



Press Release

A new MAS study:

Cluster Development in Palestine Can be a Success

Ramallah, 11th Nov 2020: The Palestine Economic Policy Research Institute (MAS) released a new study entitled “*Opportunities and Challenges in Implementing a Cluster-Based Economic Development Strategy in the Palestinian Context, in Light of International Experiences and National Development Priorities*”. The study undertaken by Dr. Peter Wilson, Industrial Economist, and SME Development Expert, is a comprehensive review of a cluster-based economic development approach. Starting with concept of clusters and international experiences, the study provides an extensive presentation of clusters in the Palestinian context and development potentials.

In a special preface to the study, Prime Minister Dr. Mohammad Shtayyeh said “each cluster should be reinforced horizontally and vertically; horizontally, through the development of basic infrastructure...and vertically by developing the sector in which the region enjoys comparative advantage”. For his part, Mr. Raja Khalidi, MAS’s Director General, mentioned that cluster-based development is on the development agenda of the current Palestinian government, which calls for employing it as an instrument to capitalize on regional economic sectoral comparative advantages and industries: He affirmed that “given the importance of this topic to Palestinian economic policy-makers, MAS took on this research endeavor”. He added, “the study concludes with a number of necessary and feasible recommendations for the current efforts to bear fruit and lay the foundations for successful emulation in other sectors and regions of Palestine”.

The study presents the challenges facing cluster-based development in Palestine, which is a basic component of many countries’ regional industrial and innovation policies for development. In addition, the study sheds light on the role of supporting institutions (General Unions, Chambers of Commerce (CoCs), ...etc.) in the development of clusters, whose poor structure impede them from supporting clusters as they are expected. Poor knowledge of clusters mostly drives these institutions to follow a competitive approach, as they view clusters as a threat to their members. This breaks the trust chain, which is stressed on as a central element of clusters' success and achieving the expected gains at the firm level and the national level.

The study indicates that clusters need to develop links with universities, research institutes, and innovation-led initiatives. Lack of such links affects the possibility of creating opportunities for innovation and limiting competition to prices with little in product and industries innovation, widening the gap with developed economies. Another challenging factor is that many cluster members are Micro, Small, and Medium Enterprises (MSMEs) which are mostly in early stages



of development, and where survival and existence are a priority. Additionally, the lack of governance and legal structure, weak strategic planning, leadership skills, and many other occupation-related factors (such as the restricted movement and trade, weak demand for cluster products, and the poor factor conditions, ...etc.) impede the development of efficient clusters.

In the same context, the study highlights one successful cluster initiative in Palestine, i.e. the leather and shoes cluster, which has withstood the uncondusive environment to clustering. The author recommends that policymakers should draw lessons from this successful exercise when planning a comprehensive cluster strategy for Palestine.

Moreover, the study provides some guidelines for policymakers and the rationale regarding why specific activities for selected clusters are deemed important. One of the most essential requirements of cluster policies is the collaborative process, involving government at multiple levels with the private sector, academic and research institutions, and institutions for collaboration, of pursuing a common cluster vision and objective. Finally, the study strongly recommends establishing a Cluster Coordination Agency to deal with the complexity of coordinating between cluster members, including supporting institutions and NGOs that might be providing specific assistance to clusters.

To download the full study in [English](#)