Developing Competitiveness and Increasing: The Share of National Products: The Pharmaceutical Industry

Muhanad Abu Rjailah

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The Palestine Economic Policy Research Institute (MAS)

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- Disseminating up-to-date socio-economic information and research results.
- Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- Strengthening economic and social policy research capabilities and resources in Palestine.

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Developing Competitiveness and Increasing the Share of National Products: The Pharmaceutical Industry

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Foreword

With this study on the pharmaceutical industry, the Palestine Economic Policy Research Institute (MAS) wraps up the first group of studies, covering five productive sectors, within its series: "Developing the Competitiveness and Increasing the Share of the National Product." Earlier, MAS published four studies on furniture, leather & footwear, tobacco and food industries. Each of these studies has its own findings and recommendations and MAS will try later to consolidate all these outcomes in order to propose relevant industrial policies to the decision makers. Meanwhile, MAS will persistently work towards securing the means for conducting more studies that cover other promising industrial sectors in Palestine.

The aim of the present study is to look at the current status of the pharmaceutical industry in Palestine; identify the conditions and problems that constrain improving the methods of local production; and evaluate the general policies that are employed to further the development of this sector. In line with the previous studies in this series, this one relied on in-depth interviews with stakeholders from public and private sectors; reports of the Palestinian Central Bureau of Statistics (PCBS); annual reports of Palestinian pharmaceutical companies; a review of past studies; and assessment of the experiences of other countries in developing their pharmaceutical industries. The study arrived at important conclusions and recommendations which, we trust, all stakeholders in the public and private sectors will find useful in furthering this delicate industrial sector while it thrives to measure up to international standards; to meet domestic market demand; and to position itself in foreign markets.

On behalf of MAS, I would like to thank the researcher for this important contribution; the reviewers for their valuable comments; and individuals associated with this industry in the public and private sectors for giving from their valuable time to be interviewed and provide important information that helped put the pieces together. Our special appreciation is also extended to the Arab Fund for Economic and Social Development for its continuous support of MAS and for funding this series of studies.

Nabeel Kassis
Director General
**Summary**

The objective of this study is to examine the current situation of the pharmaceutical sector in Palestine; identify the determinants and problems that constrain its development; and evaluate the general policies that are in place to push the sector forward.

Despite its modest contribution to exports, employment and production– compared to other economic sectors– the pharmaceutical sector remains a key sector in the Palestinian economy. Yet, local manufacturers still rely on imported raw materials, instead of those produced locally. Based on interviews with respondents from pharmaceutical companies, around %50 of the workforce in the pharmaceutical industry are skilled, well trained and educated. The Palestinian pharmaceutical sector is a fundamental component in achieving community health and medical security, though currently it meets only %55 of the local demand for pharmaceuticals.

The author carried out a review of the challenges that impair the development and sustainability of local pharmaceutical manufacturers. The study found that the sector suffers a multitude of challenges. First, there is stiff competition in the local market from Israeli and Egyptian drug companies, as well as from imported drugs. Second, public policies regulating the sector do not provide the support they are expected to deliver to this important sector. Third, the sector's products have to unfairly compete with drugs smuggled from Israel to the West Bank. The study evaluated the methods used by local manufacturers to address these challenges and how they measure up to international guidelines and production standards, such as the Good Manufacturing Practice (GMP).

Like drug manufacturers in other Arab and the Asian countries, the Palestinian pharmaceutical sector produces generic drugs, the demand for which is expected to increase globally due to their low prices and increased volumes as they are no longer protected by patents. This is a great opportunity that local companies can seize to increase their share in the global pharmaceutical market, especially if they make alliances...
with bigger companies in the field and, thus, take advantage of their
global distribution channels.

Public sector agencies, physicians, specialists, pharmacists and other
supporting institutions have to shoulder greater responsibility in
supporting the pharmaceutical sector. The role of the public sector is
also crucial, primarily in making it easier for local manufacturers to
register locally produced medicines, create control systems to ensure
the manufactured drugs are effective and compatible with international
standards and guidelines, in addition to making sure that the medicines
are available at affordable prices, for all citizens.