The World Bank interviewed a representative sample of the private sector composed of 434 firms between June and September 2013 across the West Bank and Gaza. The Enterprise Survey covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

**Employment growth in the West Bank and Gaza is above other economies, but manufacturing lags behind**

Between 2009 and 2012 firms in the West Bank and Gaza added jobs at an annual pace of 7.6%, which is above the average of other Lower Middle Income (LMI) economies at 6.9% and the average of all economies with ES data at 6.1%. Retail firms grew the fastest, adding jobs at an annual rate of 9%, followed by firms in other services sectors at 8%. While still robust at a rate of near 7%, employment growth among manufacturers in the West Bank and Gaza lags behind the growth rates in other areas of the private sector.

**While employment growth is robust, firms in the West Bank and Gaza remain small by comparison**

Though there is evidence that private firms in all sectors are adding jobs, the private sector in the West Bank and Gaza is disproportionately composed of small and medium firms, 87% and 12%, respectively, which together account for 99% of all firms. By comparison, two-thirds of firms in other Lower Middle Income economies have fewer than 20 employees and 93% employ fewer than 100. Among all countries with ES data, the share of small firms is 64% and almost 92% of all firms have fewer than 100 employees.

**Additionally, capacity utilization in manufacturing is low**

While manufacturers in the West Bank and Gaza are increasing their employment, they are also operating at comparatively low capacity: an average level below 63%. By comparison, among all countries, this average is over 73%, and among LMI economies it is over 70%. Lagging capacity utilization among the economy’s manufacturers is driven by the smallest firms: manufacturers with fewer than 20 employees represent 85% of all firms in the sector, and they report 61% capacity utilization.
Among fifteen areas of the business environment, firms in the West Bank and Gaza are more likely to rate political instability as the biggest obstacle to their operations. Over thirty-one percent of firms report political instability as the biggest obstacle followed by electricity at 13%. Practices of competitors in the informal sector, tax rates, and access to finance are the next 3 most commonly cited obstacles.

Electricity provision in the West Bank and Gaza is comparatively poor

Firms in the West Bank and Gaza report losses due to electrical outages of above 6% of annual sales. This is larger than the averages for LMI countries and for all ES economies. However, there are remarkable geographic differences. In the West Bank, reported losses are just above 1% and firms experience roughly 2 power outages each month. In Gaza, by contrast, losses due to electrical outages average over 22% of annual sales and firms experience nearly 29 outages monthly. The perception of electricity as an obstacle is confirmed by firms’ experiences dealing with inadequate electricity provision.

Firms also report using financial services at relatively lower levels

Firms in the West Bank and Gaza access financial services at lower rates: less than 10% use banks to finance investments; 11% use banks to finance their working capital; and only 6% have a bank loan or line of credit. Among other LMI economies, 28% (25% globally) use banks to finance investments; 32% (30% globally) use banks to finance their working capital; and 38% have a bank loan or line of credit (compared to 36% of firms globally).

The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org