Report on UNCTAD Assistance to the Palestinian People

- Recent Developments in the economy of the occupied Palestinian territory
- The economic cost of the Israeli occupation for the Palestinian people
- UNCTAD assistance to the Palestinian people

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Recent economic trends in the occupied Palestinian territory


- GDP growth: 2.5% in the West Bank, 6.8% in Gaza, 3.5% in the OPT. This leaves per capita income in the OPT lower than its 2013 level prior to the military operation.

- Reasons for the 2015 stagnation: a) decline in foreign aid, b) Israel’s suspension of clearance revenue during January-April 2015, c) the slow pace of Gaza's reconstruction.

- In the West Bank, growth was concentrated in the services sector, wholesale, and retail trade, while agriculture and manufacturing contracted.

- Permanent unemployment crisis, and food insecurity: 26% unemployment rate in the OPT, 38% in Gaza, and 19% in the West Bank.
Recent economic trends in the occupied Palestinian territory

- Without employment in Israel and settlements, unemployment in the West Bank would be in the range of 35 percent, as catastrophic as Gaza’s.

- Two-thirds of Palestinian people are affected by food-insecurity.

- 1.1 million people (21% of the population) in the West Bank need some form of humanitarian assistance in 2016, compared to 1.3 million people (73%) in Gaza.

- Demolition of Palestinian houses continued in 2015 and accelerated in early 2016 while the construction of 1800 Israeli housing units in settlements started and more expansion is planned for 2016.

- Today, there are 142 settlements in the West Bank. Israeli settlers represent 21% of the Palestinian population of the West Bank.
The OPT is a captive market for Israeli exports

- In 2015, trade deficit expanded to $5.2 billion or 41% of GDP (38% in 2013).
- The OPT’s economy is highly open, trade accounts for 77% of GDP.
- The Palestinian trade deficit with Israel represents 54% of the total Palestinian trade deficit.
- However, this “openness” is largely with Israel which alone accounts for 55% of OPT’s trade, while the OPT accounts for 3% of Israeli trade.
- The OPT is a captive market. Israel accounts for 70% of Palestinian imports and absorbs 85% of Palestinian exports.
- Forced economic dependence and massive Palestinian trade deficit with Israel, effectively means channeling to Israel Palestinian resources: donor aid, remittances, and income of Palestinians working in Israel.
Leakage of Palestinian fiscal revenue to Israel continues

- Israel’s control of clearance revenue – 73% of PNA revenue - and charges 3% handling “administrative” fee.

- However, Palestinian imports recently represent 6% of all imports handled by the Israeli customs and VAT department, while fees deducted by Israel financed one-third of the department’s budget.

- If the handling fee were to be proportional (6%), it would have prevented $50 million in overpayment from Palestine to Israel in 2014.

- UNCTAD pioneering research on the Palestinian fiscal leakage to Israel has been recently echoed by the World Bank IMF and the Quartet.
Socioeconomic conditions in Gaza worsen

- Infant mortality has risen for the first time in 50 years. The rate of neonatal mortality has gone up significantly, from 12 per 1,000 live births in 2008 to 20.3 in 2013. This trend is unprecedented and is rarely observed except in some communities ravished by serious epidemics.

- Slow, disappointing reconstruction in Gaza and disregard to the productive base.

- Of the $3.5 billion pledges made by donors at the Cairo conference in 2014, only 40% have been disbursed by April 2016.

- The full recovery of Gaza is impossible without lifting the blockade, which collectively punishes the whole 1.8 million population. It deprives them of their economic, civil, social, cultural rights, and their right to development.
The economic cost of occupation for the Palestinian people

Occupation policies resulted in:

- Systematic erosion and destruction of the productive base.
- Loss of land, water and other natural resources.
- Fragmented domestic market and separation from international markets.
- Tight blockade on Gaza since 2007.
- Expansion of Israeli settlements.
- Construction of the Separation Barrier and closure policy in the West Bank.
- The isolation of East Jerusalem from the rest of the OPT.
Structural deformation and long-term economic changes

- **De-agriculturalization and de-industrialization:** Occupation deformed the structure of the economy and put agricultural and industrial producers at a disadvantage, thus cultivating aid-dependence.
- From 1975-2014, the contribution of agriculture and industry to GDP dropped by half, from 37 - 18%, while their contribution to employment decreased from 47 - 23%.
Previous studies:  
Other elements of cost of occupation estimated by UNCTAD

- Between 2000–2005, cumulative GDP loss is $8.4 billion (real 1994 dollars) - twice the size of the economy.
- By 2005 at least one-third of the pre-2000 physical capital was lost.
- Cost of the Israeli military campaign in Gaza in December 2008 at half the size of the economy ($4 billion real 2004 dollars).
- More than 2.5 million productive trees uprooted since 1967.
- Fishing off the coast of Gaza is restricted to 3 nautical miles, instead of the 20 miles stipulated in the Oslo Accords.
Previous studies: Estimation of the cost of occupation by other organizations

- World Bank (2013): Cost of the occupation in Area C is 35% of GDP Plus $800 million fiscal loss - equivalent to 50% of PNA’s fiscal deficit.
- MoNE and ARIJ (2011): Cost of occupation in 2010 is 85% of GDP.
- ARIJ (2015): Direct cost of occupation is 74% of GDP ($9.95 billion).
- Kubursi (1996): From 1948 to 2000, the cumulative value of material capital loss suffered by the Palestinian refugees is $173 billion and human capital loss is $275 billion, in real 2000 dollars.
- Without occupation, the Palestinian economy could produce twice the current GDP.
There is a need for a unified, comprehensive framework for assessment of the cost of occupation

- Existing studies have just scratched the surface of the cost of occupation.

- There is a need to establish a systematic, rigorous, comprehensive and sustainable framework to assess the economic costs of occupation.

- This need was recognized by the UN General Assembly in paragraphs 9 of resolutions A/RES/69/20 and A/RES/70/12, which request UNCTAD to report to the GA on the economic cost of occupation.

- Examination of these costs is essential for identifying policies for placing the Palestinian economy on a path of sustainable development and for facilitating negotiations for a just settlement of the conflict and for a lasting peace in the Middle East.

- Last week in NY, another UNCTAD report (A/71/174) was presented to the United Nations General Assembly. The report is dedicated to the economic cost of the Israeli occupation for the Palestinian people.
UNCTAD assistance to the Palestinian people

- UNCTAD continues to extend technical assistance to the Palestinian people for building the economic and institutional capacities of the Palestinian public and private sector.

- Numerous public and private sector institutions benefited from UNCTAD initiatives, research findings, advisory services, and recommendations.

- In 2015 UNCTAD successfully completed a $2.1 million project to develop Palestinian trade facilitation capacities in the public and private sectors.

- Major achievements under the project include revitalizing the organizational structure of the Palestinian Shippers' Council (PSC) and the development, with Birzeit University, of a professional training program on international trade management and logistics entitled "Supply Chain Management Diploma", which will be accredited by the Ministry of Higher Education.
**UNCTAD assistance to the Palestinian people**

- Numerous studies on trade facilitation were conducted, they form background for Palestinian positions on trade facilitation issues.

- UNCTAD provided continuous advisory services to the Palestinian Central Bureau of Statistics in the area of economic forecasting and regionally disaggregated macro-econometric modelling.

- UNCTAD trained professional staff from the Palestinian private and public sectors on key economic policy areas such as non-tariff measures, gender and trade facilitation, multilaterally agreed equitable principles and rules for the control of restrictive business practices.

- The difficult field conditions, the restrictive nature of occupation, and the extreme political volatility exert negative impact on UNCTAD’s delivery of support to the Palestinian people, especially in Gaza where the entrance of relevant personnel is difficult, uncertain and costly.