3
Tanks and metal vessels manufacture	1
Brick manufacture	12
Central heating radiators	4
Pallet manufacture	5
Clothing and textile factory	44
Chemical products factory	4
Stone manufacture	267
Home wares repair	47
Computer repair	6
Olive press	8
Hotels and motels	44
Stone crusher	7
Computers	141
Blacksmith and carpenter supplies	14
Jewelry	36
Blacksmith	133
Lathe	39
Bakery	84
Driving school	32
Consultancy and project management	3
Sport supplies and equipment	7
Medical supplies	12
Auditor	14
Beverage (spirits, soft drinks, etc)	113
Alcohol factory	1
Print house	28

Restaurant	256
Heavy equipment	4
Dry clean	11
Construction	24
Genera/ public services	20
Stone crusher products	11
Agricultural products	100
Upholster	23
Carpentry	226
Chemicals	6
Parking lots	35
Gym club	42
Sculpture	94
Optics	15
Paper and cardboard factory	5
Car wash	15

List of appendices: