

Feasibility Assessment Research Islamic and Christian Cultural Heritage

'The economic feasibility of Islamic and Christian Waqf in Jerusalem
A research study on two Old City Markets'

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This study is part of the efforts PalVision puts in to preserve the religious, civilizational and cultural heritage of Jerusalem, within the “Irth Palestine” project, that works towards the protection of the Islamic and Christian cultural heritage in Jerusalem, funded by the European Union.

The opinions and views in this study belong solely to the researcher, and do not necessarily reflect or represent the position or opinion of PalVision or the European Union.





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List of Acronyms

CBOs	Community Based Organisations
CRDP	Community Resilience and Development Programme
GDP	Gross Domestic Product
NGOs	Non-Governmental Organisations
oPt	Occupied Palestinian Territory
PA	Palestinian Authority
PCBS	The Palestinian Central Bureau of Statistics
PIF	Palestine Investment Fund
PO	Premier One Financial Consulting and Trade Services
PalVision	Palestinian Vision
ToR	Terms of Reference
UNDP/PAPP	United Nations Development Programme/Programme of Assistance to the Palestinian People

List of Arabic Terms

Fiqeh	Islamic jurisprudence.
Habs	Mortmain property is an inalienable charitable endowment under Islamic law.
Mushtarak	Comprising both purposes.
Mutawalli	The trustee of a Waqf.
Ta'bid	In perpetuity.
Waqf	Also known as hubous or mortmain property which is an inalienable charitable endowment under Islamic law.





Executive Summary

Islamic and Christian Waqf properties in East Jerusalem are significant assets that contribute to preserving the cultural and religious identity of Palestinians. Islamic and Christian Waqf organisations have historically played an important role in the provision of social services, e.g. housing, health, education, and community development. However, increasing Israeli occupation restrictions and discriminatory policies, in addition to the growth of the Palestinian population in East Jerusalem, are putting pressure on civil society organisations, their international partners, and the Palestinian Authority to capitalize on the Waqf's assets to provide housing, regenerate economic activity, and strengthen Palestinian cultural identity in the City. The Old City's dependency on tourism was already seriously challenged by fluctuations in tourist numbers over recent years, and the COVID-19 pandemic exacerbated the deteriorating economic conditions. Many shops in the Old City have been closed for a long time and the tenants of these shops are reluctant to re-open or invest in new businesses for fear of the ambiguous future outlook.

This research conducts in-depth research into Souq al-Khawajat and Lutheran Church Street to produce evidence-based recommendations for future development initiatives in these two areas that could be replicated in other parts of the Old City. Specifically, the research provides a general overview of Souq al-Khawajat and Lutheran Church Street, including their current status; a description of economic activities; the potential for development and challenges faced (incentives, legal, Israeli occupation restrictions, etc.); data collection; and financial feasibility tools customised to the Palestinian context in the Old City. This information will assist decision makers at the Islamic and Christian Waqf and equip them with the resources to guarantee the financial sustainability of Waqf organisations and their tenants. It will also pave the way for new income-generating opportunities and venues to protect the Palestinian identity of the Old City souqs and promote the Palestinian narrative to its visitors. We include the lessons learned from the Mousa Afandi restoration project and offer recommendations for facilitating further development of Islamic and Christian Waqf assets in the Old City. The original terms of reference (ToR) of the feasibility assessment focused on Christian cultural heritage in Jerusalem. Following discussions with the PalVision team, it was agreed to also include Islamic Waqf properties located in two markets inside the Old City.



To conduct this assignment, the research team divided the task into four stages:

- Project commencement: preparation of a detailed work plan serving as an outline of the stages and highlighting key submission dates, workflow, and assigned consultants. Discussions took place with the PalVision project manager and project's advisor about targeting specific areas inside the Old City and inclusion of the Islamic Waqf.
- Literature review: for the second stage, the research team conducted an in-depth literature review focused on two key areas of the Old City of Jerusalem: Souq al-Khawajat and Lutheran Church Street. The review enabled the collection of information and specific data on the background of each area, current status, socio-economic activity, etc.
- Field work for data collection: the research team conducted field research through interviews and field visits to map ownership and boundaries, monitor economic activity, understand market forces and dynamics, and explore development potential.
- Data analysis and final report: the research team analysed the data collected from previous stages to formulate the relevant lessons learned and recommendations.

Support for Souq al-Khawajat is important in maintaining and protecting the area from confiscation by the Israeli occupation authorities, especially as the Souq is located next to what the Israeli occupation called the “Jewish Quarter” (which was built on the ruins of the Moroccan “Mughrabi” Quarter that was demolished by the Israeli occupation forces in 1967, and on the properties of the Islamic Al Sharaf Quarter - both of them belongs to the Islamic Waqf). Our team noted that shop owners expressed an interest in re-opening their shops if there was a comprehensive, serious and trusted economic development plan that could alter the economic dynamics inside the Old City.

In spite of its strategic location, the area of the Lutheran Church also faces many obstacles: the lack of attractive cultural activities for tourists, the unwillingness of the Waqf administration to provide support to shop owners, and the unwillingness of some shop owners to offer high-quality and unique products that showcase Palestinian, food, crafts and goods. These products are very popular among tourists.

These obstacles are compounded by the current challenging economic situation and the continuous pressures imposed by the Israeli occupation, e.g., through its tax and security authorities.

While around 30 per cent of tourists visiting the Old City depend on Israeli tour agencies and guides who design itineraries and places to visit that focus on the so-called Jewish quarter, around 60 per cent of tourists do not depend on tour agencies and they travel privately. This segment constitutes an important group to target via a comprehensive marketing strategy including online tools.¹

¹ A general survey of the Jerusalem markets, Palestine Development and Investment Company Ltd. (PADICO Holding), 2019.



The research team faced various challenges:

- The research prepared by this project at an earlier stage which mapped Islamic and Christian waqf properties did not include these two market areas or include details about the ownership of shops. The legal research/assessment has not been conducted as well because it was not possible to obtain all the information and legal documents of the two markets' properties to conduct a legal assessment. Noting that legal research prepared by PalVision has indeed added vital information to the feasibility research by providing legal details of ownership status, legal disputes, legal means to re-open shops, and the terms of current rental agreements;
- The research team were unable to meet with the officials responsible at both the Islamic and Christian Waqf (Senior Waqf management) to record their needs regarding the financial assessment of their properties, and to confirm the status and ownership of shops in these two souqs;
- As other development actors have experienced, shop owners and tenants were reluctant to share data related to their shops such as payments to the Israeli occupation municipality and tax authorities, annual revenues of their businesses, financial challenges, value of rent, and rental terms. This data is crucial to build a realistic financial assessment tool for use by the responsible parties at the Islamic Waqf and Christian bodies to guarantee the financial sustainability of Waqf organisations and tenants. It should also ensure that Jerusalemites have the environment needed for income-generating opportunities and venues to protect the Palestinian identity of the markets (**souqs**). For example, specifying the various types of tax payments, their amounts and the party (tenant or Waqf) responsible for their payment, and payment of rent and its schedule would provide Waqf authorities with the ability to decide on the weight of each criterion. They also help in providing the Waqf authorities with the ability to decide on the appropriate amount of rent and its due date(s), and hence satisfy the interests of both the tenants and Waqf authorities. In all cases, the financial tool that was prepared along with this study is flexible and could be adjusted or modified once the above-mentioned data has been collected.







Introduction

Upon the Israeli occupation of East Jerusalem in 1967, the Israeli occupation authorities pursued a policy of the physical, political and economic segregation of East Jerusalem from the rest of the occupied Palestinian territory (oPt). Jerusalem's Old City is the heart of religious sites, markets, and history. It currently houses 47 mosques and 65 churches.² The economy in East Jerusalem has a narrow base comprised of tourism, retail sales, and small workshops. The Separation Wall has had a significant detrimental effect on Jerusalem's economy, and it is estimated that it costs the Palestinian economy USD 194 million per year in financial losses.³ Also, the 358,800 Palestinians living in East Jerusalem⁴ are facing serious challenges in securing housing. The housing sector in East Jerusalem is currently in need of 15,600 housing units and 3,500 unit every year.⁵ Such scarcity of housing units, including affordable housing, is causing thousands of Palestinians to leave the city to live in the suburbs, outside the Separation Barrier, e.g. in areas such as Kufr Aqab.

In East Jerusalem, the services sector generates the majority of economic activity, followed by wholesale/retail and light industrial activities. These sectors contribute to 77% of EJ's GDP.⁶ As a result of the Separation Wall, the number of establishments inside EJ dropped from 4,967 in 2012 to 4,670 in 2017, while the number of establishments in Jerusalem governorate outside the Wall increased by 14 per cent reaching 5,240 indicating that many establishments moved from EJ to areas outside the Wall.⁷ Available data also shows a decline in the labour participation rate in agriculture, transport and telecommunications, as well as stagnation in industry and services between 2011-2017. Meanwhile, the rate of those working in the tourism and construction sectors has soared due to an increase in the number of Palestinian Jerusalemites working in the Israeli construction and tourism companies, which employ 39.4% of the total workers in the governorate, and Palestinian workers from EJ are almost exclusively hired by construction and tourism industries.⁸

In terms of the fragility of the East Jerusalem economy, it was noted that tourism and the services sector bore the brunt of ongoing periods of COVID-19-related lockdowns and travel restrictions. In particular, accommodation, food services, and transportation services were severely hit, bearing in mind that 27.5% of East Jerusalem's labour force are employed in trade, restaurants, and hotels. Also, statistics show that in 2018, 3.4 million tourists visited Palestine and spent over \$1.3 billion.⁹ Also, statistics based on hotel accommodation show that 1,871 million tourists visited Jerusalem City (east and west) in 2019, but the number dropped to 446,800 tourists in 2020 as a result to COVID-19 pandemic.¹⁰

2 http://passia.org/media/filer_public/3f/2c/3f2c6cd4-3555-4b7e-a57a-ebf4336d9041/factsheet_jerusalem_2019.pdf

3 <https://unispal.un.org/pdfs/aic.pdf>

4 <https://jerusalemstitute.org.il/en/yearbook/#/4034/22629>

5 https://unhabitat.org/sites/default/files/2021/11/sdg_11_report_english.pdf

6 <https://www.mas.ps/files/server/20191703143807-1.pdf>

7 Ibid.

8 Ibid.

9 <https://www.euromesco.net/publication/covid-19-in-palestine-economic-slump-rising-vulnerability-and-limited-policy-response/>

10 https://jerusalemstitute.org.il/wp-content/uploads/2021/05/Pub_564_facts_and_trends_2021_eng.pdf



About the research

This economic feasibility research of Islamic and Christian Waqf was conducted under the “Protecting Islamic and Christian Cultural Heritage in Jerusalem” – “IRTH” project which implemented by the Palestinian Vision Organisation in partnership with the Palestinian Academic Society for the study of International Affairs (PASSIA) and (ACT) for Conflict Resolution, funded by the European Union, to better equip the relevant authorities in the management of available resources and properties with a financial assessment tool, learn from the experience of other actors, and revitalise existing properties (active or closed) to better serve Palestinians, while maintaining Palestinian cultural identity. The feasibility research is also linked to other important efforts of the overall project, e.g., mapping of properties, analysis of ownership and legal aspects of properties, organisational partnerships, and other administrative and community efforts.

The original ToR as reflective of the overall research required that, following further clarification, the research components of the project should include academic, legal, mapping, and business areas. The original scope of work of the feasibility study stipulated that the focus of the research should be on Christian cultural heritage. After meeting with the PalVision team and the project advisor, it was agreed that the feasibility study should focus on a general description of the prospects for development, the challenges and the status of the following two locations inside the Old City of East Jerusalem:

- Souq al-Khawajat
- Lutheran Church location.

The selection was based on the assumption that the two areas would cover both Islamic and Christian Waqf.





Figure No. 1: Map of the two markets in the centre of the Old City of Jerusalem



Lutheran Church Market St.



Al-Khawajat Market St.



Study Limitations

The research team encountered several limitations as follows:

- Scarcity of reliable data and contradictions between figures from different sources regarding the number of permanently closed shops inside the Old City. According to the Chamber of Commerce, 2016, the figure is 200; but the Jerusalem Centre for Social and Economic Rights considers that it is 250 shops. The PCBS Statistical Yearbook of Jerusalem does not have data on this.
- There were difficulties in organising official meetings with the focal points at the Orthodox Church and Islamic Waqf. The team had to rely on personal contacts to facilitate these meetings. Also, it was not possible to meet with Mr. Azzam Al-Khatib, the head of Islamic Waqf. His office forwarded the research team to Mr. Hasan Baqileh, the head of property management who then forwarded the team to meet with Mr. Yousef Al-Natsheh, the head of the Waqf renovation department. The latter was not engaged with legal and strategic issues pertaining to the revitalisation of Waqf properties holistically.
- As other development actors have experienced, shop owners and tenants were reluctant to share data related to their shops such as payments to the Israeli occupation municipality and tax authorities, annual revenues of their businesses, financial challenges, value of rent, and rental terms. This data is crucial to build a realistic financial assessment tool for use by the responsible parties at the Islamic Waqf and Christian bodies to guarantee the financial sustainability of Waqf organisations and tenants, while ensuring that Jerusalemites have the opportunity for income-generating opportunities and venues to protect the Palestinian identity of the souqs. For example, specifying the various types of tax payments, their amounts and the party (tenant or Waqf) responsible for their payment, and payment of rent and its schedule would provide Waqf authorities with the ability to decide on the weight of each criterion. They also help in providing the Waqf authorities with the ability to decide on the appropriate amount of rent and its due date(s), and hence satisfy the interests of both the tenants and Waqf authorities. In all cases, the financial tool that was prepared along with this study is flexible and could be adjusted or modified once the above-mentioned data are collected.





The Islamic and Christian Waqf

A Waqf is a type of voluntary charity which is encouraged and popular in Islam and Christianity. Waqf properties are endowed for a charitable purpose in perpetuity. In Palestine, religious and Waqf institutions are deeply rooted in the history of religious institutions and also provide various services. Historically, people transferred ownership to religious institutions for religious, community, tax, and protection reasons. Islamic and Christian Waqf are important organisations in the civil society sector in Palestine. Their services include education, scholarships, orphanages, and health services. Despite their historical role and importance, Waqf-based institutions are not growing significantly on a global level.¹¹ Waqf properties constitute major levers of support to the economy, particularly in East Jerusalem, and also protect Palestinian political and cultural identity.

In general, Waqf may be categorised according to five factors: timing, legitimacy, beneficiaries, use of the location, and the objective of the Waqf. It is generally accepted that the time frame of the Waqf must be 'permanent'. However, some jurisprudence (fiqh) believes that it could be 'temporary' in accordance with the Waqf's view, termed *habs*. In terms of the legitimacy of the Waqf, it could be 'legitimate' - according to the religious aspect - or 'illegitimate'. The beneficiary of the Waqf can be divided into 'Family Waqf' – Dhurri Waqf ((The benefit is given to the offspring of the waqif for a specific purpose), 'Public Waqf' – Charitable Waqf (charitable purpose - the benefit is made public for a purpose of righteousness and goodness) or *mushtarak* Waqf (comprising both purposes). From a managerial point of view, a public Waqf (charitable Waqf) is better than a family one (Dhurri Waqf) since it allows for greater flexibility of use. The use of the Waqf could be categorized as *intifa* such as the establishment of a school on private land, and 'benefit' where the purpose is to make a profit. The objective of the Waqf is usually 'moveable' or 'immoveable'.¹²

A Waqf has three unique characteristics:¹³

- It lasts in perpetuity, which means that once an asset is dedicated as a Waqf, it will remain a Waqf. The Arabic term for in perpetuity is *ta'bid*.
- Irrevocability, which means that whoever designates a Waqf has no right to revoke their donation at any time. A Waqf is effective and binding as soon as the declaration is made by the donor without any need for delivery of the possession to the beneficiary.
- Inalienability, which means that after a valid declaration has been made, the object of the Waqf passes out of the ownership of the Waqf and cannot be alienated or transferred, either by the Waqf or the *mutawalli* (trustee), nor can their heirs assume possession by way of inheritance.¹⁴

11 <https://core.ac.uk/download/pdf/234650379.pdf>

12 <https://www.emerald.com/insight/content/doi/10.1108/IJIF-07-2017-002/full/pdf?title=application-of-italicwaqfitalic-for-social-and-development-finance>

13 https://mpr.ub.uni-muenchen.de/81144/1/MPRA_paper_81144.pdf

14 https://mpr.ub.uni-muenchen.de/81144/1/MPRA_paper_81144.pdf



Status and Administration of Islamic and Christian Waqf

Endowed properties for commercial use constitute 76 percent of Islamic Waqf and 62 percent of Christian Waqf. Residential properties make up 10 percent of Islamic Waqf and 30 percent of Christian Waqf. In terms of area, the proportions are reversed (40 percent of Islamic Waqf and 38 percent of Christian Waqf are residential units).¹⁵

The Old City of Jerusalem is rich in various types of endowments, noting that the area of the Holy Al-Aqsa Mosque compound, which constitutes one-sixth of the area of the Old City, is considered an Islamic Waqf as a whole. It is also worth noting that a large percentage of the properties of the Islamic endowment were located in what is known today as the Jewish Quarter, including al-Sharaf district, which was confiscated by the Israeli occupation forces, and the entire Islamic Mughrabi (Moroccan) Quarter, which was completely demolished by the Israeli occupation forces in 1967.

¹⁵ Draft academic research on Christian cultural heritage in Jerusalem, Usama Salman, Palestinian Vision. This research was published by PalVision: July 2022.





The Islamic Waqf

The administration of the Islamic Waqf is best known for its administrative responsibilities on the Islamic holy sites and Waqf properties on and around the Old City of Jerusalem, including the Holy Al-Aqsa Mosque which constitutes one sixth of the area of the old city (144 Dunams). The Hashemite Kingdom of Jordan has ultimate responsibility over the Islamic Waqf. The Waqf administration is headed by a general director who supervises the administration of the holy sites. Moreover, the Palestinian Authority runs other relevant institutions, such as the Ministry of Waqf and Religious Affairs, Shari'a courts, the Grand Mufti of Jerusalem and the Supreme Fatwa Council.

The primary role of the Waqf in Jerusalem is to support places of worship and religious learning located within and outside the city walls and inside the boundaries of East Jerusalem. The majority of Waqf properties were wholly dedicated or allocated the majority of their income to the maintenance of Al Aqsa Mosque, the Dome of the Rock or al Haram Al Sharif compound as a whole in addition to supporting seminaries, schools or charitable activities, such as Takeyat Khaseky Sultan that distributes food to needy families. Emphasis on infrastructural development was an important feature in the creation of other Waqf. The first known endowment in the city was made by Caliph Othman who endowed the Suleiman Pool and the gardens around it to the poor of the city. The status of the Waqf properties is particularly complicated in Jerusalem because of the city's special status under international law. Waqf represents some 80 percent of property within the Old City. During the Mandate, Palestinians used Waqf properties as a buffer against the sale of land to the Jewish settlers. Individual Waqf properties are recorded in the Shari'a Court in Jerusalem and in the Department of Islamic Awqaf, but the number of Waqf properties in the Old City is not publicly available. Cases decided by the Shari'a Court in East Jerusalem on rent or tenancy issues can only be enforced by the civil courts, but as these are Israeli courts they are not recognised by the Shari'a Court. Also, the Waqf mutawalli cannot resolve Waqf property disputes because the decision of a Shari'a court that is part of the Jordanian government cannot be enforced.¹⁶

As a result of this 'void in legal authority', Waqf managers and administrations rely on moral and community pressure to enforce decisions. Investment in property and the establishment of new Waqf has been neglected as a result of uncertainty and ambiguity, leading to the deterioration of properties in Jerusalem, particularly in the Old City. The Tenancy Protection Act of 1954 provides that a tenant cannot be evicted either for non-payment of rent, alterations, or sub-letting if they have been a resident for more than fifteen years. Additionally, most leases allow a tenant to sub-let, with the mutawalli having no control over the sub-letting although they are still responsible for maintenance. Rent increases are linked to the cost-of-living index but only for rents charged in Israeli shekels.

16 <https://www.zora.uzh.ch/id/eprint/112530/1/Conflict%20over%20Waqf%20property%20in%20Jerusalem.pdf>



As most properties in the Old City are charged in Jordanian dinars, tenants can avoid rent increases with support from the Israeli courts. Some landlords changed the rent to Israeli shekels, which is seen as more stable than the Jordanian dinar, but deflation of the Israeli currency devalued these rents and Israeli law prohibits lease revisions or the eviction of tenants.¹⁷

The Christian Waqf¹⁸

Christian properties are owned, controlled, and used by different Christian denominations in the Old City of Jerusalem. It has been a complicated and difficult task to define landownership in the Old City and conflicts have arisen in the past between members of the community and institutions. Problems arise mainly because the authorities did not conduct a thorough formal and binding classification previously that would have produced land titles. The land is used by various families of diverse ethnicity in a multitude of enterprises. Some of the land is rented from family Waqfs (Dhurri Waqf) or Public Waqf (Charitable Waqf).

Available data indicates that 24% of the Old City is owned by Muslim Waqfs, 29% by Christian institutions, 28% by private Palestinian Islamic and Christian Waqfs (Dhurri Waqfs - Family Waqfs), and the remaining 19% is controlled by the Israeli occupation government. In terms of land use, there is considerable similarity between Christian and Islamic public Waqf (charitable Waqf) since the two main purposes, commercial and residential, exhibit close patterns of usage.

There are 134 Christian religious sites inside and outside the Old City based on the geographical area and scope of the academic research on Christian cultural heritage in Jerusalem conducted by PalVision. There are 67 Christian religious sites in the Old City of Jerusalem belonging to different Christian denominations. Based on the research's field survey, 32.9 per cent of these sites which located inside the old city belong to the Greek Orthodox Waqf, 23.9 per cent to the Roman Catholic, and 13.4 per cent to the Armenian Orthodox Waqf, with the remaining sites belonging to other Christian denominations (See the chart below which showing the distribution of ownership of the various Christian denominations of the 134 Christian religious sites inside and outside the Old City based on the number owned by each denomination, not based on a percentage). Some 1.5 per cent of the sites are 'shared', which means that they are controlled by different Christian denominations, and 7.5 per cent of the sites are classified as 'others', which means that they belong to other Christian churches, foreign religious denominations or religious institutions that are not part of the 13 official Christian denominations.¹⁹

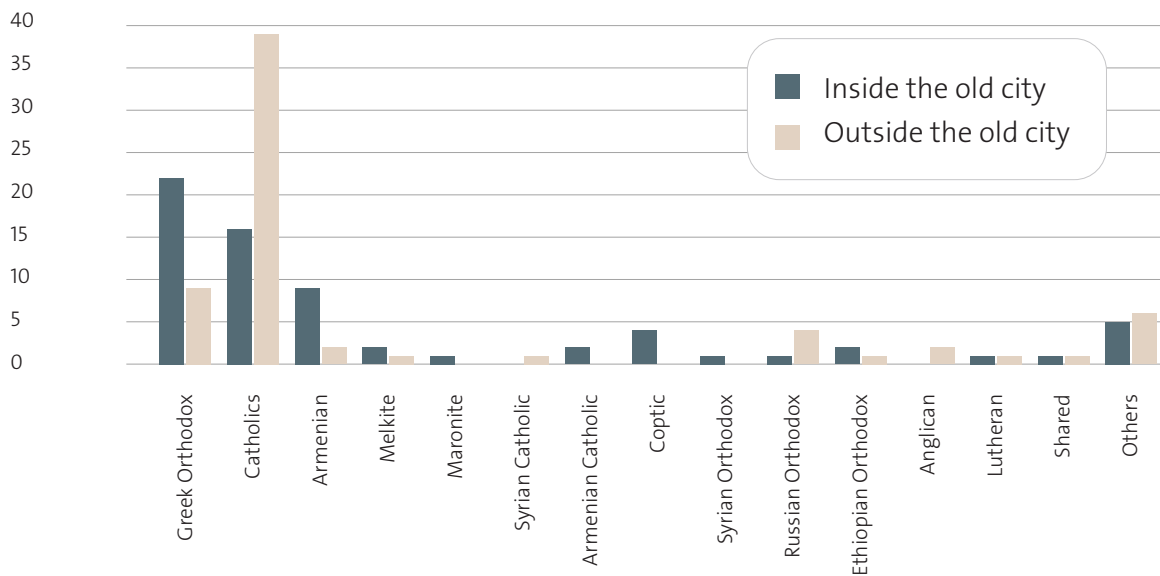
17 <https://www.zora.uzh.ch/id/eprint/112530/1/Conflict%20over%20Waqf%20property%20in%20Jerusalem.pdf>

18 This part was extracted from the draft academic research on Christian cultural heritage in Jerusalem, Usama Salman, Palestinian Vision.

19 Information extracted from the draft academic research on Christian cultural heritage in Jerusalem, Usama Salman, Palestinian Vision.



Figure No. 2: Distribution of the numbers of the 134 Christian monasteries, churches and shrines owned by different denominations inside and outside the Old City of Jerusalem



According to a 2012 research study, there are 1,614 commercial shops in the Old City of Jerusalem.²⁰ According to the field survey, 500 shops are currently owned by Christians, and most of them are located in the Christian Quarter. Of the total, 79 per cent belong to the Greek Orthodox Church, 8.6 per cent belong to the Franciscans, 3.4 per cent to the Armenians, 1.2 per cent to the Coptic Orthodox Church, and 4 per cent to the Lutheran Church. Only a few shops are owned by private Christian families.

Table No. 1: A breakdown of shops per denomination inside the Old City of Jerusalem

Denomination	Number of Shops	Per cent	Cumulative Per cent
Greek Orthodox	399	79.8	79.8
Franciscan	43	8.6	88.4
Armenian	17	3.4	91.8
Coptic	6	1.2	93.0
Lutherans	20	4.0	97.0
Others	15	3.0	100.0
Total	500	100.0	

²⁰ Omar Badrieh "Jerusalem. Old City: Market and Stores". Jerusalem, 2012. P.92.



The Mousa Afandi Project

The restoration and the rehabilitation of Mousa Afandi is an acclaimed initiative in the Old City of Jerusalem. The partnership model created to implement the project, along with the objectives of the project and its results, constitute an important case to learn from.

The Mousa Afandi building will serve as a multi-purpose centre targeting local tourism and will complement the youth development civic centre to be established in the Dar al-Consul complex located opposite.

The rehabilitation of Mousa Afandi²¹

Over the past 15 years, the Custody of the Holy Land has launched the development of major regeneration and restoration projects in the Old City of Jerusalem. These activities have been concentrated in residential neighbourhoods that contain both residential units and public open spaces. In some residential complexes, the basements are used for storage or shops. The Custody also owns public spaces that include multipurpose halls, schools, museums, libraries, a media centre, sports complexes, and clubs.

Over time, the Custody has established several partnerships with donors, and cultural and educational institutions while working on projects such as tourism and youth activities. One of the key objectives of European donors' development strategies is to enhance the resilience of the Palestinian community in Jerusalem. Therefore, the shared objectives of the two parties facilitated partnership building towards supporting the Palestinian community inside the Old City. This led to the Custody of the Holy Land launching the rehabilitation of the Mousa Afandi building as a pilot project in the Old City.

The availability of development funds has encouraged the Custody to identify neglected spaces for development and use by the community, whether for cultural, educational or sports purposes, and hence generate new jobs while improving the experience of visitors in the Old City of Jerusalem. These goals and the strategic location of the premises prompted the restoration of this facility with a unique café and an artisan workshop/showroom located in the heart of an historical compound in Jerusalem.

Another important rationale for restoration is the preservation of historic buildings. It is vital to keep these buildings aired and functioning as decay, humidity and neglect are the main causes of structural collapse. The Mousa Afandi building was abandoned for decades and was used for storage purposes. In order to pave the way for the project, the Custody reached an agreement with the tenant by compensating him (financially) for handing the building back to the Custody. In the residential buildings that the Custody intends to use, the tenants are given other houses in locations either in the Old City or in residential compounds owned by the Custody outside the Old City.

²¹ Information related to the rehabilitation of Mousa Afandi project was collected during an interview with Ms. Lana Rabadi, the previous project coordinator at the Custody of the Holy Land.



A team of lawyers worked with the Custody to provide the necessary legal support. Ms. Lana Rabadi, the project coordinator explained that, “the Custody has cordial and harmonious relationships with other institutions in the city, with the Islamic Waqf, the Orthodox church and others, as well as with private owners.”. If there is any dispute related to properties, negotiations are held to settle the interests of the different parties.

According to the Custody of the Holy Land, there is a working relationship between the Custody and the Israeli Occupation Municipality in Jerusalem for the approval of development work. Coordination with the Israeli Antiquities Department and other relevant Israeli occupation authorities was not easy, but eventually approval was given to execute work. Maintenance of facilities is conducted throughout the year with budgets allocated from the core fund of the Custody or through donations and grants from donors (according to the project).

Depending on the operational requirements of facilities, the Custody has created several job opportunities for staff from different specialisations to execute operations and fulfil management tasks, including engineers, lawyers, contractors, workers, and teachers.

It is worth noting that Mousa Afandi is the first project to be completed in Aqabet al Tiquiyeh, alongside another important project on the same street called the Dar al Consul Civic Centre that has recently been completed. It is envisioned that operation of the two projects and activities will be organised side by side, which will lead to a significant revitalisation of the neighbourhood.

Prior to opening the centre, an assessment and feasibility study was conducted to define the functions and the target beneficiaries of the space. The study focused on the immediate location and examined the socio-economic realities of the surroundings. Several specific business ideas were assessed financially.

Some important information about the building and the project:

- Mousa Afandi is located in the basement of a three-story historic building in Aqabet al Tiquiyeh in the Old City of Jerusalem.
- It is a church Waqf property and is completely under the management of the Custody.
- The project was implemented jointly by the Custody and UNDP/PAPP–CRDP Program. The two parties signed an agreement to renovate and operate the centre.
- The project management offered several training workshops and capacity building for the engineers and workers on the principles of restoration techniques.
- The project is part of a comprehensive program to develop the whole neighbourhood of Aqabet al Tiquiyeh.
- The facility will include a special café and an artisan workshop/showroom located in a historic location in the heart of Jerusalem, and will be linked to other buildings in the project through an interactive initiative.



Lessons learned from the Mousa Afandi rehabilitation project:

- Historic buildings in the Old City need to be opened up and renovated to avoid decay or other damage.
- Waqf owners should be aware of the importance and benefits of improving and operating their properties to create sustainable businesses, generate jobs and markets, encourage others to open, and to attract tourists.
- These businesses will create funds for owners (e.g. the Waqf authorities) for use in further projects or for maintenance and other activities.
- It is very important for rehabilitation projects to adopt wide-ranging goals suitable for a variety of uses that will guarantee the preservation of the whole neighbourhood.
- The sharing of funds and professional project proposal development will give owners an incentive to engage with restoration and development projects.
- To maintain good relationships between owners and tenants, it is vital to build trust and facilitate development efforts.

Economic Feasibility of the Two Markets Studied

As described above, the PalVision team selected Souq al-Khawajat and Lutheran Church Street as two markets owned by the Islamic and Christian Waqf respectively for scrutiny to understand their ownership status, and the challenges facing their development and commercial use. It was also agreed that the focus should be on commercial use without assessing or examining social and religious infrastructure. Therefore, the research would inform the project about general characteristics and would pinpoint challenges that complement the other components of the project, particularly cultural mapping and legal assessment/support.

The names of the streets and souqs of Jerusalem are testimony to the fact that the Old City had a strong and diversified economic base that included traditional crafts and industries in addition to trade, and provided services and goods for both tourists and the residents of the city. Each market in the city was named according to the type of business and activities conducted there. For example, Souq al-Attarin was where spices were sold; Souq al-Khawajat sold textiles and clothes to tourists; Souq al-Dabbagha displayed crafts and leather products, etc.

During the last century, the markets in Jerusalem were thriving as the city was a destination for pilgrims from all over the world. However, the structure of business activities has changed over time. The economy gradually lost its niche markets due to the Israeli occupation measures such as the construction of the Separation Wall that prevents Palestinians from the West Bank and Gaza from visiting the city, alongside other closures and restrictions, including the latest lockdowns due to Covid-19. It is estimated that around 100,000 Palestinian Jerusalemites who are living on the other side of the Wall are incapable of accessing the markets of Jerusalem.²²

22 <https://www.mas.ps/files/server/20170902102100-1.pdf>



Souq al-Khawajat

Profile of the Souq

Souq al-Khawajat (lit. the foreign merchants' market) sold traditional clothes and textiles for social occasions. It is located near two main intersections in the Old City and is one of the trilateral markets of Souq al-Attareen, Souq al-Lahameen and Souq al-Khawajat.

This market used to be famous for selling gold and thereby gained its name, Souq al-Sagha and Souq al-Khawajat. After most of the goldsmiths moved to the al-Dabbagha market at the beginning of the twentieth century, Souq al-Khawajat became filled with fabrics, sewing items, and clothes shops.

The northern part of the market was severely damaged as a result of the earthquake that hit Jerusalem in 1927. This led to the destruction of the northern half of the street and reduced the length of the market from 541 meters to about 57 meters. The damaged section was closed, fell into further disrepair, and has not been repaired thus far.



Photo 1: Souq al-Khawajat

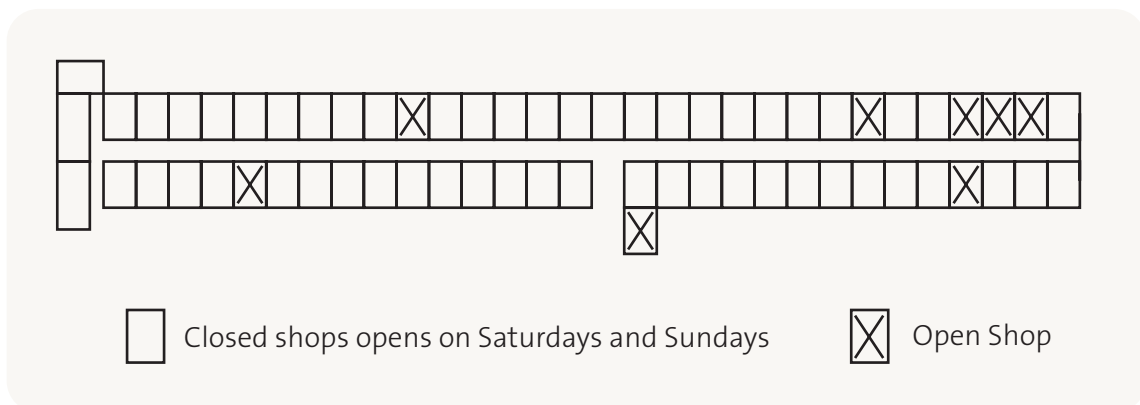


The two streets of the al-Dabbagha and al-Khawajat are located along the historical Cardo Street in the Old City. The Cardo was an important urban street used in planning for Roman cities and extended from the north to the south of the city. It started at Damascus Gate (Bab al-Amoud), with the column with emperor statue located at the entrance, five meters below the current gate, and ended in the south-west of the city in the area where what is now known as the Jewish Quarter (which is located on the ruins of the Moroccan “Mughrabi” Quarter that was demolished by the Israeli occupation forces in 1967, and on the properties of the Islamic Al-Sharaf Quarter - both of them belongs to the Islamic Waqf).

In the 19th century, the copper industry gradually began to decline and only one shop remains today that specializss in this craft. The reason for this was the influx of fabric merchants who invaded the market and began to sell high-quality Greek and Turkish fabrics at wholesale prices. Most of their customers were bourgeois residents of Jerusalem.

Accordingly, the name of the market shifted from the coppersmiths to the merchants’ market or al-Khawajat. It was called Souq al-Khawajat because most of the fabric financiers for this market were the Khawajas (Greek merchants) who sold fabrics for many years to Arab shop owners. Currently, around 55 shops are closed, open on weekends or used as storage in Souq al Khawajat. Out of 63 shops, the team counted eight shops that were open on a daily basis.

Figure 3: A plan of Souq al-Khawajat showing open and closed shops



Souq al-Khawajat was a busy market selling textiles and souvenirs to pilgrims visiting the Holy Sepulchre Church. It leads to Bab al-Silsila on the way to Haram al Sharif and the AL-Buraq Wall.

There are shops on both sides of the street and the street is covered with cross-vault ceilings with an opening at the top for ventilation in the manner that prevails in the covered markets of the city.



The attractive market location is important and suitable for both locals and tourists, as it can be entered from two main gates of the Old City (Bab Al Amoud through Khan Al Zeit street, and Bab Al Khalil), it is comfortable for walking, and it is part of the trilateral markets. The shops currently open sell textiles, copper handicraft products, food and refreshments and music instruments.

In spite of its unique location, many shops are closed or used merely as storage because of the economic situation and financial hardships facing the tenants. The suffering of the merchants is increased by the presence of an Israeli settlement on top of the market and the constant threat of stones being thrown from the side windows of the market. This has forced some traders to put up barbed wire or close the windows completely.



Photo 2: The shops at Souq al-khawajat

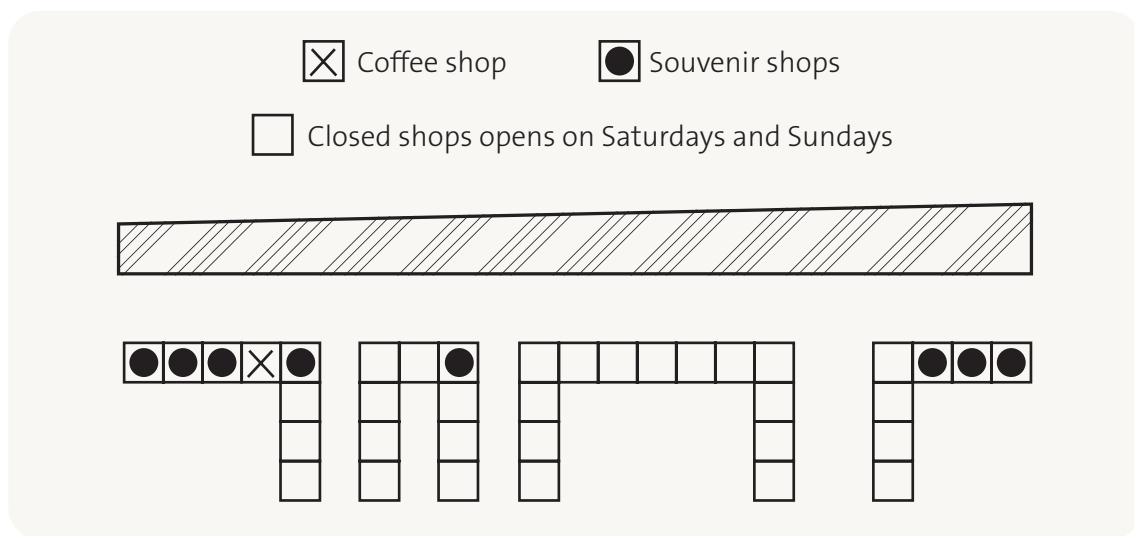


Lutheran Church Market (shops in front of the Church of the Redeemer and part of Swiqet Allun)

Profile of the Souq

This famous market contains 37 shops, of which the team counted nine that were open on a daily basis while the rest were closed, open on weekends or used as storage. Most tourists visit the area as part of a regular (religious) tour.

Figure 4: A plan of Lutheran church market showing open and closed shops



The owners of some shops were forced to close their doors because of the economic situation and financial hardships facing the tenants; most market traders now sell tourist items and ready-made leather products. Alongside the growth of restaurants and cafes in this market, there is a high dependency on foreign tourists.

The Muristan area of the Old City of Jerusalem is adjacent to the Holy Sepulchre and consists of several minor alleys that meet in the centre at a water fountain.

The current market streets are located in the area of the Muristan, where sick people were traditionally treated throughout different eras in history. Later, parts of the Muristan area were used for commercial activities and the sale of items to tourists and local residents.

Lutheran Church Street, al-Dabbagha and Souq al-Khawajat are the three streets that were established to serve pilgrims who came to visit the church of the Holy Sepulchre and the rest of the Old City.



Photo 3: al-Dabbagha market

The wide, open street of al-Dabbagha with the shops on one side and the Lutheran Church on the other used to be very busy. Leather products, including clothes, shoes and bags, were commonly sold there. At a later stage, jewellery was sold in some shops and souvenirs in others.

The Lutheran Church lies at the main northern entrance to Lutheran Church Street. It has a 40-meter-high tower with a circular staircase of 178 steps that offers wonderful panoramic views of Jerusalem from the top. There is a cafe in the church garden. Opposite, there are several stores owned by the Orthodox Church, but they are closed due to the security and economic situation resulting from the violations of the Israeli occupation. The research team learned that there is a legal conflict between the Orthodox and Islamic Waqf concerning ownership of the shops. The market was originally owned by the Islamic Waqf of Bimaristan, which dates back to the Ayyubid period during the reign of Caliph Salah al-Din al-Ayyubi.





Photo 4: Photos of one of the streets.

The shops in the Swiqet Allun market area begin at the entrance from Jaffa Gate at the top of Allun Street and end at the intersection to the left heading for the Church of the Holy Sepulchre. The market was called by this name due to the presence of a mosque built in the Mamluk period and attributed to the Jerusalem family of Allun.²³

The market contains 28 shops, some of which date back to the Crusader era. Most of them specialized in selling leather in the past.

A succession of security incidents resulting from the violations of the Israeli occupation led economic conditions in the Old City to deteriorate and shop owners were forced to close their doors. Most market traders resorted to selling tourist items and ready-made leather products. The number of restaurants and cafes in this market has grown but, like the other businesses, rely heavily on foreign tourists.

23 A report on markets of the Old City of Jerusalem by Al Jazeera Mubasher.
<https://mubasher.aljazeera.net/gallery/2019/11/16/%D8%A3%D8%B3%D9%88%D8%A7%D9%82-%D8%A7%D9%84%D9%82%D8%AF%D8%B3-%D8%A7%D9%84%D8%B9%D8%AA%D9%8A%D9%82%D8%A9-%D9%82%D8%B5%D8%B5-%D9%85%D9%86-%D8%A7%D9%84%D8%AA%D8%A7%D8%B1%D9%8A%D8%AE>



Discussion

The team visited the Old City and the two markets under discussion on multiple occasions and at various times of day to collect information about ownership and use, meet with shop owners/tenants, and observe the commercial activity. It was noted that on Saturdays the number of shoppers was far greater than on weekdays. Israeli occupation forces were heavily present on all streets. During several visits, the research team noticed the presence of Israeli tax authorities who enquired about the closed shops. During the research team's enquiries about the shops and commercial activity, they discovered that many shops are used as storage for merchants with premises both inside and outside the souqs, while other shops open only during weekends. The research team noted that seven shops in Souq al Khawajat require renovation despite the fact that they were rehabilitated by UNDP in 2015.

The Old City of Jerusalem used to be a strong part of East Jerusalem's economy and attracted Arab and Palestinian customers as well as tourists. Its current recession serves as a potent example of the economic marginalisation that has weakened the economy and rendered life in East Jerusalem increasingly difficult for Palestinians. The recession experienced by the commercial markets in the Old City is closely linked to the deterioration of the tourism sector in East Jerusalem.

Commercial and cultural activities could flourish if Palestinians had autonomy from Israeli occupation control, but investment and development have been neglected because of legal uncertainties and ambiguities. The Israeli district court issued an initial decision granting itself the right to review cases related to Islamic Waqf property in Jerusalem.²⁴


This situation has been compounded further by the heavy taxes imposed by the Israeli occupation authorities to stifle Palestinian business activity. Palestinian merchants are required to pay six taxes: arnona or property tax; value added tax; income tax; national insurance; payroll tax; and license tax. The resulting loss of the market's competitive advantage (historical reputation and strategic location) has been accompanied by the emergence of new business centres such as Salah al-Din Street, Shuafat, Beit Hanina, al-Ram, and Ramallah. These locations have become easier to reach and more attractive to Palestinians, especially after the construction of the Separation Wall and the strict permit regime imposed by the Israeli occupation authorities that limits entry to Jerusalem. In an effort to keep commodity prices low, Palestinian merchants have become increasingly dependent on imported cheap foreign and Israeli goods. As a result, commercial markets in the Old City, once known for the high quality of their locally made goods, have become associated with the sale of low-quality products.²⁵

With the aim of reinforcing the Palestinian presence and challenging Israeli occupation obstacles, political tours of the Old City are organised by Palestinian tourism experts in East Jerusalem such as the Jerusalem Tourism Cluster or Dalia Association. The Jerusalem Fund

²⁴ Draft academic research on Christian cultural heritage in Jerusalem, Usama Salman, Palestinian Vision.

²⁵ http://www.haqocom.ps/sites/default/files/researches/arafeh_policybrief_eng_nov2016.pdf





also promotes community-controlled grants and development to enhance the accountability of local initiatives and reduce dependency on donor aid. The Palestinian private sector and Palestinian banks have embarked on several initiatives to invest in East Jerusalem. These bodies include the Palestine Investment Fund (PIF), Padico and Jerusalem Holdings. Moreover, international organisations such as UNDP and Ta'awon (Welfare) have helped in the effort to renovate the souqs.

Shop owners interviewed by the research team indicated that the political situation is a disincentive to further investment. Any investment in new products or maintaining satisfactory levels of stock requires significant borrowing that incurs strict repayment terms. Thus, old business activities are dying and there is a reluctance to modernise or adopt new business ideas. One shop owner stated that his sons were not interested to open a new business inside the Old City because of the high risks. Reliance on tourism is also politically sensitive as the number of tourists declines during periods of political unrest.

The merchants of Souq al-Khawajat suffer from high taxes imposed on them. Shop owner Imad Barakat claimed merchants had been forced to close their shops and leave the market because of the taxes imposed on them in the form of accumulated arnona²⁶ (property tax) amounting to between 250,000 and 1,000,000 shekels.

At the same time, Israeli settler groups are trying to take over some shops to use them as an entrance to a Jewish synagogue located behind the market. The settlers use the rooftops of the market shops as a pathway to enter and exit the synagogue.

A very important factor noted during interviews with shop owners and tour guides is that tour guides and operators control the routes and time spent by tourists inside the Old City. There seems to be a commission-based relationship between shop owners and tour guides by which the tour guide directs their group to buy from a specific location. Therefore, business development ideas should consider alignment with the incentives and interests of tour guides and operators. Some shop owners and tour guides indicated that most tourists today are knowledgeable about the prices of souvenirs and other items, and therefore diversity and the pricing of items should be considered carefully to be both attractive and competitive.

The tour guides interviewed have also noted that the Israeli occupation government and Israeli operators dominates the management of the tourism sector including directing tourists away from the Islamic quarter while informing tourists that Palestinian merchants sell low quality and expensive products. Tour guides interviewed have also noted that tourists are becoming more aware of what to expect when visiting the Old City due to the presence of many websites and electronic platforms that share tourists' experience. However, the tour guides interviewed believe that around 60 per cent of tourists visiting the Old City do so independently and they personally decide on what to visit.

26 <https://jerusalem-real-estate.co/jerusalem-real-estate-arnona-municipal-tax/>





This segment constitutes an important target for Palestinian merchants. However, this requires significant efforts and investment in promoting the Palestinian narrative and new offerings by Palestinian merchants by developing user-friendly and multilingual applications and websites/platforms. On-line marketing and ordering platforms are also considered a new trend inside the Old City and may assist Palestinian merchants to penetrate new segments. Finally, tour guides as well as some merchants also noted that promoting the Old City and managing new markets may benefit from targeting countries such as Indonesia, Philippines, Turkey, etc.

Many of the existing active shops do not offer attractive products to tourists. Tour guides stated that a Palestinian restaurant was needed at Lutheran Street to offer traditional Palestinian food that could be prepared and offered quickly. The site's location next to the Church of the Holy Sepulchre is unique and the street is used by tourists heading for the AL-Buraq Wall after visiting the Church. Also, unique Palestinian handicrafts, especially customised items, e.g. embroidery and candles, and quality spices are absent from the two souqs.

In addition, there is lots that is missing from the two markets that would be attractive to foreign tourists: independent Palestinian designers offering modern clothing with Arabic or embroidered details, more art and prints, screen-printed stuff, modern ceramics, modern jewellery (less gold!), chocolates, cakes, trendy coffee shop hang-outs. It should be easier for young start-ups to take short-term leases. The 'pop up' store concept.

With regard to owner-tenant relationships, the Islamic Waqf avoids legal confrontations with tenants and tends to resolve conflicts without the interference of other entities, including the legal and judicial authorities of the Israeli occupation. The closure of shops is an indication of weak conflict resolution mechanisms that do not benefit the two parties or the Palestinian community of the Old City. The UNDP representative pointed out that the issue of trust is an important factor and both the Islamic Waqf and tenants have weak trust in both international organisations and the Palestinian private sector. The Palestine Investment Fund (PIF) attempted to revitalise the New Gate area but their efforts did not succeed. One of the shop owners was aware of the PIF program and attempted to benefit from its financial services but eventually gave up due to the long and bureaucratic procedures, including exposure of sensitive information, such as actual income of applicants, ownership status and paid taxes. The New Gate area is now the target of the Israeli occupation municipality in Jerusalem that organised several activities targeting both locals and tourists.

The relatively wide streets and open courtyards could prove a positive factor in improving commercial activities in Lutheran Church Street. Activities could include weekly and seasonal open markets along with other special events such as cultural or community events which could be held in the courtyards. Strong partnerships are required between Palestinian NGOs and CBOs to initiate a cultural momentum to revitalise commercial life.



The Financial Feasibility and Assessment Tool

The financial feasibility tool's main objective is to equip management of Christian and Islamic Waqf with a practical tool that could be used to assess rental requests of Waqf properties and select tenants according to a set criteria. From the Christian and Islamic Waqf's perspective there are several factors that should be considered while assessing requests from Palestinians for renting shops. These factors reflect the principles of a 'responsible investment²⁷' strategy, and they include, inter alia, ability to pay rent as one of the main factors that should decide on selection of tenants. The proposed factors are:

- The tenant is registered at the Jerusalem chamber of commerce.
- The intended business will be able to pay the rent as well as generate profit to the tenant.
- The intended business will strengthen the Palestinian cultural identity.
- The intended business will generate direct and indirect jobs for Palestinians.

An electronic spreadsheet is prepared containing a dynamic project scoring sheet that could be updated by management of the Waqf, profit and loss statement of the business idea, cash flow-based valuation, balance sheet projection and graphical representation of the business idea. The profit and loss statement should be adopted because it shows the viability of the business idea while focusing on the cost structure and expenses in order to make sure the tenant will be able to pay the rent, and therefore generate sustainable revenues to the management of the Waqf. The cost structure of the business idea varies depending on the nature of the business, e.g. labour, running cost, supply chain, taxes, etc. Therefore, management of the Waqf should be able to assess the cost structure of each business idea separately, and revise it if needed, so as to make sure the resulting net operating income is positive. The tentative list of cost structure is as follows, noting that the corresponding amounts provided in the attached electronic spreadsheet are added for explanatory purposes:

Rent, cost of sales and marketing, depreciation, payroll, payroll tax, national insurance, property tax (arnona), maintenance and repair costs, utilities, cost of handling of goods inside the Old City, administrative fees, interest expense on long-term debt, income tax, Israeli occupation municipality tax and other expenses. Also, the profit and loss projection over a few years would allow management of the Waqf to negotiate incremental terms of payment of rent that provide flexibility to the tenant and therefore contribute to the viability of the business idea.

Another important advantage of preparation of the above financial analysis is to facilitate financial support from third party organisations to Jerusalemites, e.g. Chamber of Commerce, national and international organisations, the Palestinian government, etc.. Most of, if not all, economic development projects in the Old City rely on quantitative analysis and financial metrics in determining grants that aim at expanding existing businesses or support the start of new businesses. This was also confirmed during the meetings with officials at the Palestine Investment Fund (PIF), GIZ and UNDP.

27 <https://www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article>



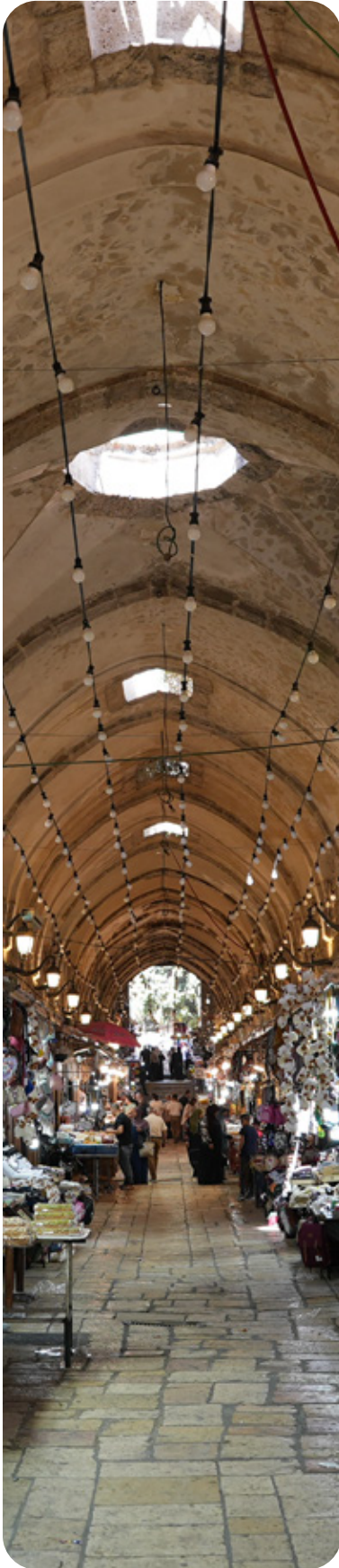
Conclusions

Benefiting from the Waqf properties in the two souqs, providing new income generating opportunities to Jerusalemites and protecting Palestinian cultural heritage in the Old City requires coordinated efforts by several parties. Such efforts should be focused on creating demand from both local residents of the Old City, local visitors and tourists in addition to providing Jerusalemites with new and unique business opportunities. Several conclusions can be drawn from the feasibility research:

- Revitalising the Islamic and Christian Waqf is very important not only to improve economic conditions for Palestinians inside the Old City but also to strengthen the Palestinian cultural heritage and narrative.
- The owner-tenant relationship is crucial to the prospects of development. An innovative community-based conflict resolution mechanism (e.g. alternative means, mediation, arbitration, etc.) is needed to replace the Israeli occupation legal system.
- It is more effective for management of Waqf properties to lead development efforts rather than international organisations or the private sector.
- Market-wide revitalisation strategies should take into consideration both the capacities of owners, and incentives and market forces (e.g. economic power and forces of influence).
- Palestinian cultural activities are not represented in the two souqs. In addition to shop owners/tenants, Palestinian NGOs and CBOs could play an important role in encouraging tenants to open their shops, attracting tourists to the areas and promoting a safe image of the Old City.
- The capacity of the Islamic and Christian Waqf should be strengthened with regard to business and financial assessment of new business ideas. It is important that Waqf properties are managed with a business-like mindset.
- Building on the research into Islamic and Christian heritage, it is worthwhile to assess the overall socio-economic status of the Old City spatially and by sector to better identify community needs, market forces, marketing channels and tools, zoning requirements, etc. holistically while assessing micro projects inside the souqs.







Recommendations

The following preliminary recommendations aim to create a variety of incentives at both the market and institutional levels.

Market Level

The overall aim is to stimulate market demand.

I. Attract greater numbers of tourists by:

- Implementing a marketing strategy for the Old City as a whole.
- Target new countries, e.g. Turkey, Philippines, Indonesia, etc, and organise Palestinian led tours.
- Target international tourists who are visiting the Old City privately by developing user friendly and multilingual electronic platforms.
- Encouraging Palestinian tour guides to spend more time with groups in the Old City.
- Establishing a restaurant specialised in traditional Palestinian cuisine in Lutheran street.
- Creating a special location for Palestinian handicrafts to promote high-quality contemporary crafts where tourists can make, view, and learn about contemporary and traditional Palestinian crafts.
- Expanding product design, diversity and delivery in the markets.
- Offering support for businesses to develop their business plans and strategies, especially related to pricing, the variety and quality of items on offer, cash flow management and encouraging business owners to engage more with digital and social media.
- Creating new touristic programmes based on the Palestinian narrative such as educational programmes and tours.



II. Attract people from the local market by:

1. Organising regular and seasonal folkloric-type events in the Old City.
2. Organising social events and visits by local citizens and youth, Palestinians visiting the Old City from the West Bank and historic Palestine so as to increase the flow of visitors in the two markets.

Institutional Level

1. Build a Palestinian-led conflict resolution mechanism that supports Islamic and Christian Waqf and tenants in resolving conflicts, protecting the interests of all parties and contributing to economic development and resilience of Palestinians.
2. Provide technical and financial support for Islamic and Christian Waqf by including the Islamic and Christian Waqf in all activities.
3. Strengthen the capacity of the Islamic and Christian Waqf in financial and business assessment so as to select tenants based on the viability of their business idea and the returns to the Waqf. It is important that Waqf properties are managed with a business-like mindset.
4. Strengthen the capacity of the Islamic and Christian Waqf in project management and aid management so as to improve the quality of development support provided by national and international organisations.
5. Involve political and religious figures to sustain community-based planning initiatives.
6. Establish supportive policies and procedures for commercial activities to create an environment that financially benefits the tenants and the Waqf.
7. Build partnerships and business agreements with tour guides to promote the two souqs and their businesses to tourists.
8. Develop an urban branding strategy to promote the two markets and their touristic and cultural sites in a way that strengthens Palestinian identity.





Annex 1: List of questions for personal interviews

Target Group 1

Beneficiaries of Waqf properties in two souqs

Objective of Interview

Explore type and extent of utilization of Waqf properties and challenges faced

Questions

- What is the type of commercial activity?
- Is the current activity the same as the original lease?
- Do you possess the knowledge needed to deal with the administrative procedures to sustain your business?
- Does the Waqf authorities follow up on your complaints/requests, if any?
- Does the Waqf authorities provide any financial support to your business?
- Are you planning to expand your current business?
- How do you describe the classification of your neighborhood, commercial? Residential? Public?
- What is the best way to revitalize your neighborhood?
- What are your needs in order to reopen your store?
- How do the Israeli occupation actions affect your business?
- What are the types of services or commercial activity that exist in the souq?
- Are you interested in cooperating with an organization in order to expand or improve your business?
- What is the nature of your profession/commercial activity (private/cooperative/non-governmental)?
- Is your product/service under demand? Are you interested in changing your business?
- What are your suggestions to improve the economic conditions of the Old City?
- What is the value of the arnona and other taxes (e.g. property) ?
- How much is the value of your monthly sales?
- What is the best time of the year for your sales?
- What are your expenses?
- Do you have enough staff?
- Is the souq's infrastructure suitable for your business?
- Who are your competitors?
- What are the requested permissions/licenses for your business?
- Are there any environmental conditions imposed on your business?
- What are the primary material needed for your business?
- What is the age group(s) of your customers?

Target Group 2

Islamic and Christian Waqf administration responsible over the two souqs

Objective of Interview

Obtain a general overview of the two administrations and the two souqs in Jerusalem and the challenges faced, and inquire about the Waqfs' appetite for capacity building

Questions

- What are the types of Waqf assets in Jerusalem?
- What is the organizational structure of the Waqf administration?
- How does the administration manage and monitor the assets?
- What are the administrative challenges?
- What are the administrative procedures of investing in Waqf assets?
- What are the challenges facing the Waqf in real estate development?
- What are the challenges facing the Waqf in dealing with tenants?
- How do you evaluate the expected investment in assets?
- Does the Waqf have any institutional development plans?
- What are the tools Waqf uses in ensuring sustainability of revenues?
- What are the criteria/points Waqf takes into consideration upon leasing assets?
- Are there any future development plans of Khawajat souq?
- What are the previous revitalization projects, if any?
- How many Waqf assets exist (and their type) in Khawajat souq?
- Who are the beneficiaries of Khawajat souq and their businesses? Are there any difference between the original business and the current ones?
- Are there any legal issues with tenants?
- What are the obstacles imposed by the Israeli occupation during development of souq?
- Were there any parties contributed to development of Waqf assets in the souq? List them along with the corresponding expenditures.
- Are there any development/revitalization plans of the assets in Lutheran Church street?
- What are the previous revitalization projects, if any?
- What are the types of Waqf assets in Lutheran Church street?
- Who are the beneficiaries of the souq in the street? Are there any difference between the original business and the current ones?
- Are there any legal issues with tenants?
- What are the obstacles imposed by the Israeli occupation during development of souq?





Target Group 3

Palestine for Development Foundation / Palestine Investment Fund

Objective of Interview

Collect information, implementation tools and lessons learned regarding the investment activities in Jerusalem and challenges faced by foundation as well as investors in various sectors

Questions

- What is the type of the foundation's interventions in Jerusalem (commercial/residential/social)?
- What is the economic or social feasibility of these interventions, and why?
- What are the challenges faced during preparation of investment tools?
- What are the needs assessment tools and implementation tools used by the foundation?
- What are the procedures adopted with Waqf in real estate development?
- Have you modified your objective in early stages of your plans?
- What are your achievements and challenges faced during implementation, with Waqf, occupation and residents?
- How did the foundation manage risks?
- How did the foundation verify sustainability of supported projects?
- What are the legal due diligence followed during your work in Jerusalem?

Target Group 4

Public figures and representatives of national organizations who work at the Old City or have relationships with the two souqs

Objective of Interview

Inquire about the challenges facing development of the two souqs and collect suggestions for development

Questions

- What are your suggestions for developing Khawajat and Lutheran Church souqs?
- What are the expected challenges facing development during implementation, with Waqf, Israeli occupation (Antiquities authorities, municipality, etc) and residents?



Target Group 5

United Nations Development Programme / Programme of Assistance to the Palestinian People
UNDP/PAPP

Objective of Interview

Analyze donors' strategies, and collect data and lessons learned on implemented projects

Questions

- What was your overall objective in UNDP's interventions in Khawajat souq?
- What are the issues that UNDP took into consideration in order to achieve this objective?
- Did UNDP have an economic plan for the souq?
- What are the procedures and licenses followed and obtained in real estate development and rehabilitation of the souq?
- What are the administrative procedures followed for building partnership with Waqf authorities?
- What are your achievements and challenges faced during implementation, with Waqf, Israeli occupation (Antiquities authorities, municipality, etc) and residents?
- Were there any agreements or MoUs signed with project beneficiaries?
- Is there any future plans to continue partnership with Waqf in the souq?



Annex 2: List of people interviewed

Meeting	Purpose	Date
Meeting with Ahmad Ziedan, Project Manager, Palestine for Development	To learn about the PIF experience in developing sites in Jerusalem, namely in Al Khawajat Souq.	8th of June 2021
Meeting with Mr. Sufian Mushasha	To learn about the UNDP experience in developing sites in Jerusalem (inside and outside the Old City), namely renovation of Souq Al Khawajat and development of a business plan for the Old City, including Souq Al Dabbagha, Optimus, Lutheran Street, etc. The meeting discussed also the challenges facing development actors and community engagement.	13th of June 2021
AL Khawajat and Al Lutheran church market field visits	Learn about the markets, commercial activities and collect basic data.	28,29,30th of June 2021
Meeting with Souq AL Khawajat and Lutheran church Souq beneficiaries	Meeting with beneficiaries: Abo Jalal Dana, Imad Barakat	30th of June 2021
AL Khawajat and Al Lutheran church market field visits	Learn about the markets, commercial activities and enquire about additional tenants	1st, 2nd, 4th of July, 2021
Meeting with Lutheran church administrator	Meeting with Mr. Yacoub Khoury	1st of July, 2021
Meeting with Islamic Waqf	Meeting with Dr. Yousef Natsheh	11th of July 2021
Meetings with Old City residents	Meeting with Mr. Taha Naser al Din and Mr. Khaled Qawasmi	12th of July 2021
Meeting with Orthodox church representative	Meeting with Mr. Anton Balata	12th of July 2021
Souq Al Khawajat and Al Lutheran church markets field visits	Learn about the markets, commercial activities and enquire about additional tenants	13th,14th ,15th of July
Meeting with tour guides	Meeting with Mr. Taleb Barakat	26th of July, 2021
	Meeting with Mr. Nadi Rabadi	27th of July, 2021

Annex 3: Financial tool

Assessments

Name of tenant:		
Property No:	Marks	
1. The tenant is registered at the Jerusalem Chamber of Commerce.	TRUE	10
2. The intended business will be able to pay the rent as well as generate profit to the tenant.	TRUE	50
3. The intended business will strengthen the Palestinian cultural identity.	TRUE	10
4. The intended business will generate direct jobs:		
a. 1-3	FALSE	0
b. 4-7	TRUE	30
Total score		100





Model Inputs

Name of tenant:			
Property No:			
FORECASTED REVENUE			
	"Units sold annually"	"Average price per unit"	"Annual revenue per product"
Product 1	122	125.00	15,250.00
Product 2	430	100.00	43,000.00
Product 3	210	65.00	13,650.00
Product 4	540	25.00	13,500.00
TOTAL OF FORECASTED REVENUE			85,400.00
COST OF GOODS SOLD			
	"Expected gross margin"		"Annual cost of goods sold"
Product 1	30%		4,575.00
Product 2	25%		10,750.00
Product 3	25%		3,412.50
Product 4	30%		4,050.00
TOATL COST OF GOODS SOLD			22,787.50
ANNUAL MAINTENANCE, REPAIR AND OVERHAUL			
Factor (%) on capital equipment	15%		
ASSET DEPRECIATION			
Number of Years	5		
TAX			
Annual Tax Rate	30%		
INFLATION			
Annual Inflation Rate	2%		
PRODUCT PRICE INCREASE			
Annual Price Increase	2%		



Profit and Loss

Name of tenant:					
Property No:					
PROFIT AND LOSS ASSUMPTION					
	Year 1	Year 2	Year 3	Year 4	Year 5
Annual cumulative price (revenue) increase	0.00%	2.00%	4.00%	6.00%	8.00%
Annual cumulative inflation (expense) increase	0.00%	2.00%	4.00%	6.00%	8.00%
INCOME					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Product 1	15,250.00	15,555.00	16,177.20	17,147.83	18,519.66
Product 2	43,000.00	43,860.00	45,614.40	48,351.26	52,219.37
Product 3	13,650.00	13,923.00	14,479.92	15,348.72	16,576.61
Product 4	13,500.00	13,770.00	14,320.80	15,180.05	16,394.45
Total revenue	85,400.00	87,108.00	90,592.32	96,027.86	103,710.09
Cost of Sales					
Product 1	4,575.00	4,666.50	4,853.16	5,144.35	5,555.90
Product 2	10,750.00	10,965.00	11,403.60	12,087.82	13,054.84
Product 3	3,412.50	3,480.75	3,619.98	3,837.18	4,144.15
Product 4	4,050.00	4,131.00	4,296.24	4,554.01	4,918.34
Cost of goods sold	27,587.50	28,139.25	29,264.82	31,020.71	33,502.37
Gross Profit	57,812.50	58,968.75	61,327.50	65,007.15	70,207.72
Non-Operation Income					
Rental	-	-	-	-	-
Interest income	-	-	-	-	-
Loss (gain) on sale of assets	-	-	-	-	-
Other income (specify)	-	-	-	-	-
Toatal Non-Operation Income	-	-	-	-	-
TOTAL INCOME	57,812.50	58,968.75	61,327.50	65,007.15	70,207.72



EXPENSES						
Operating expenses						
Rent	1,000.00	\$1,000	\$1,000	\$1,000	\$1,000	
Sales and marketing	1,000.00	1,020.00	1,060.80	1,124.45	1,214.40	
Depreciation	6,000.00	6,120.00	6,240.00	6,360.00	6,480.00	
Insurance	7,500.00	7,650.00	7,956.00	8,433.36	9,108.03	
Payroll and Payroll Tax	21,000.00	21,420.00	22,276.80	23,613.41	25,502.48	
Property taxes (Arnona)	2,500.00	2,550.00	2,652.00	2,811.12	3,036.01	
Municipality tax	1,000.00	1,020.00	1,060.80	1,124.45	1,214.40	
License fees	500.00	510.00	530.40	562.22	607.20	
Maintenance, repair, and overhaul	1,500.00	1,530.00	1,560.00	1,590.00	1,620.00	
Utilities	5,000.00	5,100.00	5,304.00	5,622.24	6,072.02	
Administrative fees	300.00	306.00	318.24	337.33	364.32	
Interest expense on long-term debt						
Other	1,000.00	1,020.00	1,060.80	1,124.45	1,214.40	
Total operating expenses	48,300.00	49,246.00	51,019.84	53,703.03	57,433.27	
Non-Recurring Expenses						
Unexpected Expenses	-	-	-	-	-	
Other expenses	-	-	-	-	-	
Total Non-Recurring Expenses	-	-	-	-	-	
TOTAL EXPENSES	48,300.00	49,246.00	51,019.84	53,703.03	57,433.27	
TAXES						
Income Tax	2,853.75	2,916.83	3,092.30	3,391.24	3,832.33	
Other Tax (specify)	-	-	-	-	-	
TOTAL TAXES	2,853.75	2,916.83	3,092.30	3,391.24	3,832.33	
NET PROFIT	6,658.75	6,805.93	7,215.36	7,912.88	8,942.11	
CASH FLOW SUMMARY inflows (outflows)					Discount rate	5%
Cash inflows (outflows)						
						Total
Benefits and Gains.....	57,812.50	58,968.75	61,327.50	65,007.15	70,207.72	313,323.62
Costs.....	-51,153.75	-52,162.83	-54,112.14	-57,094.27	-61,265.61	-275,788.58
NET CASH FLOW	6,658.75	6,805.93	7,215.36	7,912.88	8,942.11	37,535.04
Cumulative Net CF.....	6,658.75	13,464.68	20,680.04	28,592.92	37,535.04	37,535.04
Discounted Cash Flow						NPV
At 5.0%.....	6,341.67	6,173.17	6,232.90	6,509.95	7,006.38	32,264.07



Balance Sheet

Name of tenant:						
Property No:						
ASSETS						
Current Assets	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	78,000.00	78,000.00	78,000.00	78,000.00	78,000.00	78,000.00
Accounts receivable	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Total inventory	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Prepaid expenses	-	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-
Other current assets	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Total current assets	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00
Property and Equipment	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Buildings	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Land	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Capital improvements	-	-	-	-	-	-
Machinery and equipment	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Less Accumulated depreciation expense		6,000.00	12,120.00	18,360.00	24,720.00	31,200.00
Total Property and Equipment	40,000.00	34,000.00	27,880.00	21,640.00	15,280.00	8,800.00
Other Assets	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Goodwill	-	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Other long-term assets	-	-	-	-	-	-
Total Other Assets	-	-	-	-	-	-
TOTAL ASSETS	180,000.00	174,000.00	167,880.00	161,640.00	155,280.00	148,800.00

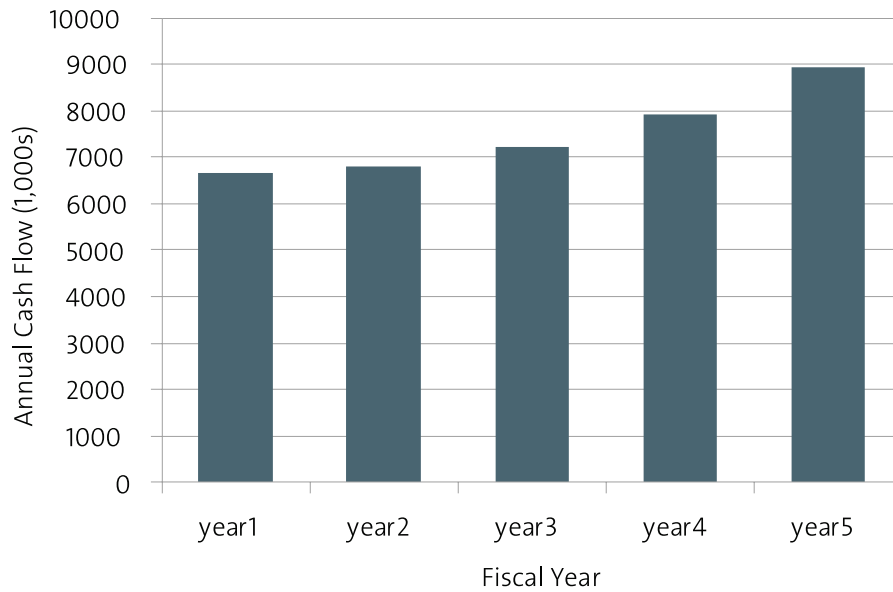


LIABILITIES						
Current Liabilities	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Accounts payable	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Accrued expenses	-	-	-	-	-	-
Notes payable/short-term debt	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Other current liabilities	100.00	100.00	100.00	100.00	100.00	100.00
Total Current Liabilities	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Debt	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/loan						
Other long-term debt						
Total Debt	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Other Liabilities	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Other liabilities (specify)	-	-	-	-	-	-
Other liabilities (specify)	-	-	-	-	-	-
Total Other Liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
EQUITY						
	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)		-	-	-	-	-
Paid-in capital		-	-	-	-	-
Preferred equity	-	-	-	-	-	-
Retained earnings	-	6,658.75	13,464.68	20,680.04	28,592.92	37,535.04
TOTAL EQUITY	-	6,658.75	13,464.68	20,680.04	28,592.92	37,535.04
TOTAL LIABILITIES AND EQUITY	2,100.00	8,758.75	15,564.68	22,780.04	30,692.92	39,635.04

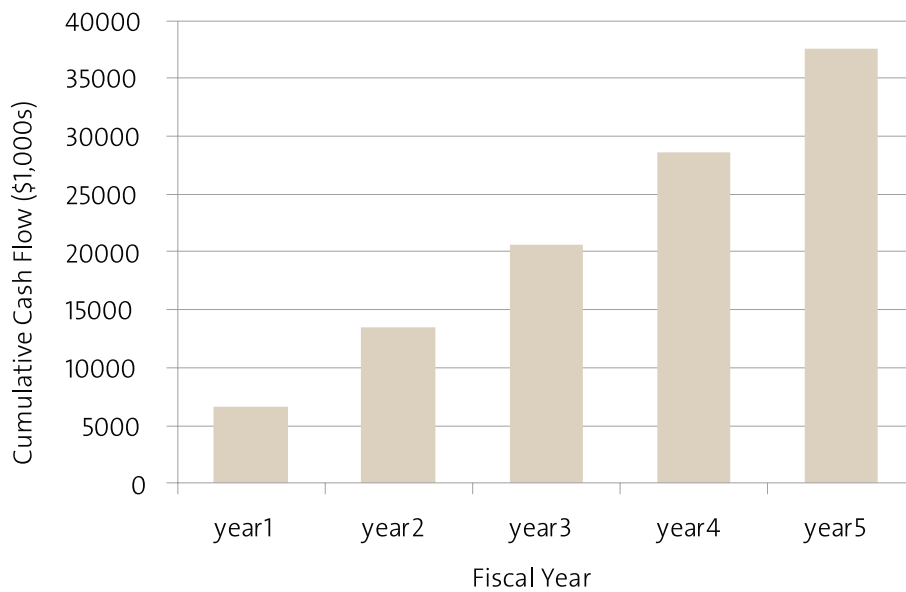


Graphic Design

Proposal Cash Flow



Proposal Cumulative Cash Flow



Data For Graphing

Proposal Scenario					
Fiscal Year	year1	year2	year3	year4	year5
Proposal CF	6658.8	6805.9	7215.4	7912.9	8942.1
Fiscal Year	year1	year2	year3	year4	year5
Prop Cumul CF	6658.8	13464.7	20680.0	28592.9	37535.0



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