



## E-Commerce in Palestine



## **“Access Denied - E-Commerce in Palestine”**

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## List of Acronyms

<b>\$PPP</b>	Gross Domestic Product per Capita
<b>APIs</b>	Application Programming Interfaces
<b>ARIJ</b>	Applied Research Institute – Jerusalem
<b>B2B</b>	Business to business
<b>B2C</b>	Business to consumer
<b>C2B</b>	Consumer to business
<b>C2C</b>	Consumer to consumer
<b>COD</b>	Cash-on-delivery
<b>GCC</b>	Gulf Cooperation Council
<b>GMV</b>	Global Merchandise Volume
<b>GSV</b>	Gross Services Volume
<b>ICESCR</b>	International Covenant on Economic, Social and Cultural Rights
<b>MAUs</b>	Monthly active users
<b>MENA</b>	Middle East and North Africa
<b>MoNE</b>	Ministry of National Economy
<b>MoTIT</b>	Ministry of Telecommunications and Information Technology
<b>NES</b>	National Export Strategy
<b>PA</b>	Palestinian Authority
<b>PCBS</b>	Palestinian Central Bureau of Statistics
<b>PCMA</b>	Palestinian Capital Market Authority
<b>PEC</b>	Palestinian Export Council
<b>PICTI</b>	Palestine Information and Communications Technology Incubator
<b>PITA</b>	Palestinian Information Technology Association of Companies

<b>PLO</b>	Palestine Liberation Organization
<b>PMA</b>	Palestine Monetary Authority
<b>PNE</b>	Ministry of National Economy
<b>POS</b>	Point-of-sale
<b>ROE</b>	Return on equity
<b>SDGs</b>	UN Sustainable Development Goals
<b>TNS</b>	Trade support network
<b>TSIs</b>	Trade Support Institutions
<b>UAE</b>	United Arab Emirates
<b>WBG</b>	World Bank Group

## Executive Summary

The digital economy represents one of the fastest growing sectors globally. However, as this report shows, Palestinians continue to be discriminated against by states and businesses when it comes to accessing the digital economy. Even though the United Nations Human Rights Council has affirmed that "the same rights people have offline must also be protected online".<sup>1</sup> The Israeli government continues its decades long unlawful exploitation of Palestinian resources for the benefit of the Israeli economy and to de-develop the Palestinian economy. Businesses have also benefited from the lack of accountability for their involvement in human rights abuses, including providing access to e-commerce platforms to Israeli settlements and settlement enterprises while denying Palestinians access. This digital discrimination has impacted the development of the Palestinian economy and denied opportunities to work for millions living in some of the hardest conditions on earth.

International Human Rights Law lays down obligations which states are bound to respect. States assume obligations and duties under international law to respect, protect and to fulfil human rights. Protecting these human rights online and offline are critical to ensure equitable access to the economic opportunities that exist within the digital economy. This is particularly relevant in the case of Palestine, which has been recognized as an occupied territory by the international community. Therefore under the Law of Occupation, Israel must administer the territory for the benefit of the local population; in general, maintaining the status quo in the occupied territory and protecting, respecting and enhancing the rights of the protected occupied population. Therefore, Israel must take positive action to facilitate the enjoyment of these rights in relation to Palestinians and protect individuals and groups against human rights abuses or face consequences from the international community.

Within this context, generative and protective political and economic policy development and implementation are essential, as well as an empowerment approach in terms of economic development within the West Bank and Gaza. Innovative approaches are being taken by local actors who despite these restrictions, have demonstrated innovative methods of participating in e-commerce and harnessing its potential for the growth of their businesses, as demonstrated in this report.

1. Szoszkiewicz, Łukasz (30 September 2018). "Internet Access as a New Human Right? State of the Art on the Threshold of 2020". 8: 50. [doi:10.14746/ppuam.2018.8.03](https://doi.org/10.14746/ppuam.2018.8.03)

As a Palestinian digital rights organization, 7amleh researches Palestinian human rights in the online space. In recent years, our relevant research has included “Connection Interrupted” (2019)<sup>2</sup> which details the Israeli control over the Palestinian ICT infrastructure and its impact on the digital rights of Palestinians. Additionally, we have researched, advocated and campaigned for Palestinian access to PayPal which includes our research “PayPal and Palestine”.<sup>3</sup>

This research, “Access Denied - E-Commerce in Palestine”, investigates the experience of Palestinians in the West Bank and Gaza participating in e-commerce. Drawing upon interviews conducted with e-commerce entrepreneurs and digital economy experts, this report traces the journeys of several Palestinians and analyses their ability to engage with e-commerce as well as barriers and challenges. In the first chapter “Digital Economy in Palestine”, we look briefly at the rise of digital economy and e-commerce regionally and globally including business to business transactions and business to consumer transactions. We summarize the global challenges to e-commerce including import and export logistics challenges, tariffs and taxation. In the second chapter, “Palestinian Experiences in the Digital Economy” we analyze the processes that Palestinians go through when buying and selling online and trying to access different e-commerce platforms. Finally, in the third chapter, “Palestinian Readiness,” we investigate different factors related to the readiness of the public and Palestinian institutions for e-commerce. Even though Palestinians and institutions are ready to engage with e-commerce, this chapter shows there is a lack of enabling environment for digital development and e-commerce. In the conclusion we pose recommendations to governments, businesses and local and international stakeholders.

As Palestine goes through the process of digitization, it is essential that governments and businesses will develop policies and practices in line with human rights norms and standards. New policies should be developed based on research, evidence and consultation with diverse stakeholders including some of society's most vulnerable, and in particular women and youth. The government, banking sector, and e-commerce companies must insure that their policies and practices do not result in digital discrimination and develop effective pathways for financial inclusion of Palestinians in the digital economy. It is also necessary to reduce the costs of movement of labour, capital and goods as much as possible for e-commerce businesses to be able to sustain themselves. This requires

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2. 7amleh (2019). “Connection Interrupted” Accessed at: <https://bit.ly/38zF2jz>

3. 7amleh (2018). “PayPal and Palestine” Accessed at: <https://bit.ly/2SPJa8r>

governments to remove barriers and invest in more efficient logistics systems and management processes.

In conclusion, the E-commerce value chain highlights how occupation, failure to fulfil political agreements and digital discrimination have stunted the development of the Palestinian economy and violated Palestinians human rights. Furthermore, it sheds light on the role that tech companies -- who provide essential financial services for utilizing e-commerce -- have in denying Palestinians their human rights. Finally, it is important to recognize that despite these challenges digital commerce remains increasingly significant in enabling people in Palestine to access their human rights reinforcing how essential e-commerce is for the development of economic markets that serve those who live in vulnerable contexts -- occupied, landlocked and blockaded -- such as Palestinians in the West Bank and Gaza.

## Digital Economy in Palestine

The Palestinian economy in the West Bank and Gaza has been restrained for more than two decades due to the Israeli occupation which includes restrictions on movement, access, and trade that have kept investment levels extremely low and resulted in de-development and de-industrialization. The ongoing movement and trade restrictions in the West Bank, the decade long blockade on Gaza and lack of sufficient investment in the productive sector by the Palestinian Authority and Hamas have hollowed out the productive sector and prevented the economy from achieving its potential.

Substantial transfers, mostly in the form of donor aid, have helped partially mitigate the economic impact of the occupation by fuelling consumption driven growth. In the last decade, economic growth in the West Bank and Gaza' has mainly been driven by consumption financed through aid, remittances and, more recently, credit. Nevertheless, transfers have been declining since 2009, including a dramatic drop in 2017-18, particularly in Gaza, that resulted in a lower growth trajectory for the overall economy and revealed the fragility of the aid-driven growth model.

In 2018, Real GDP growth in Gaza and the West Bank slowed to below 1%, weighed down by declining activity in Gaza that reached -6.9%.<sup>4</sup> Real growth in the West Bank remained positive at 3.1% in 2018, supported by stronger activity in manufacturing, construction, and wholesale and retail trade.

Corresponding to the slowing economic growth, the unemployment rate in Gaza and the West Bank has increased steadily in recent years, exceeding 30.8% in 2018. While participation is low economy-wide, unemployment is much worse in Gaza, nearing 52% in 2018, compared to around 15% in the West Bank. The unemployment is particularly prevalent amongst youth and two-thirds of young people in the Gaza Strip are unemployed.<sup>5</sup>

With the continued restrictions on movement and trade imposed by the Israeli occupation, access to the global digital economy through e-commerce can serve as an important enabler for continued Palestinian steadfastness. E-commerce could give Palestinian buyers in Gaza and the West Bank access to a wider selection of products at cheaper prices. It could also generate income for Palestinian vendors and merchants and provide online employment opportunities to thousands.

4. World Bank Group (2019). : Economic Monitoring Report to the Ad Hoc Liaison Committee. Retrieved from: <https://bit.ly/2YQc9LT>

5. Palestinian Central Bureau of Statistics (2018). Palestinian Labour Force Survey Annual Report. Retrieved from: <https://bit.ly/2vzleNI>

## The Rise of e-Commerce Globally

### What is e-Commerce?

In August 1994, a man sold a CD by the band Sting through his website NetMarket. This was the first case of a consumer purchasing an order over the internet, or 'e-commerce' as we would call it today. Electronic commerce, or e-commerce, refers to commercial transactions facilitated through the internet.<sup>6</sup> It encompasses the buying and selling of goods and services online, and includes a variety of systems and tools to execute these transactions. E-commerce, which can be conducted utilizing computers, tablets, or smartphones may be thought of like a digital version of mail-order catalog shopping. Nearly every imaginable product and service is available through e-commerce transactions, including books, music, plane tickets, and financial services such as stock investing and online banking.

E-commerce operates in all four of the following major market segments:

- 1. Business to business (B2B):** The most common model of e-commerce referring to transactions made between businesses where the customer is another firm. Examples include Sage, a cloud-based accounting and invoice management software for small businesses.
- 2. Business to consumer (B2C):** Transactions between businesses and consumers that take place online. Online retailers often operate on a B2C model, for example, firms such as IKEA, Tesco and Walmart offer customers to buy online.
- 3. Consumer to consumer (C2C):** Transactions between consumers are one of the earlier types of ecommerce business models. C2C transactions take place on an online marketplace such as eBay.
- 4. Consumer to business (C2B):** Transactions where consumers make their products or services available to businesses and contribute monetary value to a firm. Examples include crowdfunding projects and stock photo websites where people purchase directly from different photographers.

6. Bloomenthal, A. (2019, September 17). Electronic Commerce (e-commerce). Retrieved from: <https://bit.ly/2tZhl58>

## **Global and Regional Trends**

This year alone, retail e-commerce sales worldwide amounted for \$3.53 trillion.<sup>7</sup> Projections show that e-commerce sales should reach \$4.9 trillion in 2021. The e-commerce market is expanding at an annual growth rate of 24%, four times faster than the global retail sector as a whole.<sup>8</sup> E-commerce is becoming the key growth engine for retail; studies show that by 2021, e-commerce sales will contribute 17.5% of total global retail sales.<sup>9</sup>

The increasing world-wide popularity of e-commerce can be attributed to several factors. Digital ecommerce businesses enable buyers to sell products at a global scale, unhindered by geographical limitations. Online ecommerce businesses normally operate twenty-four hours a day and throughout the year, unlike brick and mortar stores enabling them to be accessible to customers on an ongoing basis. Ecommerce businesses also operate with lower overhead costs than physical stores, improving price competitiveness.<sup>10</sup>

The world's largest e-commerce market in 2019 was China, with 54.7% of the global e-commerce market. China's \$1.935 trillion in e-commerce sales gives the country three times the share of the US, which comes in second at \$586.92 billion. In the top ten global ecommerce markets, India is the fastest growing, accounting for \$46.05 billion in sales this year.<sup>11</sup>

Along with the rapid growth of Chinese e-commerce sales, a number of other trends are observable in the market. Customers are increasingly looking for products online that are outside of their home countries. In one study, more than half of online respondents who made an online purchase in the previous six months bought from a retailer based overseas.<sup>12</sup>

Compared to B2C e-commerce, B2B sales are projected to be two times higher by 2020. The growth of mobile usage in e-commerce, the facilitation of e-commerce by social media platforms, and the adoption of new payment methods such as cryptocurrencies are also generating further growth of the global e-commerce market.

7. Clement, J. (2019, August 30). Global retail e-commerce market size 2014-2023. Retrieved from: <https://bit.ly/38zs2ue>

8. Fabre, C., Malauzat, A.L., Sarkis, C., Dhall, T. & Ghorra J. (2019, February 19). E-commerce in MENA: Opportunity Beyond the Hype. Retrieved from: <https://bit.ly/39ENZZI>

9. Clement, J. (2019, August 30). Global retail e-commerce market size 2014-2023. Retrieved from: <https://bit.ly/3blhCKP>

10. Willis, J.L. What Impact Will E-commerce have on the U.S. Economy. Retrieved from: <https://bit.ly/37sbu68>

11. Lipsman, A. (2019, June 27). Global E-commerce 2019. Retrieved from: <https://bit.ly/37yYjkn>

12. Nielsen Insights. (2016, January 20). Connected Commerce is Creating Buyers Without Borders. Retrieved from: <https://bit.ly/379TtjV>

In the Middle East and North Africa (MENA), online sales revenues have increased consistently with forecasts projecting \$48.8 billion in revenue by 2021 and a growth rate of 16.9% during 2016 - 2021.<sup>13</sup> E-commerce accounted for 1.9% of total retail sales in the region in 2017, with the Gulf Cooperation Council (GCC) leading at 3%.<sup>14</sup> As a study conducted by Bain and Google highlights, integral elements of the e-commerce ecosystem must be fostered in the region for the growth of the market.<sup>15</sup>

Preference for cash-on-delivery (COD) remains a key challenge in the region, with its higher return rates and failed deliveries, while many global courier services do not offer COD solutions to the West Bank and Gaza. Around 62% of shoppers in the region prefer COD as the payment method. In countries such as the United Arab Emirates (UAE), where credit penetration is recorded at 56%, over 40% of customers still prefer COD. While in the context of the West Bank and Gaza, the prevalence of COD is linked to limitations on the use of e-payment systems, figures from other countries in the MENA region show that a general lack of trust in online payment methods and concerns regarding internet fraud may also contribute to the prevalence of COD.<sup>16</sup> The under-development of postal services and address systems further increases the likelihood of failed deliveries, while high trade tariffs between neighbouring countries and logistical blockages in processing shipments creates further barriers.

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13. Mehta, A., Bhandari, S.(2018, Spring). Going Digital, ME PoV issue 25. Retrieved from: <https://bit.ly/31ZTMpk>

14. Fabre, C., Malauzat, A.L., Sarkis, C., Dhall, T. & Ghorra J. (2019, February 19). E-commerce in MENA: Opportunity Beyond the Hype. Retrieved from: <https://bit.ly/39ENZZI>

15. Ibid

16. Mehta, A., Bhandari, S. (2018, Spring). Going Digital, ME PoV issue 25. Retrieved from: <https://bit.ly/2uRb6Rh>

## ***Palestinian Experiences in the Digital Economy***

Palestinians in Gaza and the West Bank suffer from many of the same challenges that other countries in the region are struggling with while being further burdened by the specific constraints of the Israeli occupation. To reflect the experiences of Palestinians participating in the digital economy, we interviewed a small number of e-commerce entrepreneurs and sector experts. We asked our interviewees about their journeys buying from, selling on and working in the digital economy, with a focus on e-commerce.

### **Buying Online: A Snapshot of User Journeys**

The Palestinian economy in Gaza and the West Bank relies heavily on imports from Israel. In 2018, the value of total imports accounted for more than 50% of GDP, over 55% from Israel.<sup>17</sup> Moreover, Israeli imposed restrictions and obstacles lead to high transaction costs when importing and exporting. These costs are ultimately reflected in higher prices for consumers.

For Palestinians based in the West Bank and Gaza, e-commerce can potentially provide access to a wider variety of products at lower prices. E-commerce platforms provide consumers with access to goods and services from other locations within their country and from abroad. By lowering barriers to entry, e-commerce can help more local businesses to access national and international markets, increasing market competition and ultimately leading to lower prices for consumers.

Consumers in the West Bank and Gaza are increasingly buying products online. In November 2019, the Palestinian postal service announced that it received over half a million post items since the start of the year, of which around 85% come from China.<sup>18</sup> This indicates a rapid growth in e-commerce purchases of Chinese products. Interview responses show that users commonly find products they need on social media and negotiate price and delivery by directly communicating with the seller. If the consumer happens to have a bank account, they may pay for the product in advance. However, in most cases, especially when buying from local vendors, consumers West Bank and Gaza to pay by COD. Interview responses also show that older consumers prefer to examine products before purchase.

17. Palestinian Central Bureau of Statistics. (2019, October). Monitored Foreign Trade Statistics, Goods and Services 2018. Retrieved from: <https://bit.ly/2UZ1ILr>

18. amad.ps. (2019, November). Palestinian post receives over half a million postal items from abroad during 2019. Retrieved from: [https://bit.ly/3a6mwAq\\_](https://bit.ly/3a6mwAq_)

- **Buying from Local Vendors**

Over the last two years, traditional local vendors have become more aware of the potential of e-commerce to facilitate business growth. Many have recruited technical experts to help establish their online presence. Some vendors were satisfied with creating accounts on social media platforms, particularly Facebook and Instagram, and investing in digital marketing campaigns. Others have created their own online e-commerce platforms and accounting and point-of-sale (POS) software. Yet even some of these more digitally sophisticated vendors use outdated technology when conducting business online.

Local vendors make a number of decisions when choosing the right technology for their online stores, and this impacts the amount of investment needed. West Bank and Gaza vendors often opt for open-source e-commerce solutions, a decision that involves a larger share of ‘do it yourself’ preparations, which in turn requires hiring a team of developers for a few months. Alternatively, many vendors are choosing subscription-based storefront ecommerce platforms which significantly lower the initial up-front investment required but limit the level of customization that can be implemented.

When buying from local vendors the most common payment method is COD. As studies on e-commerce in the region show, COD creates several problems for local merchants in emerging markets, including high return rates. Digital marketing expertise in the local market is limited and needs to be developed in order for local vendors to reach more customers online via tailored marketing campaigns on strategically selected social platforms. Search Engine Optimization (SEO) is not common in the West Bank and Gaza, as customers typically engage with brands on social media accounts.

- **Buying from International Vendors**

In line with global trends, Palestinians based in the West Bank and Gaza increasingly want to purchase products from international vendors and well-known e-commerce websites. Given the lack of financial accessibility locally, only a small proportion of the population can purchase products and services online. These transactions are further hindered where specific e-payment tools are unavailable in the West Bank and Gaza.

Palestinian consumers in the West Bank and Gaza face multiple logistical hurdles when buying products from international vendors. Several e-commerce platforms and marketplaces do not ship directly to the West Bank and Gaza. To overcome

these obstacles buyers often use P.O. Box address of contacts in Israel to ensure their products are delivered. Certain websites offer shipping to Palestine, but deliveries are frequently delayed given Israel's control over incoming mail to the West Bank and Gaza.<sup>19</sup> Buyers often must give advance notice to their local post office, informing them that a shipment is expected and leaving their contact information to ensure delivery. This creates delays in business operations and increases risk, putting Palestinians at a disadvantage.

## **Selling Online: A Snapshot of Vendor Journeys**

Online business reduces barriers to enter new markets and gives businesses access to larger markets, creating a business environment that encourages smaller businesses to compete against large corporations. Today, in many locations globally, merchants can set up shop for a few thousand dollars and reach millions of consumers world-wide. There are a number of options available to vendors, merchants, self-employed entrepreneurs and artisans based in the West Bank and Gaza who want to sell online.

According to a recent report on social media trends in the West Bank and Gaza, over one thousand Palestinian e-commerce pages operated on social media platforms in 2019, with high percentage of those operating in Gaza.<sup>20</sup> Based on a survey of active e-commerce pages, the report finds that Palestinian e-commerce businesses have processed between 20-40 thousand deliveries in 2019, and spent on average \$5,000-\$10,000 per business on digital marketing.

- **Online Storefronts**

Local merchants can establish their own, stand-alone e-commerce website. Building an online storefront is one of the most straightforward ways to conduct ecommerce. According to the website BuiltWith.com, there are over 190 operating e-commerce websites in the West Bank and Gaza. However, it is possible that not all of them are active, as they might be listed on the source because they use e-commerce technology plug-ins.<sup>21</sup>

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19. Holmes, O. (2018, August 16). You've got mail, finally: Israel allows 10 tonnes of post into West Bank. The Guardian. Retrieved from: <https://bit.ly/2Zil73H>

20. ipoke.co (2019, December). Social Media Report in Palestine 2019. Retrieved from: <https://bit.ly/2OT0MAJ>

21. BuiltWith. (2019, December). eCommerce technologies Web Usage Distribution in Palestine. Retrieved from: <https://bit.ly/2SMxwly>

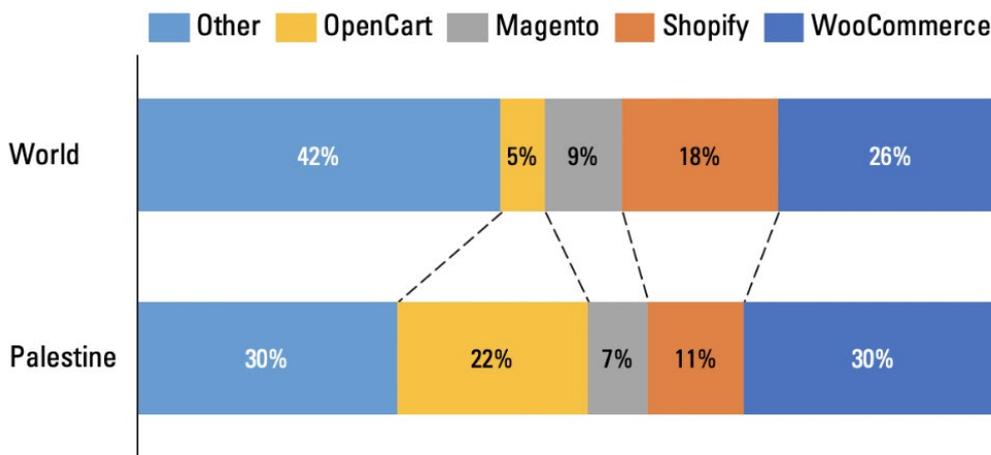
**Table 1: Palestinian e-commerce websites, 2019**

Website	e-Commerce Platform	Products	Facebook Followers	Instagram Followers	Local/ Regional
Mart.ps	PrestaShop	Misc.	257K	27.4K	L
Matjarkom.com	Opencart	Misc.	217K	19K	L
Bazarcom.shop	Shopify	Brand Apparel	30K	2.2K*	L
la2ta.com	Opencart	Electronics	161K	30.5K	L
Vatrin.com	Shopify	Women Apparel	66K	14.2K	L
kenzwoman.com	WooCommerce	Women Lingerie	14.5K	125K	R
fiveten.ps	Magento	Misc.	311K	233K	L

Source: Facebook, Instagram. [Retrieved: December 2019]<sup>22</sup>

Merchants create websites to sell products and services using shopping carts and other e-commerce solutions. The “right” solution will depend on the merchant and their products.<sup>23</sup> More sophisticated merchants and vendors from the West Bank and Gaza tend to employ a hybrid model; using social media platforms, marketplaces and independent storefronts/domains for their online business. WooCommerce is the most used storefront e-commerce solution worldwide, although Shopify is increasing its global market share.

**Figure 1: Usage of e-commerce platforms in the West Bank, Gaza and globally (2019).**



Source: BuiltWith<sup>24</sup>

22. Facebook, Instagram. Data retrieved December 2019!"

23. Ecommerce Guide. (2019, July). What is ecommerce?. Retrieved from: <https://bit.ly/36peAbf>

24 .BuiltWith. (2019, December). eCommerce technologies Web Usage Distribution in Palestine. Retrieved from: <https://bit.ly/2US4nKV>

Choosing the right e-commerce platform is a strategic business decision and varies according to the size of the business and the projected turnover. The comprehensive integration of product fulfilment processes and delivery logistics should also be taken into consideration.

**Table 2: West Bank and Gaza based vendors' journeys on leading e-commerce platforms, 2019**

Company	Description	Palestinian Experience
WooCommerce	<p>Open-source e-commerce plugin designed for online merchants hosting and building their websites on WordPress.</p> <p>Launched in 2011, WooCommerce quickly became popular for its free basic product, and the ease of installation / customization.</p>	<p>Stripe, PayPal, Square and Authorizde.net are among the most integrated payment gateways on WooCommerce websites. All of these are not available for integration in the local context. Merchants who build their websites on Wordpress, then install and activate the WooCommerce plugin benefit from management features while relying on COD as a payment method. Alternatively, many e-commerce entrepreneurs selling outside of Palestine register an entity abroad; the most common location is Delaware in the USA.</p>
Magento	<p>Open-source e-commerce platform considered by many as the most flexible solution on the market. It offers a wide set of features ready for implementation and allows merchants to customize just about every aspect of their e-commerce virtual shop. Magento also has an active community of experts, developers and specialized agencies.</p>	<p>The development of a Magento-based storefront requires technical expertise, and although the platform is open-source, various features and plug-ins add to the cost, along with fees paid to developers building the site. While the cost and technical know-how required may hinder entrepreneurs from opting to use Magento, the added flexibility may encourage sophisticated merchants who demand more control of their operations.<sup>1</sup></p>

<p>Shopify</p>	<p>Multinational e-commerce company headquartered in Ottawa, Canada. It is also the name of its proprietary e-commerce platform for online stores and retail point-of-sale systems. Shopify currently powers over 1,000,000 businesses in approximately 175 countries.<sup>2</sup></p> <p>With subscription plans as low as \$29.00 a month, Shopify aims to facilitate entrepreneurs worldwide who are seeking financial independence. Shopify has become a popular and reliable choice among merchants and vendors, whether big or small. It enables merchants to sell online, including on social media, and manage the whole process end-to-end. Shopify lets businesses build and customize their e-commerce site through easy-to-use interfaces and templates.</p>	<p>Shopify recognizes the need of e-commerce support for the West Bank and Gaza<sup>3</sup>. However, entrepreneurs who choose to establish their business on Shopify still face major issues relating to integrating an accepted payment platform.</p> <p>In India, Shopify introduced an advanced COD solution, which allows vendors to have more control over how and when customers use COD.<sup>4</sup> Such features will be useful to open for the MENA, especially the West Bank and Gaza.</p> <p>The current available options include 2Checkout, BitPay, Coinbase Commerce, GoCoin, and Split Monthly Payments.<sup>5</sup> BitPay, GoCoin and Coinbase Commerce are digital blockchain based currencies, and are not regulated under the PMA. In the local context, the only valid payment gateway available is 2Checkout, however, interview responses show that the integration of 2Checkout is a lengthy and time-consuming process, and in many cases, applications are rejected.</p> <p>Additionally, the cities in the West Bank and Gaza need to be listed on Shopify. For example, merchants aiming to sell in Hebron and Jerusalem but not Ramallah should be able to configure that.</p> <p>While significantly lowering upfront investment costs for establishing an online presence, Shopify might not satisfy the needs of certain businesses given limitations on customizations due to the lack of access to Application Programming Interfaces (APIs).</p>
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Source: WooCommerce, Shopify, Magento, vendor interviews

There are many more e-commerce platforms to choose from e.g. BigCommerce, PrestaShop, OpenCart, Wix ecommerce and Weebly.<sup>25</sup> Some of these platforms are

25. Desyatnyuk, V.. Updated (2020, January 3). Top 5 Ecommerce Platforms for 2020. Retrieved from: <https://bit.ly/35UwDFZ>

open-source, others are subscription based and provide hosting for websites. In the Palestinian context and given all the discussed bottlenecks in the e-commerce value chain, entrepreneurs and merchants in the West Bank and Gaza are increasingly looking for simple solutions with no up-front heavy investment costs and light operational overheads. As Ihab Samara, an e-commerce expert working at GoStore in the West Bank and Gaza said, "We've decided to work only with SHOPIFY. It is very hard to master the back-end anyways and you need so many developers."

## Online Marketplaces

Merchants also have the option to establish a store on a well-known marketplace. The three key players are Amazon, eBay, Ali Baba/Ali Express and Etsy. We will explore these options in more detail below.

**Table 3: Palestinian vendor's journeys on leading e-commerce marketplaces, 2019**

Marketplace	Description	Palestinian Experience
Amazon	A multinational tech company; considered one of the 'big four' tech companies, along with Google, Apple and Facebook. Jeff Bezos started the company in 1994 as an online marketplace for books. Today, Amazon is the largest e-commerce retailer by revenue in the world. Products available on the platform are either sold by independent third-party vendors, or Amazon retail's own first party sellers. In his 2018 letter to shareholders, Jeff Bezos explained the growth of third-party sales: "The compound annual growth rate for our first-party business in that time period is 25%. But in that same time, third-party sales have grown from \$0.1 billion to \$160 billion – a compound annual growth rate of 52%. To provide an external benchmark, eBay's gross merchandise sales in that period have grown at a compound rate of 20%, from \$2.8 billion to \$95 billion."	<p>Amazon's global fulfilment network consists of facilities in over 22 countries. In August 2019, Amazon announced that it will launch operations in Israel, and has already introduced a website for vendor and merchant registration in Hebrew. The company already has software R&amp;D operations in Israel which expanded after the acquisition of Annapurna Labs, an Israeli startup, for \$350M in 2015.</p> <p>Although the e-commerce giant ships to over 100 countries worldwide, Palestinians in the West Bank and Gaza are not listed among its AmazonGlobal list of countries. Palestinians in the West Bank and Gaza who are able to purchase from Amazon usually use addresses of friends and relatives with Israeli/Jerusalem ID.</p> <p>As for local merchants and sellers who wish to sell products on Amazon, the company does not accept seller registrations from the West Bank and Gaza, although there are 103 countries listed including Jordan and Israel</p>

<p>eBay</p>	<p>eBay is the second largest e-commerce marketplace in the world outside of China, connecting merchants and buyers while also facilitating B2B, B2C, and C2C e-commerce transactions.<sup>12</sup> Merchants can hold auctions and let buyers bid on products on eBay. In 2018, eBay grew its active buyer base to 179 million, with an inventory that includes 1.2 billion listings, driving over \$95 billion in Global Merchandise Volume (GMV).</p>	<p>Unlike Amazon which is a marketplace and covers delivery logistics, eBay is solely a marketplace. When it comes to shipment to the West Bank and Gaza, eBay relies on the individual supplier.</p> <p>Merchants and vendors from the West Bank and Gaza cannot sell on eBay as PayPal became eBay's main payment provider in 2003 following the acquisition of the company by eBay.<sup>13</sup> The two companies split into separate public entities in July 2015, signing a five-year operating agreement to maintain close ties through mid-2020.<sup>14</sup></p> <p>eBay announced that it will stop working with PayPal as its back-end payments service in 2020, and will start to move a small percentage of its payments volume to Ayden, a global payments processor. The company believes sellers will be able to reach more buyers, improve conversion and expand payment options into more geographies with this transition.<sup>15</sup></p>
<p>Alibaba/ AliExpress</p>	<p>Alibaba and AliExpress are online marketplaces and are part of the Alibaba Group. Alibaba serves wholesalers, manufacturers, suppliers, and importers/ exporters. AliExpress offers products at competitive retail prices with no minimum order requirements. In 2016, Alibaba Group drove \$432.8 billion in GMV, generated from 423 million active buyers.<sup>16</sup></p>	<p>The number of countries listed as suppliers on Alibaba are very limited, with only three countries in the Middle East listed: the United Arab Emirates, Israel and Saudi Arabia.<sup>17</sup> Additionally, AliExpress only accepts merchants to open an account on it's marketplace from six countries: mainland China, Spain, Italy, Turkey and France. AliExpress plans to expand this service in more countries.<sup>18</sup></p> <p>Consumers from the West Bank and Gaza can purchase from AliExpress, and the company ships to the West Bank and Gaza via the postal office. Consumers expect to face delivery delays and potential logistics complications.</p>

Etsy	<p>Etsy is an online marketplace for unique and creative goods. The platform is often used by independent sellers to showcase and sell their creations. In 2018, Etsy achieved Gross Merchandise Sales of \$3.93 billions of which 35% were international sales. The platform connected 2.1 million active sellers to 39.4 million active buyers.<sup>19</sup></p> <p>The profile of the sellers on Etsy's marketplace is worth highlighting. Around 80% of sellers are businesses of one, 87% of all sellers on the platform are women, 28% live in rural areas, 97% run their shops from home; and 53% first sold their goods on Etsy.<sup>20</sup></p>	<p>Vendors from the West Bank and Gaza who produce unique goods are not able to set up shops on Etsy due to the payment gateway issue. Some of them, however, open bank accounts in Jordan, creating a PayPal account linked with the Jordanian account, and continuing to ship from Palestine using expensive logistics companies. Interview responses also show that buyers sometimes complain after finding out that products were shipped from or via Israel when they intentionally sought to purchase Palestinian made goods. One example is twenty-year-old Palestinian artist from Gaza, Malak Mattar, sells digital prints of her paintings on Etsy.<sup>21</sup> Setting up the shop was feasible for her as she is now pursuing her studies in Turkey.</p>
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Source: Amazon, eBay, Etsy, Alibaba, AliExpress and vendor interviews

## • Social Media

Social Media plays a significant role in the e-commerce economy. Through businesses' social media accounts, consumers are directed to merchants' e-commerce websites. While this was not the initial role of social media platforms, they are increasingly introducing more e-commerce and payment related features which will allow users to directly sell products.

According to Ihab Samara, CEO of GoStore.ps, an e-commerce agency operating in Palestine providing services for local and international merchants, the three key pillars of e-commerce are technology, operations and digital marketing. Most digital marketing campaigns in emerging markets are carried out on social media platforms. In other markets, SEO is of great importance. Digital marketing is a new sphere where West Bank and Gaza-based merchants do not have much expertise. Recently there has been a rise in the number of consultants and experts that support these merchants and companies.

**Table 4: West Bank and Gaza based vendors' journeys on leading social media platforms**

Platform	Description	Palestinian experience
Facebook	<p>Facebook, Inc. is one of the big four tech companies. As of September 2019, Facebook had around 2.5 billion monthly active users (MAUs).<sup>22</sup> Facebook generated \$55.8 billion in revenue in 2018, and advertising accounted for a substantial amount of this revenue.<sup>23</sup> Advertising revenue is generated by displaying ad products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications.</p> <p>There are over 7 million active advertisers across the company's services.<sup>24</sup> Facebook continues to build premium business and commerce products that can all be found on the Facebook for Business website,<sup>25</sup> and has developed a detailed and thorough guide for retail marketers<sup>26</sup>. Shopify offers fully integrated Facebook stores as well as having Messenger enabling selling through chat.</p>	<p>Merchants in Palestine do not benefit from all the business features and products that Facebook offers. Facebook Marketplace is a feature that allows users to buy or sell items e.g. furniture, electronics, and vehicles in their local region. This feature is available in 70 countries, but not yet in the West Bank and Gaza.<sup>27</sup> Other tools, such as Commerce Manager, are only available for US based sellers.<sup>28</sup></p>
Instagram	<p>Instagram is a photo and video sharing social networking service platform owned by Facebook, following a \$1B acquisition in 2012. The platform has over 1 billion active accounts worldwide per month, and more than 500 million accounts are active on a daily basis, of which 90% follow business accounts.<sup>29</sup> In September 2017, the company stated that there were 2 million monthly advertisers on the platform.<sup>30</sup> Average users will spend an average of 28 minutes per day on the platform in 2020.<sup>31</sup></p>	<p>Instagram has introduced several features and tools to empower businesses and brands to sell and advertise.</p> <p>While the platform allows businesses to tag products in many countries worldwide, this feature is not available in the West Bank and Gaza.<sup>32</sup></p>

Source: Facebook, Instagram and vendor interviews

## **Working Online: A Snapshot of Freelancer Journeys**

The economies in the West Bank and Gaza are characterised by high unemployment, mainly due to various disruptions and restrictions imposed by the Israeli occupation and the inability of the productive sectors to generate sufficient employment opportunities. In 2018, the unemployment rate reached 30.8%, with a much higher rate in the Gaza Strip (52%) compared to the West Bank (17.6%).<sup>26</sup> The lack of adequate employment opportunities also disproportionately affects the most marginalised segments of society such as women and youth.

In Europe and the United States 20 to 30% of the working-age population is engaged in the gig economy or some form of independent work.<sup>27</sup> As remote work is becoming more popular for both clients and service providers, freelancing and online jobs can be an important solution to the unemployment problem in the West Bank and the Gaza Strip. However it is currently hard to estimate the exact number of Palestinian freelancers, due to the fact that some of them work outside freelancing platforms and end up engaging directly with international clients. According to the UNDP, there are some 3,000 Palestinian freelancers in the West Bank and Gaza which can be found at [freelancer.com](https://www.freelancer.com), and around 2,000 registered at [Upwork.com](https://www.upwork.com).<sup>28</sup> The profiles of freelancers include programmers, designers, accountants, engineers, and others.

Despite its great potential, freelancing is not yet easily attainable by all Palestinians in the West Bank and Gaza. For example, current procedures deployed by banks operating in Palestine require freelancers to provide an employee identification document, with salary signed by employer, in order to open an account. Other obstacles are related to the freelancers themselves.

26. Palestinian Central Bureau of Statistics. (2019, May). Palestinians Labor Force Survey - Annual Report 2018. Retrieved from: <https://bit.ly/39FzmVw>

27. McKinsey Global Institute. (2016, October). Independent work: Choice, necessity, and the gig economy. Retrieved from: <https://mck.co/2t2dPGd>

28. UNDP. (2018, July 1). Freelancing in the State of Palestine. Retrieved from: <https://bit.ly/34PGVG7>

**Table 5: West Bank and Gaza based vendors' journeys on leading freelancing platforms, 2019**

Platform	Description	Palestinian experience
Freelancer.com	<p>Freelancer is an Australian crowdsourcing marketplace founded in 2009. Freelancer is the number one services marketplace, a platform that connects employers and employees. In 2018, the platform had 31.4 million users and 15.1 million listed jobs. Regional websites are available in 52 countries, and the platform supports 34 languages and 39 currencies.</p>	<p>No Middle Eastern countries have a website, and Arabic is not supported on the platform.<sup>33</sup></p> <p>Freelancer.com uses the tagline: “Every job, every country, every language, every currency, at any time.” Unfortunately, Palestinian designers, developers, architects and other service providers face the common difficulty of payment integration.</p> <p>Companies or individuals that list projects on the platform are likely to shy away from giving work to freelancers who do not have a PayPal account and require the money to be transferred via other means. Freelancers often already face fierce and global competition on these platforms, and for certain projects, it is more feasible and economical for those listing jobs to choose freelancers from different regions than the Middle East.</p>
Upwork	<p>Upwork is a global freelancing platform headquartered in San Francisco. The company went public in 2018 and modified its mission to create economic opportunities so that people have better lives. The company reported \$1.8 billion in Gross Services Volume (GSV), with users located in over 180 countries and clients ranging in size from small businesses to Fortune 500 companies.<sup>34</sup></p> <p>Upwork provides fast, secure, and efficient access to high-quality talent with over 5,000 skills across over 70 categories, such as content marketing, customer service, data science and analytics. Upwork also operate an agency model, which allows a number of people with various skills to take on projects, a new trend in the freelancing economy.</p>	<p>The freelancing agency model could be of great potential in the West Bank and Gaza context, given that technically skilled engineers or service providers show some weakness in business communications and other soft skills complements the core services.</p> <p>Freelancers from the “Palestinian Territories” are registered on Upwork under three categories: Web, Mobile and Software Development (968 freelancers), Design and Creative (864) and Customer service (75).</p>

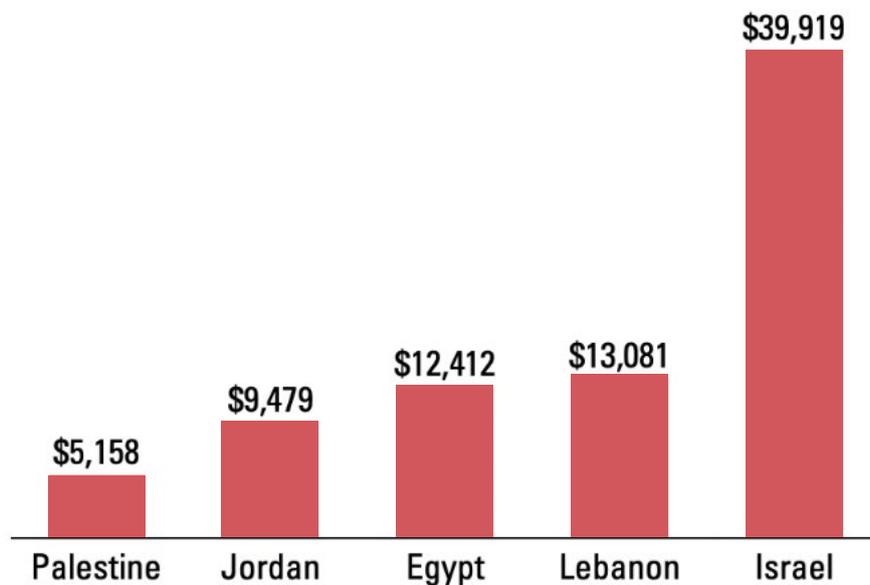
Source: freelancer.com, Upwork and interviews with freelancers

## Palestiniane Readiness

### Purchasing Power

The growth of e-commerce in a country is tied to disposable income available at the disposal of that country's residents, in addition to the spending by companies in that country on goods and services that could be purchased online. While a comparative analysis of regional data on household and firm expenditures is beyond the scope of this study, comparing the West Bank and Gaza's GDP per capita to other countries in the region shows that Palestine is lagging behind.

**Figure 2: Gross Domestic Product (GDP) per Capita (\$PPP) in the Region, 2018**



Source: World Bank

- **Household Spending**

Research indicates that poorer households tend to spend more (as a percentage of their total expenditure) on food and other necessities such as housing, medical care and education, than wealthier households. Wealthier households can cover their basic needs, and therefore have more disposable income to spend on non-food expenditures that are more likely to be purchased online.<sup>29</sup>

29. Banerjee, A., Duflo, E. (2007). The Economic Lives of the Poor. The journal of economic perspectives: a journal of the American Economic Association. 21(1). 141-167. Retrieved from: <https://bit.ly/39ESXF3>

**Table 6: Monthly spending by households in the West Bank and Gaza, 2017**

Item	West Bank and Gaza	West Bank	Gaza Strip
<b>Average Household Expenditure in NIS</b>	<b>4,840</b>	<b>5,938</b>	<b>2,885</b>
Food	1,474 (30.5%)	1,726 (29.1%)	1,031 (35.7%)
Housing	423.5 (8.7%)	504 (8.5%)	281 (9.8%)
Medical care and education	368.5 (7.6%)	442 (7.4%)	238 (8.2%)
Transportation and communication	896.5 (18.5%)	1,206 (20.3%)	348 (12.1%)
Household supplies, clothing, footwear, recreation and personal care	658 (13.6%)	798.5 (13.4%)	398 (13.8%)
Tobacco and cigarettes	260.5 (5.4%)	341.5 (5.8%)	113 (3.9%)
Other*	759 (15.7%)	920 (15.5%)	476 (16.5%)

\* Includes other non-food expenditure, social protection, cash transfer, taxes and nonconsumption expenditure

Source: PCBS<sup>30</sup>

According to the latest data published by the Palestinian Central Bureau of Statistics (PCBS), Palestinian households spent around NIS 4,840 per month during 2017, a total of NIS 58,080 (\$16,718) for the year. Household expenditure in the West Bank reached NIS 71,256 (\$20,511) in 2017, which was significantly higher than in the Gaza Strip during the same period (NIS 2,885).

In line with international experiences, the significantly lower wages in the Gaza Strip lead Gazan households to direct more of their expenditure towards necessities such as food, housing, medical care and education (53.7%) when compared to the West Bank (45%). During 2017, the average Palestinian household spent NIS 7,896 (\$2,273) on household supplies, clothing, footwear, recreation and personal care, which are more likely to be purchased online.

**Table 7: Estimating the number of households with internet in the West Bank and Gaza, 2018-2019**

Indicator	West Bank and Gaza	West Bank	Gaza Strip
Population	5,035,918	3,019,948	2,018,970
Av. size of household	5.1	4.8	5.6
Number of households (est.)	987,435	627,725	359,710
Households with access to internet (%)	65%	72%	51%
Number of households with internet (est.)	641,833	456,528	185,305

30. Palestinian Central Bureau of Statistics (2018). Main Findings of Living Standards in Palestine (Expenditure, Consumption and Poverty), 2017. Retrieved from: <https://bit.ly/35t1ZEL>

Source: PCBS (2018<sup>31</sup>, 2019<sup>32</sup>)

As presented in Table 7, the number of households using the internet in the West Bank and Gaza is estimated at over 640 thousand in 2018. Assuming that household expenditure and size remained constant since 2017, we can roughly estimate the expenditure of households with internet connection on household supplies, clothing, footwear, recreation and personal care at around \$1.5 billion (NIS 5.1 billion) annually.<sup>33</sup>

### • Consumption by Firms

The latest data available by the PCBS on gross intermediate consumption<sup>34</sup> only covers until the year 2016, but if we extrapolate from the data for the years 2014-2016, we find that its level fluctuates around 65% of GDP. Following this trend, we can roughly estimate total expenditure by firms to reach around \$9 billion.

## **Digital Readiness**

### • Internet Use

Permanent internet access crucially enabled the growth of e-commerce globally. Internet usage boomed in the 2000s with the adoption of broadband. With the rise of smartphone use and social media in the last decade, e-commerce continues to become embedded in our daily lives.

Access to the internet expanded rapidly among Palestinians in the West Bank and Gaza over the past two decades. According to data from the World Bank, the percentage of internet users from the total population grew from only 1.1% in 2000 to around 64.4% in 2018, a compound annual growth rate of 25.37%.<sup>35</sup> Survey data published by the PCBS shows that 64% of adults (18 years and above) in the West Bank and Gaza used the internet in 2018, with higher internet penetration in the West Bank (69%) than in the Gaza Strip (57%).<sup>36</sup> Similarly, 65% of the house holds

31. Palestinian Central Bureau of Statistics (2019). Press release on the eve of the International Day for Telecommunication and Information Society. Retrieved from: <https://bit.ly/2sCghUm>

32. Palestinian Central Bureau of Statistics (2019). Palestinians at the End of 2019. Retrieved from: <https://bit.ly/2Qme883>

33. Palestinian Central Bureau of Statistics (2018). Main Findings of Living Standards in Palestine (Expenditure, Consumption and Poverty), 2017. Retrieved from: <https://bit.ly/35tZEL>

34. Total monetary value of goods and services consumed or used up as inputs in production by enterprises

35. The World Bank Group. (2019). Individuals using the internet (% of population) - West Bank and Gaza Data. Retrieved from; <https://bit.ly/37BRiyC>

36. Palestinian Central Bureau of Statistics (2019). Press release on the eve of the International Day for Telecommunication and Information Society. Retrieved from: <https://bit.ly/2sCghUm>

in the West Bank and Gaza had internet access in 2018 (72% in the West Bank and 51% in the Gaza Strip). The average internet speed was 11.0 Mbps at the end of 2018, compared with only 0.5 Mbps at the end of 2010.

### • **Mobile Use**

Mobile phone subscriptions also spread rapidly among Palestinians in the West Bank and Gaza over the past two decades, reaching a total of over 4.3 million at the end of 2018.<sup>37</sup> According to World Bank data, the number of mobile cellular subscriptions per 100 people grew from only 0.2 in 2000 to 89.5 in 2018, a compound annual growth rate of 39.7%.

PCBS data from 2018 shows that 89% of adults (18 years and above) in the West Bank and Gaza own a mobile phone or smartphone, with higher mobile penetration in the West Bank (92%) than in the Gaza Strip (82%). Among households, 96% have one or more mobile phone lines (96% in the West Bank and 97% in Gaza Strip). The results also showed that the percentage of households that own one Smartphone or more was 82% in the West Bank and Gaza (88% in the West Bank and 73% in Gaza Strip).

Mobile broadband (3G, 4G) was only introduced in the West Bank and Gaza in 2018, after a long ban by Israel.<sup>38</sup> Access to mobile broadband remains limited, as Israel granted 3G frequencies to Palestinian telecommunications providers in the West Bank only (2G in the Gaza Strip), following an agreement signed in April 2017 between the Palestinian Authority (PA) and Israel.

### • **Social Media**

The behavior of buyers online is influenced by product/brand reviews from social media platforms. The number of Palestinians based in the West Bank and Gaza on social media increased from 1.25 million in 2015<sup>39</sup> to over 1.9 million at the end of 2018.<sup>40</sup> These figures suggest a compound annual growth rate of 15%.

According to a report prepared by DataReportal, 37% of Palestinians in the West Bank and Gaza use Social Media.<sup>41</sup> Facebook is the most widely used social media

37. Ibid.

38. Sawafta, A. (2018, January 24). Palestinians get 3G mobile services in West Bank. Reuters. Retrieved from: <https://reut.rs/2Zlgvqp>

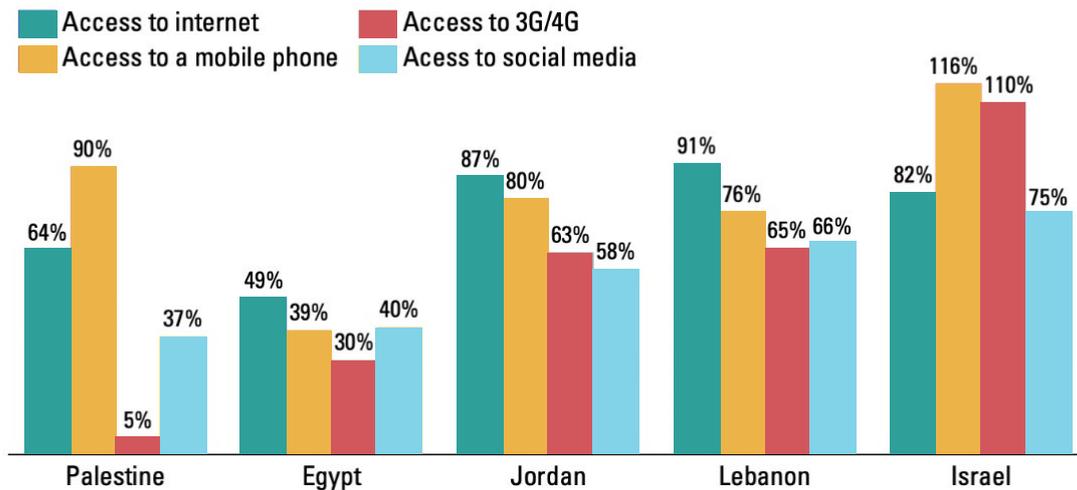
39. Palestinian Central Bureau of Statistics, Ministry of Communications and Information Technology. (2017, July 15). Press Release: World Information Society Day. Retrieved from: <https://bit.ly/3966sOV>

40. Kemp, S. (2019, January 31). DIGITAL 2019: PALESTINE. Retrieved from: <https://bit.ly/35laf7U>

41. DataReportal (2020). Digital 2020 Palestine. Retrieved from: <https://bit.ly/2u89TVp>

platform, as 53% of the adult population (over 13 years old) actively use it, and active usership growing at a rate of 20% quarter-on-quarter. In second place comes Instagram, which is actively used by 26% of the adult population (over 13 years old), and active usership is growing at a rate of 29% quarter-on-quarter.

**Figure 3: Digital Penetration Indicators in the Region, 2018**



Source: PCBS <sup>45</sup>, DataReportal <sup>41</sup>

## Financial Readiness

### • Financial Inclusion

Fourteen local and international banks operate in the West Bank and Gaza, with 365 branches spread across the West Bank and Gaza.<sup>42</sup> Over the past decade, the Palestinian banking system has grown significantly. In 2018, total assets of banks operating in the West Bank and Gaza reached \$16bn from \$7.6bn in 2008.<sup>43</sup> Over the same period, the total credit portfolio grew from \$1.8bn to \$8.5bn.

However, despite the rapid growth of the financial sector, the West Bank and Gaza are falling behind both internationally and regionally when it comes to financial inclusion.<sup>44</sup> The West Bank and Gaza suffers from a low financial inclusion rate;

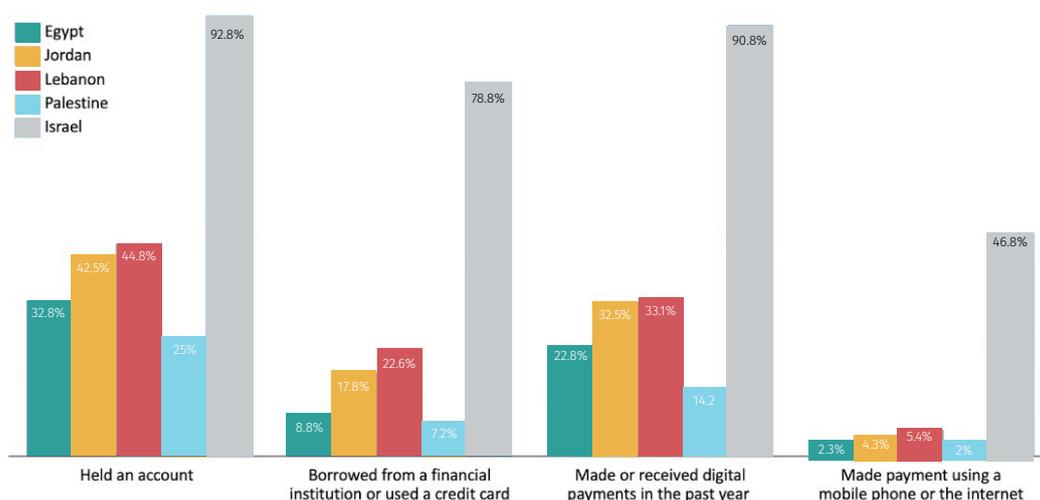
42. Palestine Monetary Authority. (2019, September). Banking System Fact Sheet. Retrieved from: <https://bit.ly/2UXyp6F>

43. Maan News. (2019, November 30). Economists call for a review of lending policies. Retrieved from: <https://bit.ly/37BtLy2>

44. The WorldBank Group (2017). The Global Findex Database: Measuring Financial Inclusion and the Fintech Revolution. Retrieved from: <https://bit.ly/2stjB3m>

with only 36.4% of the adult population in 2015 using at least one main financial service.<sup>45</sup> The financial inclusion rate is particularly low among women (only 15.4% of adult women financially included compared to 42.1% of men), youth (12.9% of those aged 18-24 years old) and low-income households (12% among those earning less than NIS 2,000 a month). More recent data published by the World Bank Group (WBG), shows that only 25% of adults held an account in 2017, which is significantly lower than the global average of 69% and the averages in other countries in the region.<sup>46</sup>

**Figure 4: Financial Penetration Indicators in the Region, 2017**



Source: World Bank Data<sup>47</sup>; Global Findex<sup>46</sup>

### • Electronic Payments (ePayments)

Although payment processing firms such as Visa, Master Card, SWIFT, Money Gram, Western Union have long standing business relations with Palestinian banks, the use of electronic payments, and in particular online payments, remains very limited in the West Bank and Gaza. The latest available data published by the World Bank, shows that the number of credit card holders was only 5% of the adult population in 2017, and only 2.3% reported using a mobile phone or the internet to make a transaction in the past year.<sup>47</sup>

45. "Study of Financial Inclusion in Palestine" conducted by the Palestinian Economic Policy Research Institute (MAS) in cooperation with the PCBS. The study was commissioned by the Palestine Capital Market Authority (PCMA) and the Palestine Monetary Authority (PMA).

46. The 2017 Global Findex database defines account ownership as having an individual or jointly owned account either at a financial institution or through a mobile money provider. <https://globalfindex.worldbank.org/>

47. The WorldBank Group (2017). The Global Findex Database: Measuring Financial Inclusion and the Fintech Revolution. Retrieved from: <https://bit.ly/2stjB3m>

For years the PA with the support of the international and local civil society has been pushing to expand the use of e-payments to address financial inclusion issues. Recently, the PMA intensified efforts to introduce electronic payment systems as a response to the accumulation of Israeli Shekels in circulation in the West Bank and Gaza.<sup>48</sup> The build-up of cash, mostly in shekels, in Palestinian markets is particularly costly to the Palestinian financial system, due to a cap on the transfer of Shekels to Israel imposed on Palestinian banks by Israel.

According to the terms of the Paris Protocol on Economic Relations signed between Israel and the PA as part of the Oslo Accords, the Bank of Israel permits selected Israeli banks to receive a monthly Shekel clearance payment from the PMA in exchange for foreign currency, currently limited to one billion Shekels per month. Any excess cash beyond the ceiling imposed by Israel continues to be held by Palestinian banks, with significant implications, including the cost of physically securing large quantities of cash, the loss of potential interest on cash (above permitted transfer ceilings) that might otherwise be deposited in Israeli banks, and the forcing of Palestinian banks to hold excessive surplus capital leading to a drag on their return on equity (ROE).

Supporting the PA's efforts, the private sector in the West Bank and Gaza has been at the forefront of the drive towards electronic payments. In 2010, the Bank of Palestine, the West Bank and Gaza's largest bank, partnered with a local tech firm, PCNC Solutions Company, to establish PalPay, the first Palestinian multi-channel e-payment solutions provider.<sup>49</sup> The venture leverages the Bank of Palestine's wide point-of-sales (POS) network to enable customers to pay utility bills, loan instalments or university and school tuition.

In October 2019, Jawwal, the West Bank and Gaza's largest mobile network provider, partnering with the National Electronic Payment Company, announced the establishment of their new company, Jawwal Pay, an integrated e-wallet solution.<sup>50</sup> The company aims to provide various financial technology services, but their main product is the e-wallet, which will allow individuals to transfer money to one another, pay bills and carry out online shopping.<sup>51</sup>

Although locally developed electronic payment solutions such as PalPay and Jawwal

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48. Palestine Monetary Authority. Press Release. (2019, March 30). Electronic Payment of Wages and Salaries. Retrieved from: <https://bit.ly/2QoWPDs>

49. PALPAY. (2019). Retrieved from: <https://bit.ly/2STIUek>

50. JawwalPay.ps. (2019) Retrieved from: <http://www.jawwalpay.ps/>

51. Aliqtisadi.ps. (2019, November 4). "Jawwal Pay" is the first Palestinian multifunction electronic wallet via mobile. Retrieved from: <https://bit.ly/33zHy76>

Pay, have the potential to expand the use of e-payments and e-commerce in the West Bank and Gaza, in practice, their use is limited in scope. In order for these solutions to be more widely adopted in the West Bank and Gaza, they have to be easy to integrate into widely-used international e-commerce platforms. For example, one of the most commonly used e-commerce platforms globally, Shopify, operates in the West Bank and Gaza and is widely used, but does not support the use of any Palestinian payment gateways (see section on “Shopify”).

Access to international payments gateways is also very restricted. PayPal, the most globally recognized digital platform for transferring money in the world, does not offer its services to Palestinians in the West Bank and Gaza. In 2016, a number of civil society organizations have campaigned for PayPal to operate in the West Bank and Gaza. In December 2018, 7amleh, the Arab Centre for the Advancement of Social Media, published the “Palestine & PayPal” report, which shows that the lack of access to PayPal is hindering the development of the West Bank and Gaza economy.<sup>52</sup> Although these efforts have attracted media attention, hundreds of thousands of signatures and worldwide recognition, PayPal has not made a public statement to clarify nor taken action to change its policy.

Many Palestinian entrepreneurs started finding innovative ways to get around the restricted access to e-payment platforms. In recent years, Palestinian AirBnB hosts, freelancers and vendors have identified an arrangement whereby they are able to create a PayPal account using Arab Bank Shopping Card by using a “Visa Virtual Account”. When creating the account, they need to select Israel as their country of residence and the Israeli international country code (+972) when entering their cell number.<sup>53</sup>

Some Palestinian in the West Bank and Gaza, especially freelancers have started to use Payoneer, a company that provides online money transfer, digital payment services.<sup>54</sup> Payoneer account holders can send and receive funds into their bank account, Payoneer e-wallet, or onto a reloadable prepaid MasterCard debit card that can be used online or at points-of-sale. Although Palestinian customers from the West Bank and Gaza have to select Israel as their country of residence, the company ships the prepaid card to customers in the West Bank and Gaza, who can use it to withdraw money from any ATM. While Payoneer is being widely used by freelancers, its fees are considered high, with fees of \$4-10 per transaction and a \$30 annual subscription fee.

52. Alaboudi, U. (2018, December). “Palestine and PayPal - Towards Economic Equality” New Report by 7amleh. Retrieved from: <https://bit.ly/371cKgF>

53. Abu Halawah, T. [Arresha]. (2016, July 5). حساب بي بال لفلسطين باستخدام الفيزا كاردز الصادرة عن البنوك الفلسطينية ؟. Paypal in Palestine [Video file]. Retrieved from: <https://bit.ly/2sPtKrl>

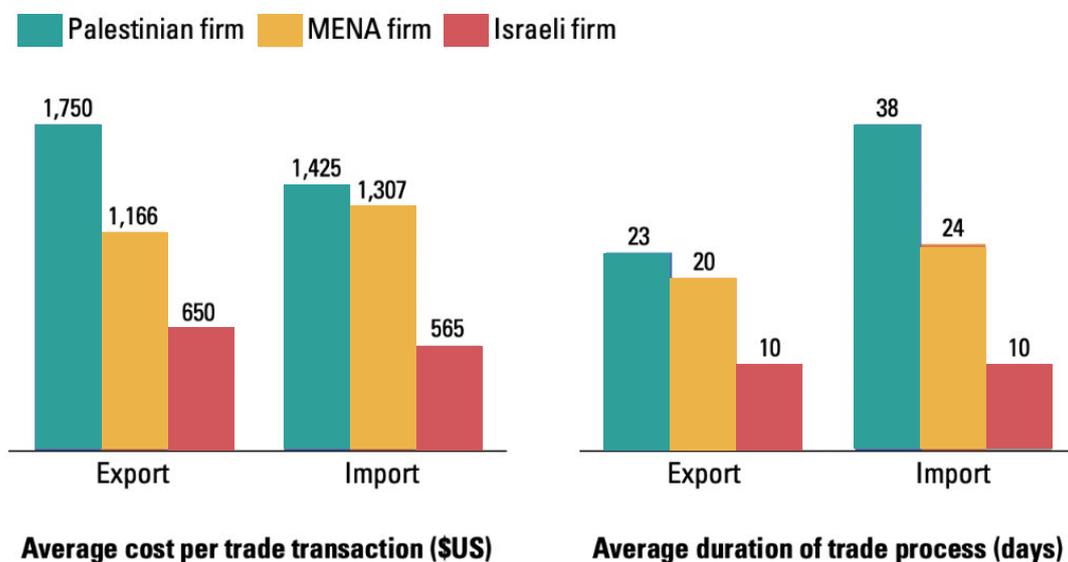
54. Payoneer. (2019) About Us. Retrieved at: <https://www.payoneer.com/about>

## Logistics Readiness

### • Trade Across the Border

The PA does not have control over borders or points of entry and exit due to the Israeli occupation. Therefore, entry of people, capital and goods into and out of the West Bank and Gaza is bound to go through Israel, Jordan or Egypt. There is also no direct connection by air into the West Bank and Gaza, Queen Alia International Airport, located near the Jordanian Capital Amman, and Ben Gurion International Airport, located between Jerusalem and Tel Aviv, serve as the main entry-point by air into the West Bank and Gaza. As a result of these limitations, and many other obstacles imposed by Israeli occupation, the costs of importing to and exporting from the West Bank and Gaza is high. These high costs have also impeded the development of e-commerce in the West Bank and Gaza.

**Figure 5: Trade Costs and Process Duration Comparison, 2015**



Source: World Bank<sup>55</sup>

55. World Bank Group (2017). Unlocking the Trade Potential of the Palestinian Economy: Immediate Measures and a Long-Term Vision to Improve Palestinian Trade and Economic Outcomes (Report No. ACS22471). Retrieved from: <https://bit.ly/34Rrptv>

## • Postal System

As a result of Israeli restrictions and inefficiencies in the local postal services, the West Bank and Gaza postal system is neither efficient nor cheap, discouraging many Palestinians from buying and selling online.<sup>56</sup>

Palestinian e-commerce buyers purchasing from abroad often expect a delay of 3-4 months in the arrival of their mail, sometimes extending to several years.<sup>57</sup> As it stands, international mail to be delivered to the West Bank and Gaza has to first go through the Israeli postal services. The PA, and international organizations such as the Universal Postal Union,<sup>58</sup> made multiple attempts to establish a direct postal relationship with the rest of the world, but Israel has continuously blocked such a move.

The 1995 interim agreement between Israel and the Palestine Liberation Organization (PLO), signed as part of the Oslo Peace Process, includes clauses relating to postal services. The agreement stipulates that the arrangements for sending and receiving all postal will be arranged by means of commercial agreements between the PA, and the postal authorities of Jordan and Egypt, in addition to a commercial agreement between the PA and the Israel Postal Authority.<sup>59</sup>

In 2016, the PA signed a memorandum of understanding with Israel, that would allow the former to receive its mail directly without first going through the Israeli mail service.<sup>60</sup> The agreement was intended to assist the transfer of international mail to the PA through Jordan via the Allenby Bridge border crossing. However, the signing of the agreement meant limited change on the ground. In fact, Israel and the PA signed a similar agreement in 2008, but it was never put into practice. Palestinian sources interviewed for this research clarified that while some of the mail does enter through Jordan, it still has to go through the burdensome Israeli security checks, with Palestinian letters and parcels subject to opening and even confiscation.<sup>61</sup> As such, Israel continues to hold Palestinian mail without a clear due process, with some of the mail being released in large, intermittent batches

56. Barakat, J. (2019, July 6). Emergency in Palestine Post. AlAraby.co.uk . retrieved from: <https://bit.ly/34Qg7W9>

57. Ezzedin, H. (2018, August 14). Blocked by Israel for years, Palestinian mail finally arrives. AFP. Retrieved from: <https://yhoo.it/2MjG1eI>

58. Universal Postal Union. (2019, September 19). The State of Palestine has not been admitted to the Universal Postal Union (UPU) after a postal ballot of the organization's member countries. Retrieved from: <https://bit.ly/36TX278>

59. Israel Ministry for Foreign Affairs. (1995, September 28). THE ISRAELI-PALESTINIAN INTERIM AGREEMENT-Annex III. Retrieved from: <https://bit.ly/2POCMxR>

60. Times of Israel. (2016, September 4). Israel and Palestinians sign deal to improve postal service. Retrieved from: <https://bit.ly/2QoR5ty>

61. Sbailhat, A. (2017, February 26). The Palestinian Post is occupied as is the land. AlHadath. Retrieved from: <https://bit.ly/2sZRk4L>

causing serious operational bottlenecks for Palestinian postal services.<sup>62</sup>

In addition to obstacles imposed by the occupation, the Palestinian postal services are suffering from a shortage of resources due to insufficient governmental support. The lack of continued investment in postal infrastructure has led to a shortage of staff, especially in the regional distribution offices.<sup>63</sup> Moreover, although the PA has taken active steps to integrate the West Bank and Gaza into the international post code system, post codes are not used in the West Bank and Gaza, creating further challenges to engagement with e-commerce in Palestine.

## • Transport System

Within the West Bank and Gaza, road transport is currently the only transport system. The PA has invested considerable effort to implement road projects within the West Bank and Gaza, the majority of which were oriented towards rehabilitating parts of the existing road network. Despite these efforts, transportation infrastructure remains problematic in Area C, where the use of roads for Palestinians is highly restricted, and travel times can be inordinate.<sup>64</sup>

The PA has also been unable to develop roads, airports, or railways in or through Area C.<sup>65</sup> Restrictions in Area C have impeded the development of institutional infrastructure such as banking services, which are hamstrung by the inability to open and service branches, and the inability in practice to use land in Area C as collateral. Insecurity and the difficulty of policing Area C also deter investors. These impediments create significant uncertainty and reduce the expected returns on potential investments.

Restricting movement is one of the main tools that Israel employs to enforce its regime of occupation over the Palestinian population in the West Bank and Gaza. Between January 2017 and July 2018, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) in the West Bank and Gaza, have identified 705 permanent military checkpoints and 4,924 'flying' checkpoints and obstacles within the West Bank.<sup>66</sup>

62. The New Arab. (2018, August 16). Jericho post office swamped as Israel releases eight years worth of blocked mail. Retrieved from: <https://bit.ly/2PQUeRS>

63. Barakat, J. (2019, July 6). Emergency in Palestine Post [Article]. AlAraby.co.uk. Retrieved from: <https://bit.ly/34Og7W9>

64. Area C constitutes about 61% of the West Bank. It is defined by the 1995 Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip as "areas of the West Bank outside Areas A and B, which, except for the issues that will be negotiated in the permanent status negotiations, will be gradually transferred to Palestinian jurisdiction in accordance with this Agreement."

65. Niksic, O., Nasser Eddin, N. & Cali, M. (2014). Area C and the Future of the Palestinian Economy (Report No. ACS22471). Retrieved from World Bank website: <https://bit.ly/35RsPW4>

66. United Nations Office for the Coordination of Humanitarian Affairs. (2018, October 8). Humanitarian Bulletin: Occupied Palestinian Territory | September 2018. Retrieved from <https://bit.ly/34kUw8d>

The restrictions on movement and the uncertainty they generate bear implications for the Palestinian economy in the West Bank and Gaza and its development potential. A recent study published in early 2019 by the Applied Research Institute – Jerusalem (ARIJ), sheds light on the repercussions the lack of freedom of movement has on Palestinians in the West Bank and how damaging the military checkpoints scheme is for the Palestinian economy and environment.<sup>67</sup> ARIJ conducted the study between January and July 2018 by monitoring the movement of private vehicles and public transportation using GPS tracking devices. The study collected data from 15 pre-selected checkpoints within the West Bank and 11 crossing points linking the West Bank and Jerusalem.<sup>68</sup> The study observed that Israel’s military checkpoints scattered across the West Bank generated an annual loss of 60 million working hours or \$274 million (19% of GDP). In addition, the checkpoints result in additional consumption of 80 million liters of fuel, which implies \$135m in additional costs and increased carbon dioxide emissions of 196,000 tons.

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67. Applied Research Institute Jerusalem (ARIJ). (2019). Assessing the Impacts of Israeli Movement Restrictions on the Mobility of People and Goods in the West Bank. Retrieved from: <https://bit.ly/2ZRBPSa>

68. Arab48.com. (2019, July 15). 270 million dollars losses to the Palestinians due to military checkpoints in the West Bank. Retrieved from: <https://bit.ly/2Z19PWU>

## Legal and Policy Environment

### • Financial Regulators

The Palestinian financial sector in the West Bank and Gaza is regulated by the PMA, which aims to become the Palestinian central bank, and the Palestinian Capital Market Authority (PCMA), which mainly regulates non-banking financial institutions.

**Table 8: Overview of financial sector regulators in the West Bank and Gaza**

Institution	Description	Role
Palestine Monetary Authority	An independent public institution responsible for the formulation and implementation of monetary and banking policies to maintain price stability and low inflation, foster financial stability, safeguard the banking sector and promote sustainable growth of the economy.	Develop and execute monetary policy designed to ensure low inflation and achieve price stability  Effective and transparent regulation and supervision of banks, specialized lending institutions and money changers  Oversee the development, implementation and operation of modern, efficient payment systems
Palestinian Capital Market Authority	Established as an autonomous agency by law No.13 of the year 2004. Its jurisdiction encompasses securities, insurance, financial mortgage and leasing sectors, along with any other non-banking financial institutions.	Regulating, supervising, and overseeing the securities, insurance, financial leasing and mortgage finance sectors as well as ensuring that their work complies with the principles of transparency, fairness and integrity, in line with international best practices.

Source: PMA<sup>69</sup>, PCMA<sup>45</sup>

The West Bank and Gaza has passed several milestones necessary for accessing electronic payment systems, including the legislation of the “National Payments Law” in 2012, which facilitates electronic transactions and establishes measures to combat money laundering and fraud.<sup>69</sup>

On 30 March 2019, the Palestine Monetary Authority (PMA), announced the launch of a strategy to increase the use of electronic transactions and reduce the reliance

69. Palestine Monetary Authority (PMA). Presidential Decree No. (17) of 2012 on National Payments Law. Retrieved from: <https://bit.ly/2LYinnX>

on cash in the Palestinian economy.<sup>70</sup> The strategy was prepared by the PMA in cooperation with the banking sector and other stakeholders and was approved by the Palestinian Cabinet in 2018.

To implement the strategy over the next five years, the PMA seeks to promote the use of electronic payment methods in local transactions, in both the private and the public sector. This includes the launch of a system that will allow for the automated electronic transfer of the wages of Palestinian workers in Israel directly to their personal bank accounts on a monthly basis and with minimal fees.<sup>71</sup> The PMA will also work to allow the use of electronic payment cards issued by Israeli banks for purchases by Palestinians from Israel in local markets.

In November 2019, the PMA also announced the PMA's interest in adopting FinTech. According to the Governor of the PMA, Azzam Shawwa, the PMA's future vision for FinTech will be announced before the end of 2019.<sup>72</sup> It will include provision of appropriate incubation to support emerging initiatives in the field and finding technological solutions to issues facing existing financial operations. He also noted that the PMA has been studying the needs of the Palestinian market in terms of access to financial services, and that legislation and regulation for organizing electronic payment methods is currently underway.

70. Abu Amer, A. (2018, June 15). Can PA's push for e-payments help ease its cash crunch? Al-Monitor. Retrieved from: <https://bit.ly/394M8x9>

71. Palestine Monetary Authority. Press Release. (2019, March 30). Electronic Payment of Wages and Salaries. Retrieved from: <https://bit.ly/2MPXCv5>

72. Expotech.ps. (2019, November). Expotech 2019 theme: The Rise of Fintech and Blockchain. Retrieved from: <https://bit.ly/2Hyc9lQ>

## Conclusion & Recommendations

In the West Bank and Gaza, Palestinians' right to access economic markets is being harshly restricted by Israeli occupation offline and online. Decades of movement restrictions have stunted the development of integrated logistics, and discriminatory import and export policies make it difficult to sustain viable e-commerce businesses in the West Bank, and nearly impossible in Gaza, which has remained under blockade for over a decade. Political agreements that should have provided Palestinians with access to safe and reliable internet have failed, and Israel continues to deny Palestinians their rights, neglecting its obligations under International Law. Tech companies that provide essential financial services for utilizing e-commerce also have an important role in denying Palestinians their human rights. However, despite the challenges, Palestinian individuals and businesses continue to find innovative solutions to access the digital economy. As the report demonstrates, e-commerce is an essential economic activity that is being increasingly adopted by Palestinians living in the vulnerable context of the West Bank and Gaza -- occupied, landlocked and blockaded. As the use of digital commerce expands among Palestinians, access to e-commerce will increasingly become an integral part of Palestinians' access their human rights.

### Digital Access

Digital access is the responsibility of states in cooperation with the private sector and telecommunication companies.

- Israel must allow for the independence of the Palestinian ICT sector and infrastructure, enable free access to news technologies including the upgrade to 3G and 4G mobile broadband infrastructure in the West Bank and Gaza.
- The PA must work to reduce internet connection costs in order to expand internet access as well as invest in upgrading internet infrastructure such as West Bank and Gaza fiber networks.
- Palestinian telecommunications companies must develop affordable, safe offerings to Palestinians that include data and privacy protections and respect for Palestinian's rights under Article 12 of the 1948 UN Declaration of Human Rights.
- Under international customary law, which is binding on all states, it is clear that States must hold Israel accountable for their violation of Palestinian

rights within the digital sphere and apply the necessary political and economic pressure to ensure that rule of law is upheld by duty bearers.

- Palestinian civil society and human rights organizations must work to ensure that people can safely access the internet and advocate for the protection of Palestinians digital rights; they must monitor and evaluate Palestinian digital access and advocate for expanded digital access and protection of human and digital rights.

## **Financial Access**

Increased economic access requires the banking sector and tech companies to provide services and products that will create further opportunities for financial inclusion.

- Palestinian Banks and the Palestinian Monetary Authority must enable freelancers to easily open bank accounts and introduce a 'freelancer'/ 'entrepreneur' credit card, to allow holders to register and receive payments on the leading freelancing platforms; Enable access to finance for e-commerce entrepreneurs, whose ventures are usually blocked from accessing friendly loans, as they are not traditional and do not possess collateralizable assets.
- E-commerce platforms (such as Amazon, Shopify, E-bay) must allow for the integration of Palestinian payment gateways; introduce solutions for cash-on-delivery; List Palestinian cities and allow for customization of sales based on location.
- Financial payment platforms must provide equal access to Palestinians and ensure that their operations are inline with human rights and protect Palestinians right to self determination and pursuing economic development under Article (1) of the International Covenant on Economic, Social and Cultural Rights; Review the legal implications of offering services to Israeli settlers as it may constitute an Act of Pillage under International Law.

## **Integrated Logistics**

It is necessary to reduce the costs of movement of labour, capital and goods as much as possible for e-commerce businesses to be able to sustain themselves. This requires investment in more efficient logistics systems and removal of barriers to the ability of Palestinians to exercise their right to movement.

- Israel must remove restrictions on movement of people, capital and goods into and out of the West Bank and Gaza; Remove barriers, checkpoints and other obstacles inside the West Bank; Allow the Palestinian postal system to operate independently from the Israeli Postal system.
- The Ministry of Telecommunications and Information Technologies must further develop the addressing system [Street Names, Building Numbers, postcode] and expand to cover all major Palestinian cities beyond Ramallah; Invest in better postal services and logistics solutions; Reach out to major global platforms and players to start including the West Bank and Gaza in their listing and offerings.
- E-commerce platforms must integrate local and regional logistics services into platforms.

## **Policy**

As Palestine goes through the process of digitization, it is essential that States and businesses will develop policies and practices in line with human rights norms and standards. New policies should be developed based on research, evidence and consultation with multiple, diverse stakeholders including some of society's most vulnerable, and in particular women and youth.

- The Palestinian Authority must make efforts to ensure that e-governance will be done in a safe, accessible manner and increase administrative services for diverse businesses and freelancers; all legislations must be developed with multiple stakeholders in a manner that is inclusive of diverse institutions and individuals including women and youth.
- The Ministry of National Economy, The Palestinian Monetary Authority and The Ministry of Telecommunications and Information Technology must expand its efforts to develop a comprehensive legislation on e-services and e-commerce that will support export activity in cooperation with local and international stakeholders.
- Local and international members of civil society, as well as the Trade Support Network and other stakeholders must participate in the development and monitoring of legislation and governmental export strategies.

## About 7amleh Center

7amleh - The Arab Center for the Advancement of Social Media is a non-profit organization focused on protecting the human rights of Palestinians in the online space. Our programmes build the capacity of Palestinians to safely access the internet, run effective digital campaigns and advocate for digital rights and human rights. 7amleh's team works across Jerusalem, Gaza, the West Bank and Israel and regularly cooperates with local and international partners. For a summary of our work, please see our [annual report](#).

**Trainings & Workshops:** Working with civil society organizations, grassroots initiatives, media professionals, human rights defenders and activists to strengthen their digital security, campaigning and digital campaigning capacity. 7amleh has trained hundreds of people in Palestine and throughout the MENA region. In 2018, 7amleh conducted a [digital security training of trainers](#) and trained more than [2000 youth in digital security](#) and several organizations in [campaigning, digital marketing](#) and [digital storytelling](#). We have also produced training materials including an [educational gender sensitive training package](#) on digital security and one of the first [digital security manuals](#) in Arabic.

**Campaigning:** Coordinating and managing advocacy and awareness campaigns, utilizing digital resources, on various issues related to Palestinian rights. 7amleh is an expert in developing and producing campaigns that raises awareness of the public about a wide range of issues impacting marginalized and vulnerable communities. 7amleh has produced several digital campaigns that include research reports, infographics, videos and other materials. This includes [Planting Seeds in Area C](#) (Union of Agricultural Workers), [Public Awareness Campaign](#) about Digital Security (Deutsche Welle Academy), [Lights On Gaza](#) (Oxfam) among others. In particular, we have experience designing gender sensitive campaigns and media content for the Palestinian public. This includes the [Palestinian Influencers Awareness Raising Campaign Against Gender Based Violence Online](#) (Kvinna till Kvinna Foundation) an online campaign in 2019 in conjunction with the international 16-day campaign to combat violence against women, as well as an [online campaign](#) in 2018, with 2 web episodes that reached approximately 120,000 people and contributed to raising awareness about the issue of GBV online. We have also produced a pilot web series about digital security targeting women.

**Research & Advocacy:** 7amleh and its partners research and document how the digital rights of Palestinians are impacted by governmental and private sector entities. This research serves as a basis for our advocacy work with local and

international partners. On an annual basis we monitor and publish Hashtag Palestine ([2017](#), [2018](#)), a report on Palestinian digital rights, and the [Index of Racism](#) (2017 - 2019). We also conducted topical research and have most recently published work about the [Silenced Networks: The Chilling Effect among Palestinian Youth in Social Media](#) (2019), [Palestinian ICT Infrastructure Under Israeli Control](#) (2019), [Palestine and PayPal](#) (2018), [Mapping Segregation Endangering Palestinian Human Rights](#) (2018), [Gender Based Violence Against Palestinian Women in Digital Space](#) (2018). We also regularly prepare mini-campaigns related to our work i.e. a recent campaign about [Google Maps](#), policy briefs on [Shrinking Palestinian Space](#) (2018) and [Content Moderation Policies](#) (2018) and brief tech companies, diplomats, journalists and members of civil society on issues related to our work.

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