

○ SUPPORTING LOCAL PRODUCTS

Implementing the Palestinian National Employment Strategy

○ Thematic Fiche 10

○ *Background*

For a small economy such as the Palestinian one, to achieve sustainable growth largely depends on competitiveness in both domestic and external markets and increased commodity and service exports. The Palestinian economy has lost this capability due to poor policies for competitiveness, external restrictions on trade and access to resources, political instability, and a weak business environment.

Palestinian commodity exports mainly comprised of

LIMESTONE
AND
AGRICULTURAL
PRODUCE

Most of these are of low added value in view of their limited processing.

In the future, focus needs to be placed on

INCREASING

the Palestinian economy's capacity to

diversify commodity exports and develop production value chains

that add value to commodities before exportation.

The evolution and continued growth of some high value-added sectors, including pharmaceuticals, furniture, agricultural industries, ICT, energy and communications hubs highlight the opportunities provided by these sectors and their contribution to job-rich economic growth.

○ **Main gaps**

Local products are the backbone of the national economy.

Albeit critical in various economic sectors,



local products need huge government support

to compete in domestic and neighbouring markets. In light of major developments taking place in global markets and continuous emergence of new industries, a strategy for promoting local products and encouraging investors to engage in new industries, produce new commodities, improve employment and tackle unemployment, requires strong market control and good governance to ensure strengthening and protection of local products against unfair competition.

The Ministry of National Economy (MoNE) Consumer Protection Department is in charge of



control and inspection to prevent fraudulent commercial practices.

It initiates investigation, research, and analysis to check the integrity and safety of commodities, conducts laboratory tests, and looks for commercial violations, including piracy and counterfeiting. The department aims to also ensure that existing and imported commodities on the marketplace conform with Palestinian standards and relevant compulsory technical directives. In addition to analysing results, it submits recommendations to the relevant agencies to adopt the required measures.

In the Palestinian context in particular, and given that the Palestinian Authority is unable to regulate trade on Israeli-controlled commercial crossings,



market regulation and control are key requirements for job-rich economic growth.



The absence of technical standards and specifications for many commodities in the market

is a significant disadvantage that should be addressed as soon as possible with a view to empowering and enhancing the private sector's competitiveness and increase ultimately its investment and employment capacity. The absence of such compulsory technical instructions and standards for a number of approved Palestinian specifications results in the 'voluntary' application of these specifications.

○ **Geography, Gender & Social Inclusion**

The vast majority of Palestinian businesses are, micro-, small- and medium-sized (MSME) businesses, with about one-fourth of these run by women.

Informality is growing, especially among female-run MSMEs, posing particular challenges to efforts to control and inspect commodities. Particularly during the COVID-19 pandemic, when usual and known supply chains are deeply disrupted, quality control and product safety are put at greater risk.

○ Areas for Development



Commodity market regulation

requires finding ways to prevent trade in commodities that do not conform to Palestinian minimum standards and specifications. To this avail, there is an urgent need to strengthen market regulation capacities of relevant bodies, including in particular consumer protection associations, the Palestinian Standards Institute (PSI), and MoNE.



It will reinforce results of the government-led process

in partnership with the private sector towards promoting Palestinian industry in line with the cluster-based development approach and on the basis of horizontal expansion in industry, agriculture, and tourism to all Palestinian governorates.



This would support locally produced commodities

and maintain their competitiveness against imported products.

○ Risks & Challenges

Trade with Israel accounts for the greatest portion of Palestinian trade with the outside world. In 2018, 83.7 per cent of Palestinian commodity exports were destined to Israel. By contrast, 55.5 per cent of commodities were imported from Israel. The Palestinian economy is largely dependent on Israel.

○ Desired Outcomes

1. Improve control and inspection over commodity markets to ensure fair competition for local products and consumer protection.

MoNE and PSI efforts will be built on to finalize compulsory technical specifications of all commodities in the Palestinian market.



Technical and human capacities will be strengthened to monitor compliance with these specifications, preventing traders, producers, or suppliers from evading specifications because – allegedly – technical instructions are lacking. This is particularly the case for locally-produced products with imported substitutes.



Compulsory technical instructions and specifications will be established for at least 100 locally-produced products with imported substitutes.



Human and technical (laboratory) capacities for market regulation and control will be developed to ensure conformity with compulsory technical standards.



A media and awareness-raising programme will be implemented in partnership between the MoNE, PSI, consumer protection associations, and employers' organizations to inform consumers of compulsory technical specifications and quality assurance standards.

Indicators

- ▶ Annual percentage increase in specimens taken from commodity markets to ensure compliance with Palestinian standards and specifications, according to the International Commodity Classification System.
- ▶ Annual percentage increase in specimens, demonstrating compliance with Palestinian standards and specifications, according to the International Commodity Classification System.
- ▶ Percentage increase in the number of MoNE inspection visits and number of premises visited annually.

○ *Priority Investment Needed*

\$1,500,000



to build **proper guidelines,**

checklists, tools and procedures for the PSI, and address the HR shortage and capacity gaps.

\$85,000



to establish **compulsory technical specifications**

for at least 100 products.

\$200,000



for human and technical lab capacity

to implement technical specifications.

