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Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

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Chapter II

UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

(Agenda item 4)

1. For its consideration of this item, the Sessional Committee had before it the following documentation:

"Developments in the economy of the occupied Palestinian territory: report by the UNCTAD secretariat" (TD/B/42(1)/8).

2. The **Chief of the Special Economic Unit**, in introducing the item, indicated that while legislative mandates continued to guide the work of the secretariat on the issue under consideration, the content and thrust of the work had evolved to take into account new conditions and to enhance its impact. The new policy environment presented a range of opportunities for the revival of the Palestinian economy. Agreements concluded since the signing of the Declaration of Principles constituted the basis for the establishment of appropriate institutional infrastructures with capacities to formulate and implement policies and measures aimed at promoting economic activities in the interim period. Increasing Palestinian-Arab trade and cooperation helped to consolidate the process of integrating the Palestinian economy as a distinct element in regional development efforts. The achievements to date of the Middle East peace process served as the only concrete basis on which to build the Palestinian economy within a framework of peaceful cooperation with Israel and Arab neighbours.

3. Keen international interest in the political and economic developments in the region had prompted vigorous donor involvement to bolster Palestinian economic and social development efforts. However, the progress made towards establishing the institutional and physical infrastructure for the active involvement of the public and private sector in the economy, though notable, fell short of expectations, which appeared to have been overly optimistic. Nevertheless, as the Palestinian Authority and the local economy continued to demonstrate increasing capacities, undisbursed commitments by the international community in 1994 and pledges for 1995 should make a clear contribution towards the revival of the Palestinian economy. He noted that despite the improving policy environment, events on the ground continued to bear heavily on economic performance. Measures introduced by Israel on security grounds, especially the repeated closures of the Gaza Strip and the West Bank, had an adverse impact on the Palestinian economy.

4. The international programme of aid was largely focused on rehabilitation of infrastructures, and the rejuvenation of the economy was generally conceived to be the obligation of the private sector, in terms of both capitalization and management. Accordingly, private investment flows were expected to grow significantly following the Israel-Palestine Accords. Despite some indications of growing interest by Palestinian and Arab investors, the volume of new private investment had been small during the last two years, except for private housing and construction activities. Nevertheless, convinced that the future held promise, entrepreneurs had begun to prepare the necessary formalities to proceed with investments once conditions were appropriate. For the time being investors appeared to be awaiting the extension of Palestinian authority over the rest of the West Bank. Improvement of the investment climate also called for a range of reforms in macroeconomic and trade policies, as well as upgrading of the proficiency of a range of public and private sector institutions. Moreover, the ability of the economy to absorb substantial amounts of investment was heavily contingent upon major structural reform of the economy.

5. The intersectoral research project, initiated by the UNCTAD secretariat in 1990, had investigated the prospects for sustained development of the Palestinian economy up to the year 2010. The technical analysis, along with policy proposals reflecting a set of priorities at the macroeconomic and sectoral levels, should help in the elaboration of objectives for the rehabilitation and restructuring of the economy with a view to absorbing the surplus labour force, diversifying trade, achieving an adequate rate of growth in income and ensuring its equal distribution among regions. Achieving these necessitated articulation of a reconstruction programme along with appropriate policies, reform of the legal framework affecting the economy, creation of efficient public institutions to regulate and provide support to the private sector, and a programme for improving the productivity of human resources.

6. Following the formulation of the proposed programme of technical cooperation in support of Palestinian trade, finance and related services, consultations had been held with the Palestinian Authority regarding its priorities, scope and orientation of activities and implementation modalities. The programme was designed to contribute towards the realization of six interrelated objectives. A range of activities, carried out through the rendering of advisory services, organization of training programmes and workshops in the field and short-term stationing of experts in critical areas, was envisaged for the achievement of these objectives. Preliminary estimates indicated a total programme budget of around \$3.5 million. The proposed programme of technical cooperation activities had been submitted for the approval of Palestine and the

Palestinian Authority. It would subsequently be presented to potential bilateral and multilateral sources to seek their contributions. In the meantime, the Palestinian Authority had requested the UNCTAD secretariat, earlier in 1995, to initiate action on an urgent basis regarding some priority issues covered under the proposed programme. Despite resource limitations, the secretariat had been able to field several missions in mid-1995 to extend immediate advisory services to the Palestinian Authority in some of the areas.

7. He concluded by stating that the secretariat was ready to play an effective role in the international programme of assistance to the Palestinian people. It thus looked forward to the Board's guidance and support for its proposed efforts to secure the resources needed for the implementation of the programme of technical cooperation outlined above.

8. The representative of Egypt said that deliberations on this item came at an important time, when increasing international cooperation was called for to lay the basis for the Palestinian economy and for peace in the region. The signing between Israel and Palestine of the Declaration of Principles in September 1993, the Cairo Agreement in May 1994 and subsequent accords reflected the parties' spirit of cooperation and their desire for peace, and constituted a basis for a just and comprehensive peace throughout the Middle East. The assumption by the Palestinian Authority of responsibilities in Gaza and Jericho and the commencement of operation of Palestinian institutions in various spheres marked the beginning of progress and stability for the Palestinian people. He expressed appreciation to the UNCTAD secretariat for the report it had prepared on developments in the economy of the occupied Palestinian territory and for its previous efforts and studies on this important subject. Great efforts had gone into preparing the report and into monitoring rapid recent developments which could bear positively on the Palestinian economy.

9. He noted that the report had revealed the significant gaps that existed in official statistics on Palestinian economic performance, a situation that gave rise to concern. He welcomed the secretariat's proposal to assist the Palestinian Authority in this regard, especially in the area of trade information and statistics, and called on other agencies of the United Nations to extend assistance in their respective fields of competence. He also welcomed the report's account of the positive developments in the Palestinian economy, in particular the existence of a well defined and agreed framework for elaboration of economic policy and the improved conditions for private investment.

10. He reaffirmed his full and continuing support for the Palestinian Authority's efforts to develop the Palestinian economy, and he accorded special significance to cooperation with the Palestinian Authority in the field of institution-building, training and human resource development, as attested to by recent tripartite cooperation with the Government of Japan and the United Nations Development Programme to provide training in Egypt to Palestinians in building and construction skills.

11. Much more remained to be done to help the Palestinian Authority overcome the obstacles it was still facing. Areas on which attention should focus would include the need to reform the legal framework affecting economic activities, support for infrastructural projects that generated new employment opportunities, the needs of the private sector with respect to access to modern market and related information networks, the negative impact of closures of the occupied territory - a policy measure which should not be resorted to, and the problem of high unemployment and the need to give priority to projects which provided productive job opportunities. He called for stepped-up efforts to resolve these and other problems which hampered Palestinian economic development, pointing to the importance of removing all obstacles to the smooth flow of aid for Palestinian reconstruction pledged by the international donor community in October 1993.

12. In concluding, he expressed his full support for the programme of technical assistance prepared by the UNCTAD secretariat in coordination with the Palestinian Authority, which reflected needs in the areas of trade, finance and transport, and he called for the provision of the necessary funds to implement the programme.

13. The representative of **Norway** said that in recent years member countries had become highly aware of and interested in UNCTAD's assistance to the Palestinian people. It was important that the Middle East peace process be supported by the international community, and UNCTAD had proven its relevance in this respect. It was essential that UNCTAD's contribution serve two purposes: assisting in consolidating the peace process; and ensuring long-term sustainable social and economic development in the region. Such a dual approach was essential, as both components were interdependent. It was also crucial for international assistance to the Palestinian people to be properly coordinated so as to ensure optimal utilization of scarce resources and avoid duplication of efforts. The United Nations Special Coordinator in the occupied Palestinian territory was well equipped for this task.

14. Referring to UNCTAD's programme of technical cooperation activities in support of the Palestinian economy, he noted activities aimed at promoting the role of the private sector in the Palestinian economy. The World Bank and IMF were already engaged in some of these areas. Similarly, in areas such as the management of financial flows, tariff regimes and customs administration, both the Palestinian and Israeli authorities had developed cooperation with the World Bank and IMF. As regards the development of a commercial sea port in Gaza Strip, a number of countries were also involved. When UNCTAD embarked upon the implementation of related activities under its own programme, it was crucial that these be complementary to those of other agencies and coordinated through UNSCO. His delegation was pleased to note that the UNCTAD secretariat had intensified its cooperation with UNSCO, and in its dialogue with the latter, the UNCTAD secretariat could elaborate a clear set of priorities for its assistance to the Palestinian people, concentrating on activities within its mandate and where it had comparative advantage. Such cooperation and coordination with agencies like the World Bank and IMF would enhance the impact of UNCTAD's contribution and relevance to the efforts of the Palestinian Authority. It was in fact a challenge for UNCTAD, both in the field and in general, to ensure that its high-quality analysis and assessments were used by local authorities.

15. The representative of Israel said that the Trade and Development Board was addressing this topic for the second time since the signing and implementation of the Declaration of Principles and the Agreement on the Gaza Strip and Jericho Area. Negotiations on extending self-governing arrangements were nearly complete, and all the problems connected with this agreement were almost resolved. He was optimistic that the completed agreement would be signed in the coming weeks, after which the next phase of Palestinian elections and redeployment of Israeli forces would begin. Meanwhile, almost all spheres of authority had been transferred to the Palestinian Authority under the terms of the early empowerment agreement.

16. The Palestinian Authority now exercised full powers in Gaza and Jericho, and it had taken major steps, with the assistance of the international community, to commence building the economy of those areas. Israel had made both funds and expertise available to the Palestinian Authority and attached the utmost importance to the success of the Palestinians in developing their economy. The financing of this development would be provided by assistance given or promised by donor countries, following their pledges made in October 1993 of \$2.4 billion to be contributed over the period 1994-1998. Considerable contributions had been pledged by a number of countries, including Israel. He noted, however, that two years of the five-year period had already passed, and as could be seen from the

figures for actual disbursements to date, the great bulk of the sum initially promised had not yet been forthcoming. He hoped that the urgently needed sums would be made available as soon as possible.

17. For its part, Israel had taken tangible steps to facilitate the development of the Palestinian economy, notwithstanding the border closures that Israel had been compelled to impose for short periods owing to terrorist attacks. Israel and the Palestinian Authority had agreed that five industrial parks should be established in the West Bank and Gaza Strip, and intensive planning was underway to bring this to fruition as soon as possible. The establishment of these parks would provide a major boost to the economy of the areas. On a more immediate level, steps had been taken to speed the flow of trucks between Gaza and Israel in both directions, as well as at Rafah crossing point and at the Allenby Bridge. The Joint Economic Committee established under the Oslo Agreement continued to be active. At its most recent meeting, a wide-ranging discussion had been held on the Palestinian economy, including exports from Gaza to the West Bank, Egypt, Jordan and Israel.

18. At the international level, efforts were continuing. An IMF team would soon be preparing a Palestinian budgetary forecast for 1996; the World Bank had started preparing a survey of the public investment structure and its requirements; a joint World Bank-IMF-Palestinian-Israeli team of experts would be carrying out a general survey of the economic situation in the territories, with special attention to four major sectors; and the World Bank had been asked to prepare proposals for the funding of major infrastructural projects.

19. The most visible signs of economic development in Gaza were the massive building projects, which had led to a marked increase in the number of employed persons. However, since much of this was the result of transitory projects, it would be necessary to take additional steps to stimulate the private sector. The present transitional phase should last long enough to allow for the resolution of the long-term unemployment problem through steps such as increasing the areas devoted to agriculture and developing service and processing skills for export.

20. He concluded by noting the improved morale in the Gaza area as a result of economic activities. This was only a start, and further progress depended on the continuation of the peace process, the success of which would both affect and be affected by economic progress of the areas.

21. The representative of Japan commended the UNCTAD secretariat for its useful report on current developments in the Palestinian economy and for its

cooperation aimed at improving the situation. Japan could not over-estimate the importance of the Middle East peace process, and support for the Palestinian people was essential to ensure the success of this historic initiative. The Israel-Palestine Agreement of 13 September 1993 was a significant contribution to the peace process, but the gains realized so far had not been entirely shared by the Palestinian people. It was imperative to transform these gains into actual economic and social development in the West Bank and Gaza Strip which could be clearly recognized by the Palestinian people.

22. With regard to Japan's policy of support for the Palestinian people and the Middle East peace process, the Prime Minister of Japan was currently visiting the region for discussions with the heads of Government of the countries directly involved in the Middle East peace process. In this context, preparations were underway for dispatching personnel to the United Nations Disengagement Observer Force (UNDOF), hopefully in February 1996, and for providing both financial and personnel support to the surveillance group for elections in the Palestinian territory to be held in the near future. These initiatives of the Japanese Government were accompanied by large-scale economic assistance programmes. Immediately after the signing of the Israel-Palestine Accord, Japan had made a commitment to the two-year economic assistance package of US\$ 200 million. It had been able to disburse around US\$ 150 million, representing the largest disbursement from a single donor. Roughly one-third of this amount was allocated to meeting the running expenses of the Palestinian Authority. Within the framework of the peace process, Japan was also participating particularly in the areas of environment and tourism.

23. All these initiatives derived from the deep commitment of Japan for the peace and development of the region. Judging by the current situation in the West Bank and Gaza Strip, more efforts were needed to put the peace process firmly in place. The Japanese Government was ready to extend further cooperation in various forms to the Palestinian people in partnership within the international community.

24. The representative of Spain, speaking on behalf of the European Union, said that the UNCTAD secretariat's report provided a useful analysis of the situation of the Palestinian economy, notably in the fields of private investment and infrastructure. The report provided a realistic account of perspectives for Palestinian economic cooperation with neighbouring countries and of the implementation of international development programmes. However, the presentation of UNCTAD's programme on this subject should be less general and more targeted to technical cooperation. He encouraged continuation of the dialogue between

UNCTAD and the United Nations Special Coordinator in the Occupied Territories. He added that UNCTAD IX would further reflect on the future task and role of UNCTAD in assisting the Palestinian people.

25. The European Union had always participated in the development dimension of the Middle East peace process, especially through the five multilateral working groups. It had also adopted its programme of "Joint Action to Support the Middle East Peace Process" in April 1994 and was today the major donor in Gaza and the West Bank. He was pleased to acknowledge that, since the application of the Tripartite Action Plan between Israel, the Palestinian Authority and donors, coordination on aid issues had improved. Assistance to the Palestinian people would continue with the active support of the European Union, with emphasis on technical cooperation and regular assessment through liaison between beneficiaries and donors. The Palestinian Authority should be encouraged to modernize its administration and make it more transparent. This included building a modern statistical system and a competent public administration able to control budgetary expenditures and reduce budget deficits. In conclusion, he affirmed that the European Union would continue to cooperate in favour of a successful conclusion to the Middle East peace process and of economic development in Gaza and the West Bank.

26. The representative of China said that during the period under review, the UNCTAD secretariat had made unremitting efforts to assist the Palestinian people to overcome their difficult economic situation. The secretariat had carried out a great deal of work on economic performance in the West Bank and Gaza Strip and in preparing the proposed programme of technical assistance for the benefit of the Palestinian economy. The secretariat had also established close consultations with the Palestinian Authority. These developments were most welcome and worthy of support.

27. Great strides had been made in establishing the Palestinian Authority and in the gradual extension of its powers. This was the result of the long struggle of the Palestinian and Arab peoples and of the wise choice of leaders of Palestine, Israel and Arab States to solve their differences through peaceful methods. These efforts had helped establish the basis for peace. China had always supported the struggle of the Palestinian and Arab peoples to attain their rights, including their national right to self-determination and to achieve peace through negotiations. He concluded by calling on all to support this approach, with the aim of hopefully achieving a full, comprehensive and just peace in the region as a whole.

28. The representative of Cyprus said that the Middle East had witnessed historic and encouraging developments towards the achievement of a comprehensive, just and lasting settlement based on the relevant Security Council resolutions. The States of the region were inspired by an ardent desire for lasting peace and the hope that existing problems could be resolved so that the process of economic development could start. He supported the peace process, which would lead to a new Middle East characterised by new challenges and opportunities, increased cooperation and prosperity for all the peoples of the area.

29. In support of efforts to rebuild the Palestinian autonomous areas, Cyprus had in July 1995 presented an aid package providing, among other things, for reconstruction of two medical centres in Gaza, an extensive scholarship programme for the training of Palestinian personnel in a wide range of fields, as well as consultancy and technical assistance in all those fields. The package also included assistance from the Cyprus Development Bank towards the establishment of a Palestinian investment bank. This gesture had a double symbolism, as it expressed the traditional friendship between the Cyprus and Palestinian peoples and constituted a concrete manifestation of the progress in the peace process and of the need for substantial steps to improve the standard of living of the Palestinian people. In the same spirit, Cyprus had recently joined the multilateral working group on regional economic development, in which it hoped to play a positive role.

30. The representative of the Arab Labour Organization said that the secretariat's report exhibited sound analysis and a comprehensive approach with regard to immediate and future economic perspectives in the occupied Palestinian territory. He fully endorsed the observations made by the representative of Egypt and the points raised by the representative of Norway with regard to intensified coordination between international organizations.

31. UNCTAD had spared no effort in providing assistance to the Palestinian people, especially the advisory services recently extended to the Palestinian national authority. These efforts, which involved a new approach focusing on operational aspects in addition to research, analysis and publication of sectoral studies, should be continued and encouraged by the Board, especially at this crucial stage in the struggle of the Palestinian people to establish their independent State, in accordance with their legitimate rights.

32. The report examined the obstacles facing the task of building a Palestinian economy capable of sustained growth. However, it had not mentioned the major factor underlying the sufferings of the Palestinian people, namely the problems

of settlements, expropriation of land and water resources. UNCTAD might consider examination of these issues to be within the purview of other agencies, or to be premature. However, without the resolution of these issues in a manner that guaranteed the rights of the Palestinian people, no economic or social development would be successful, much less sustainable. Settlement activities, which had recently been intensified, especially in and around Arab Jerusalem, and violent acts carried out by Israeli settlers served to cut the ties that bound the Palestinian people to their land and deprive them of the chance to survive and to exercise their sovereignty and authority. The Palestinian people must regain their basic rights, especially self-determination.

33. The secretariat's report had correctly highlighted the serious problem of unemployment, which had spread in the occupied Palestinian territory. It was ironic that the social, economic and labour situation of the Palestinian people had actually deteriorated in the past two years since the signing of the peace accords. The repeated closure of the occupied territory was not for security reasons in the strict sense, but rather constituted a rigorous application of the internationally prohibited measure of collective punishment. The repetition of this absurd measure had caused innumerable problems affecting all aspects of Palestinians' daily life, unemployment had risen to between 38 and 55 per cent and the Palestinian economy had lost some \$600 million, a sum which was equivalent to the total international aid pledged for 1995. He hoped that Israel would not resort to this measure of collective punishment again. Meanwhile, the Arab Labour Organization was following closely the problem of unemployment and related developments affecting Palestinian workers with the International Labour Organization, the competent forum for treating these issues.

34. He concluded by calling for coordinated international action to support and complement the efforts of the nascent Palestinian national authority to revive the Palestinian economy which had been weakened by the legacy of problems caused by occupation. The Palestinian economy could regain its vitality through an end to Israeli occupation and settlement, and through its integration within the Arab regional economy in line with its natural, human, economic, historic and cultural complementarities.

35. The representative of Israel said he regretted the tone of some references in the statement of the Arab Labour Organization which were anachronistic and reminiscent of times past. They were inappropriate at a time when peace negotiations were taking place. As regards the reference made to violence, since the Oslo agreement over 100 Israelis had been killed in terrorist actions carried out by Arab opponents of the peace process. Israel regretted the occasional

measures such as the closure of territories as much as anyone, but if the representative of the Arab Labour Organization wished such measures to end, then he should address his remarks to organizations such as Hamas and Islamic Jihad so as to discourage them from the kind of activities that they were undertaking. If terrorism were to be brought to an end, the peace process could proceed faster and more effectively and reach the satisfactory conclusion that all would like to see.

36. In his concluding remarks, the Chief of the Special Economic Unit expressed his appreciation for the statements made on the item, taking note of that points that had implications for the ongoing and future work of the secretariat on the Palestinian economy. The delegation of Norway had referred to UNCTAD's programme of technical cooperation and the need for coordination with other agencies. In that connection, he reiterated that the programme of technical cooperation activities in support of Palestinian trade, finance and investment, shipping and multimodal transport was based on the outcome of the major intersectoral research and investigation project which the secretariat had initiated following its approval by the General Assembly. The project, which entailed the preparation of in-depth studies on almost 25 economic and social sectors, was being carried out in close consultation with the agencies of the United Nations system.

37. Although the World Bank and IMF had declined to be associated with the intersectoral project, the numerous sectoral studies issued under the project had also been made available to them as early as 1992. This included the quantitative framework prepared by the UNCTAD secretariat investigating development prospects for the Palestinian economy up to the year 2010, which had been supplied to the World Bank following its designation by the sponsors of the Middle East Peace Conference in Madrid to investigate prospects for regional economic cooperation. As for the programme of technical cooperation, there were certainly a number of activities which would be of interest to other agencies of the United Nations system. These would be closely coordinated with similar efforts of these agencies as and when the programme was unfolded for implementation. To this effect, the programme would be brought to the attention of all bilateral and multilateral sources upon its approval by the Palestinian Authority.

38. As regards coordination, the UNCTAD secretariat had strived from the outset of its work on the Palestinian economy towards the establishment of a central mechanism within the United Nations system to coordinate the efforts of all those concerned. It had welcomed the decision of the Secretary-General of the United Nations to designate a Special Coordinator in the occupied Palestinian territory,

and immediate measures had been taken to cooperate with the Special Coordinator and extend assistance towards the establishment of a mechanism to ensure coordination of United Nations activities in the Palestinian territory, and this cooperative arrangement would be further developed. The secretariat expected this to ensure coordination not only with the agencies of the United Nations system active in the Palestinian territory but also with the relevant institutions of the Palestinian Authority itself. In conclusion, he reaffirmed the secretariat's intention to further elaborate the issue of developing Palestinian foreign trade statistics in its proposed programme of technical assistance, in light of its importance to the Palestinian Authority and concerned parties and international organizations.

Action by the Sessional Committee

39. At its third meeting, on 14 September 1995, the Sessional Committee took note of the report by the secretariat, as contained in document TD/B/42(1)/8, including the proposed programme of technical assistance activities in Part III of the report, and, in accordance with General Assembly resolution 47/445, decided to annex a summary of the discussions under the item to the report of the Board to the General Assembly.