

# Profit of peace

Munib al-Masri's Padico group controls 25% of the Palestinian economy and the 'Palestinian Rothschild' has two obsessions: reconciling the Palestinians and making peace with Israel

**In the West Bank, everyone calls him the Godfather or the Duke of Nablus. Munib al-Masri, 79, is the patriarch of a prominent Palestinian family that has produced bankers, consultants and politicians. He's the richest man – and one of the most influential – in Palestine.**

He worked his way through college in the US, partly as a Hollywood bartender, and later amassed a fortune, first by working in the Jordanian and Algerian oil industries, and then by providing equipment and services to oil companies and investing in a growing Palestinian economy.

He wears many hats, and is no ordinary success story. For a start, he is the chairman and CEO of the Palestine Development and Investment Company (Padico Holding), and the largest private investor in the West Bank and Gaza Strip, or Palestine, as he prefers to call it. He was ranked the 34th richest Arab with a net worth of US\$3bn, according to a survey released in December 2012 by *Arabian Business* magazine.

When the Oslo peace process kicked off in 1993, al-Masri helped set up Padico as a limited public shareholding company traded on the Palestine Exchange (PEX) with a paid-up capital of US\$250m. He has since expanded its portfolio of investments to include almost every sector that is vital to nation building – telecoms, tourism, real estate, energy and environment,

manufacturing, finance and capital markets and agriculture.

He is obsessed with two goals: reconciling the Palestinians and making peace with Israel, while insisting on referring to the West Bank and Gaza as Palestine rather than the Palestinian territories.

The Palestinian Authority is recognised by 180 governments as the legitimate representative of the Palestinian people yet in his view the most important step is for it to be recognised as a government by the state of Israel.

His Padico group controls about 25% of the Palestinian economy, according to some reports. It has control or influence over 30 companies, some public and some private, including subsidiaries, affiliates (with Padico holding between 20% and 50%) and companies where it has smaller minority shareholdings.

Commercial life for these businesses is not easy, says al-Masri, with many 'losing money because of the obstacles we face, mainly in getting goods from the

ports through the Israeli checkpoints'. He adds: 'Only four or five are making money and those include the stock exchange and the telecom company, Paltel.'



**BASICS**

**Based on estimates prepared by the Palestinian Central Bureau of Statistics, the total population of the Palestinian territories by the middle of 2012 was about 4.29 million, with 2.18 million males and 2.11 million females.**

The estimated population of the West Bank in 2012 was 2.65 million, of which 1.35 million were males and 1.30 million were females.

According to figures from the World Bank, economic growth in the West Bank and Gaza slowed in the first quarter of 2012.

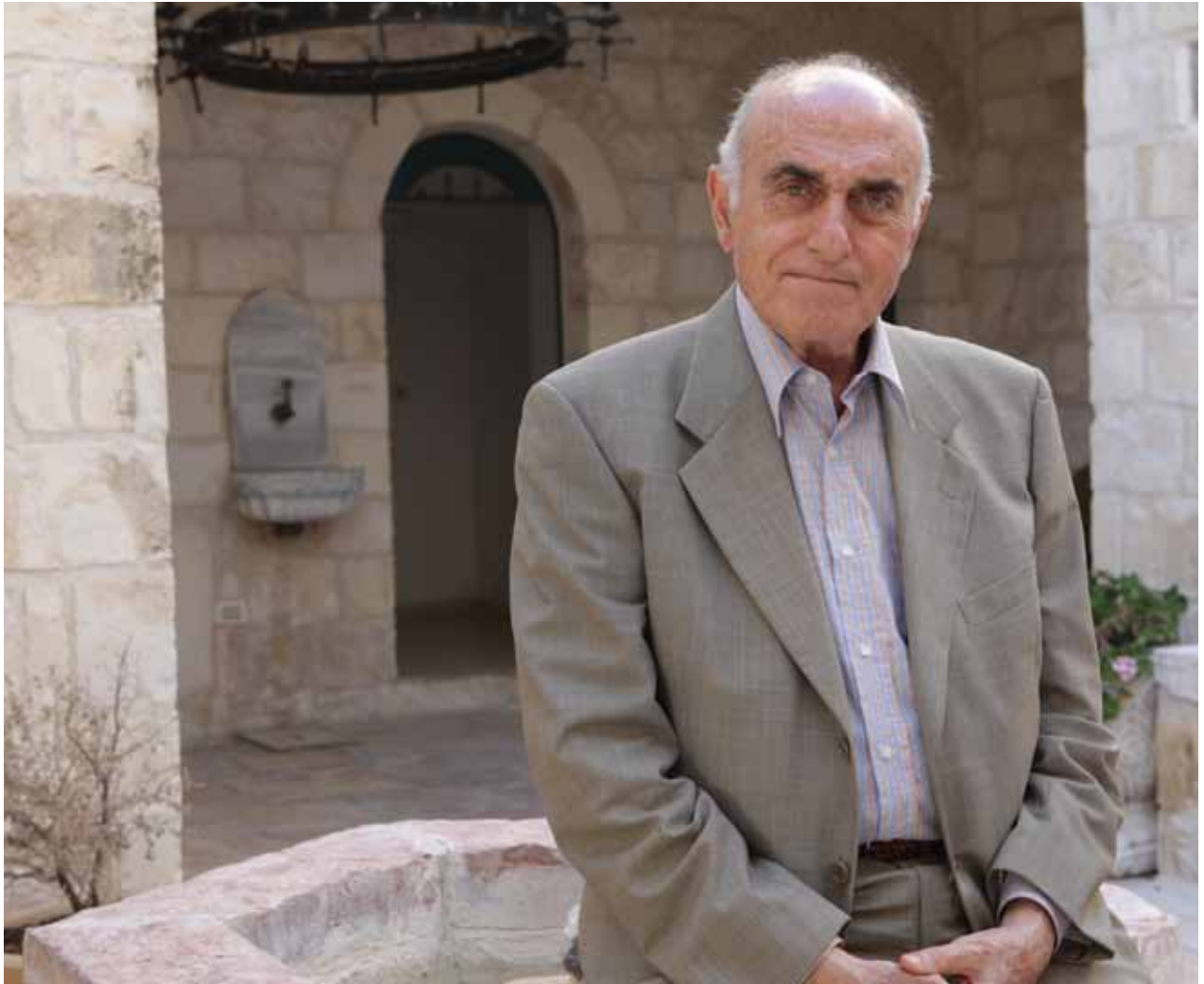
The real growth rate is estimated to have reached 5.6% – undershooting the growth figure recorded for the first quarter of 2011 by more than three percentage points.

**||| 'IN JORDAN OR EUROPE, YOU KNOW WHAT WILL HAPPEN FROM ONE DAY TO THE NEXT, BUT HERE YOU NEVER KNOW FROM ONE MOMENT TO THE NEXT'**

Sitting in his elegant office in Jerusalem's Old City, which resembles a Crusader palace, with its pointed ceilings and fountains in the courtyard,

he says that running a business in Palestine is different to running one in an established Arab or European country.

'In Jordan or Europe, you



## ‘I THINK I WAS 14 YEARS OLD WHEN I BOUGHT A BOX OF CHOCOLATES FOR TWO PALESTINIAN POUNDS AND SOLD IT FOR FOUR POUNDS’

can more or less expect to know what will happen from one day to the next, but here you never know from one moment to the next,’ he says.

Padico certainly has an unorthodox company registration and management structure. It is a public shareholding limited liability company registered in Liberia, with its management headquarters

in Nablus, 60km north of Jerusalem. It has offices in Ramallah, Jerusalem and Gaza, and a formal head office in Amman, Jordan.

Al-Masri himself has strong Jordanian connections, having operated an energy company – Edgo Group – from Amman since 1956. He is still chairman and the company serves energy markets in 20 countries

supplying oilfield services and logistical support.

As regards Padico, al-Masri stresses that only the holding company is registered in Liberia, operating legally in the Palestinian territories as a foreign company, while its operating units are registered as Palestinian companies. Padico is listed on the Palestinian exchange, and provides financial

statements every quarter, releasing annual financial reports in the Palestinian territories.

In the past, things were more complex. A restructuring process, completed in 2011 has, he says, ‘simplified our corporate structure, enhancing transparency and making it easier for us to implement governance procedures’.

Accounting at Padico is taken very seriously and guarantees accountability for all shareholder assets. He says that all employees have an obligation to report spending truthfully and



CV

**1999–present**  
Chairman and CEO of Padico Holding.

**2010–present**  
Chairman, International Chamber of Commerce Palestine.

**2008–present**  
Founding member and chairman of the Palestinian-Russian Business Council.

**2006**  
Deputy chairman of Arab Bank.

**2005**  
Honorary doctorate from An-Najah National University, Nablus.

**1970–71**  
Minister of public works, Jordan.

**1965–70**  
President of operations – Phillips Petroleum, Beirut.

**1962–65**  
President of Phillips Petroleum in Algeria.

**1956–present**  
Chairman and CEO of Edgo Group.

**1955–56**  
Master's degree in political science and geology from Sul Ross University, Texas, followed by degree in petroleum geology, University of Texas at Austin.

accurately, and must ensure that all payments are backed up by legal documents. An internal auditor is also appointed to verify all financial statements and to ensure that financial records have not been altered without authorisation.

Al-Masri says Padico and its companies use International Financial Reporting Standards (IFRS) in financial reporting, while its subsidiaries and affiliates pay taxes to the Palestinian authorities, except for those companies operating in Jerusalem, which are registered in Israel.

How do Israeli laws

affect the operation of the company? 'In Jerusalem we abide by Israeli laws, and on the West Bank and Gaza we go according to the [commercial and income tax] laws of the Palestinian government,' he says.

Using an activist personal management style, he says helps ensure corruption does not impact the operations and profits of the companies: 'It is the nature of our personnel to be transparent. They realise that this is their future security. Also, we publish the annual dividends and, so far, we have not experienced any corruption.'

He has chosen to remain close to his roots in Nablus, building a palace on the site of a Byzantine monastery dating from the fourth century. He calls his palace 'Beit Falasteen' (Palestine House); it was inspired by La Rotonda (a Renaissance villa outside Vicenza in Italy).

'I could live in London, Geneva or New York, but I prefer Nablus,' he says. He uses the palace to promote relaxed and productive political meetings – for instance with Hamas and Fatah leaders in reconciliation talks. His neighbours include a Jewish settlement.

He recently led an independent delegation to Egypt and says: 'Recent changes there raised my hopes that the new Egyptian leaders might do more for the Palestinians than before. Before we left, I was doubtful that anything would come of it but we were met with a willingness to help.'

He is also working for reconciliation between the West Bank political leadership and the rival Hamas group in Gaza. 'With the country divided so much, we will never have a country,' he warns, adding, to highlight the divisiveness: 'They always say, "What is your address – Gaza or Ramallah?"'

Despite the enormous obstacles related to tensions with Israel, he managed to build a five-star hotel on Gaza City's beachfront. With its 225 guest rooms and suites, two-tiered swimming pool, landscaped gardens and ballroom, the Al-Mashtal Hotel is the kind of sumptuous resort that would not raise an eyebrow anywhere else along the Mediterranean coast.

His investments include the Jericho Gate project. It is an extensive development

and tourism project, the first of its kind in Palestine, and will include tourist and entertainment facilities in the form of villas, hotels, resorts, a sports city, amusement and water parks, and shopping malls.

Referring to the recently renovated St George Landmark Hotel, in East Jerusalem, he stresses the need to promote investment in Jerusalem, saying this investment is particularly significant because it is located in Jerusalem, which has huge Arab national and religious status.

'Padico Holding has always been able to turn challenges into opportunities through hard work and devotion. Our ambitions are endless, and the trust and confidence the Palestinian people have put in us enable us to become more persistent in serving Palestine,' says al-Masri.

Speaking about the factors that prepared him for the challenges of his job, he cites his first business deal, when Nablus was part of the then UK-controlled Transjordan just before Israel declared independence.

'I think I was 14 years old when I bought a box of chocolates for two Palestinian pounds [the local currency at the time] and sold it for four pounds. I worked in family businesses from the age of 16, first with one brother in his engineering shop, and then with my other brother dealing in gold.

'Confidence, honesty, hard work and, most importantly, having good luck and being in the right place at the right time also contributed in preparing me for the big task ahead.'

**Joe Charlaff, journalist based in Jerusalem**