



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/B/51/L.4
8 October 2004

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Fifty-first session
Geneva, 4-15 October 2004
Agenda item 8(b)

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FIFTY-
FIRST SESSION**

Rapporteur: Mr. Patrick Krappie (south Africa)

Speakers:

Coordinator for Assistance to the Palestinian People Palestine	Islamic Republic of Iran Tunisia
Brazil for the G77 and China	Cuba
Pakistan for the Asian Group and China	Morocco
Nigeria for the African Group	Jordan
Israel	Benin for the LDCs
Egypt	Russian Federation
United States of America	China
Indonesia	Sudan

Note for delegations

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

Requests for amendments to statements by individual delegations should be communicated by **Tuesday, 19 October 2004** at the latest, to:
UNCTAD Editorial Section, Room E.8108, Fax No. 917 0056, Tel. No. 917 5656.

**TECHNICAL COOPERATION ACTIVITIES: REPORT ON UNCTAD'S
ASSISTANCE TO THE PALESTINIAN PEOPLE**

(Agenda Item 8(b))

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

“Report on UNCTAD’s assistance to the Palestinian people” (TD/B/51/2).

2. The **Coordinator for Assistance to the Palestinian people**, introducing the secretariat's report, said that the Board’s agenda had featured the item on assistance to the Palestinian people for 20 years, which attested to the complex political context in which this economic issue was widely perceived. It was an important achievement for UNCTAD that at UNCTAD X and XI, a consensus had been reached for work in this area. In operationalizing its mandate, the secretariat had combined the three pillars of UNCTAD’s work, namely research and analysis, technical assistance and intergovernmental consensus building. In its efforts to mainstream UNCTAD’s global outlook into this programme of work, the secretariat had also recognized the uniqueness of the issue. While UNCTAD was not the forum to deal with the political, security, humanitarian or legal aspects of the question of Palestine, it was an appropriate UN forum to examine the developmental dimensions of the issue.

3. The report underlined the urgency of bringing relief, rehabilitation and development efforts into a cohesive framework determined by a genuine Palestinian development vision and agenda. The Palestinian economy continued to feature deep-seated structural imbalances and distortions, owing to occupation, geographic isolation and fragmentation, war and institutional attrition, and the uncertainty of implementation of the two-State solution envisaged in Security Council resolution 1397 and the international community’s Road Map. Any political process should be paralleled by an economic development strategy, and even in the absence of political progress, the Palestinian economy had demonstrated resilience and coping strategies, which should provide the guiding elements for conflict and post-conflict development endeavours.

4. UNCTAD's policy message on this had found growing resonance in Palestinian and international fora and had informed UNCTAD's programme of technical assistance to the Palestinian people in recent years, implemented in close cooperation with Palestine. UNCTAD had been fully engaged in supporting Palestinian development efforts and establishing new partnerships with the private sector and international development organizations. Increasingly, donors considered UNCTAD to be a transparent development agency capable of delivering cost-effective technical assistance to the Palestinian people.

5. UNCTAD X had welcomed UNCTAD's assistance to the Palestinian people and called for it to be intensified. The São Paulo Consensus had again endorsed UNCTAD assistance to the Palestinian people and called for it to be strengthened with adequate resources. In view of the constrained institutional capacity of the Palestinian Authority (PA) and private sector institutions and the adverse field conditions, the Assistance to the

Palestinian People Unit (APPU) in UNCTAD played an indispensable role in liaison, research and ensuring policy cohesion in support of the work of other UNCTAD Divisions. However, funding constraints were becoming increasingly critical, and this impaired the efficiency and impact of technical assistance. The secretariat's ability to forge ahead with the design and initiation of planned technical assistance activities was undermined by recurrent limitations and the unpredictability of extrabudgetary resources, as well as reduced core staff resources. The secretariat would not be able to accept new PA requests for technical assistance projects in the absence of the extra professional post that had been allocated to APPU since 2001. Enabling systematic Palestinian participation in UNCTAD expert meetings was another capacity building priority that the secretariat would emphasize in its work programme for the coming years.

6. Currently available regular budgetary resources were sufficient to maintain the secretariat's specialized knowledge and policy analysis capacity in specific areas, and to provide occasional advisory services. But they were not adequate for managing an intensified, multisectoral technical assistance programme, or to enable Palestinian sectoral representatives and experts to participate fully in UNCTAD expert meetings. In order to expedite action to remedy this situation, the secretariat was prepared to follow-up on the Board deliberations with proactive resource mobilization efforts, in consultation with interested delegations and competent authorities in donor capitals.

7. The representative of **Palestine** said that, while the secretariat's Unit for assistance to the Palestinian people was small in size, its contribution to research into and understanding of the Palestinian economy and the impact of the Israeli occupation thereon was important. He appreciated all forms of assistance provided by UNCTAD to the Palestinian people, and he stressed the need to concentrate on capacity building and economic policies of the emerging Palestinian state. He urged the secretariat and donor countries to provide resources as a positive contribution to the inevitable peace and as a translation into actions of the São Paulo Consensus.

8. The Oslo agreements provided for equality, mutual respect, partnership in peace and economic development. However, since their adoption, another decade of occupation had elapsed, with severe repercussions on all aspects of the life of the Palestinian people. The most recent Israeli killing of Palestinians, demolition of homes and razing of farms and fruit trees were samples of the practices of an occupation that sensed its end was approaching. Israel would like the Palestinian State to be run by private firms and NGOs that had favourable links with Israel rather than by an elected and legitimate Palestinian Authority that exercised sovereignty, and he wished to alert the international community and intergovernmental and non-governmental bodies and organizations to this rather absurd trap.

9. The insistence of Israel on taking unilateral measures and disregarding the Palestinian Authority was a futile strategy intended to divide the Palestinian territory through the separation of the Gaza Strip geographically and politically from the West Bank. The Palestinian position with regard to any possible Israeli withdrawal from Gaza Strip was governed by two basic considerations: that the West Bank and Gaza Strip constituted a single

territorial unit; and that any withdrawal from Gaza Strip should correspond to similar steps in the West Bank in consistency with the Road Map and in full cooperation with the Palestinian Authority. He called upon all member States of the United Nations to comply with their legal obligations, as set out in the advisory opinion rendered on 9 July 2004 by the International Court of Justice, on the “Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory”. It was time for the international community to resort to concrete steps to make Israel comply with international law. He called for the boycott of firms and individuals associated with the building of the wall, and a ban on the import of Israeli settlements products, as necessary measures that would make Israel contemplate the costs of its continued occupation and violation of UN resolutions.

10. The Road Map would not bear fruit if it was not accompanied by an economic Road Map that showed the way out of Palestinian dependency on Israel and built confidence through measures aimed at placing the Palestinian party on a par with its Israeli counterpart. However, these measures in themselves would not be sufficient if not accompanied by political will on the part of Israel to facilitate the creation of an independent, democratic and sovereign Palestinian State with the defined borders of June 1967. In addition to the serious ramifications for the Palestinian economy of Israeli policies in terms of physical destruction and economic stagnation, there had been a severe contraction of the Palestinian human capital base through the loss of lives and the continuous brain drain via the emigration of highly skilled people in search of work opportunities elsewhere.

11. Human capital was indispensable for a country’s balanced growth and sustained development, particularly in a post-war context. He urged the UNCTAD secretariat to take this into account in devising its future assistance programme for the Palestinian people and to focus on the untapped potential of the Palestinian enterprise sector and its ability to actively engage in the process of reconstruction and development. He welcomed the secretariat’s proposals concerning the rehabilitation and development of the Palestinian economy for the period 2005-2006, including the proposal to strengthen the Assistance to the Palestinian People Unit, and he urged donors to help UNCTAD in its endeavour to assist the Palestinian economy.

12. In concluding, he referred to the Palestinian economic rebuilding strategy for enhancing dynamic growth, which would build on the lessons learned since 1994. Palestine was determined to rise to the challenge posed by the monumental tasks of economic rebuilding that lay ahead, particularly overcoming the cumulative impact of war and prolonged occupation. However, its efforts could fail unless Israel thought ahead and transformed itself from an occupying power ruling through the barrel of a gun into a genuine partner in peace and economic development. Peace could be achieved, but while it took one party to start a war, it took two to conclude peace.

13. The representative of **Brazil**, speaking on behalf of the **Group 77 and China**, commended the secretariat for its relentless efforts. He urged the secretariat to intensify those efforts to meet the growing requirements of the distressing situation of the Palestinian people, and he called upon the members of the Board to increase their support for the programme. He

was concerned about the adverse impact on the Palestinian economy of the construction of the separation barrier. The effects on Palestinian agriculture in particular were enormous, and the land confiscated for the construction of the wall/barrier were to the east of 1967 border and among the most productive agricultural land in the West Bank. The construction of the wall could lead to a reduction of agricultural production capacity by as much as 20 per cent.

14. One rare encouraging sign was the unprecedented social cohesiveness shown by Palestinian society, which managed to employ more workers domestically than in 1999. The international community should support the Palestinian Authority in meeting the challenges of increasing the wages and productivity of the domestically absorbed work force and sustaining economic growth. The donor community should also work together to support the Palestinian efforts to build their own development agenda and priorities, even under the present circumstances.

15. Even although UNCTAD's technical assistance for Palestine had been expanding, many proposed activities still lacked the required resources. For example, the Empretec project had been interrupted due to resource constraints. This highlighted the need for greater resource predictability for UNCTAD's assistance to the Palestinian people. Lack of resources could seriously undermine the secretariat's ability to respond to emerging needs and place further constraints on the PA's renewed development efforts.

16. In concluding, he said that the achievements of the secretariat attested to the relevance and impact of UNCTAD's assistance. This progress in substantive and operational work had been possible only because adequate central resources had been available since 2001. Maintaining the momentum would require sustaining an adequate level of resources, as affirmed in the São Paulo Consensus.

17. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, expressed appreciation for UNCTAD's continuing support for the Palestinian people. He stressed his Group's great concern at the continuation of the closure policy and the economic impact of the Israeli occupation of the Palestinian territory, especially the construction of the separation barrier within the occupied territory and the additional damage to Palestinian agriculture. This would further aggravate poverty and the structural weaknesses of the economy and therefore increase the Palestinian people's imposed dependence on Israel.

18. The donor community should support Palestinian efforts to set their own development agenda and priorities. However, he was greatly concerned with the lack of available resources, which had resulted in the suspension of one of the ongoing projects, and the lack of resources within the APPU. This would adversely affect the secretariat's ability to respond effectively to the São Paulo and Bangkok mandates providing for intensified assistance to the Palestinian people. He called on Board members to secure more predictable and comprehensive extrabudgetary support for the secretariat's work. Finally, he urged the international community to accelerate its support for the Palestinian people and work together to achieve lasting peace on the basis of international legitimacy and the two-State solution.

19. The representative of **Nigeria**, speaking on behalf of the **African Group**, expressed his full appreciation for UNCTAD's continued support to the Palestinian people and commended the Assistance to the Palestinian People Unit for its work over the past 20 years. His Group was very concerned about the effects of occupation on the Palestinian people and the severe negative consequences of the conflict on economic activity. He called for intensified international support for the Palestinian people and highlighted the urgency of providing necessary resources for UNCTAD's programme of assistance to the Palestinian people.

20. It was essential to bring about improved economic conditions that would assist the Palestinian people and help them to build the institutions necessary to face current and future challenges. He also stressed the necessity of peace building, to which the United Nations must remain committed. Finally, he expressed his solidarity with the Palestinian people for their admirable fortitude in the face of extremely difficult occupation conditions.

21. The representative of **Israel** questioned the need for a special item on the Palestinian economy or a special secretariat unit to deal with the issue. Forty-five of the 50 least developed countries had a much lower per capita GDP than the Palestinian Authority, without benefiting from special treatment. Israel remained willing to act together with the Palestinians for the improvement of their economy, and supported the strengthening of the Palestinian economy and infrastructure.

22. He welcomed the measures proposed by the secretariat for the rehabilitation and reconstruction of the Palestinian economy, and affirmed that a realistic vision towards this goal was necessary. However, the goal could not be achieved as long as violence prevailed, and it was inconceivable to sustain economic development in a situation of continuous violence. The Palestinian economy, as well as the Israeli economy, could only be reinvigorated once the Palestinians reversed their decision taken four years ago to launch a wave of violence against Israel.

23. The secretariat report was analytical and seemed comprehensive, it had been prepared in a professional manner, and he welcomed this effort. However, in many parts the report placed the responsibility for economic deterioration on the doorstep of Israel, while ignoring the responsibility of the Palestinian Authority for economic mismanagement, monopolies, corruption, lack of transparency and the absence of a supportive environment and clear planning for the economy. The report ignored the role of Israel in the improvements noted for 2003 and its consistent efforts to preserve the fabric of Palestinian civilian life, as well as the relative stability of prices thanks to the common trade regime. In sum, the report dealt with the results and not the causes. The immediate cessation of Palestinian terror in all its forms would result in a process of rejuvenation of the Palestinian economy.

24. Some of the facts and figures cited in the report, in particular the description of the consequences of the construction of Israel's security fence, were greatly exaggerated. The report did not mention the 24 gates opened along the fence to permit Palestinians to cultivate their land freely, nor the measures taken by Israel to re-route the fence in order to balance

Israel's security needs and the welfare of the Palestinian population. The report also published erroneous figures, not confirmed by the Palestinian Bureau of Statistics, regarding the degree of physical damage and poverty suffered by the Palestinians.

25. In line with Israel's intention to disengage from Gaza, a dialogue had been initiated with the World Bank and the donor community to find a way to rehabilitate the Palestinian economy as a step towards the "day after". There were some insinuations in the secretariat report on the future of the Paris economic agreement, which had been reached after intensive bilateral negotiations and which should only be revised or altered through mutual agreement. Before embarking on requests for extrabudgetary resources, the secretariat should ask the Palestinian Authority for a report on the detailed steps it intended to take towards social and economic reforms, in conformity with international demands.

26. The representative of **Egypt** said that she would have preferred her statement to focus on positive developments in the area of assistance to the Palestinian people and the evaluation of such assistance. She would also have preferred at least neutral circumstances to make it possible to concentrate on meeting the needs of the Palestinian people, who had suffered from a bloody occupation for more than 50 years. However, the events on the ground and the practices of the Israeli occupying forces left no room for such important matters. The suffering of the Palestinian people as a result of Israeli incursions, especially in the last few weeks, included the destruction not only of infrastructure and water resources, but also of the human element itself and its inalienable rights. At the General Assembly on 24 September, the Egyptian Foreign Minister had warned about the practices of the Israeli occupying forces, which included the destruction of houses and infrastructure, the closure policy, assassinations and collective punishment.

27. The secretariat's report clearly showed the economic impact of the occupation and the suffering it imposed on the Palestinian people. The "separation wall" that was being built by the Israeli Government would lock in 13 per cent of the agricultural land between the green line and the wall. According to the International Court of Justice, the construction of the wall was illegal.

28. The international community should provide assistance that met the concerns and priorities of the Palestinian people in order to prevent the occupation from attaining its objective. The Board could strengthen international efforts by providing adequate resources to the Assistance to the Palestinian People Unit, as called for in paragraph 35 of the São Paulo Consensus. This was especially important in light of the lack of resources that the Unit was presently facing. The Board should meet its obligations to this programme not only through new extrabudgetary resources but also through the reallocation of the secretariat's regular budget resources.

29. The ultimate objective of all assistance to the Palestinian people was their full independence, and the desired outcome of assistance would not be realized in a highly negative military and political atmosphere. She called for the full implementation of all

relevant resolutions, especially Security Council resolutions 242 and 338 concerning the withdrawal of Israeli forces from all occupied territories.

30. In conclusion, she proposed enhancing cooperation between Egypt and the UNCTAD secretariat, which had commenced recently in the area of transit transport between Palestine, Egypt and Jordan. She saluted the Palestinian people for their determination and persistence and affirmed that their struggle would definitely bear the fruit of national independence with international legitimacy.

31. The representative of the **United States of America** said that, while views might differ regarding the causes of the situation of the Palestinian people, there was no disputing the devastation that had overtaken them in recent years, for which the evidence was very clear. Her Government's approach to the problem had three parts. First, peace was paramount, and any progress on either the political or the economic front required peace. That, in turn, required an effective Palestinian security performance and a Palestinian Authority that could effectively direct its people towards peace. Secondly, progress required a serious political process that implemented the Road Map for peace and aimed at a two-State solution. Finally, the abiding economic crisis called for a continuing humanitarian effort, as well as efforts to build strong and responsible Palestinian institutions. This was ever more necessary in light of the very real challenges involved in revitalizing the Palestinian economy after Israeli disengagement from Gaza.

32. The United States had taken the lead in both development and humanitarian efforts and had provided over \$1 billion in assistance to the Palestinian Authority and the Palestinian people since 1993. In 2004 alone, United States assistance to the Palestinian people totalled over \$200 million. The United States was by far the largest bilateral donor in the West Bank and Gaza. However, as in so many other places in the world, money alone could not do the job. The good will of all was needed, as well as partners who would work together constructively to address Palestinian needs and help put the region back on the path towards peace.

33. The representative of **Indonesia** emphasized that the intolerable state of war in the occupied Palestinian territory could have severe consequences for the region, as well as repercussions for the world at large. Any efforts by the international community would not have the desired maximum effects if the Palestinian people were not given the chance to rebuild their economy in a peaceful environment. He expressed great concern regarding the construction of the separation barrier by Israel and its adverse impact on the Palestinian economy.

34. He was encouraged by the fact that UNCTAD had been consistently involved in the programme of development assistance for the Palestinian people. The unambiguous mandate of São Paulo in this area had to be followed up by more focused, integrated and comprehensive assistance in the future, for which the Board should give regular endorsement. He concurred with the need to build a link between relief, including emergency assistance, and development. However, he underlined the importance of more predictable resources so as

to meet the multifaceted problems of the Palestinian people, and he urged donors to continue and increase their support to enable UNCTAD to strengthen delivery of its assistance to the Palestinian people.

35. The representative of the **Islamic Republic of Iran** commended UNCTAD for its assistance to the Palestinian people over the past 20 years. All macroeconomic indicators in Palestine had declined as a result of the occupation. The only figures going up were those of unemployment and deficits. He emphasized the vast negative effects caused by the construction of the separation barrier. He raised the question as to whether UNCTAD intended to continue its assistance to the Palestinians in the same form and framework as before or whether there would be changes in the structure of the assistance based on the recent situation imposed on the Palestinians. Finally, he requested that, in its future work, UNCTAD include analysis and evaluation of the socio-economic impact of the separation wall in terms of Palestinian development.

36. The representative of **Tunisia** thanked UNCTAD for its efforts in assisting the Palestinian people. The secretariat's report clearly showed the impact of Israeli occupation and its closure policy on the Palestinian people and economy. As GDP continued to decline, with serious consequences for unemployment, the poverty and suffering of the Palestinian people continued to deepen, and such economic devastation had not been seen since the Second World War. UNCTAD's work had responded to the expanded needs of the Palestinian people, and his delegation therefore appealed to the donor community to increase its support for this programme.

37. The representative of **Cuba** expressed her appreciation for the report and welcomed the successes achieved by the secretariat, despite the difficult field conditions. She emphasized the full solidarity of her Government with the struggle of the Palestinian people. Cuba was convinced of the role of UNCTAD in economic development, especially in the framework of the programme for the Palestinian people. She reiterated the appeal to help the Palestinian people through the provision of more predictable and comprehensive resources for UNCTAD's activities in that area.

38. The representative of **Morocco** said the secretariat's report showed that the Palestinian economy continued to suffer, with dire consequences in terms of the vulnerability of the people. There was a need to refocus the assistance to the Palestinian people to meet their urgent needs. The war-torn economy, road blocks and other practices by the occupation authorities hindered the growth and economic development of the Palestinian people. Nor was it possible to ignore political and social issues, as they were main factors underlying economic matters. He stressed the need to implement the São Paulo Consensus as it related to the Palestinian people, and he called upon the donors and international community to support the Palestinian people. He also called for an end of the occupation, since only a just and lasting peace would lead to the well-being of all.

39. The representative of **Jordan** stressed the need to continue providing technical assistance to the Palestinian people, especially in light of the recent escalation of the practices

of the occupation forces, including confiscation of agricultural land, the closure policy and destruction of livelihoods. Jordan remained extremely concerned with the situation and had always done its utmost to build peace in the region.

40. The representative of **Benin**, speaking on behalf of the **least developed countries**, expressed appreciation for the work of the Assistance to the Palestinian People Unit, especially under very difficult field conditions. War, poverty and people's suffering reinforced one another. The assistance provided by the international community was being destroyed, and the Palestinian people were living under precarious conditions. The efforts of the international community would not achieve the desired results unless the situation changed. He referred to the Board's discussion on investing in peace in Sri Lanka, and urged the international community to commit to peace to bring the Palestinian people back to their country in order to help rebuild their communities.

41. The representative of the **Russian Federation** expressed his appreciation for the secretariat's report, especially given the complexity of the situation on the ground. The work done in this area was commendable, and the report provided very valuable information on the economic situation of the Palestinian people. He stressed the sincere wish of his country for the continuation of UNCTAD's work in this area, which was a contribution to the efforts towards a lasting peace in the region.

42. The representative of **China** commended the comprehensive analysis in the secretariat's report of the challenges facing the Palestinian people. UNCTAD's technical cooperation activities were well tailored to the specific needs of the Palestinian people and their efforts to elaborate economic development strategies. On the whole, he expressed his satisfaction with UNCTAD's work but emphasized his concerns about the shortage of resources faced by the APPU in a period when the Palestinian economy was in urgent need of recovery. He hoped that the international community could provide more resources for UNCTAD in this respect. He also expressed his country's deep concern with developments on the ground and the need for a conducive environment for development through peace. UNCTAD was the only UN agency that provided such specialized development assistance to the Palestinian people, and its work was sincerely appreciated.

43. The representative of **Sudan** expressed his appreciation for UNCTAD's comprehensive work as well as the report on assistance to the Palestinian people. The situation on the ground was making the situation more complex and peace more difficult to achieve. He called on the members of the international community to do everything they could to help the Palestinian people to rebuild their infrastructure and economy.

*** **