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**PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE (MAS)**

**Requirements for Establishing Jerusalem
Development Cluster:
Policy Priorities, Interventions, Programs**

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Foreword

This study is the culmination of extensive research efforts conducted by MAS over the course of the current year, concerning topics and issues related to Jerusalem and the development of its economy. These topics and issues have been placed under our research microscope, such that MAS can examine them from various angles and aspects in cooperation with our partners, both official institutions and private sector organizations, including the PLO Negotiations Affairs Department and the Jerusalem Chamber of Commerce and Industry.

Within this research effort, MAS cooperated with the Ministry of Jerusalem Affairs to hold a series of consultative meetings with stakeholders and specialists that discussed, extensively and intensively, the possibility of achieving the objectives within each cluster proposed by the “Capital Development Cluster Plan”, and the available means for that. During these meetings, consultations were held on the mechanisms for activating the proposed clusters, for promoting action and cluster cooperation, and the identification of feasible policy and program interventions considering the current conditions.

This study concludes that the cluster development strategy adopted by the Ministry in developing the Plan faces many challenges. Among the most important of them is the deterioration of the economic, political and social environment prevailing in Jerusalem, because of Israel’s occupation and the policy of Judaization and Israelization, through which Israel seeks to stifle the city's economy and comprehensively erase Arab-Palestinian identity. The study also found that the clusters proposed in the Plan do not, as yet, exist as tangible or systematic clusters in the city, with the exception of the inter-linked tourism and culture cluster. This implies that the Capital Development Cluster Plan is a supportive plan to promote the establishment of clusters, rather than a cluster-based plan. This is because most of the proposed projects are limited to infrastructural development, which alone is not sufficient to constitute a cluster-based project.

In light of this, the study recommends implementing the Plan within four clusters (housing and infrastructure, health, education, tourism and

culture). Each of these clusters can implement and manage their own activities, in parallel with other clusters. This, in turn, requires cooperation between the various components of the cluster and relevant authorities. It is not possible to develop a sector in Jerusalem without meeting the requirements of all the components of that cluster, as well as defining the roles assigned to each party. In its chapters, the study presents a conception of the shape of the clusters and their work mechanisms, within the proposed sectors that were touched upon in the Plan. The study emphasizes the need for complementarity between clusters. That is, each cluster does not operate separately, but is in reality linked to other clusters via common work streams.

The study recommends that, in order for each cluster to function effectively, it requires legislation and support. These are the task of regulatory authorities such as the Palestinian government and the relevant ministries (especially Ministry of Health, Ministry of Jerusalem Affairs, Ministry of Education, Ministry of Public Works and Housing, and Ministry of National Economy). For a cluster to operate effectively, members must have the necessary equipment, tools and resources, made available through supporting institutions that fulfill different roles based on their field of work, in conjunction with the need to provide necessary funding. Hence, the role of government, donors, banks and the private sector is above all to provide financial support to clusters.

MAS would like to thank the entire research team for their joint efforts in managing consultative sessions and drafting the chapters of this study. These were prepared using a cumulative, participatory methodology, across the implementation period. MAS also thanks Jerusalemite personalities and institutions that cooperated with us and shared their opinions, information and experience, in order to enrich this study. Finally, MAS extends its gratitude to the Arab Fund for Economic and Social Development for financing this study, and for its continuous support of MAS and its specialized role in the advancement and development of the Palestinian economy.

Raja Khalidi
Director General

Introduction

The Palestinian Ministry of Jerusalem Affairs published this year the “Capital Development Cluster Plan (2021-23)”, which formulates a comprehensive development vision for the Governorate of Jerusalem. This Plan works to merge the development of this cluster with other cluster development plans adopted by the Palestinian government, in addition to enhancing the ability of the city of Jerusalem to continue its confrontation with the occupation, and to protect Palestinian livelihoods in the city. One of the existential threats imposed by the occupation is its goal to Judaize the city, through a system of deportation, confiscation of property, and Israelization of institutions.

The Capital Development Cluster Plan seeks to realize social and economic development in the Jerusalem environs, by strengthening key sectors in the governorate:

- *Housing*: The housing sector in Jerusalem is possibly the sector that is most affected by the aggressive policies of the occupation towards Palestinian Jerusalemites. Given the growth of the Palestinian population in Jerusalem, compounded by a corresponding increase in house demolitions and the inability of the housing market to grow as a result of the restrictions imposed by the occupation, there is a marked need for the provision of housing to Jerusalemites. Hence, it is important to focus on increasing the supply of housing, while at the same time working on defence mechanisms against the Judaization policies of the occupation in Jerusalem.
- *Education*: The Arab education sector in Jerusalem plays a pivotal role in creating awareness and a culture of resistance to the Israeli occupation, hence Israel’s policy of targeting this sector. Successive Israeli governments have pursued systematic and continuous policies aimed at aborting and dismantling the Arab education sector in Jerusalem, through its Israelization, while facilitating mechanisms of control and domination over Palestinian upbringing and education processes in Jerusalem’s schools.

- *Health*: The health sector is essential for enhancing the resilience of Jerusalemites, by securing the right to health for all. It is one of the sectors directly targeted by the policies of the Israeli occupation (as well as other sectors), with the aim of eliminating the presence of Palestinian health institutions in Jerusalem, and replacing them with the institutions of the Israeli occupation.
- *Tourism*: The tourism sector is an essential sector in strengthening the steadfastness of Jerusalemites, as it constitutes a vital source of income. It also has strong linkages with other sectors, contributing significantly to preserving the city's cultural and religious identity.
- *Culture*: The cultural sector reflects Palestinian identity and roots in the city, closely linked to the tourism sector. Both sectors are directly targeted by Israeli occupation policies (as well as other sectors), with the aim of stripping Palestinian identity from Jerusalemites and their families.
- *Women and Youth*: These two sectors intersect horizontally with all the sectors cited above.

To support the launch and operationalization of the Capital Development Cluster Plan, the Palestine Economic Policy Research Institute (MAS), in cooperation with the Ministry of Jerusalem Affairs, held five consultative meetings starting in April 2021, over a period of four months, with wide participation by stakeholders and specialists. These meetings discussed the possibility of achieving the objectives of each of the clusters proposed in the Capital Development Cluster Plan, and the available means for that. Consultations also focused on issues related to each cluster, which mainly centered on mechanisms for activating these clusters, work mechanisms and cluster cooperation, and identifying policy interventions that are plausible under current conditions.

MAS initiated the consultative meetings, hosted by the cluster development expert, with an analysis by Dr. Peter Wilson, who reviewed and evaluated the structure of the sectors in the Capital Development Cluster Plan, and the interconnections between them from the point of view of economic and social development using clusters. He explained the difference between the definition

of a sector and a cluster, emphasizing that the Capital Development Cluster Plan is a supportive plan for clusters, rather than a development plan using clusters.

One of the most prominent conclusions arising from the consultative process is that the Capital Cluster Development Plan, in its current form, is not fully compatible with the classical structure of cluster development approaches. Instead, this Plan mostly represents a series of future or current projects, which mainly revolve around the construction, rehabilitation or use of infrastructure, and the purchase of equipment and capital tools. The Plan covers a wide range of activities in several distinct areas which are separate from each other, although they share some complementary activities.

In practice, the Plan would be more useful if it were divided into distinct clusters, each of which could manage and carry out its activities. The exception lies in the activities classified within the cluster of women and youth, which intersect with other clusters. Here, it is proposed that the sub-clusters take responsibility for implementing the activities mentioned in the Capital Development Cluster Plan to support and advance women and youth, each within its own cluster. Cluster maps outline methods in which the proposed clusters may develop, focusing on organizations and institutions supporting the goals of joint action (see Figures 1-4 in Annex 1).

Many of the proposed activities are complex, and require coordination and cooperation between several different institutions and organizations, including governmental departments at the Palestinian National Authority and the Government of Israel. Budget requirements are great, and all projects require prudent and professional management.

One part of this Plan recommends the preparation of an implementation plan. However, it is not clear from the Capital Development Cluster Plan what resources are available for implementation, and the Plan does not seem to include any formal ownership or management structure. Development projects in all the proposed clusters are considered very ambitious given the allocated three-year timeframe, especially in areas where required funding has not been secured. Many of the proposed activities that require funding are presented as raw data, without a detailed breakdown of the way in which costs and activities

have been derived. Therefore, it is difficult to estimate the resources required. For existing activities under implementation, these need to be managed and supervised to ensure that they are monitored and evaluated on behalf of the cluster and associated sources of funding. It is also necessary for each cluster to prepare its administrative structure with the appropriate, required skills, in order to ensure the successful implementation of current and planned projects within required timeframes.

Given that it is not possible to prepare a detailed implementation plan, Chapter 6 details recommendations on how to structure each cluster in order to maximize the effectiveness of the objectives of the Capital Development Cluster Plan, while, at the same time, working to prepare a methodology that would help the cluster adopt a system to manage more development projects.

Given the close link between the cultural and tourism sectors, the study suggested integrating both the tourism and cultural clusters into one cluster, in contrast to what is stated in the Capital Development Cluster Plan. There are many common strengths between the two sectors, as both center on the cultural heritage of the city. As for the women and youth sector, according to Dr. Wilson, it also intersects with other sectors. Therefore, it was suggested that the responsibility for implementing its activities be distributed across the proposed clusters, as each cluster undertakes the implementation of part of these activities in line with its framework. Finally, the study outlines the necessary steps for the success of each cluster, and the achievement of the objectives of the Capital Development Cluster Plan.

This study reviews the four clusters identified in the Capital Development Cluster Plan, by diagnosing all sectors cited in the Plan. The paper also presents proposals for the development of these clusters, in order to work on activating them, such that they achieve their desired goals. Chapter 1 provides an overview of the Jerusalem economy, while Chapters 2-5 deal with the most important items and elements of each cluster, their goals, and projects associated with each cluster, in addition to a summary of consultative meetings associated with each cluster. Chapter 6 deals with the challenges facing the success of the Capital Development Cluster Plan. It also deals with development proposals for the working mechanisms of each cluster.