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Agenda item 12

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

Held at the Palais des Nations  
from 27 September to 2 October 2006 and 10 October 2006

Rapporteur: Ms. Ana Inés Rocanova (Uruguay)

**Agenda item 7 (Technical Cooperation Activities)**

Speakers:

Coordinator of Assistance  
to the Palestinian People  
Israel  
Palestine  
Pakistan for the Group 77  
and China

Finland for the European  
Union and the acceding  
countries of Bulgaria  
and Romania  
Afghanistan for the Asian  
Group and China  
Indonesia  
Cuba

Islamic Republic of Iran  
China  
United States  
Brazil  
Norway  
Egypt  
Coordinator of Assistance  
to the Palestinian people

**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, 17 October 2006** at the latest, to:

UNCTAD Editorial Section, Room E.8106, fax no. 917 0056, tel. no. 917 1437.

## REPORT ON UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

(Agenda Item 7 (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: Prepared by the UNCTAD secretariat” (TD/B/53/2).

2. The **Coordinator of Assistance to the Palestinian People** said the fact that the Board’s agenda had long featured this item attested to the recurrent critical conditions in the occupied Palestinian territory. Both the Bangkok Plan of Action and the São Paulo Consensus had stressed the need to intensify assistance to the Palestinian People, and in response UNCTAD had positioned itself along two axes. The first was to examine the Palestinian economic predicament and adverse economic growth path, and the second was to engage UNCTAD’s technical expertise through targeted capacity building interventions.

3. The Palestinian economy remained hostage to deep-seated structural constraints, reinforced and aggravated by occupation and protracted conflict. It was locked in a cyclical path of de-development, with poverty and social strife aggravated as never before. At the same time, the viability of the Palestinian economy was a necessary condition for any meaningful realization of a two-state solution. However, that viability had been further challenged by new constraints following the establishment of a new Palestinian government in March 2006, and the Palestinian economy was likely to implode over the next year if current constraints were not removed.

4. The \$500 million of fresh donor aid pledged earlier in September in Stockholm would not be enough to reverse the decline under way or to compensate for the \$500 million in withheld Palestinian import tax revenues. The need to resume donor support could not be over-emphasized, but it was the quality of aid that mattered most.

5. UNCTAD’s technical assistance had been geared to creating dynamic synergies between rehabilitation, reconstruction and long-term development objectives. These successes demonstrated UNCTAD’s commitment to developing the capacities of Palestinian technical cooperation counterparts, in close cooperation with Palestine. Through highly effective projects, the secretariat had translated research into actions on the ground. In doing so, it had projected an alternative model of international development cooperation, driven by needs and demand, delivered through flexible modalities and devoid of political considerations.

6. The ASYCUDA national team had begun to operate an autonomous Palestinian customs automation system, and the EC-funded technical assistance project to establish the Palestinian Shippers Council was progressing rapidly. However, the present donor position had affected the financing of activities, and the secretariat looked to all member States for active support.

7. The representative of **Israel** said that he had never doubted and had always supported the professional work done by UNCTAD in the fields of capacity building and technical assistance to the Palestinian people. Throughout the year, Israel had reiterated its support for a strong and vital Palestinian economy. However, he did not think that the

secretariat's report contributed to that record of work. For the past 10 years, Israel had persisted in asking why there was a specific UNCTAD agenda item on assistance to the Palestinian people but not on other economic situations in desperate need of attention. UNCTAD could and should continue to do its good work in the field without producing political reports and debates. While there were many inconsistencies in the report, he would refrain from reviewing them in detail. He agreed with the report's findings on issues such as the informal sector and transparency in the public sector, but he was disappointed that the report had avoided the related issues of monopolies, corruption, budget transparency and the enabling environment.

8. It was surprising that, while referring to Israeli and donor measures following the Palestinian elections, the report avoided mentioning the Hamas government and the three benchmarks put to the Palestinian Authority by the international community, namely stopping the violence, recognizing Israel and accepting previous signed agreements. Ignoring such facts constituted a failure to depict the real picture. Despite the reality and the difficult security situation that Israel had faced in 2006, an effort had been made to maintain a reasonable social fabric in Palestinian civilian life. In concluding, he hoped that UNCTAD would continue focusing its attention on the important activities and programmes that concerned all its members, thus remaining faithful to the São Paulo Consensus.

9. The representative of **Palestine** thanked the secretariat for its assistance to the Palestinian people and for its valuable comments on the economic conditions in the occupied Palestinian territory, which indicated that the Palestinian war-torn economy, already weakened by prolonged occupation, had been launched into a trajectory of accelerated economic retrenchment and de-development. The persistence of the crippling measures and policies of Israel, the occupying power, and their intensification, particularly since the January 2006 parliamentary elections, had accentuated the dependence and marginalization of the Palestinian economy. Military operations, the Wall, closures, and the withholding of Palestinian tax revenues of almost US\$ 60 million a month, which constituted 50 per cent of the funds available to the Palestinian Authority (PA), were among the countless measures responsible for the unprecedented downturn of the economy.

10. The current situation had produced new economic priorities – preventing the collapse of the fragile PA institutions and securing salaries for 168,000 employees, who accounted for 23 per cent of total employment. In Gaza alone, 70 per cent of the population was now dependent on the United Nations for food aid. Moreover, the PA, with responsibility for 70 per cent of the schooling system and 60 per cent of health services, was struggling to maintain those essential social services that could not be handled by alternative institutions.

11. It must be hoped that these preoccupations would not be at the expense of planning for socio-economic recovery and development, and that increased dependence on aid tied to political conditionality was temporary. The Palestinians were aware of the economic downside of dependency on foreign aid, and had absorbed the harsh lesson from the current crisis. The PA "Emergency Support Programme" was based on a set of principles concerned with linking humanitarian assistance with development efforts.

12. Ironically, democracy was being denounced for the first time in history in an occupied country, as it clashed with the political will and interests of the occupier and its supporting centres of power. The results of a democratic process called for by these same centres of power had unleashed a set of economic sanctions that came on top of the complex

framework of occupation policies that had been suffocating the economic and social lives of the Palestinian people.

13. In addition to the deadlock in the peace process, it was evident that the Paris Protocol, which had been born as a result of Israeli arm-twisting, had contributed to the economic ills of the Palestinian economy. A faltering economy was not conducive to peace, and the absence of a viable Palestinian economy diminished the prospects of realizing a two-state solution in the near future. The matrix of punitive policies pursued by Israel and supported by Western donors would eventually backlash. The losers would be not only one particular government but the Palestinian and Israeli peoples, both of whom yearned to live in peace and prosperity, although that aspiration would remain elusive as long as the Israeli occupation persisted.

14. UNCTAD's programme of assistance to the Palestinian people had been established a decade before the PA had been created. There was no point in holding that programme hostage to unjustified political calculations. In the light of the final stages of the Mid-term Review process, the programme should be intensified and strengthened, in line with the São Paulo Consensus.

15. The representative of **Pakistan**, speaking on behalf of the **Group 77 and China**, thanked the UNCTAD secretariat for its report, its in-depth analysis of Palestinian economic development problems, and its persistent support for the Palestinian people. The latter were experiencing deplorable daily living conditions and an economic siege imposed through continuing occupation, and UNCTAD's activities were critical to their ability to overcome "unprecedented challenges" and the ongoing crisis. He highlighted the extraordinary resilience and the exceptional social cohesiveness of the Palestinian people in the face of deplorable living conditions that were far below acceptable standards. This year's significant reduction in donor aid had put the already vulnerable Palestinian economic institutional infrastructure at extreme risk.

16. His Group felt great concern regarding the continuing adverse impact of the Israeli occupation on the Palestinian territory, specifically the unemployment that affected half of the Palestinian labour force, the intense poverty that affected two thirds of households, the bleak economic prospects and the decline in per capita income to half of its pre-2000 level. He also expressed concern regarding the impact of the Israeli separation barrier and the mobility restrictions in the occupied territory; and how they aggravated the economy's structural weakness, impaired Palestinian economic stability and increased the imposed dependence of the Palestinian people on Israel. He was disturbed by the finding that 55 cents of every dollar of domestic production was a liability owed to the rest of the world, with 40 cents owed to Israel. This implied that all the aid provided to Palestine in the past five years was not enough to cover the Palestinian trade deficit with Israel. He was alarmed by the one-third loss of Palestinian productive capacity and the loss of one fifth of West Bank agricultural land to the Israeli separation barrier. The secretariat report projected a 50 per cent reduction in annual donor support, which suggested GDP losses of \$5.4 billion and potential job losses of 531,000 in 2006 and 2007. This was a recipe for social tension, with a risky outcome for all parties in the region.

17. Development was a shared objective that must not be sacrificed on the altar of political considerations, and he urged donors to resume aid to the Palestinian people to make possible urgently required policy measures to avert the projected economic collapse, measures such as formalizing the informal sector, adopting prudent fiscal policies, and

reconsidering the existing trade regime. He agreed with the report that the Quartet's Temporary International Mechanism should not become a policy tool for conditioning aid or dictating Palestinian development strategies. He concluded by commending UNCTAD's credibility and contribution in the last 20 years, and by calling on Board members to ensure extrabudgetary resources for UNCTAD's technical assistance activities for the Palestinian people to help them towards economic recovery and statehood.

18. The representative of **Finland**, speaking on behalf of the **European Union (EU) and the acceding countries of Bulgaria and Romania**, noted that the secretariat's report provided an important illustration of the humanitarian situation in the Palestinian territories and of how complex the overall situation in the region was. As the largest donor to the Palestinian people and the United Nations Relief and Works Agency, the European Commission had provided substantial support for UNCTAD's work in such areas as ASYCUDA. The Commission was also supporting, through UNCTAD, the establishment of the Palestinian Shippers' Council to assist Palestinian importers and exporters in promoting their trade.

19. She emphasized the EU's commitment to promoting lasting peace and security in the Middle East region, which, as just underlined by the European foreign ministers, could only be ensured by a comprehensive settlement with a negotiated two-state solution to the Israeli-Palestinian conflict at its core. The EU emphasized its commitment to promoting tangible progress towards a resolution of that conflict and underlined the importance of reinvigorating the peace process. It also reiterated the need for all parties to respect their Roadmap obligations.

20. The EU was deeply concerned at the humanitarian situation in the Palestinian territory. It had made a strong commitment at the Stockholm International Donor Conference on 1 September 2006, and it welcomed the expansion of the Temporary International Mechanism created in June 2006 to channel aid to the Palestinians; the EU and its member States had already channelled substantial resources directly to the Palestinian people through that mechanism.

21. Mindful of the continuing needs of the Palestinian people, the Quartet had decided to extend the Temporary International Mechanism for another three months, and had agreed to review the need for such a mechanism at the end of that period. The Quartet had also encouraged greater donor support to meet the needs of the Palestinians, especially in relation to security sector reform, reconstruction of damaged infrastructure, and economic development. The EU encouraged donors and others in the region to make full use of the mechanism. Finally, UNCTAD's programme of assistance to the Palestinian people should be continued, taking into account the guidance and decisions of the Quartet concerning aid to the Palestinians.

22. The representative of **Afghanistan**, speaking on behalf of the **Asian Group and China**, said the secretariat's report highlighted the fact that the issues facing the Palestinians were both chronic and acute and required different solutions. The separation barrier, which had enclosed huge areas of Jerusalem, had separated people from their jobs, schools and hospitals. Parts of the Palestinian territory were cut off from each other and the rest of the world. The siege and the increasing denial of entry of products could even lead to starvation. Furthermore, the freezing of US\$ 55 to 60 million by Israel and the sanctions by the international community had almost led to the bankruptcy not only of the Palestinian Authority but also of the private sector.

23. Unemployment, fuelled by the closure of the Green Line to Palestinian workers, was soaring, with continued declines in the number of jobs in the private sector and increasing difficulties for the banking community. There was a scarcity of raw materials, which had resulted in the suspension of many projects supported by donor countries. According to the report, this situation was leading to a "regression more debilitating than that of 2001-2002, with manifestations of poverty unknown since the occupation began in 1967". Economic difficulties had a clear impact in terms of the increase in violence, which in turn had repercussions on the economy and ultimately on the Palestinians. So the Palestinian people had once again been caught in a perpetual vicious cycle.

24. The Temporary International Mechanism could not be a long-term solution, or a substitute for the Palestinian Authority. After all, that would only undermine the Palestinian public institutions that donors had helped to create. Furthermore, other agencies and foreign non-governmental organizations might not have the capacity to provide services in areas traditionally covered by the government.

25. UNCTAD had an exemplary technical assistance programme for the Palestinian people, a programme which linked relief to development and national ownership. All the activities under the programme needed to be adequately funded as per the São Paulo Consensus, which called for the programme to be strengthened.

26. The Asian Group fully supported the secretariat report's emphasis on the need for urgent policy measures to avert economic collapse, including the formalization of the informal sector as a major tool for job creation and poverty alleviation. The prudent fiscal measures prescribed in the report were appropriate, and the existing trade regime needed to be carefully reviewed. Nationally owned economic policies that reflected the aspirations of the Palestinian people, equipped with the required policy instruments and supported by quality international aid, could redress the existing crisis situation.

27. The representative of **Indonesia** urged the international community to take all necessary steps to put a stop to the constant hostility in the territory in order to give the Palestinians a chance to improve their lives. He highlighted the findings of the secretariat's report regarding the worsening impact of recent developments on both economic development in the occupied Palestinian territory and Palestinian Authority institutions. The report emphasized that, without urgent attention to the core issues affecting Palestinian economic performance, the adverse path of dependence that had emerged under Israeli occupation would only deepen and further imperil the prospects for sustained development of the Palestinian economy. Decreasing direct donor support and continuing dependence on external resources and imports had deepened the Palestinian economic decline and was giving rise to unprecedented unemployment, poverty and social strife.

28. Indonesia called for increased support in the form of humanitarian aid and capacity building. With support from the Non-Aligned Movement countries, the first Senior Official Meeting of the New Asia Africa Strategic Partnership had decided to explore ways of providing aid for the Palestinian people.

29. He agreed with the secretariat's report on the need to assist the Palestinian government on making effective use of international aid and linking it to the budgetary process and national development priorities, as well as on the need to avoid donor aid conditionality. UNCTAD's technical assistance to Palestine was conducted in a comprehensive framework, in close consultation with the Palestinians and in cooperation

with other UN agencies. However, some of UNCTAD's programmes were impaired by lack of funding, and he therefore called for greater international assistance and extrabudgetary resources in support of UNCTAD efforts to help the Palestinian people, in line with the Bangkok Plan of Action.

30. The representative of **Cuba** strongly condemned the present situation, caused by Israeli measures and collective punishment and by financial blackmail by Western developed countries that refused to accept the will of the Palestinian people as reflected in free elections. The secretariat's report showed that, after many years of conflict, the Palestinian National Authority had been placed in a dangerous financial position, it was not able to overcome the loss of international aid, and the Palestinian economy was suffering from a large trade deficit and increasingly high poverty and unemployment levels.

31. The representative of the **Islamic Republic of Iran** said that the Palestinians were now having to cope with a degree of poverty unknown since the beginning of occupation. The economy continued to contract, with serious repercussions in terms of poverty, production capacity and the welfare of people. The war-torn economy had become fragmented, with a breakdown of economic relations between communities and between producers and markets. Palestinians were surrounded by land and sea barriers intersected by built-up areas, access routes and buffer zones, which obviously made any comprehensive economic policy for even the short-term meaningless. Decades of occupation, repression and conflict and the construction of the barrier had taken a heavy toll on the Palestinian economy and posed serious obstacles to Palestinian institutions in most fields, including economic policy.

32. The forced economic relations between the occupied Palestinian territory and the occupying entity had led to systemic exploitation of the Palestinians. This had resulted in a systematic deterioration of the Palestinian economy, and an amount equivalent to all the funds received from the international community would not be sufficient to cover the trade deficit with the occupying entity. Furthermore, the Palestinian Authority retained only limited control over tax and budgetary management, and aid was now more subject to donor agendas and a complicated planning and implementation process.

33. International assistance should follow a two-track approach, firstly to prevent the deterioration of the Palestinian economy and secondly to assist the efforts of the Palestinian Government to strengthen its institutional capacity and infrastructure and to expand activities in preparation for future statehood.

34. The representative of **China** said that unprecedented recent developments in Palestinian economic and social conditions represented a challenge for the long-term efforts made by the Palestinian people and the international community. The present reduction in donor aid impacted on investment and technical cooperation activities. Economic and social development in Palestine had been suffering severely, and people's livelihood was threatened. Palestinian social and economic development and the international community's efforts required a peaceful environment, and he therefore called on the Palestinians and Israel, with the support of the international community, to go back to the Roadmap and make substantive efforts towards peace. The Chinese delegation supported UNCTAD's continuing technical cooperation efforts in support of the Palestinian people to help them overcome the present difficulties and move towards economic recovery and an improvement in people's livelihood.

35. The representative of the **United States of America** said the region was going through a time of considerable challenge and opportunity. Recent turmoil in Lebanon and Gaza had renewed international and regional focus on the importance of Palestinian-Israeli peace. In addressing the General Assembly the week before, President Bush had made it clear that progress toward his vision of two democratic states, Israel and Palestine, living side by side in peace and security was one of the United States' greatest priorities. The United States was deeply engaged with the parties, its Quartet partners and moderate Arab States to facilitate the creation of the conditions necessary to move forward on the Roadmap to peace. In addition, Secretary Rice had met with the Quartet in New York on the urgent need to make progress on the Roadmap and to alleviate the Palestinian humanitarian crisis. The Quartet commended Palestinian President Abbas' efforts to break the impasse of a Hamas-led government that had failed to govern responsibly, and it called on the Palestinian Authority to accept the Quartet principles for peace: renounce terror, recognize Israel, and accept all previous agreements and obligations, including the Roadmap.

36. The United States was the largest donor to the West Bank and Gaza in 2006, with \$468 million in aid, including \$135 million for UNRWA. Until there was a Palestinian Authority government that the United States could work with, US aid would continue to focus on three strategic priorities: funding basic humanitarian needs; strengthening Palestinian moderates by expanding democracy and cultivating civil society; and promoting private sector development. The Palestinian people faced challenges, as clearly outlined by UNCTAD's report, and this year's events had added to the challenges of economic development. She urged UNCTAD and other international organizations to focus on restoring law and order, using the Roadmap as a guideline, and to join the Quartet and other leaders in pressing the Hamas government to meet its obligations as a first step towards re-establishing a basis for peace and security in the region.

37. The representative of **Brazil** expressed his country's solidarity with the Palestinian people and their suffering. The Palestine question was deeply embedded in Brazilian hearts, since Brazil had large Jewish and Palestinian communities. The UNCTAD secretariat should conduct an assessment of the impact of international trade preferences on the Palestinian economy, and of the extent to which these preferences were being utilized. The secretariat could also consider undertaking a forward-looking assessment of border controls for two reasons. Firstly, easing border controls could help enhance linkages between the technologically advanced Israeli economy and the low-wage Palestinian labour force. A recent study by the World Bank showed that enhancing those linkages would help boost the Palestinian as well as the Israeli economy. Secondly, improved border controls could help integrate the Palestinian economy with the neighbouring countries of Jordan and Egypt, providing more viable prospects for the Palestinian economy.

38. The representative of **Norway** expressed her country's deep concern over the humanitarian situation in the Palestinian territory. The UN appeal, launched in May 2006, was still far from being fully met, and Norway, together with Sweden and Spain, had sought to mobilize support for the appeal during donor meetings in Geneva in July and in Stockholm in September. Her country's humanitarian assistance to the Palestinian people in 2006 amounted to US\$ 45 million. In addition, Norway had allocated approximately US\$ 55 million to support Palestinian development efforts, either bilaterally or through the UN, ICRC or the NGO community. Norway had also contributed to some of UNCTAD's technical assistance activities in the Palestinian territories.

39. The humanitarian crisis could not be resolved unless a political solution was achieved. The parties had a responsibility to do their utmost to achieve a sustainable solution, and the international community should support initiatives that could restart the political process. Norway stressed the importance of free access and free movement in the Palestinian territory, since that was critical for ensuring basic humanitarian supplies and services, as well as for providing a basis for economic growth. Norway also urged Israel to release the withheld Palestinian customs revenues, totalling US\$ 500 million, as this would go a long way to address the current fiscal crisis.

40. A seamless transition between humanitarian assistance and long-term development in the Palestinian territory would be very important. The common long-term objective of building viable Palestinian institutions remained and should not be lost amid short-term relief efforts.

41. The representative of **Egypt** said that a question had been posed as to the rationale behind maintaining a special programme of assistance for the Palestinian people, but the answer was clear – the Palestinian people were the only people under occupation. This had been the case for 50 years, and there was therefore every justification for supporting the Palestinians as much as possible. This was also the expressed will of the international community, recently reiterated by ECOSOC in its resolution on the economic and social impact of the Israeli occupation on the Palestinian economy. Indeed, there were several international references attesting to the fact that the Palestinian people were going through difficult times; they included the São Paulo Consensus, paragraph 35 of which clearly stated that UNCTAD's programme of assistance to the Palestinian people should be strengthened with adequate resources. UNCTAD's Assistance to the Palestinian People Unit played a key role in supporting the Palestinians and provided a unique model for linking relief to development.

42. The secretariat's report highlighted the emergence of a new format of international aid to the Palestinians, one of heightened politicization. The Palestinian development strategy should be nationally owned, and any assistance should fall within that rationale with the aim of promoting Palestinian development efforts. As the report noted, while the quantity of aid was important, it was above all the quality of aid that mattered. The general framework guiding international assistance to the Palestinians should pave the way to economic independence, leading to political independence as called for by UN resolutions.

43. The **Coordinator of Assistance to the Palestinian people** said that the secretariat would be happy to see the day when there was no longer a need for this agenda item – when Palestine could become a full member of UNCTAD and no longer require a special programme of assistance. The complex issues of economic governance, including corruption, monopolies and rent-seeking, were squarely addressed in an in-depth study released earlier in the year by the secretariat; it was entitled "The Palestinian war-torn economy: Aid, reform and development" and covered the interaction between national governance, donor agendas and regional commercial interests. Moreover, as early as 1999, UNCTAD had pioneered research on cross-border trade facilitation issues, and its more recent work on alternative Palestinian maritime trade routes was now being used by the World Bank in designing trade facilitation solutions adapted to the current circumstances. Finally, he noted that the United Nations was associated with the political conditions set out by the Quartet, of which it was a member. However, all agencies had been instructed by the UN Secretary General in April 2006 to maintain their economic and social assistance to the Palestinian people, in close

cooperation with Palestine and through official Palestinian institutions and existing counterparts. Political and diplomatic contacts and issues were to remain the prerogative of the Secretary-General. UNCTAD was adhering fully to these guidelines.

**Action by the Board**

44. At its 988<sup>th</sup> plenary meeting, on 29 September 2006, the Board took note of the report of the UNCTAD secretariat contained in document TD/B/53/2 and the statements made by delegations, and decided, in accordance with General Assembly decision 47/455, that the report of the Board on its fifty-third session to the General Assembly would include an account of the deliberations under this item.

**REVIEW OF THE TECHNICAL COOPERATION ACTIVITIES OF UNCTAD  
(REPORT OF THE WORKING PARTY ON ITS FORTY-SEVENTH SESSION)**

(Agenda item 7(a))

45. The representative of **Benin**, speaking in his capacity as **Chairperson of the Working Party** at its forty-seventh session, introduced the report of the Working Party.

**Action by the Board**

46. At its 989<sup>th</sup> meeting, on 29 September 2006, the Board took note of the report of the Working Party on its forty-seventh session, adopted draft decision TD/B/WP/L.121 entitled “Review of technical cooperation activities of UNCTAD and their financing”, and endorsed agreed conclusions TD/B/WP/L.122 entitled “In-depth evaluation of the technical cooperation programme on accession to WTO”.

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