Chapter One

### **Terms, Indicators and Classifications**

**1.1** **Terms and Indicators**

The main terms and indicators used in this survey are:

**Residence:**

It is defined in economic, and not legal terms. The main criterion to determine residence of an entity is center of economic interest. Persons are considered residents of the country where they live for at least one year. Exceptions to this rule are embassy staff (but for locally employed people who are residents of the country where they live), patients who are treated abroad and students who live abroad even when their stay exceeds one year.

**Institutional unit-enterprise:**

It is an economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities, and in transactions with other entities.

**External Assets:**

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

**Foreign Liabilities:**

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

**Direct Investment Enterprises:**

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

**Foreign Direct Investment:**

This category includes investment over which the owner exercises control. In practice, the distinguishing criterion for inclusion in this category is that the owner should hold at least 10% of the ordinary shares in the company. so that's, this criterion should be applied somewhat flexibly to ensure that assets over which the owner exercises control are classified as direct investment. Acquisitions and disposals of land – other than when foreign embassies are involved – are also included.

**Portfolio Investment:**

Is a residual category for transactions in shares, bonds, bills, notes, money market instruments and financial derivatives. It is residual because these instruments are also included under direct investment and reserve assets. Portfolio investment is divided into two main categories: equity and debt. Shares are equity investment and the remaining instruments are debt investment.

**Other Foreign Investments:**

Under other investments are included all transactions in financial assets and liabilities, which are not classified under any of the three other broad categories. The most important of these are currency, deposits and loans (including trade credits).

**Reserve Assets:**

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

**1.2 Classifications**

The classifications adopted and used by PCBS in the process of collection and processing of statistical data, according to international standards. They include the **International Standard Industrial Classification of All Economic Activities (ISIC-4)** issued by the United Nations. In addition to **Balance of Payments Manual 5th edition (BPM-5)** issued by International Monetary Fund.

Chapter Two

###### Main Findings

The Foreign Investment Survey of resident enterprises in Palestine for 2018 has revealed important results for researchers, academics and decision makers. The results indicated that external investments by resident enterprises in Palestine were greater than investments by non-residents in resident enterprises in Palestine at the end of 2018.

The main findings of the survey are as follows:

* The total stock of resident enterprises in Palestine investments abroad (assets) amounted to USD 6,392 million at the end of 2018, of which 60.3% is foreign exchange in these enterprises and their deposits in banks abroad (see table1).
* The total foreign investment stock in resident enterprises in Palestine (liabilities) amounted to USD 2,939 million at the end of 2018, of which 59.8% is foreign direct investment (FDI) (see table1).

With regard to the distribution of assets; other investments abroad amounted to USD 4,114 million, at 64.4% of total assets; portfolio investments abroad amounted to USD 1,425 million, at 22.3% of total assets; stock of reserve assets for the PMA amounted to USD 538 million, at 8.4% of total assets; and the foreign direct investment (FDI) abroad amounted to USD 315 million, at 4.9% of total assets at the end of 2018. (see table1).

**Percentage Distribution of External Assets Stocks of Resident Enterprises in**

**Palestine by Type of Investment, at the end of 2018**

|  |
| --- |
|  |

With regard to the distribution of liabilities, foreign direct investment (FDI) amounted to USD 1,758 million, at 59.8% of total liabilities; portfolio investments were USD 728 million, at 24.8% of total liabilities; while other investments totaled USD 453 million, at 15.4% of total liabilities at the end of 2018 (see table1).

**Percentage Distribution of Foreign Liabilities Stocks in Resident Enterprises in Palestine by Type of Investment, at the end of 2018**

The results showed that 64.3% of foreign direct investment (FDI) in resident enterprises in Palestine is concentrated in the financial intermediation activity, while investment from Jordan contributed 81.3% of total stock of FDI in resident enterprises in Palestine.(see tables 2,3).

The results also showed that 59.8% of total portfolio investments in resident enterprises in Palestine is concentrated in the financial intermediation activity, while investments from Jordan contributed 51.1% of the total stock of Portfolio investments in resident enterprises in Palestine (see tables 4,5).

## Chapter Three

## Methodology

This chapter describes the survey's objectives, questionnaire, frame and sampling, together with the fieldwork operations, and data processing.

**3.1 Survey Objectives**

The Foreign Investment Survey of resident enterprises in Palestine for 2018 aims to provide indicators about:

1. Stocks of foreign direct investments and portfolio investments in resident enterprises in Palestine and its distribution by economic activity and country.
2. Stocks of direct investments and portfolio investments abroad.
3. Stocks of other foreign investments in resident enterprises in Palestine and abroad.

4. Stocks of reserve assets (for the Palestine Monetary Authority).

**3.2 Questionnaire**

The questionnaire used in this survey has much in common with other Economic Survey Series questionnaires. The design of the questionnaire took into account the major economic variables related to investment activities with the rest of the world to meet the requirements used in compiling the international investment position (IIP), and balance of payments (BOP).

**3.3 Frame and Sample**

The sampling frame included all profit enterprises in Palestine, either have investments from abroad or have investments abroad or both (full coverage) according to the Establishment Census, 2017 and its updates.

The sampling frame for the Foreign Investment Survey 2018 comprised two groups:

* The first group included non-financial enterprises and financial enterprises (other than banks), located in the West Bank and Gaza Strip; PCBS carried out the collection of relevant data pertaining to those enterprises.
* The second group included banks in the West Bank and Gaza Strip, and the Palestine Monetary Authority conducted data collection from banks.

The total sampling frame size of Foreign Investment Survey 2018 in the West Bank and Gaza Strip was 130 (15 banks, and 115 enterprises other than banks), with a response rate of 100%.

**Enterprises whose data were collected by the Palestinian Central Bureau of Statistics:**

The size of the sampling frame of this group in the West Bank was 65 enterprises, whereas in the Gaza Strip it was 50 enterprises in 2018. according to the Establishment Census, 2017 and its updates.

**Enterprises whose data were collected by the Palestine Monetary Authority:**

The survey frame included all banks operating in Palestine (15 banks). The data were collected through the administrative records available in the Palestine Monetary Authority.

The mechanism in which banks' data were collected is as follows:

1. Investments in Palestine: Preliminary data were obtained from the Supervision and Inspection department in the Palestine Monetary Authority, the financial report of the Palestine Monetary Authority, and the Palestine Exchange reports. the data were sorted by country from which the investment flows, and by type of investment.
2. Investments outside Palestine: obtained through the balance sheets of banks operating in Palestine (Call Report), which are prepared by the Supervision and Inspection department. The investments of banks outside were sorted by country, and by type of investment. Data on investments of the Palestine Monetary Authority and reserve assets were obtained from the financial reports of PMA.

# 3.4 Fieldwork Operations

# 3.4.1 Training and Hiring

* A specialized field work team with a background in economics was selected and trained theoretically and practically on survey's questionnaire.
* The field work team was examined at the end of the training course.

**3.4.2 Data Collection**

Data was collected by trained fieldworkers through personal interviews with the owners of the enterprises. The collected data should be obtained from the financial reports of those enterprises.

**3.4.3 Field Editing and Supervising**

* The fieldwork coordinator in the Project Technical Committee provided the project management team with daily reports about completeness and response rates.
* Field work visits were made on a regular basis by both the fieldwork representative and project management staff to monitor data collection process in all governorates. Completed questionnaires were reviewed and corrected if necessary and comments and notes were directed to the team accordingly.

**3.5 Data Processing**

**3.5.1 Programming Consistency Check**To ensure the quality and consistency of data, a set of procedures were implemented:

* A set of validation rules were applied to the data entry program to check the accuracy and consistency of data.
* The program was tested by entering a number of questionnaires that include incorrect data. The data entry program was checked prior to data collection to ensure that it can be used correctly.
* Well-trained data entry personnel were selected and trained for data entry process.
* Data files received by project management were checked for accuracy and consistency using a prepared Syntax on SPSS.

**3.5.2 Data Cleaning**

A set of validation rules were applied to the program to check the consistency of data.

There are two steps:

**First**: The entering program was designed to prevent entering any contrasting data during data entry.

**Second**: List of questionnaires that included errors related to the logically of the data after entering the data.

**3.5.3 Tabulation**

Primary tables were prepared after the process of data entry and editing, ongoing editing of data was followed with final correction of data tables.

Chapter Four

**The Quality**

**4.1 Accuracy of Data**

**4.1.1 Sampling Errors**

The findings of the survey are not affected by sampling errors, because it is a comprehensive survey.

**4.1.2 Non-Sampling Errors**

These types of errors could appear in one or in all of the survey stages. They are related to respondents, fieldworkers, and data entry personnel. To avoid this type of errors and reduce its impact, a number of procedures were used to enhance the accuracy of data collection and data processing.

**4.1.3** **Response Rates**

* Response rate: 100%.

**4.2 Comparability of Data**

We can make comparisons of survey data over time. Additionally, the survey results are comparable with other countries that publish statistics based on the Fifth-edition  of the Balance of Payments Manual issued by the International Monetary Fund (IMF), as the survey was conducted according to the recommendations and standards of the said manual.

**Comparing Main Indicators for the Years 2014-2018**

Value in million USD

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **2014** | **2015** | **2016** | **2017** | **2018** |
| Stock of Foreign Direct Investment in Palestine | 1,568 | 1,573 | 1,701 | 1,669 | 1,758 |
| Stock of Portfolio Investments in Palestine | 725 | 821 | 658 | 703 | 728 |
| Stock of Other Investment In Palestine | 453 | 593 | 566 | 645 | 453 |