

# STUDY OF PALESTINIAN TRADITIONAL SECTORS

**WP3** Design a value-driven traditional sectors cross-border framework

**OUTPUT3.1:** Framework for development of local and transnational value chains to ignite matchmaking

Prepared by:



## Introduction and credits

- Med territories in Palestine.
- Aims of study.
- Information sources.

## Traditional sector's structure

- General Overview
- Value Chain
- Evolution of #companies.
- Localization of the companies.
- Distribution of size company.
- Comparizon between main industries.
- Effect of COVID-19

## Themes in focus

- External trade
- Performance indicators
- Main problems and challenges

## Conclusions



# Introduction

# Introduction

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## Med territories



## Aims of this study

To Provide a comprehensive overview and analysis of the **leather, shoe, textile** and **clothing** sectors in Palestine, through a series of indicators, for which it is structured in Blocks:

- Evolution of the performance of each sector.
- Conclusions    Indicators    of    each    sector  
performance.



# Traditional sectors' structure

# Traditional sector's structure

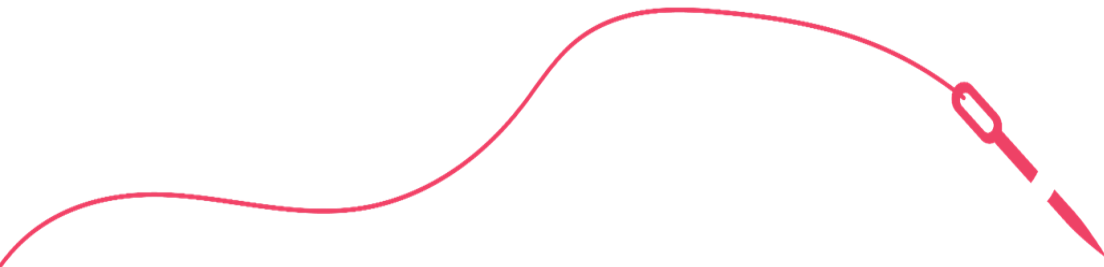
## General Overview of the sectors in Palestine

The industrial sector in Palestine contributes by approximately **13% to the national GDP** and absorbs around **13% of the total work force**.

In Palestine and according to the PFI, there are **11 industrial sectors**, mainly:

- **The Footwear & Leather industries** are considered one sector.
- **The Textile & Clothing industries** are considered one sector.

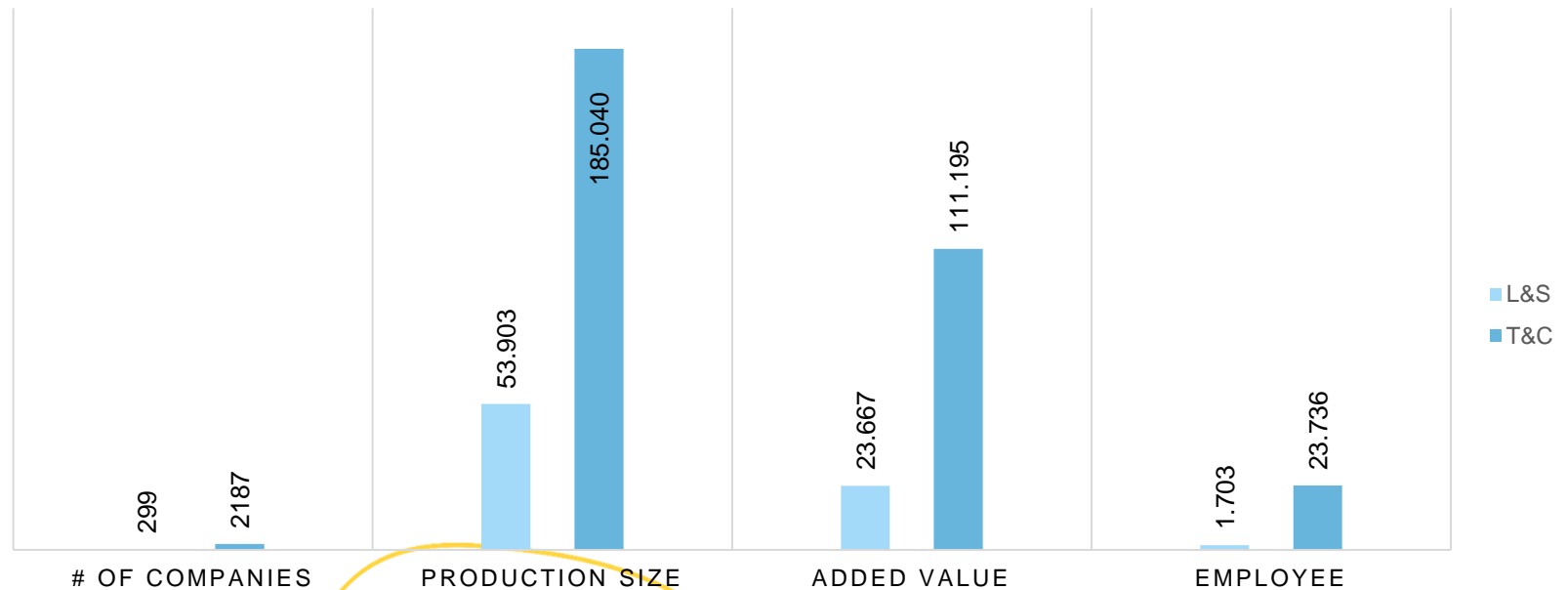
These **two sectors** are amongst the most important industries due to their effective contributions to the growth of the Palestinian income, mainly through their role in industrial production, employment, and exportations.



# Traditional sector's structure

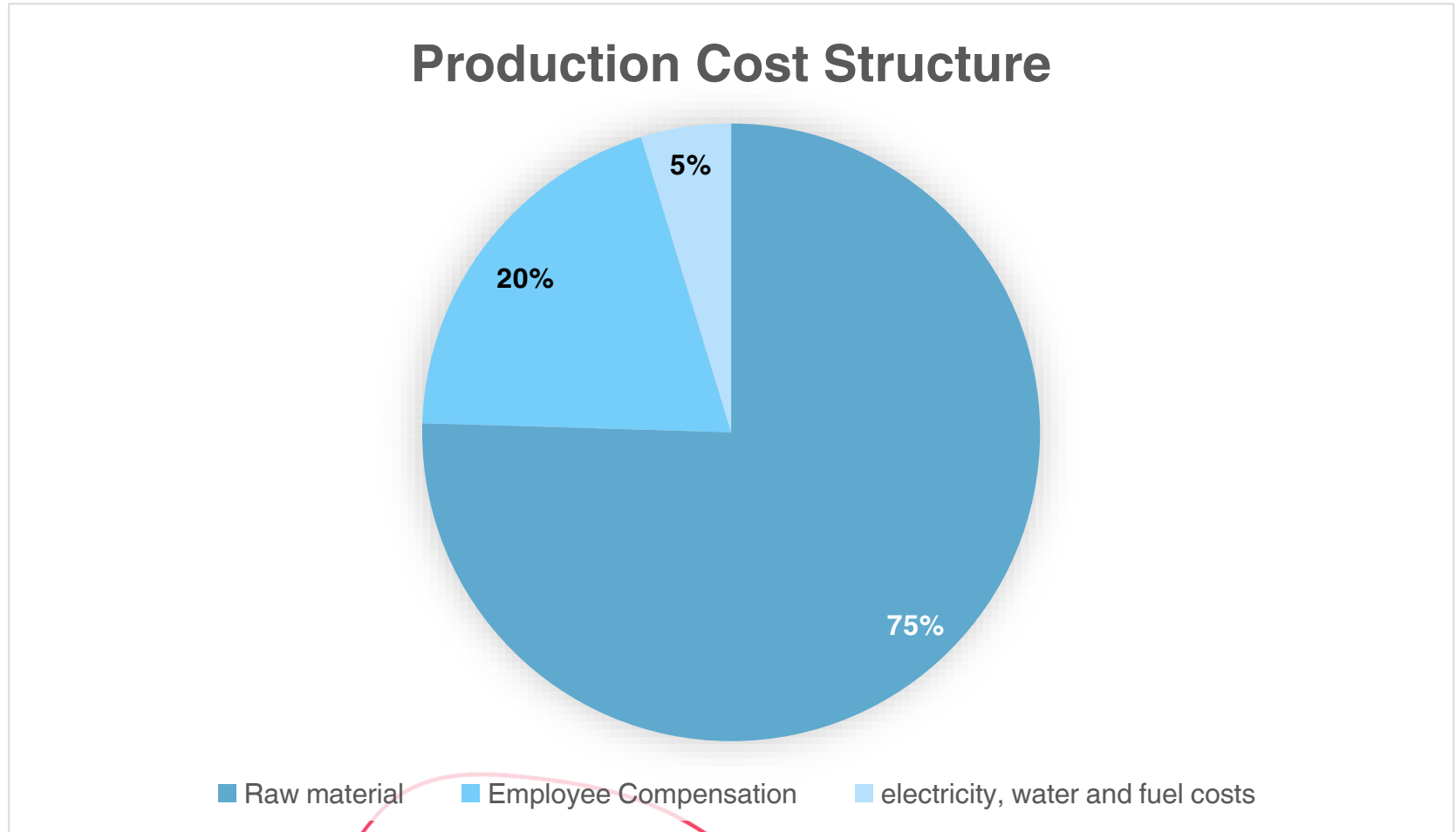
## Overview of the sectors in Palestine

Sector	Contribution to national GDP	% of total industrial employment	% of industrial sector exports
L&S	1%	2%	3%
T&C	~2%	21%	1.2%



# Traditional sector's structure

## Overview of the sectors in Palestine





# Traditional sector's structure

## Overview of the sectors in Palestine

The **L&S Cluster** was established through **the Private Sector Development Cluster Project (PSDCP)** in 2013.

This project has focused its activities on the following aspects:

- **Management aspects** (factory management, developing financial management, developing strategic plans).
- **Production aspects** (technical issues related to production, such as increasing quality and reducing production costs).
- **Marketing and trading aspects** and how to enter new markets.

# Traditional sector's structure

## Overview of the sectors in Palestine

Among the most important achievements were:

- **Establishment of joint exhibitions: “Hebron Shoe Shop”** was established with partnership with more than 18 manufacturers in Hebron, Amman and Ramallah.
- **Establishment of the Leather & Footwear Products Development Center (LFPDC):** which consists of four units, quality inspection unit, design unit, training unit and information unit.

# Traditional sector's structure

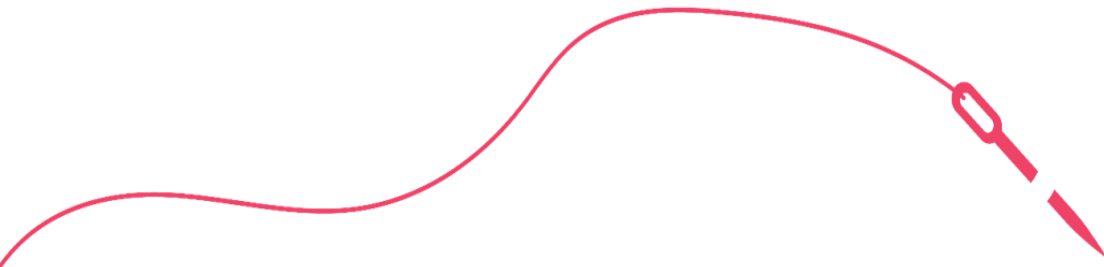
## Overview of Tanneries

There are **13 tanneries** in Palestine that provide **16%** of the leather used for the L&S and clothing sectors.

Tanneries play a **minor economic role** in Palestine with a contribution of:

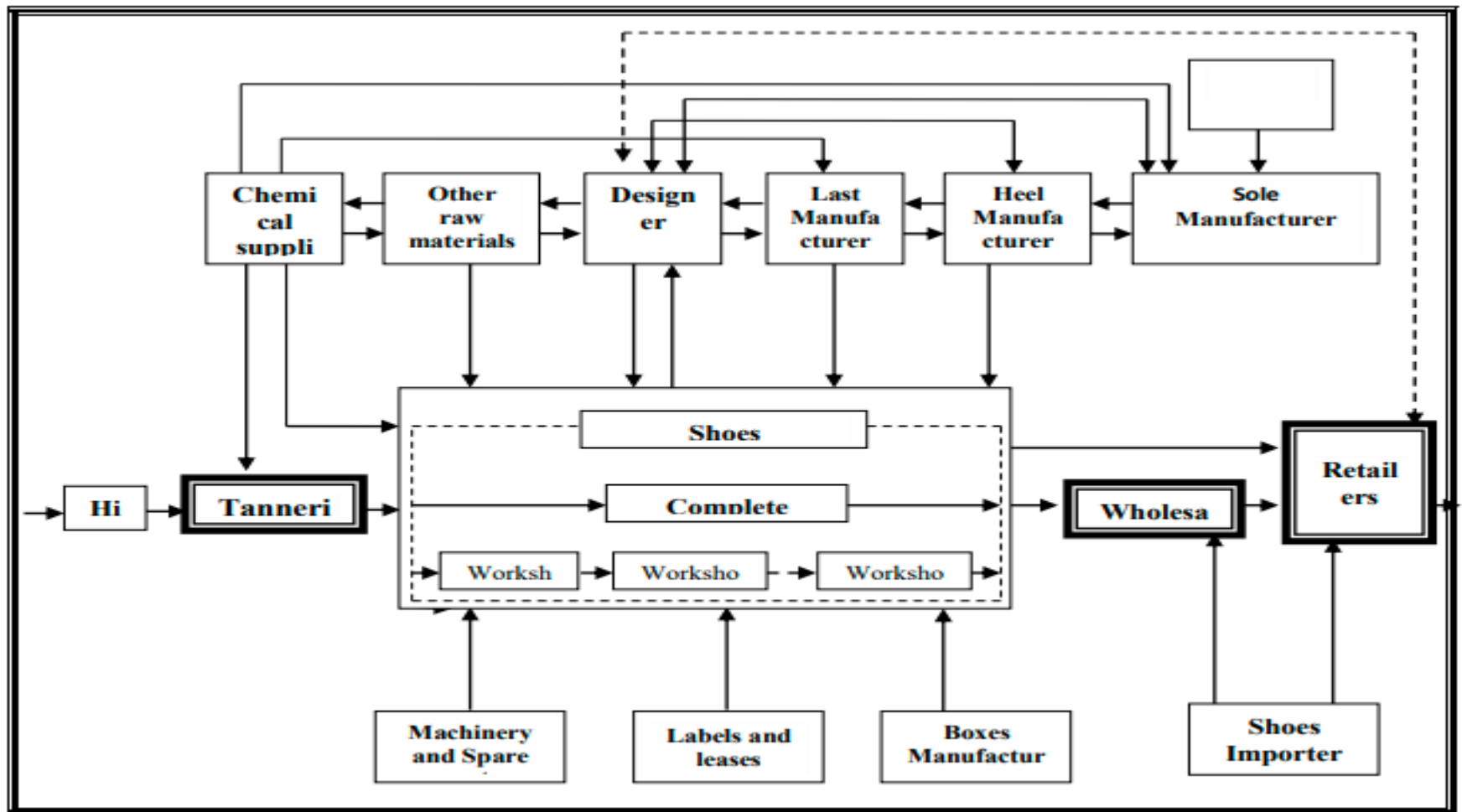
- **0.2%** manufacturing production
- **0.03%** of the manufacturing added value
- **less than 0.15%** of labour in manufacturing industries.

Due to the lack of modernization in production technology and Israel's prohibition of importing required chemicals, tanneries are blamed for the **poor quality** of some products.



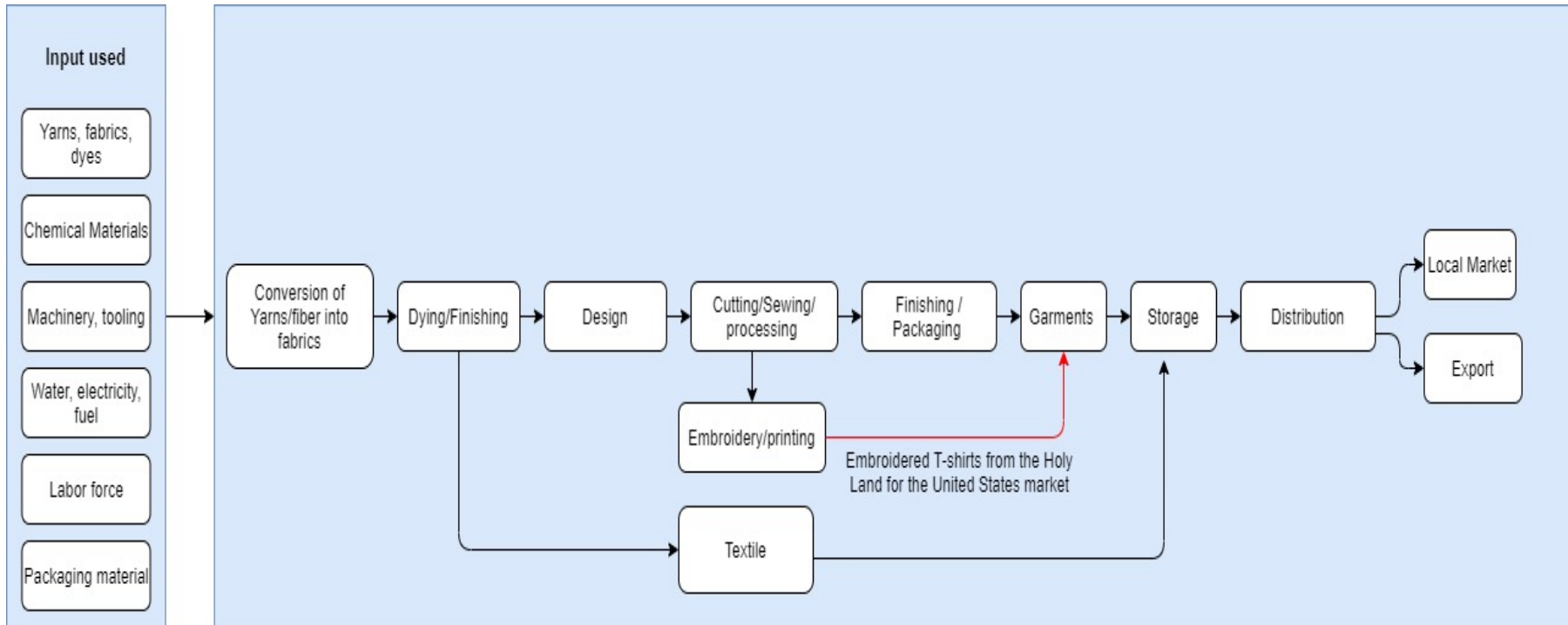
# Traditional sector's structure

## L&S Sector value chain



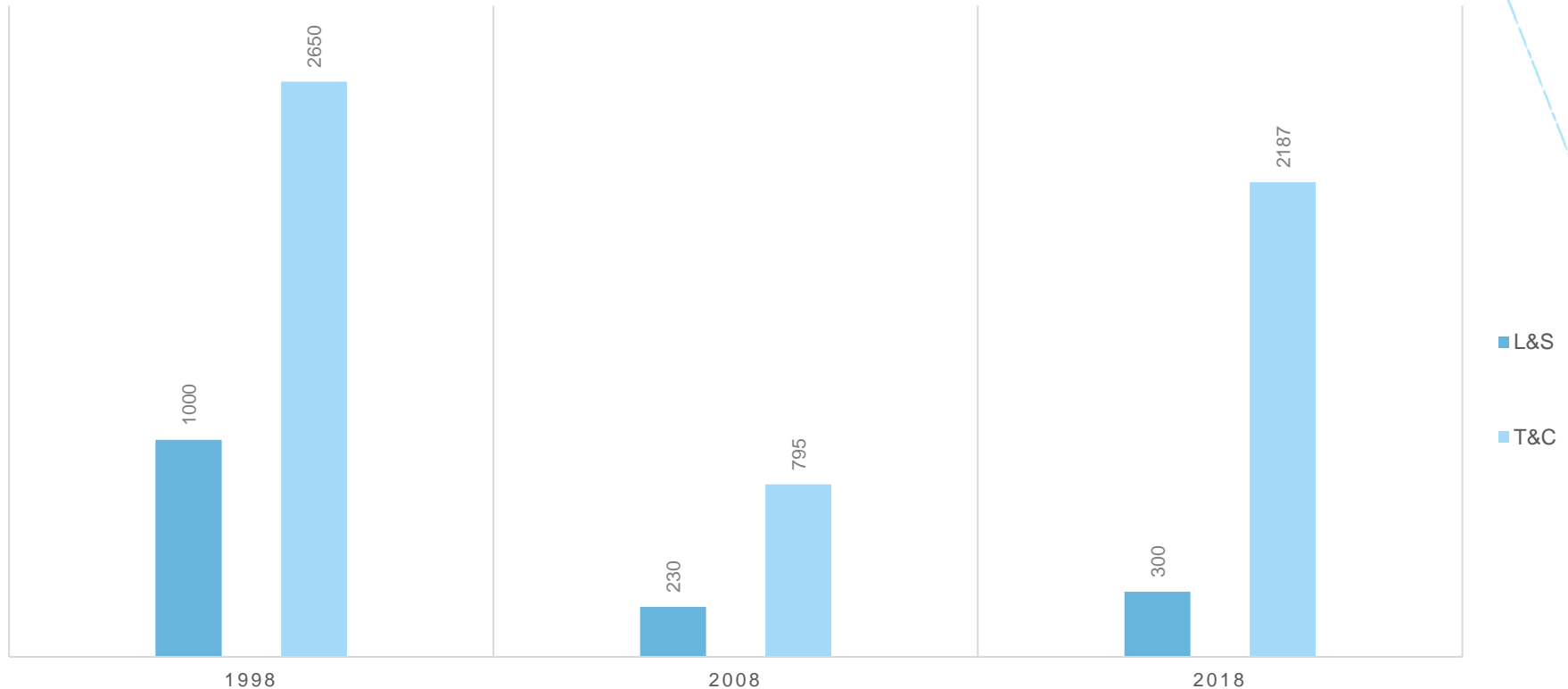
# Traditional sector's structure

## T&C Sector value chain



# Traditional sector's structure

## Evolution of the number of companies



There was a sharp contraction at the beginning of the new millennium due to the introduction of policies that led to opening up trade and lifting import restrictions without protecting local industries.

# Traditional sector's structure

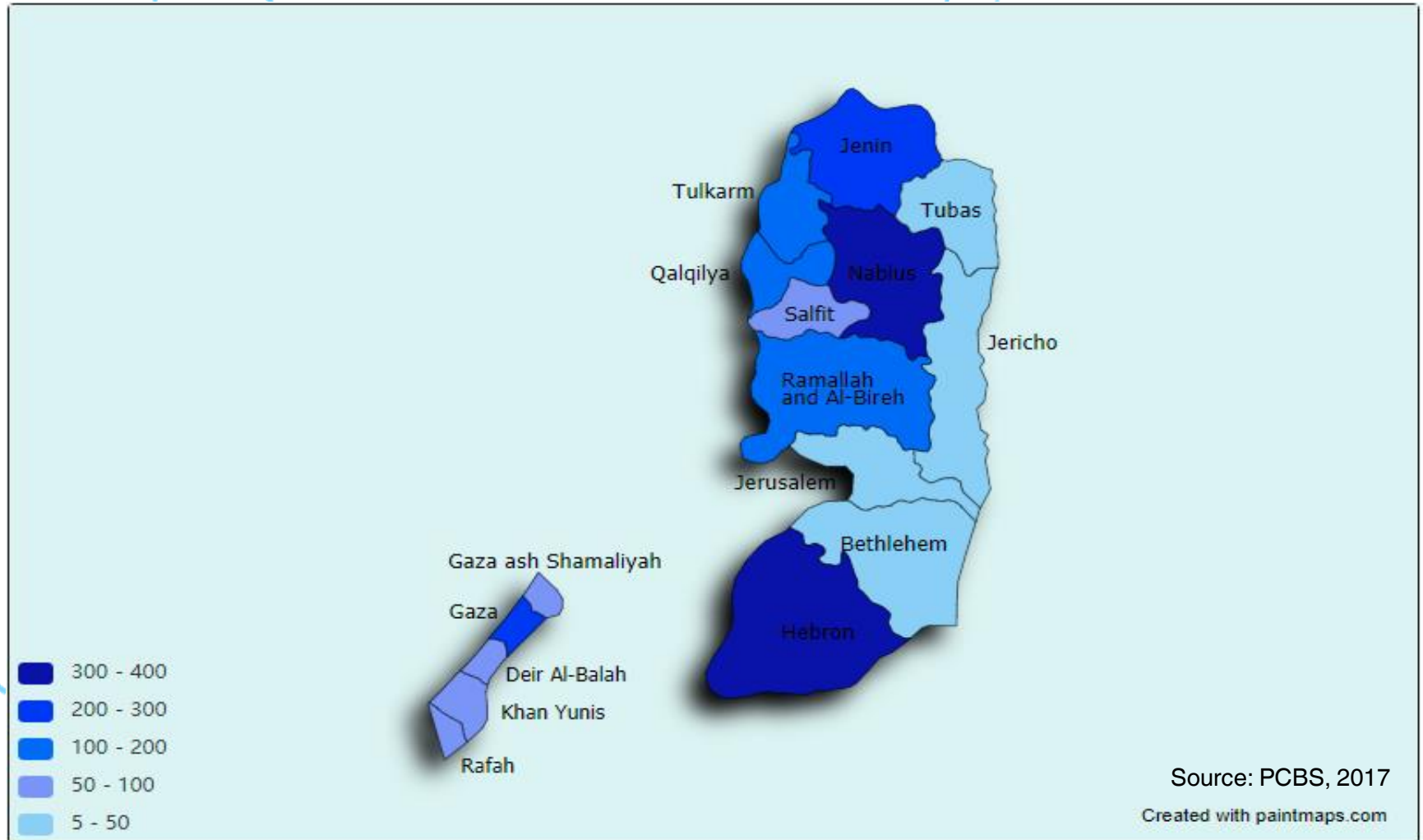
## Localization of **L&S** companies in Palestine

The establishments of this sector are distributed between shoe factories and tanneries and other leather industries workshops.



# Traditional sector's structure

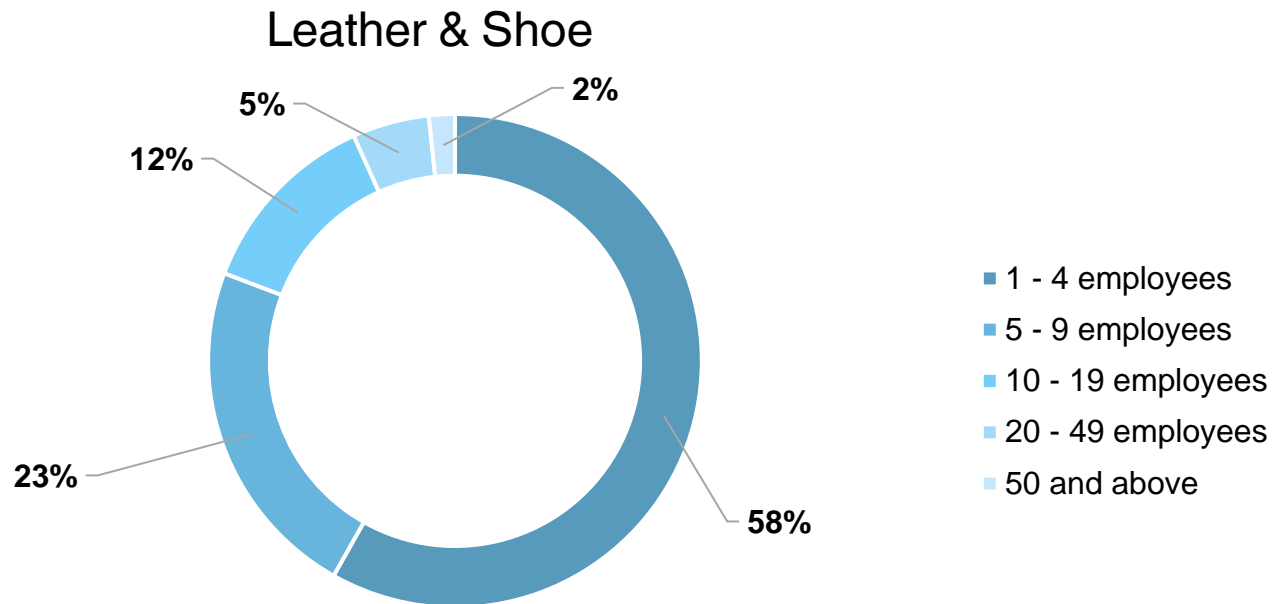
## Localization of **T&C** companies in Palestine





# Traditional sector's structure

## Distribution of size company (2019)

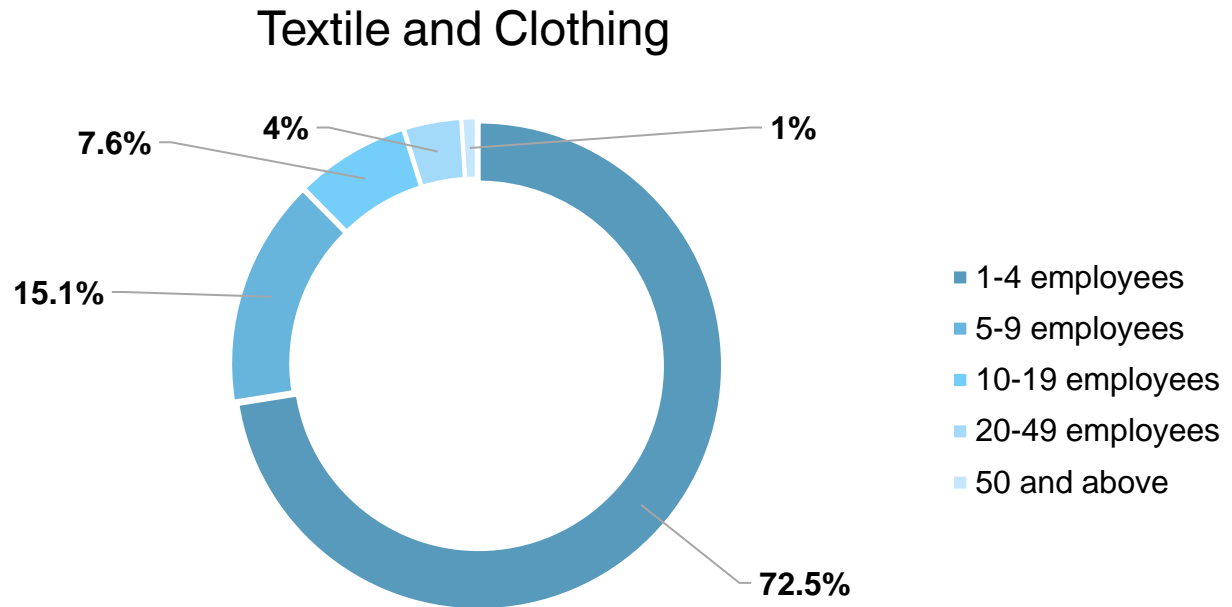


Source: PCBS,  
PIPA

Both sectors are composed of a hundreds of small enterprises classified as MSMEs operating out of individual homes and registered as sole proprietorships.

# Traditional sector's structure

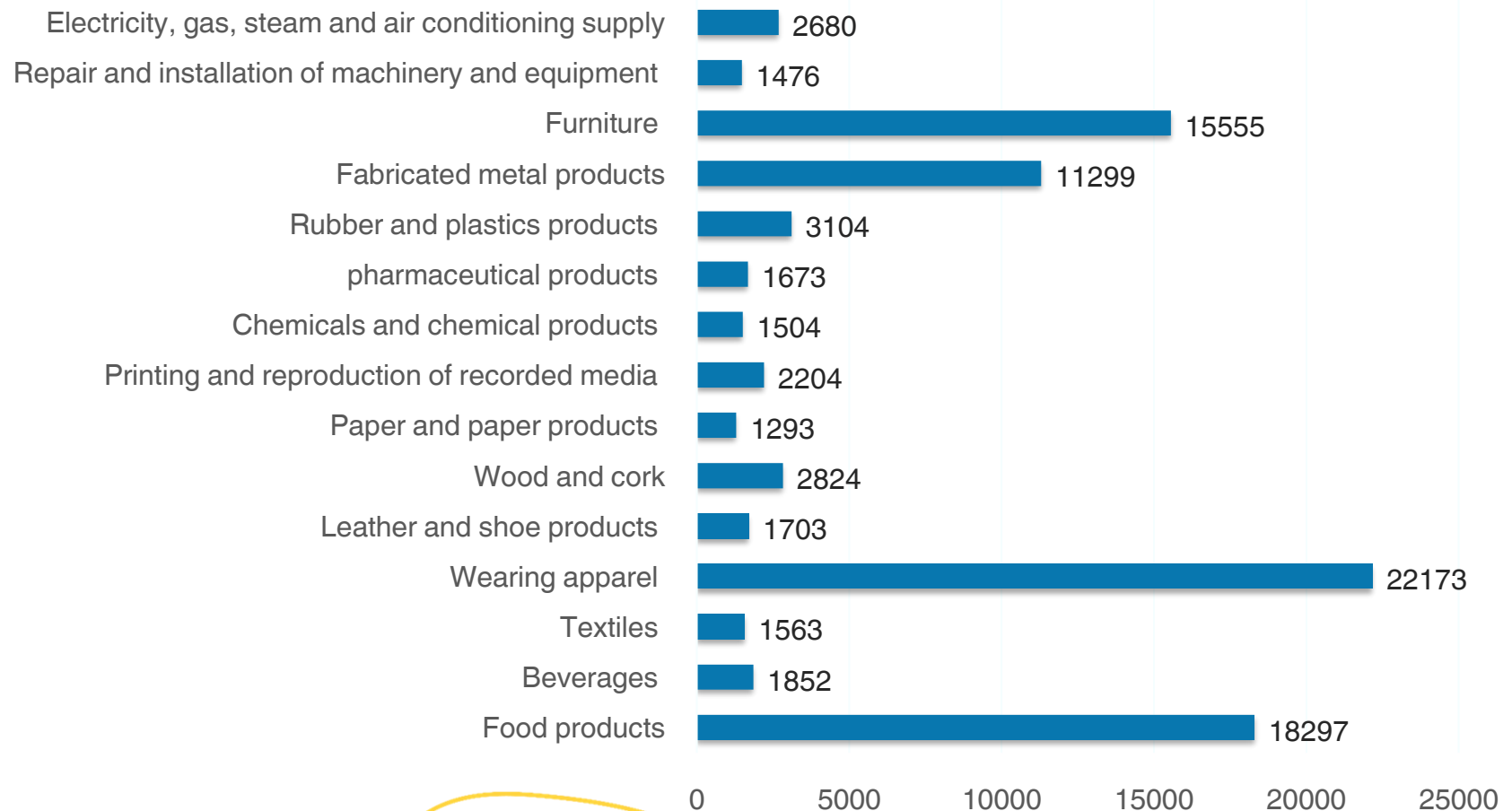
## Distribution of size company (2019)



Source: PCBS,  
PIPA

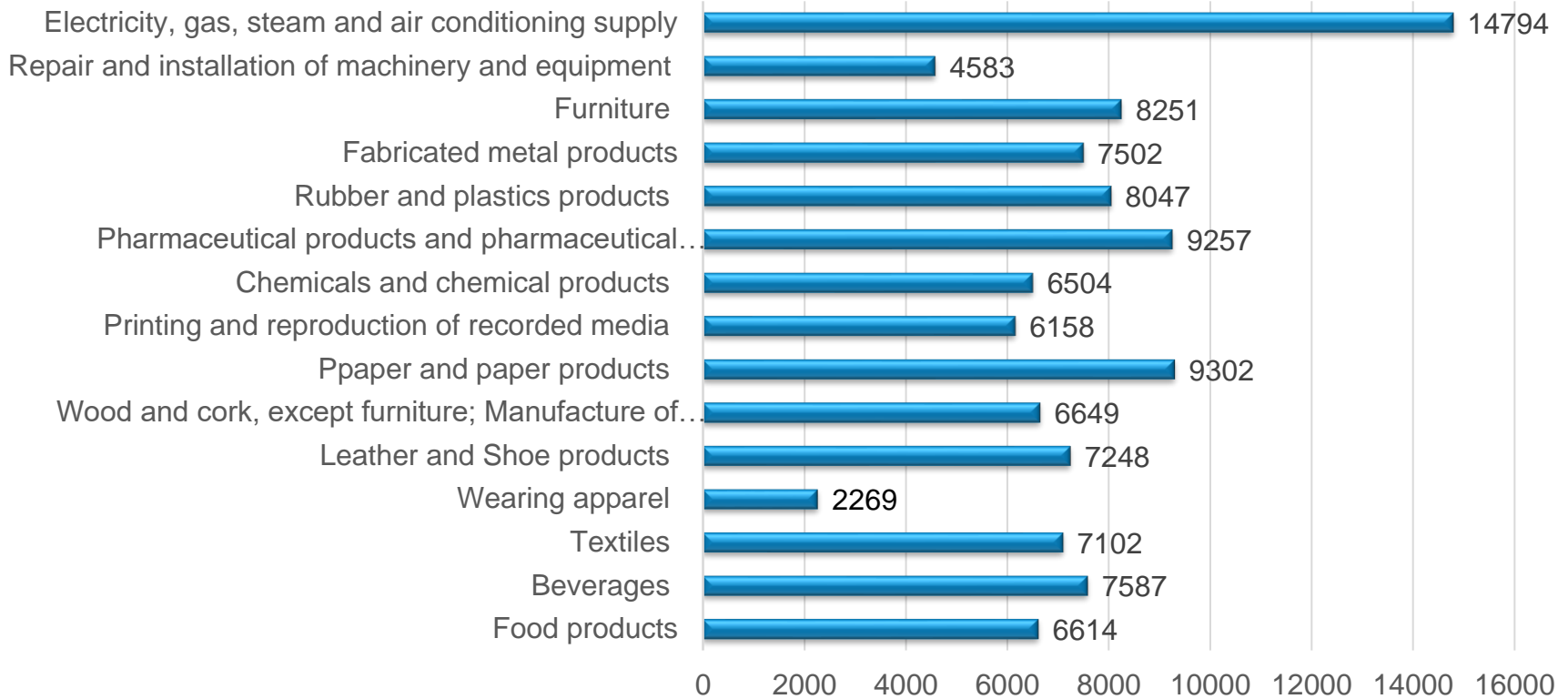
# Traditional sector's structure

## Comparison of the number of workers in Palestine with other industrial sectors



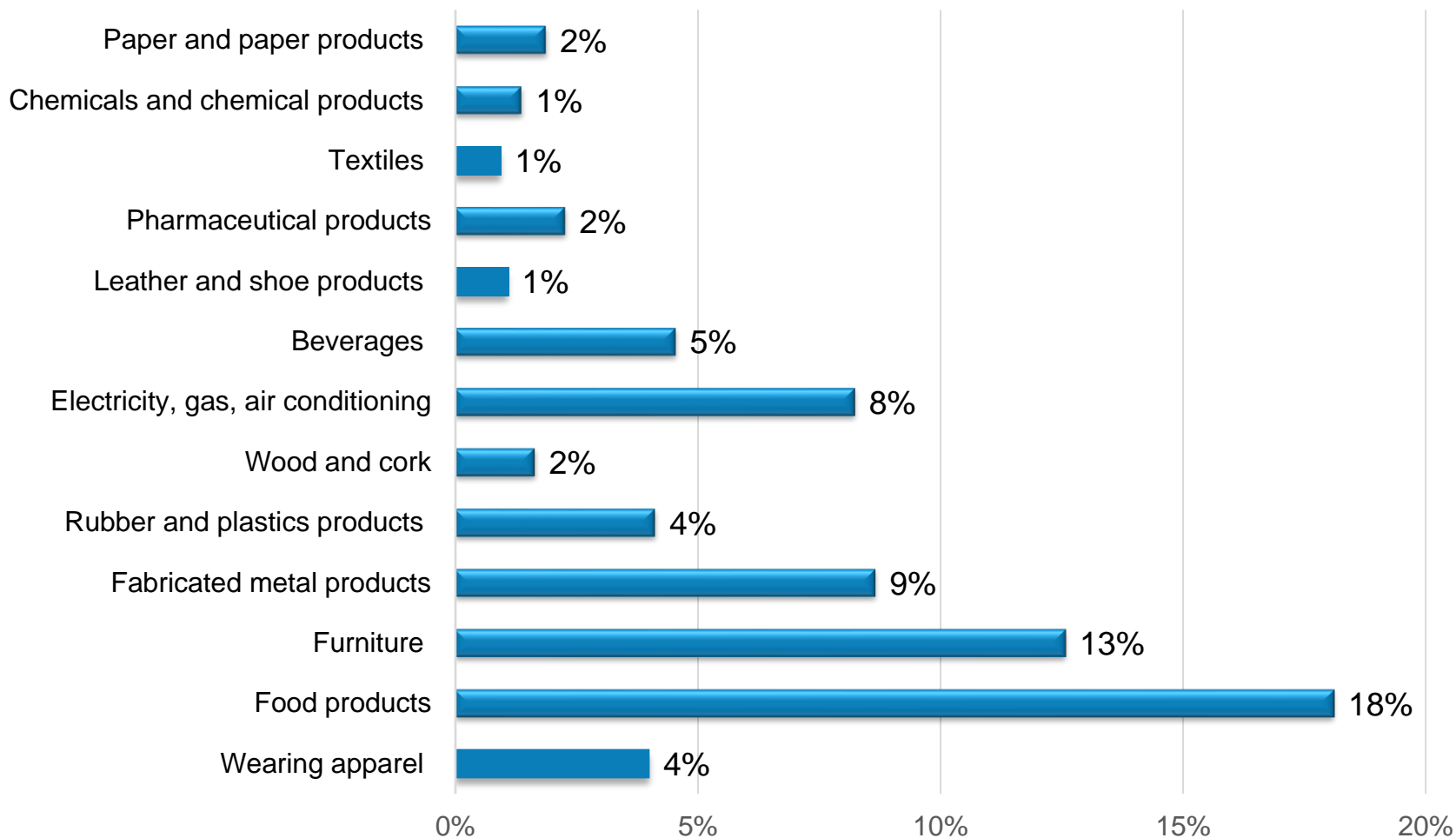
# Traditional sector's structure

Compensation per wage Employee in (\$) of each sector compared with all the manufacturing industry per region (2018)



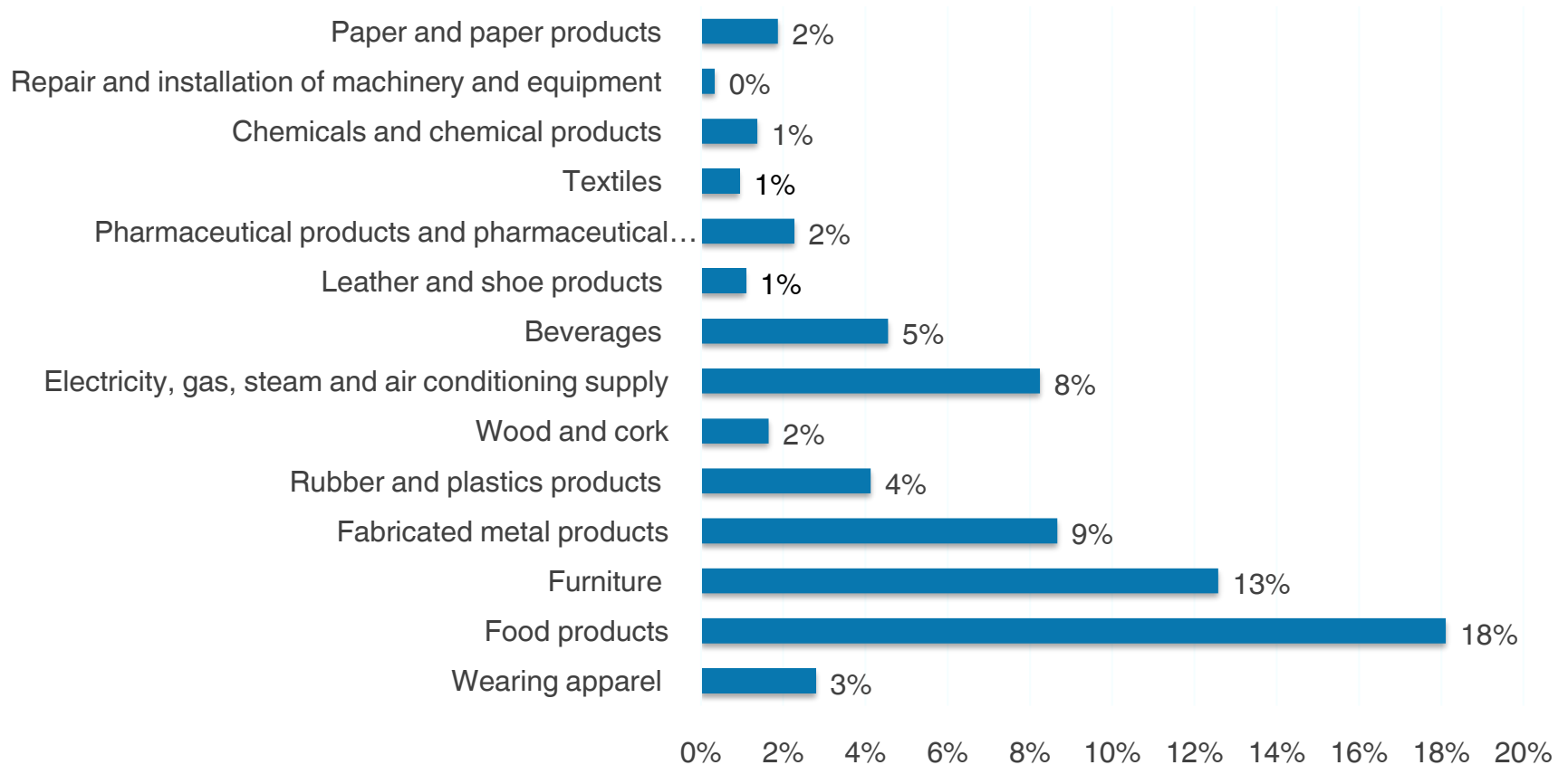
# Traditional sector's structure

Comparison between main industrial sectors via % of Gross added Value (2018)



# Traditional sector's structure

## Comparison between main industrial sectors via % of Productivity (2018)



# Traditional sector's structure

The effects of **COVID-19 pandemic** on the textile, clothing, leather and shoe sector.

- **80%** of L&S have **completely stopped working** during the lockdown.
- **20%** of enterprises operating in the textile industry **have converted their production** line to the production of personal protective equipment, due to the increasing demand for it.
- In the Gaza Strip, the 110 factories operating in the clothing sector until the end of last year **decreased** to 30 factories, and **production capacity decreased** from **70%** to **30%**.

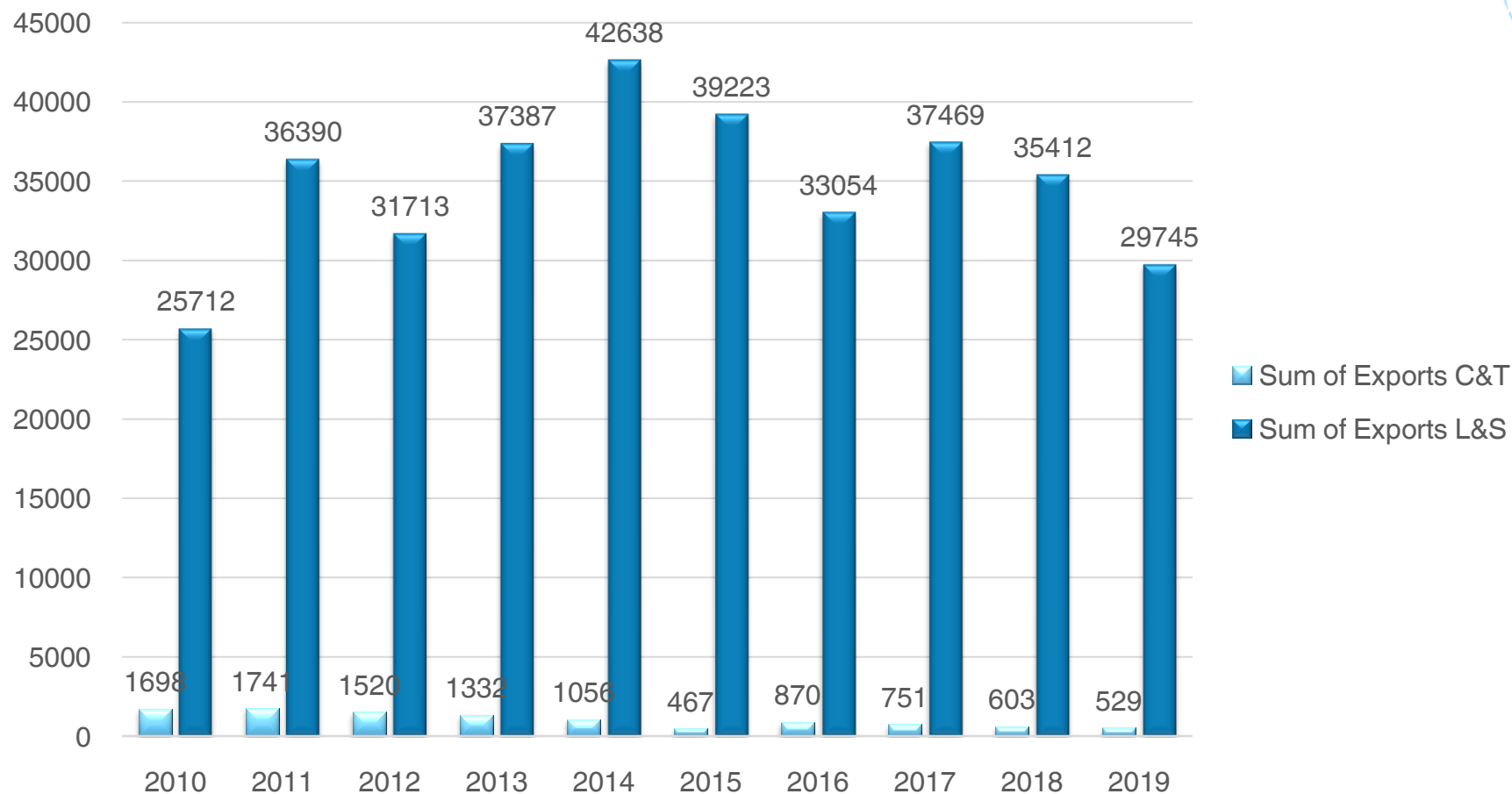
The background is a solid yellow color. It features several abstract, hand-drawn style lines. A white line starts from the left, curves upwards, and ends in a small white icon of a pen or quill. A blue line starts from the left, curves downwards, and ends in a small blue swirl. A red line starts from the right, curves downwards, and ends in a small red swirl. There are also several thin, dashed white lines crisscrossing the background.

# Themes in focus



# Themes in focus

## External trade: Exportation (Thousands \$)



Source: ITC, 2019

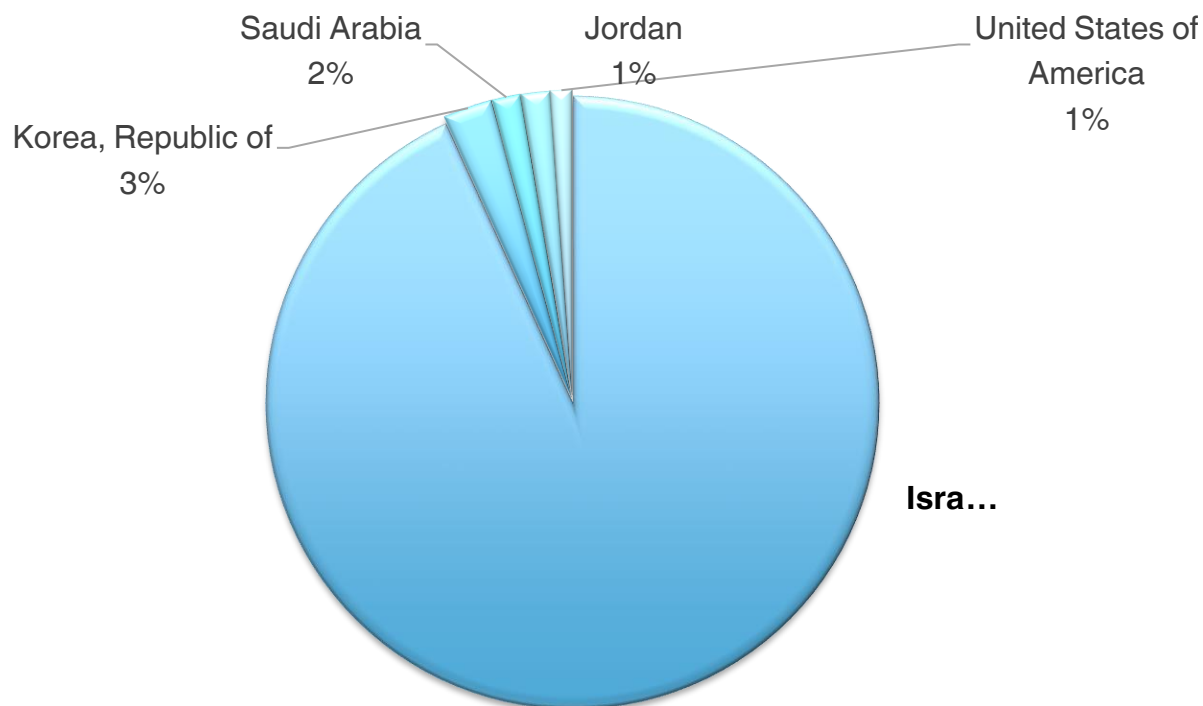
# Themes in focus

## External trade: Exportation

- Exports of the L&S sector are considered one of Palestine's **top ten exporting industries** (#10), Due to:
  - Different initiatives that aim to boost the sector's competitiveness such as the **Cluster Project**.
- The T&C sectors exports are low, due to the fact that this **sector's market share is local rather than international**.

# Themes in focus

## External trade: Principal L&S exports destinations



■ Israel

■ Korea, Republic of

■ Saudi Arabia

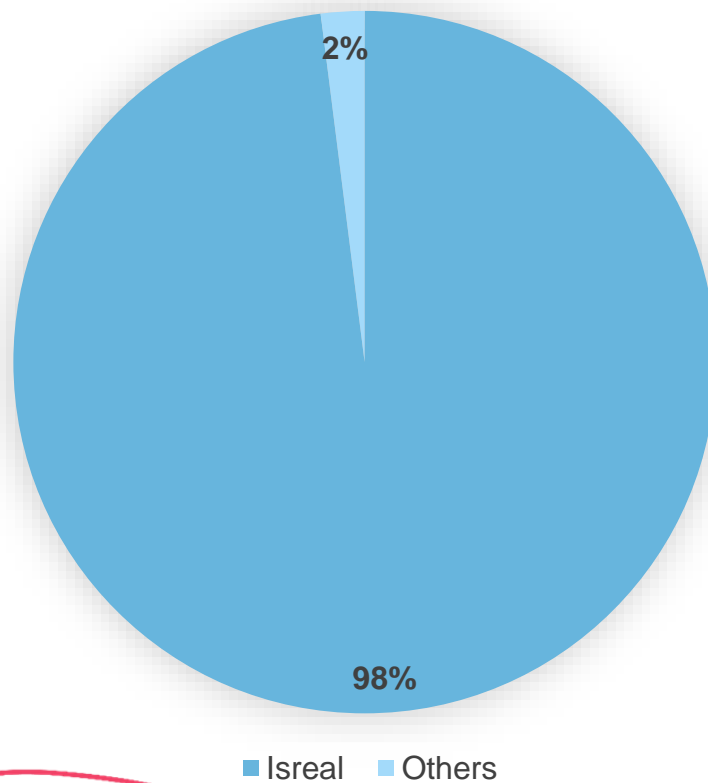
■ Jordan

■ United States of America

Source: ITC, 2019

# Themes in focus

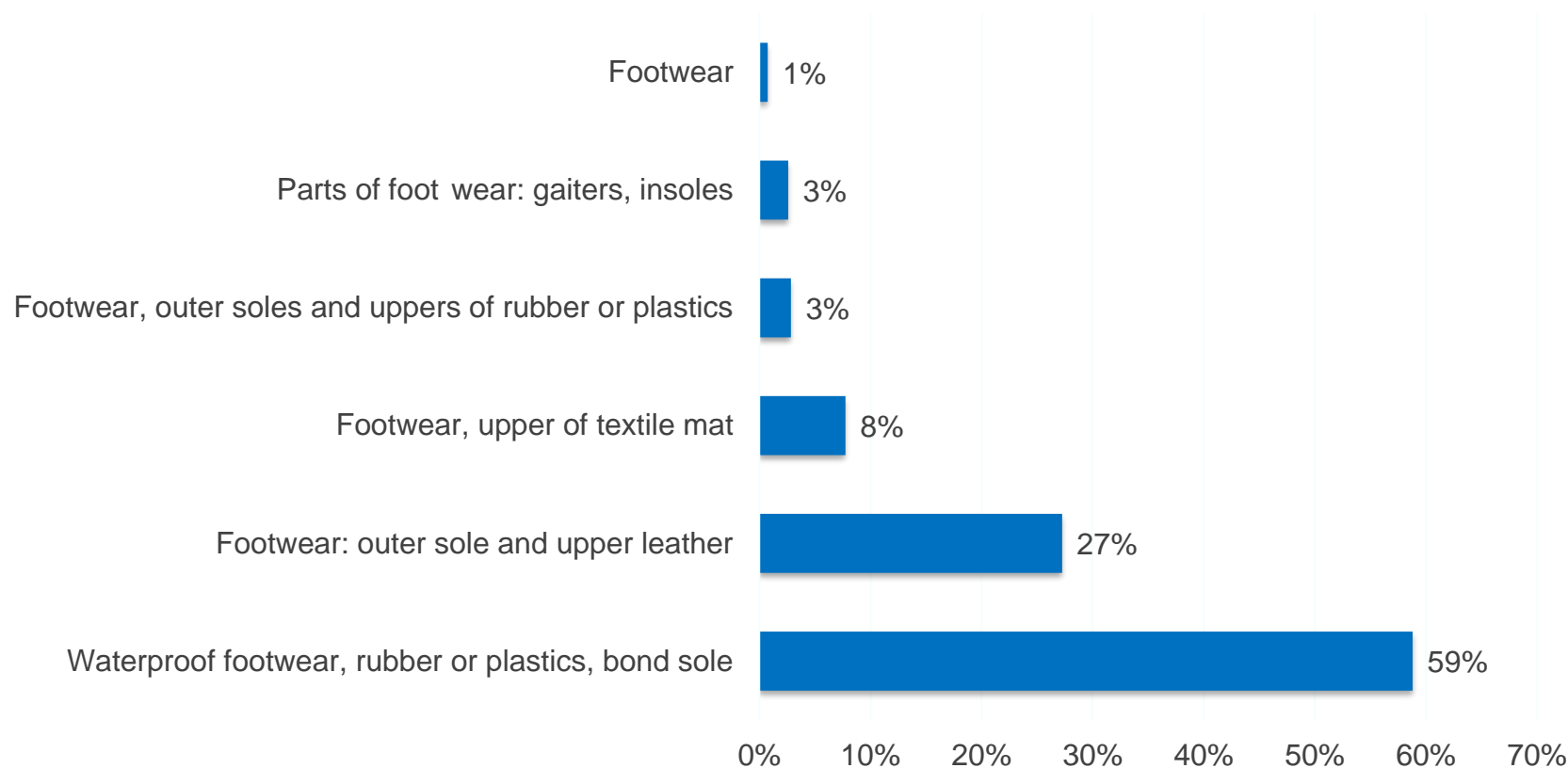
External trade: Exports T&C Principal destinations



Source: ITC, 2019

# Themes in focus

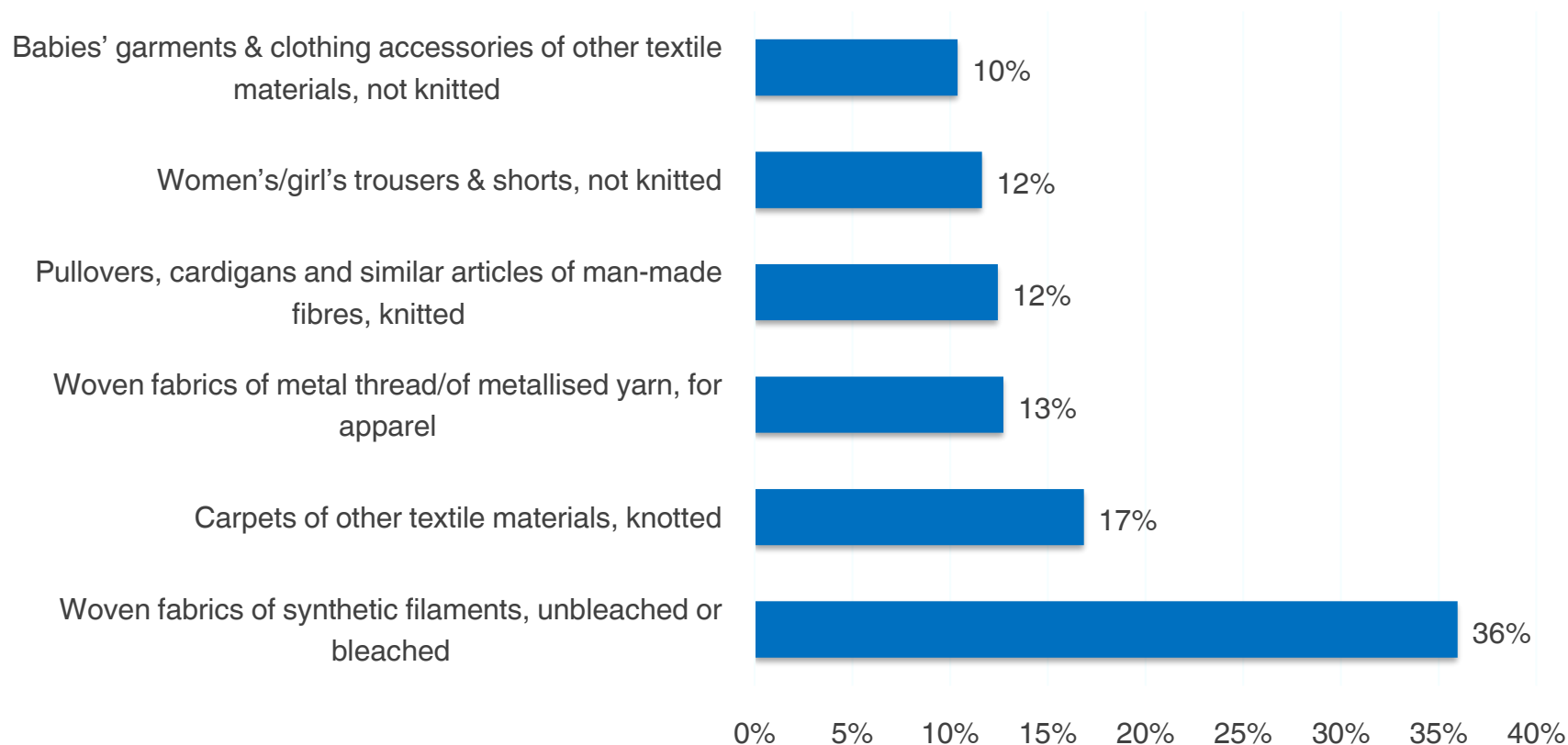
## External trade: principal L&S exported products



Source: Paltrade, 2014-2018

# Themes in focus

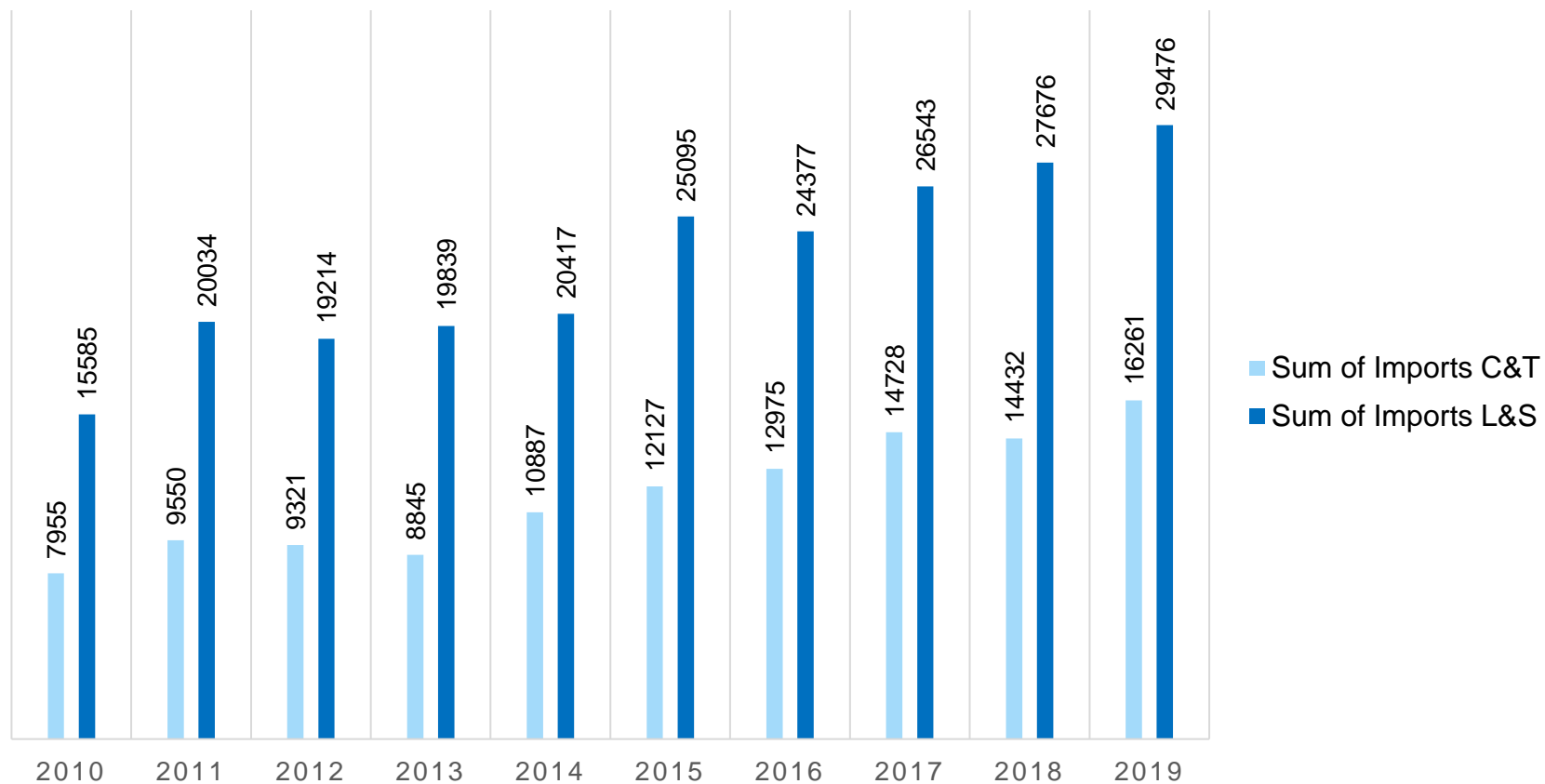
## External trade: principal T&C exported products



Source: Paltrade, 2014-2018

# Themes in focus

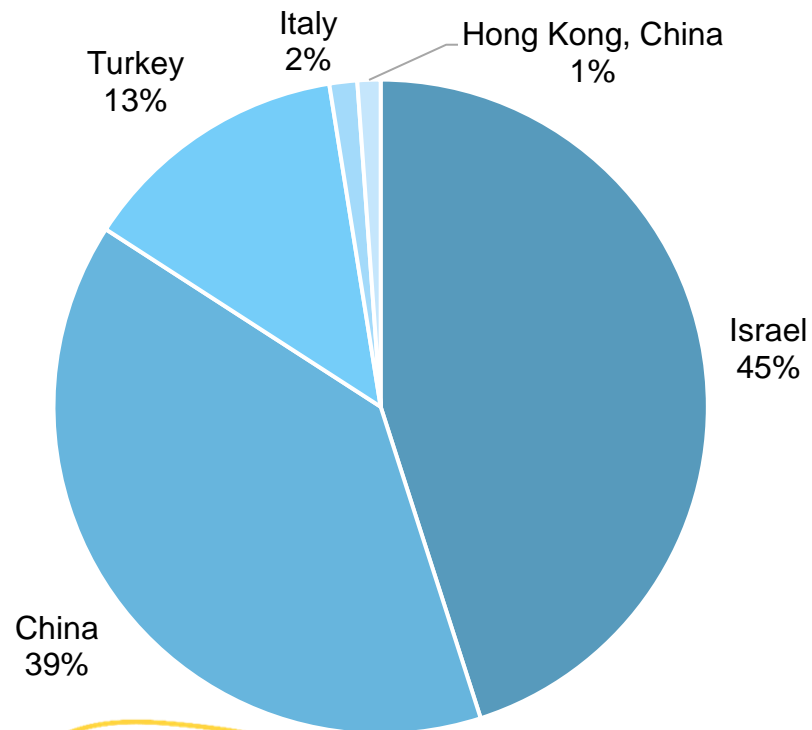
## External trade: Imports (Thousand \$)



Source: ITC, 2019

# Themes in focus

## External trade: Principal destinies of L&S Imports

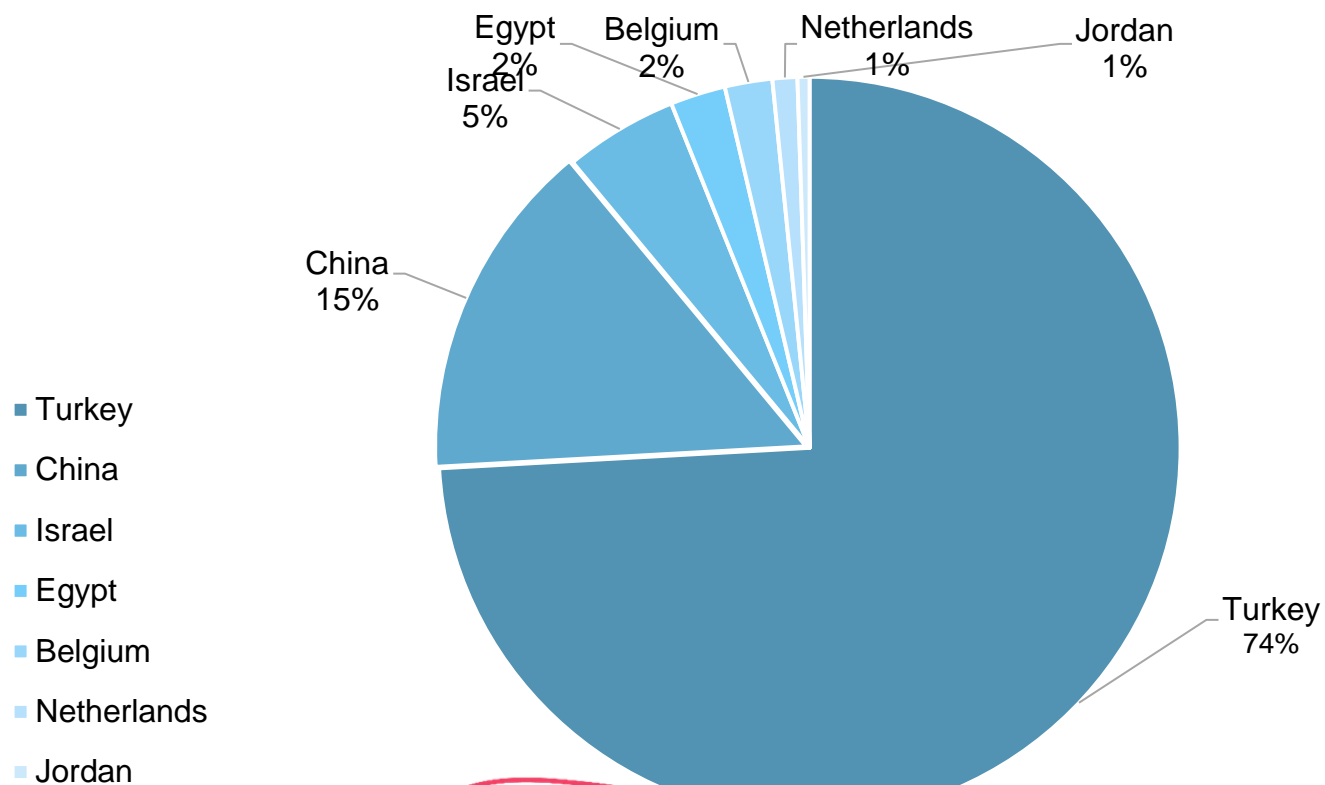


Source: ITC, 2019



# Themes in focus

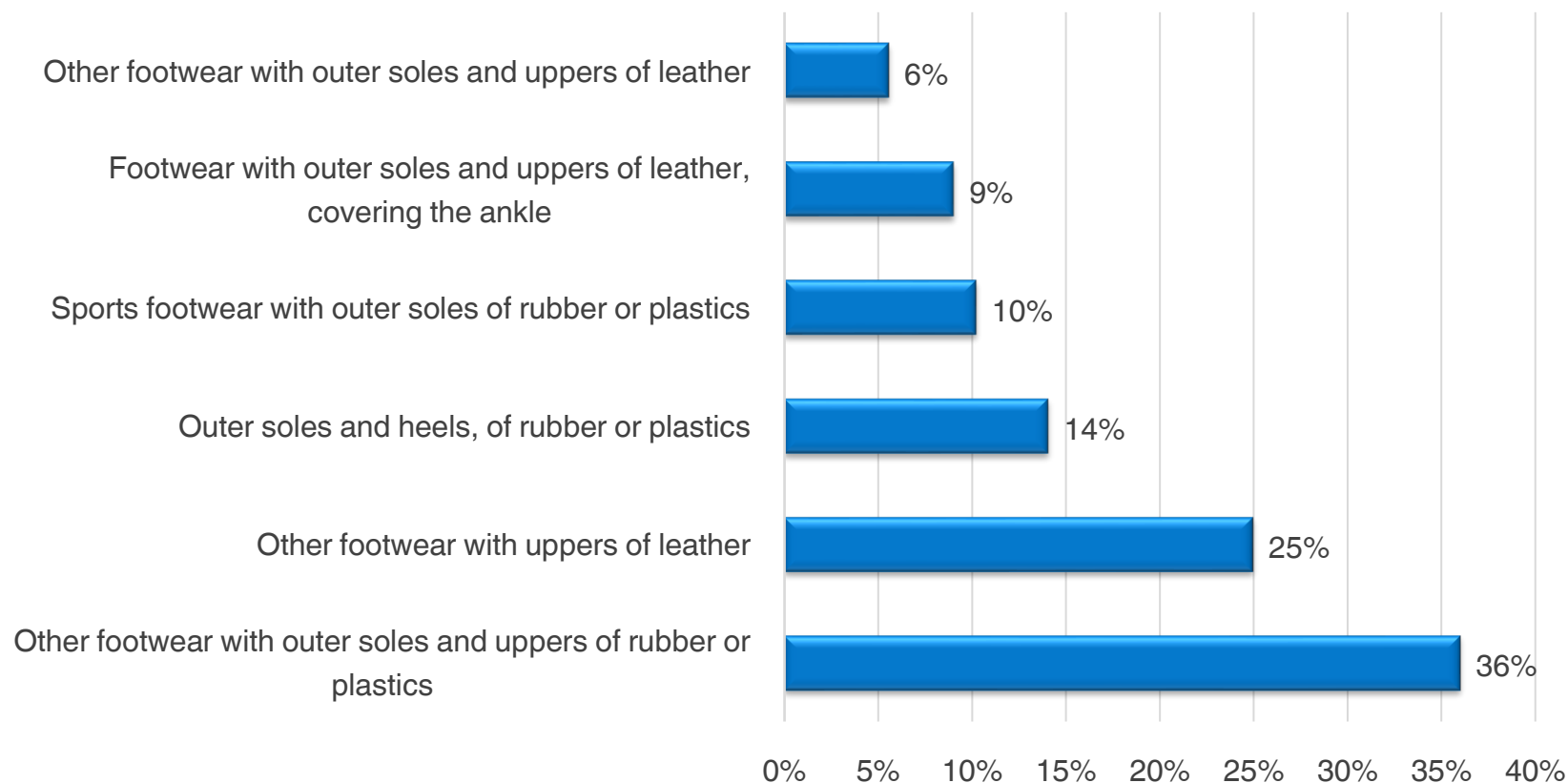
## External trade: Principal destinies of T&C Imports



Source: ITC, trade map 2019

# Themes in focus

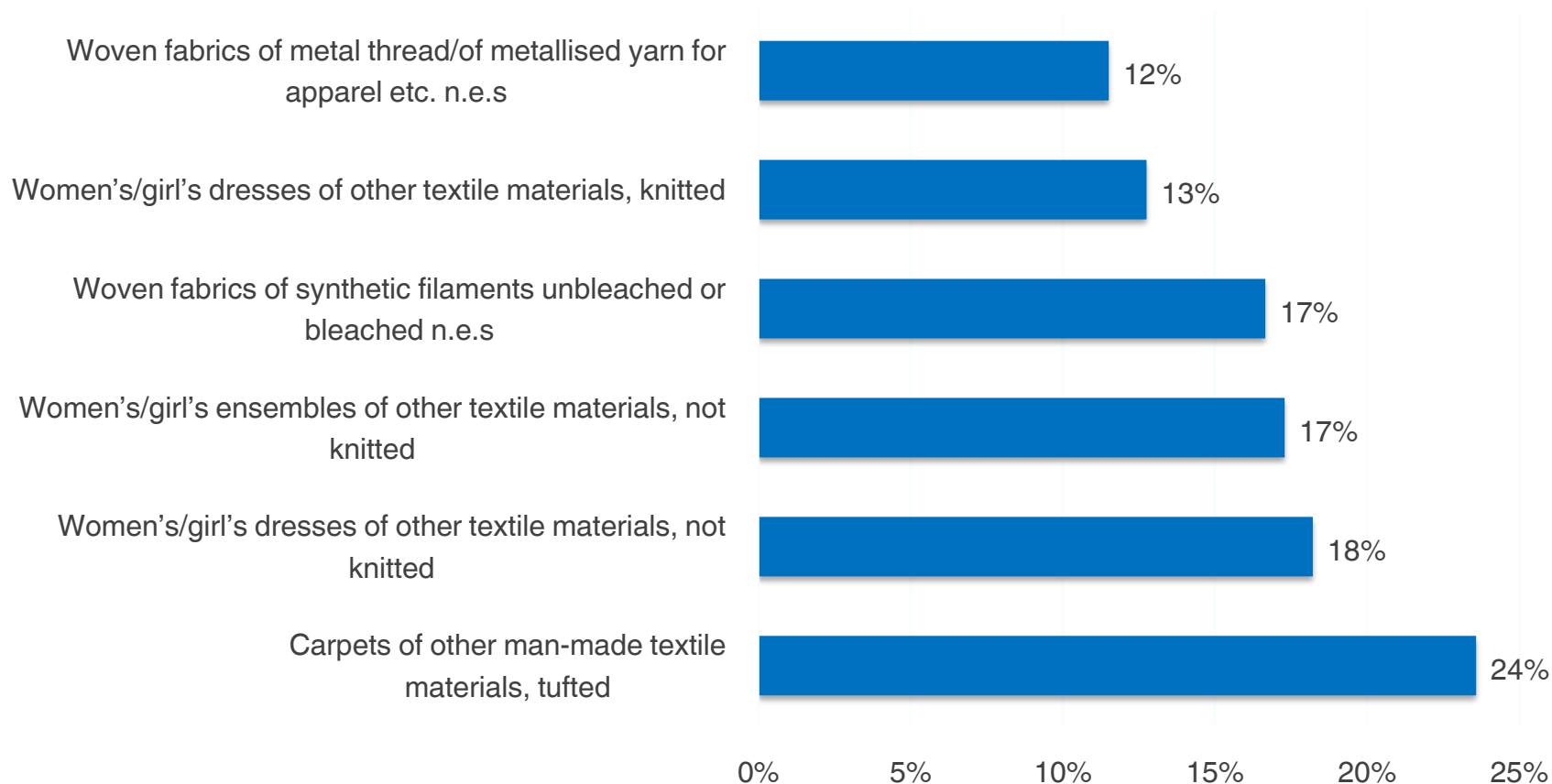
## External trade: Principal L&S Imported products



Source: Paltrade, 2014-2018

# Themes in focus

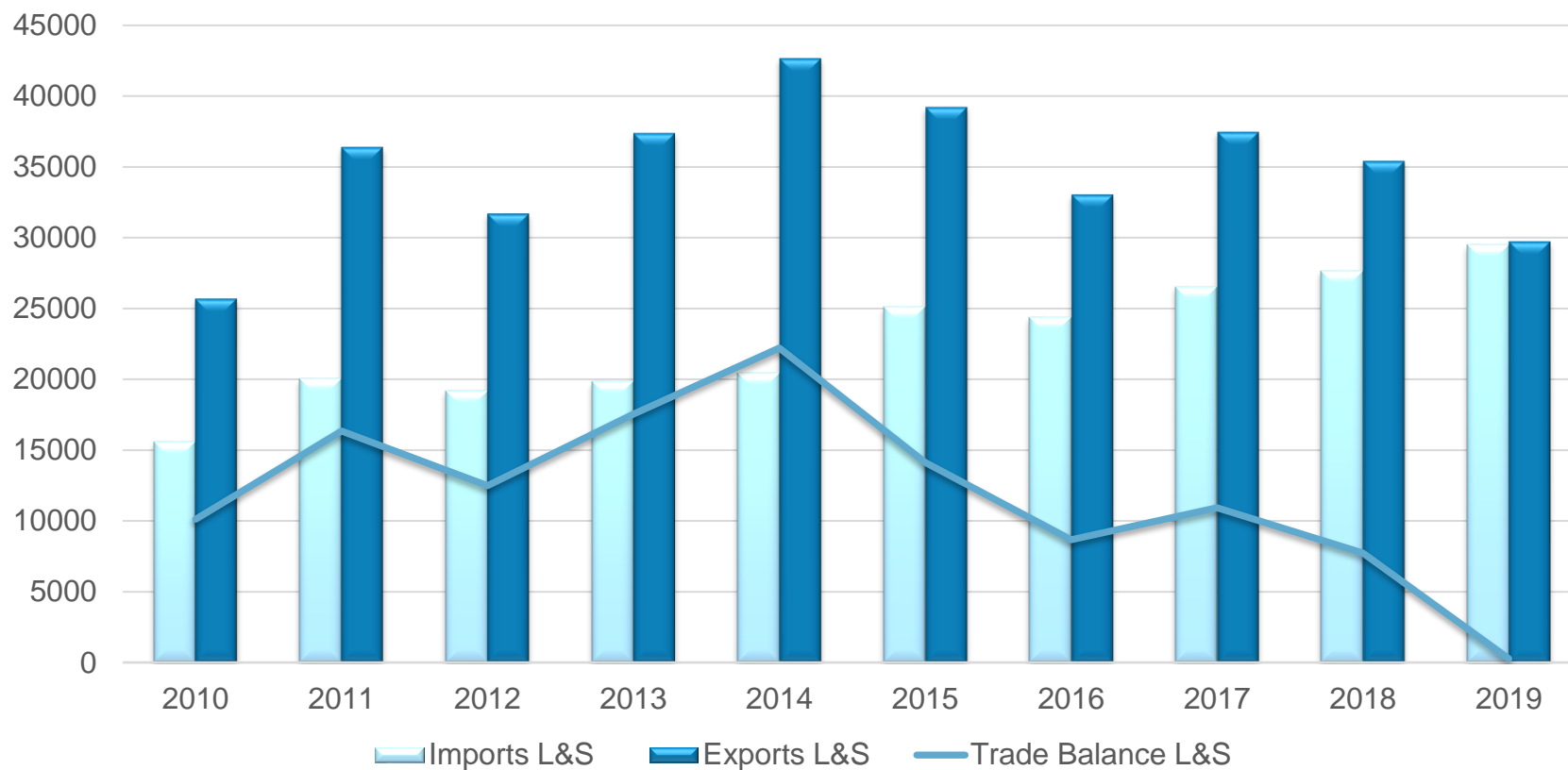
## External trade: Principal T&C Imported products



Source: Paltrade, 2014-2018

# Themes in focus

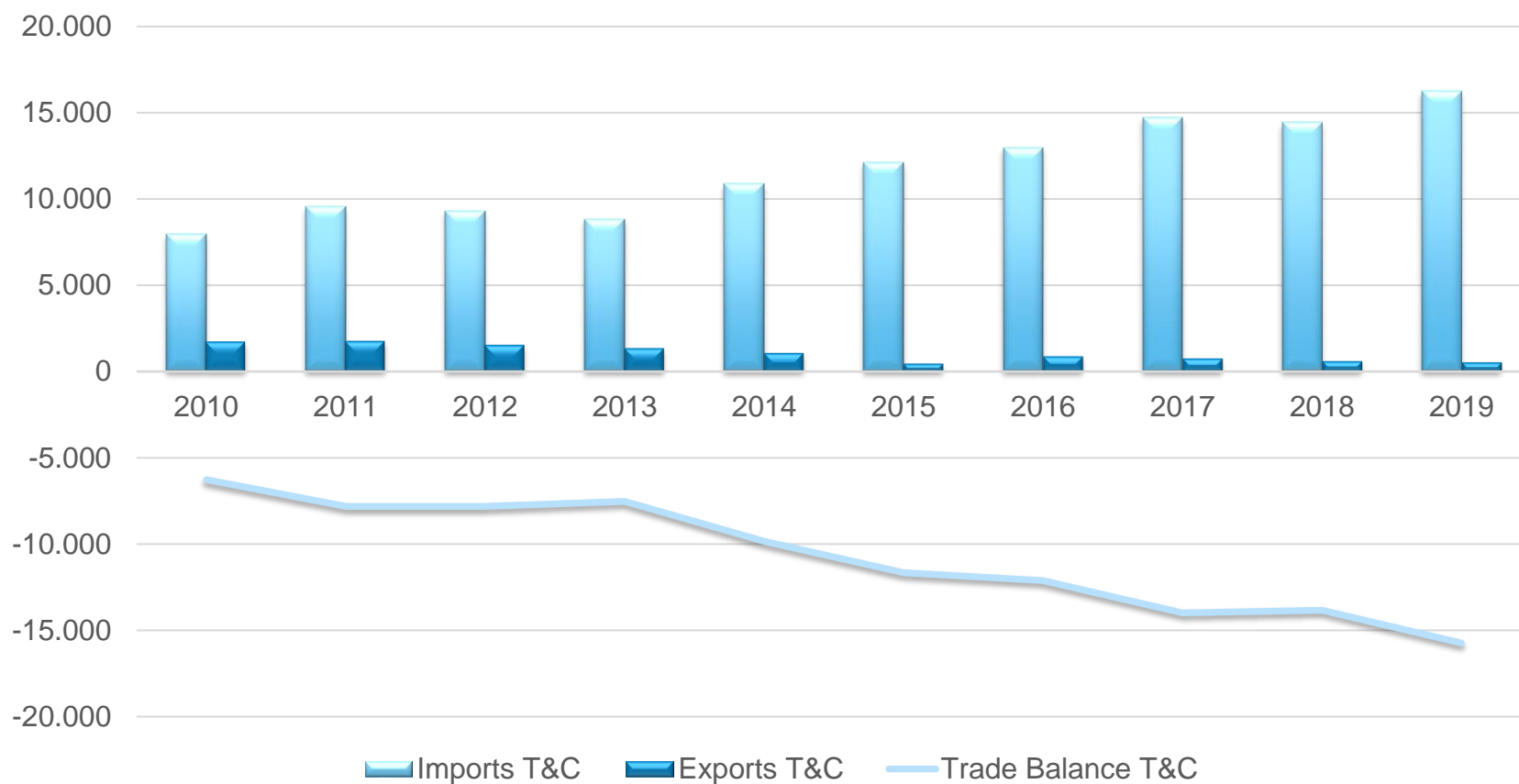
## External trade: L&S Trade Balance (Thousand \$)



Source: ITC, 2019

# Themes in focus

## External trade: T&C Trade Balance (Thousand \$)

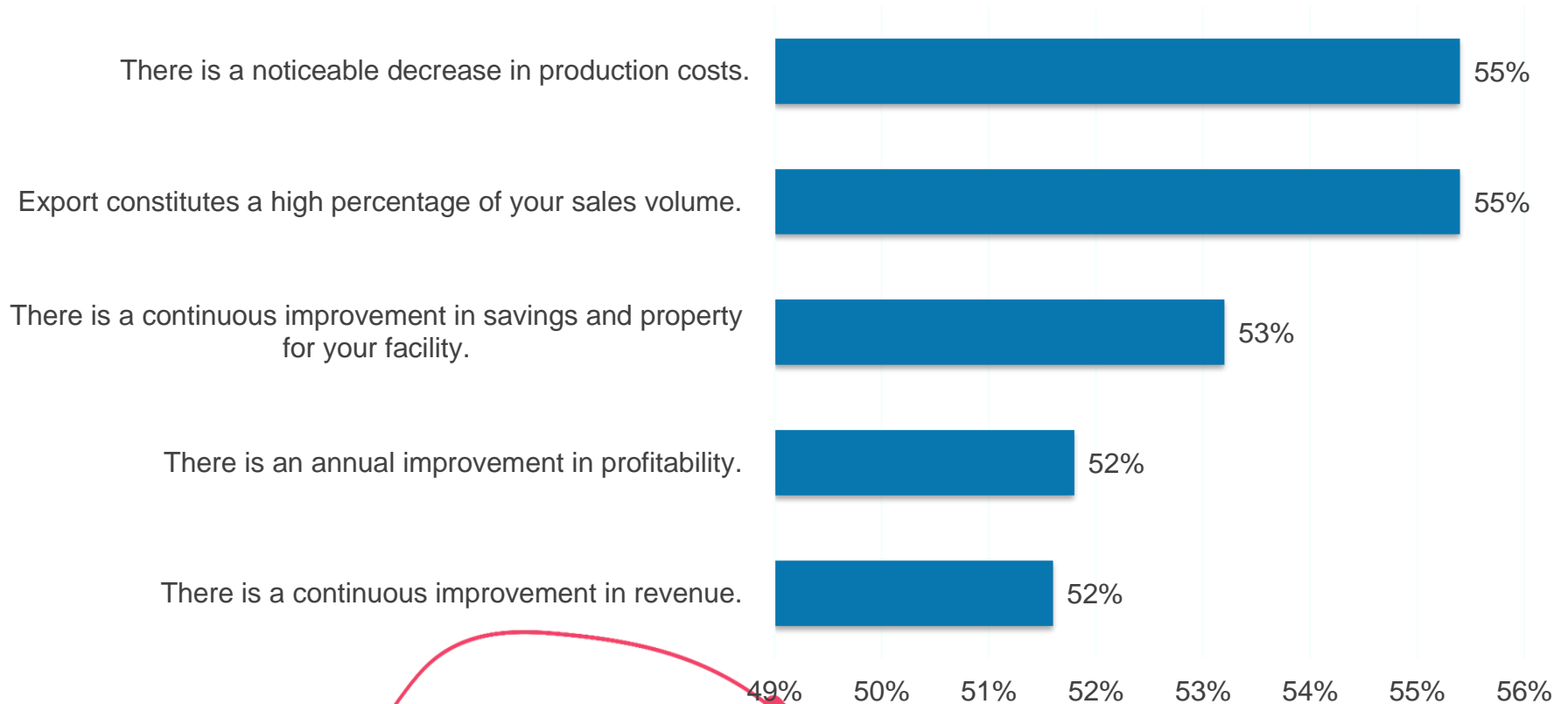


Source: ITC, 2019

# Themes in focus

## Performance indicators – L&S Financial Perspective

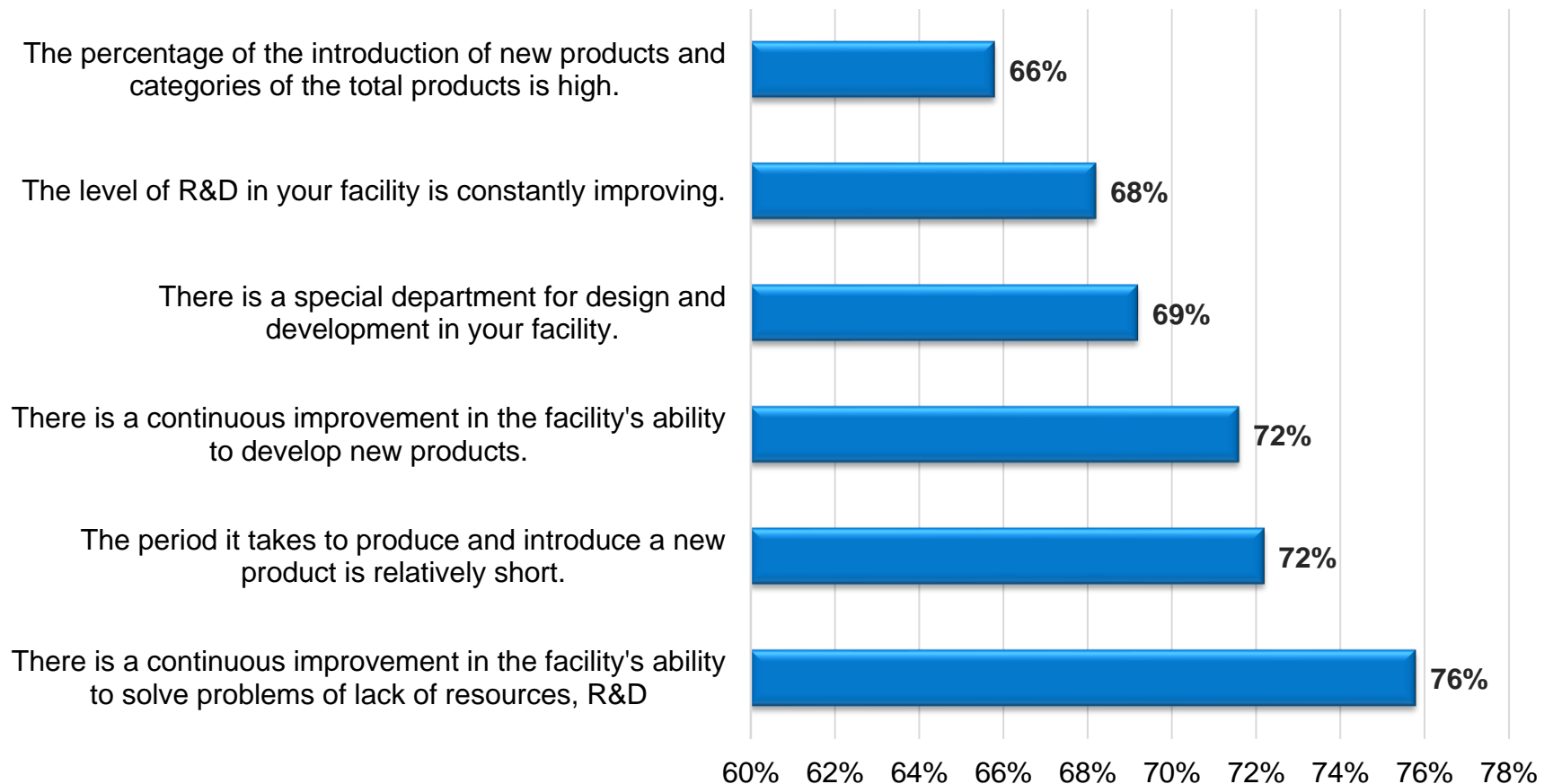
### % of companies answered No/Disagree



# Themes in focus

## Performance indicators – R&D perspective for L&S

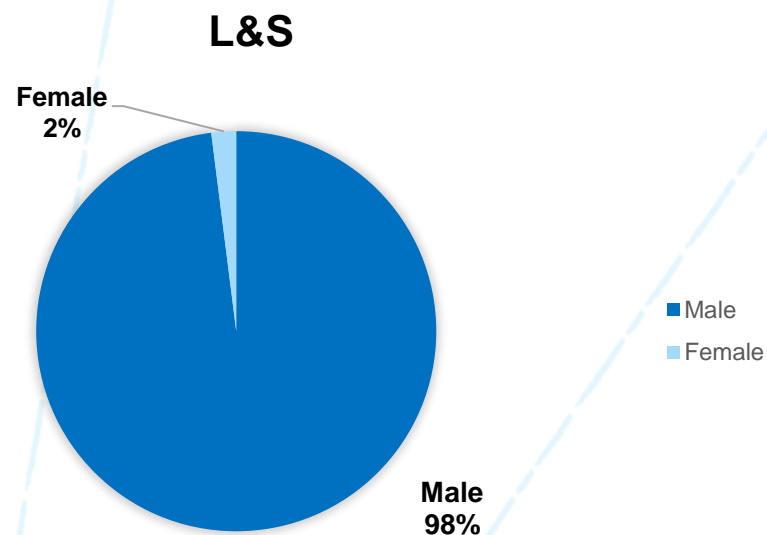
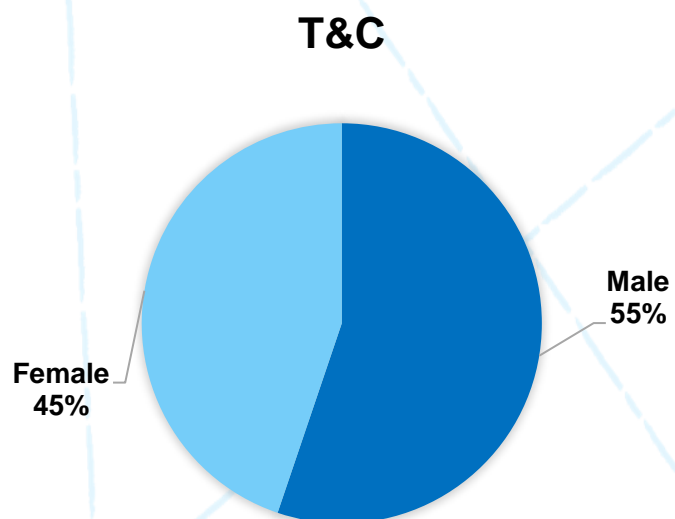
### % of companies answered yes/agree



# Themes in focus

## Performance indicators

### Female participation rate in paid staff

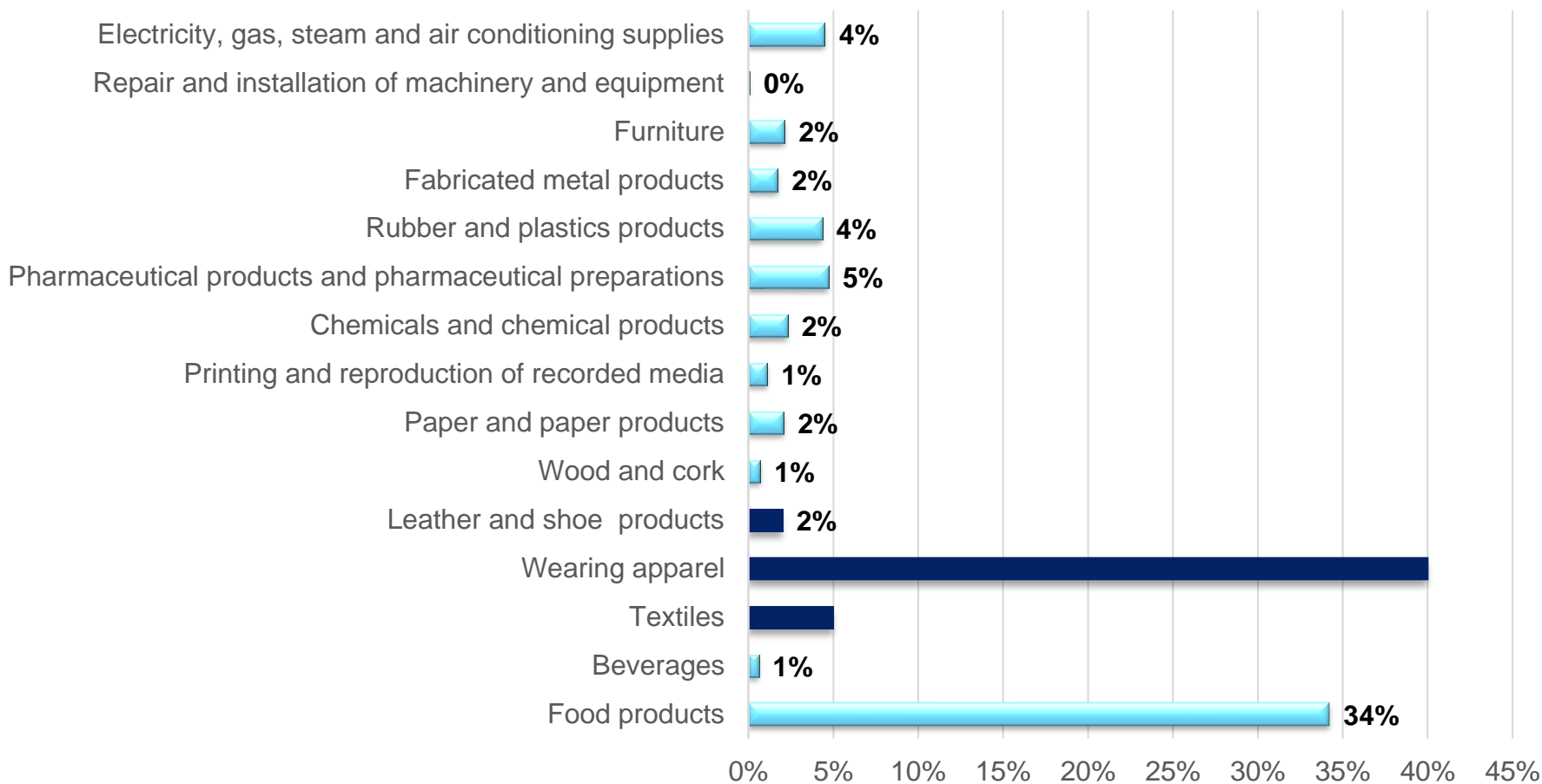




# Themes in focus

## Performance indicators

### Female participation rate compared to all industrial sectors



# Themes in focus

## Performance indicators . Female participation as paid staff

- Female participation in L&S sector is weak, this could be retained to:
  - **Weak desire** of women to engage in this industry.
  - The majority of these factories are **family businesses passed down through generations** mostly to sons not daughters.
- For the T&C sector, the female participation rate is considered high, due to the **ease of working from home** and **the nature of work**.

**However, this percentage does not tell the entire story**

According to the Central Bureau of Statistics, it is noticed that the wage gap between women and men is highest in the industrial sector, where women get 53% of the average wage rate for men in the same economic activity.

# Themes in focus

Main Problems & Challenges that hinder the development of traditional sectors:

Imports and non-tariff expenses

Lack of orientation towards the development of production mechanisms, technology ...

Reliance on ready-made designs

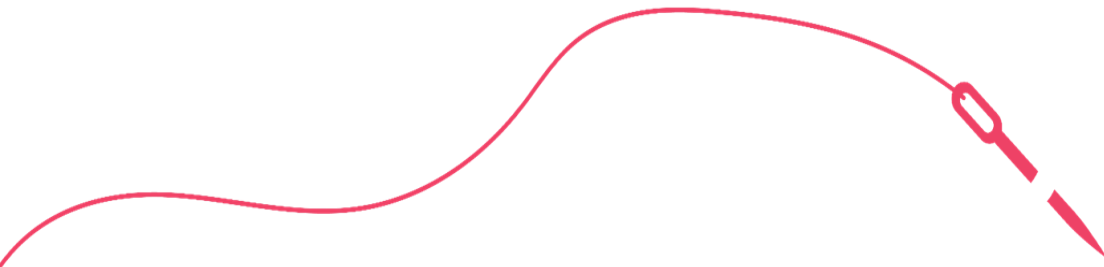
Consumerism and lack of awareness about product quality.



# Conclusions

# Conclusions & recommendations

- Both sectors are considered among the most important industries due to their effective contributions to the growth of Palestinian income.
- The trade balance performance of the leather and shoes sector is noticeably better than that of the textile and clothing sector, where Imports and exports are increasing in proportions that are similar, indicating that the sector is growing.
- The L&S sector has proved its potential to grow and succeed through different initiatives, such as the Cluster project which is still sustainable and running.
- In regards to the R&D and the innovation awareness, L&S manufacturers have a high awareness of it's importance, (Al-Ubaieat, 2020).



# Conclusions & recommendations

**With reference to the L&S sector, below are some notable findings:**

- It is recommended to capitalize on the findings of previous projects to further the development of the L&S Sector.
- The L&S Cluster facilitates creating synergies and partnerships with pioneering members of the Palestinian L&S eco-system.
- The Leather and Shoe Development Centre is a key actor in the L&S eco-system that could be utilized to develop and modernize products from a technical and design perspective, which intersects with CRE@CTIVE's goals and objectives.

## Employed information sources

Acronym	SOURCES
PCBS	The Palestinian Central Bureau of Statistics
Paltrade	Palestine Trade Centre
ITC	The International Trade Centre, TradeMap
PIPA	The Palestinian Investment Promotion Agency
HCCI	Hebron Chamber of Commerce and Industry
Pal-cluster	Palestine clusters
MoE	Ministry of National Economy
National Economy Plan 2017-2022	National Economy Plan 2017-2022
PFI	Palestinian Federation of Industries
PPU	Palestine Polytechnic University
MAS	Palestine Economic Policy Research Institute-MAS
Al-Ubaieat, 2020	Previous master study by Birzeit University
Fallah, 2018	Previous study by MAS
Awad & Amro (2017)	Previous master study by Al-Quds University
AFD	Agence Française de Développement
Wafi, 2011	Previous master study by Islamic University-Gaza