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REPORT OF THE SECRETARY-GENERAL ON ASSISTANCE TO THE
PALESTINIAN PEOPLE IN THE LIGHT OF THE CARTAGENA DECISION

Assistance to the Palestinian people

Report by the Secretary-General of UNCTAD

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INTRODUCTION

1. This is the eighth report on assistance to the Palestinian people for the consideration of the Trade and Development Board, prepared in accordance with Conference resolution 146 (VI), and in light of the Cartagena decision to the effect, *inter alia*, that UNCTAD assistance to the Palestinian people be continued in its current form.¹ As in previous years, the report examines the most recent developments in the economy of the occupied Palestinian territory and recalls some related issues and factors analysed in previous reports and studies, when appropriate, in view of their relevance and continuing influence. It should be noted, however, that the collection of data on recent developments in the economy of the occupied territory continues to be hampered under the prevailing circumstances.

2. Section A of Part I examines the overall policy environment, including the Israeli, Palestinian, regional and international dimensions, influencing the performance of the Palestinian economy. This is followed in Section B by an examination of main recent trends and developments in the Palestinian economy, including an assessment of aggregate and sectoral performance. Section C concludes by identifying some feasible measures for immediate action aimed at promoting the revival of the Palestinian economy in view of the serious deterioration it has witnessed in recent years. Part II of the report reviews the progress of work carried out by the Special Economic Unit (Palestinian people) in the UNCTAD secretariat, in accordance with its mandate and work programmes. Particular attention is focused on progress made in the implementation of the inter-sectoral project initiated by the UNCTAD secretariat in 1990 on "Prospects for sustained economic and social development of the Palestinian territory of the West Bank and Gaza Strip".

Part I
RECENT DEVELOPMENTS IN THE ECONOMY OF THE
OCCUPIED PALESTINIAN TERRITORY

A. Policy environment influencing the Palestinian economy

3. Recent developments in the economy of the occupied Palestinian territory continue to reflect the cumulative impact of the constraints under which the economy has been operating. The effect of the Palestinian uprising (Intifada) and attendant measures taken by the Israeli authorities have continued to influence the performance of the Palestinian economy during much of the period under review. Meanwhile, the continuing adverse effects of the 1990/1991 crisis in the region have brought about further deterioration in domestic production and sources of income, especially factor income, merchandise export revenues and private and public unrequited transfers to the territory.²

4. Consequently, the Palestinian people have increasingly relied on their own human and material resources and creativity in their efforts to revive and safeguard their economy. This new drive, which was initiated in the late 1980s, was intensified at different levels in the occupied territory to bolster institution-building and self-reliance in economic and social activities. These efforts have been guided to an increasing extent by locally perceived and devised concepts, goals and strategies focusing on the wide range of local problems and needs. Palestinian economic initiatives since 1987 include the emergence of the "household economy", the disengagement of Palestinian labour from work in Israel, the reduced consumption of imports coupled with efforts at boosting domestic production in agriculture and industry (referred to locally as the policy of "popular protection"), as well as the increased emphasis on community-based, self-help programmes sponsored by grass-roots movements (i.e., "popular committees"). While these efforts have met with some success, especially as 'trial runs' for more comprehensive and balanced development endeavours, their overall impact at the community and other levels, which accelerated noticeably after the beginning of the uprising in 1987,³ remain dwarfed by the scale of economic and social deterioration in the occupied territory. Continued Israeli punitive and restrictive measures, coupled with the increased isolation of the occupied territory from the Arab hinterland following the 1990/1991 crisis in the region, have hampered Palestinian development initiatives. This has been especially marked in the most disadvantaged areas of the territory, such as remote rural regions of the West Bank and throughout Gaza Strip.

5. Notwithstanding recent positive developments that are noted below, the main elements of the policy environment still in effect comprise the following:

(a) The Israeli occupation authorities have confiscated and expropriated vast tracts of land in the occupied Palestinian territory (including public, private and religious endowment categories of land), and established full control over the exploitation and use of its underground and surface water resources;

(b) This in turn facilitated the establishment of a large number of Israeli civilian and military settlements throughout the territory, supported by modern physical and economic infrastructures which favoured the development of these settlement enclaves, with little regard for the needs of the Palestinian people. Recent pronouncements by the Israeli authorities suggest that they may soon slow down or halt this process;

(c) Evidence of deliberate policy measures by the Israeli authorities to promote or assist Palestinian economic and social development, during the period is limited to those noted below;⁴

(d) One striking aspect of Israeli rule in the occupied territory has been the use of Military Orders and Ordinances to regulate many aspects of life. These Orders, inter alia, provide the framework for the application of collective punishments, especially since the Palestinian uprising (Intifada) that began in late 1987. These measures, include a wide range of practices, such as:

destruction of houses and other buildings; uprooting of trees and destroying crops; destruction and confiscation of business or personal property; withholding or refusing business licenses and travel or other permits until 1992; limitations on the movement of capital, goods, workers and other vital communications; long-term curfews affecting whole sectors or regions; and, the arbitrary collection of a variety of taxes, fees and fines;⁵

(e) Many measures enacted by the occupation authorities in the wake of the Palestinian uprising since 1987 touched negatively on Palestinian economic activity, including production, income, consumption and investment.⁶

6. Since 1991, in the wake of the severe impact upon the Palestinian economy of the crisis in the Middle East region including losses estimated at \$500 million⁷ the Israeli occupation authorities have taken some tangible steps towards liberalization of aspects of the economic policy environment in the occupied territory. In 1991 and 1992, a number of measures were initiated to provide incentives for new investment in local industry, especially in the Gaza Strip, as well as to relax some of the harshest regulations introduced since 1987.⁸ These included: tax exemption for up to six years for new industrial investments; issuing business licenses for 72 new enterprises and retroactively for 337 existing enterprises; reforming elements of the personal income taxation system; relaxation of the strict restrictions imposed for many years on the flow of capital into the occupied territory; permission to open two more branches of the Cairo-Amman Bank; and suspension of the so-called "clearance procedures", whereby up to seven separate clearances from different Israeli-controlled departments were required for issuing any official documents to individuals or enterprises.

7. Certainly, these measures reflect an appreciation by the Israeli authorities of the magnitude of the problems confronting the Palestinian economy and the extent to which it has deteriorated in recent years. They furthermore indicate a readiness to consider practical steps to improve some of those aspects of the policy environment that affect the overall Palestinian economic and social situation. Because of their growing desire to limit the entry of Palestinians to Israel (mainly for security reasons) the Israeli authorities are encouraging domestic employment alternatives for the tens of thousands of Palestinians who continue to depend on jobs in Israel and for those who were forced as a result of the Middle East crisis to return home. Also, some Israeli investors were reported to view the encouragement of Palestinian sub-contracting industries in the occupied territory as a useful means of improving the international competitiveness of Israeli products, and of solving the problem of the relatively higher cost of employing Palestinians in Israel than in the territory (owing to reduced transportation and social welfare costs).⁹ There seems also to be a recognition that from the Israeli point of view, encouraging economic development has become essential to contain the Intifadah.¹⁰ These measures were most recently supplemented by a fundamental change of policy imposing a freeze on privately and/or publicly financed construction of Israeli settlements in most areas of the occupied Palestinian territory.¹¹

8. At the same time, observers have pointed to the potentially disruptive effect of granting too many business licenses too quickly in the absence of adequate infrastructures, feasibility investigation or developmental priorities. It has also been noted that the factories receiving the approval of Israel all use Israeli raw materials and thus will perpetrate and strengthen the dependence of the Palestinian economy upon Israel.¹² It has, therefore, been suggested that "important as these measures are, it is, nevertheless, difficult to conclude that they will have any major impact on the ailing economy of the West Bank and the Gaza Strip - at least in the short run",¹³ but that it was to be hoped that additional, wide-ranging measures would follow in order to consolidate and strengthen the impact of those already introduced. This impact may on the contrary be reduced if restrictive policy measures, such as resorting to collective punishments that have primarily had an adverse effect on the Palestinian economy, were continued. Such measures were manifested in the total Israeli blockade of the movement of goods and people from and to the Gaza Strip (including Palestinians working in Israel) for over three weeks in May-June 1992, following

violent incidents there and in Israel. This resulted in losses of income and food and shortage of medicine and other hardships imposed on the whole population of Gaza Strip.¹⁴ The disruptions caused by this blockade were felt throughout the economy of Gaza Strip, necessitating the distribution of emergency food supplies by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to those worst affected.

9. In these circumstances, and bearing in mind the modest magnitudes of official aid and migrant workers' remittances from traditional sources, the Palestinian people have turned increasingly to the international community for support and sustenance. Indeed, developments in the region in 1991 and 1992 have given rise to expectations of an increasing role for the international community in relieving the plight of the Palestinian people. There is widespread hope that the Middle East peace process and the related negotiations launched in 1991 could lead to a solution which will fulfil the aspirations of the Palestinian people, thus providing the basis for a new era of peace and regional and international cooperation on a variety of vital issues.

10. These expectations have given rise to a wide debate in the occupied territory about the need for, and desirable terms of, international aid from multilateral, bilateral and/or non-governmental sources. As an illustration of local attitudes to foreign aid, it has been noted that the "development paradigm articulated by Palestinians not only defines new objectives and goals for indigenous economic development but defines new terms for the participation of foreign aid donors which include, among others, the total elimination of Israeli government participation in all foreign assistance programs directed to the Palestinian community. The steady deterioration of the Palestinian economy, furthermore, underscores the urgency of local need and the added challenges now confronting foreign aid initiatives in the occupied territories".¹⁵

11. Interest in these issues has revolved especially around the projects and programmes funded and/or managed by a variety of sources including the United States-based private voluntary organizations, United Nations agencies and the Commission of the European Community (EC).¹⁶ For instance, projects in the occupied territory funded in the past by such sources have been considered by many local experts to be overly concentrated on infrastructural or humanitarian relief areas, rather than in spheres capable of boosting domestic productive capacity and performance.¹⁷ It has been argued, however, that there are positive operational and policy aspects to some of these international aid programmes that should not be overlooked, and which should encourage Palestinian beneficiaries to develop the necessary capacities for dealing positively with the different programmes.¹⁸ It has also been pointed out that past support for infrastructural activities in the occupied territory was necessary to help provide a viable basis for development.¹⁹ The United Nations Development Programme (UNDP), for example, is increasingly directing efforts towards "productive activities" and the creation of an "autonomous economic base for the territories".²⁰ Meanwhile, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has launched a significant new project to help Palestinians obtain loans from local financial institutions for the initiation of viable projects, especially in industrial and service branches.²¹

12. The expectation of increased international assistance has encouraged the emergence of competing local project proposals which are often inadequately considered, owing to the absence of an appropriate institutional framework for rationalizing and prioritizing proposals.²² This was most evident with respect to local response to the ambitious emergency aid programme announced by the Commission of the European Communities in March 1991 as compensation for losses incurred during the 1990-1991 crisis in the region. A number of complications delayed the delivery of the funds designated under this programme (ECU 60 million, equivalent to some \$77 million over and above the Community's regular aid programme to the territory). An initial problem was reported to have been Israeli insistence on having a final say on how funds were to be distributed.²³ A related issue was the official status of the Community official intended to supervise the technical and

humanitarian aspects of disbursement of EC aid.²⁴ Another source of delay in the effective disbursement of the emergency aid programme was the need to ensure its optimum impact based on well-defined priorities and programme goals. The absence of a clear consensus on this issue, together with the weakness of the domestic institutional set-up and the infrastructure for absorption of international assistance, proved to be important complications.

13. By mid-1992, final arrangements had been made to disburse the bulk of the aid package through local Palestinian institutions, distributed approximately as follows:²⁵ \$38 million for cooperative and other housing schemes, \$19 million for industrial, agricultural, tourism and export promotion loans, \$5 million for secondary education, and \$15 million for hospital construction. This active involvement inside the occupied territory was accompanied by a call in September 1991 by the European Parliament for, *inter alia*, investigating means of expanding Community trade with the occupied territory and ensuring that European products have free access to the Palestinian market without administrative and/or military interference by the Israeli authorities.²⁶

B. Main trends and developments²⁷

1. Natural and human resources

14. Trends in vital areas of the Palestinian economy have continued to have an adverse effect on the productive sector. **Land**, as the mainstay of the economy, has been increasingly removed from indigenous Palestinian control and use.²⁸ By the end of 1991, at least 67 per cent of the West Bank and 40 per cent of Gaza Strip had been expropriated or otherwise placed under the control of Israeli military authorities. The pace of expropriation grew after the beginning of the Palestinian uprising, and accelerated after January 1990.²⁹

15. Some 65 per cent of the total confiscated area is devoted to settlement purposes, while much of the rest has been turned into closed military areas.³⁰ By the end of 1991, the Israeli authorities had established at least 156 civilian settlements in the West Bank and 18 in the Gaza Strip (i.e., excluding paramilitary outposts). The Israeli settler population had by then reached 250,000. The 1990-1991 growth in settler population is estimated at between 9 and 13 per cent, fuelled by the arrival of new immigrants as well as Israelis moving from areas of central Israel into the West Bank, from a variety of economic and ideological motivations.³¹ Using official data, it has been calculated that since the start of settlement activities and until the end of 1991 a total of at least \$14 billion had been invested in the construction of housing units, roads and other elements of the Israeli settlement infrastructure in the occupied Palestinian territory.³²

16. The recent period until mid-1992 witnessed a further drive to expand settlements in the occupied territory, establish new ones and increase their population through offering a variety of incentives to new inhabitants, including new immigrants to Israel.³³ A new settlement programme, the so-called "Stars Plan", had envisaged the establishment of a dozen new urban settlements, including many in the northern West Bank along its pre-1967 border with Israel. Another important plan under implementation was the continued expansion of Maaleh Adumim, which recently became the first Israeli "city" in the occupied territory,³⁴ intended to link up with settlements encircling East Jerusalem and with other settlements planned for construction to the west of the Palestinian city of Jericho. By the early 1990s, these and other Israeli suburban settlements in the occupied territory had come to constitute settlement corridors which separate Palestinian population areas from each other. The West Bank faces the prospect of sub-division by contiguous corridors of Israeli settlements.³⁵ Israeli officials have recently been quoted as saying that Israeli settlement activity, until mid-1992, was aimed at boxing in Palestinian areas, establishing Palestinian "islands of autonomy" and preventing Palestinian "territorial congruity".³⁶ Reportedly, by 1993 a total of another 50,000 Israelis may be settled in these settlements that are under construction.³⁷

17. On the other hand, as part of the efforts related to the peace process in the Middle East, the new Government of Israel in mid-1992 declared a freeze on the construction of all privately and/or publicly financed new settlements, except for housing and related projects already under construction in existing Israeli settlements, most of which will continue. Nevertheless, this marks a significant change in the settlement policy of Israel, which it is hoped will contribute to confidence-building between Israel and the Palestinian people and thus to the success of the peace negotiations.

18. The status of **water resources** continues to be one of the most sensitive issues affecting Palestinian economic and social development in the occupied West Bank and Gaza Strip, and is a vital issue throughout the region. All aspects of water resources exploitation, distribution and management continue to be regulated by military orders. Accordingly, all surface and underground water resources have been considered public property and authority over them continues to be vested with the Israeli military commander. Of the total annual supply of around 700 million m³ in the West Bank and 60 million m³ in Gaza Strip, between 515-530 million m³ are transferred for use by Israel and its settlements in the territory.³⁸ This water distribution policy and over-pumping in some areas have resulted in severe pressure on Palestinian water resources and their availability to meet growing needs. In the Gaza Strip, underground water levels have fallen below the level of natural replenishment. This has allowed polluted and salt water to reduce the quality of water available for household and agricultural purposes. Moreover, inadequate and poor institutional, technical and managerial requisites at all levels have continued to contribute to increasing waste and high cost of water for both domestic and commercial use.

19. The "return migration" stimulated by the reduced demand for Palestinian labour services in regional markets is exerting an important influence on the evolution of the Palestinian **population** in the West Bank and Gaza Strip. The most salient feature of the Palestinian population of the West Bank and Gaza Strip continues to be its high rate of growth, estimated at above 3 per cent per annum since 1987 reaching 4.6 per cent in 1990. By 1992, the total population of the territory is estimated to have reached at least 1,827,000, (as against 1,705,000 estimated for 1990).

20. These demographic dynamics have continued to constitute the main determinants of the supply of the Palestinian **labour force** in the occupied territory. The total labour force of the territory was estimated at 307,700 in 1990, representing an increase of 6 per cent as compared with 1989. Preliminary data for the last quarter of 1991 suggest that the labour force had increased by 4.7 per cent during the year to reach 322,000. According to Israeli statistics, employment in 1990 had reached a total of 296,500 or 96.4 per cent of the Palestinian labour force in the occupied territory. In 1991, total employment had reached an average of 287,000. In 1990, a total of 189,000 or 64 per cent of all Palestinians employed were reportedly working in the occupied territory, 8 per cent more than in 1989. Estimates for the first half of 1991 indicate an overall 6 per cent decrease compared to the same period in 1990, much of this experienced in the West Bank owing to developments in agriculture.³⁹

21. As for **employment in Israel**, a total of 108,000 or 36 per cent of all Palestinians employed in 1990 were considered to have worked in Israel, which reflects a marginal decline compared to previous years.⁴⁰ This decline was coupled with a fall in labour input (work-hours) in 1988-1990, owing to a combination of factors, such as: the recent Palestinian initiatives to boost domestic employment, the widespread "absenteeism" of Palestinians from the Israeli labour market, and the Israeli restrictions controlling the movement of Palestinian workers to and inside Israel. However, according to Israeli data, by the fourth quarter of 1991, 121,000 Palestinians had come to work in Israel -10 per cent more than in 1990 and more than at any year since 1967; labour input is also reported to have grown by 32 per cent over 1990, mostly erasing the declines of the preceding years.⁴¹

22. A major structural constraint of the Palestinian economy continues to be the gap between the growing supply of the available labour force and its limited capacity to absorb these resources in gainful employment. Against this background, work opportunities in Israel are important as an alternative to those in the constrained domestic labour market. Thus unemployment levels have been at their lowest when employment in Israel was peaking, reflecting the close relationship between Palestinian employment rates and expansion in the Israeli economy.

23. There are divergences between official data on unemployment for the 1988-1991 period and estimates from other sources. According to Israeli statistics, the unemployment rate only began to rise in 1990, reaching around 3.6 per cent for both the West Bank and Gaza Strip in 1990.⁴² An alternative estimate of actual unemployment (as opposed to "registered" unemployment) for 1990 indicates rates of 13-15 per cent in 1990, taking into consideration the "grey area" of underemployment revealed in Israeli statistics under the heading "employed persons, temporarily absent from work".⁴³ Official Israeli figures for 1991 indicate a rise in unemployment to over 10 per cent in the West Bank, with a continued level of 4 per cent for Gaza Strip.⁴⁴ Palestinian and international observers, however, assert that Palestinian unemployment was between 25 and 40 per cent of the labour force in 1991.⁴⁵

2. Aggregate economic performance

(a) Domestic product and main features of sectoral performance

24. The setbacks sustained by the Palestinian domestic economy during the period 1988-1990 were intensified by the adverse impact of the crisis in the region and the constraints affecting production. The indications are that as a result of the fall in gross domestic product (GDP) in the first part of 1991 and the sluggishness of economic activity thereafter, GDP remained at the low levels reached by 1990.⁴⁶

25. The behaviour of domestic supply has continued to reflect the erratic and unreliable performance of its sectoral components, with the two major productive sectors displaying growth rates weaker than those of other sectors or GDP as a whole. In addition to the effects of Israeli restrictions, these sectors continue to suffer from a number of constraints, including limited credit facilities, inadequate infrastructures and the virtual absence of policy co-ordination in the economy as a whole. **Agriculture**, which had seen its contribution to GDP decline from 36 per cent in 1972 to 23 per cent in 1987, has continued to operate on the basis of decreasing cultivated area and limited water supply, coupled with low productivity, cyclical fluctuations, insufficient diversification, and often unequal competition with Israeli imports to the occupied territory, which receive generous subsidies from the Israeli Government (up to 50 per cent of cost).

26. Notwithstanding these constraints, Palestinian initiatives since 1987 have encouraged some recovery of agricultural output and employment, with growth particularly noted in the production of certain staple crops as well as in livestock and poultry. By 1990, agricultural output was estimated at \$444 million as compared to \$335 million in 1987 (in constant 1990 prices). However, during the 1991/1992 season, agriculture in the occupied territory (as well as in neighbouring countries) was adversely affected by the unprecedented cold winter. Citrus farmers in Gaza Strip, for example, had begun the season in the hope of recouping the losses incurred in 1990/1991, expecting some 120,000 tons of output with adequate prices to at least permit covering production costs.⁴⁷ But the frost, snowfall and floods experienced in the first months of 1992 destroyed vegetables, fruits and livestock, and caused topsoil erosion, as well as destruction of terraces and equipment; in many areas, it was not possible to plant seeds for the summer crop.⁴⁸ In the cash-crop producing area of the Jordan Valley, up to 80 per cent of crops were lost; Gaza Strip citrus exports to the European

Community were at only 10 per cent of their 1991 levels.⁴⁹ Unlike farmers in neighbouring Jordan and Israel, Palestinian farmers are not insured and receive no government aid; the losses are estimated at \$55 million in the West Bank and \$22 million in Gaza Strip.⁵⁰

27. The **industrial** sector, including manufacturing and extracting industries, continues to provide a small share of domestic product (under 10 per cent) and is mainly concentrated in textiles, clothing, leather goods, construction materials and food processing. The bulk of manufactured goods continues to be marketed locally in the occupied territory, with Israel as the main foreign market. Though a small proportion of manufactured exports still goes to Jordanian and other markets, trade in that direction remains in surplus. Developments in this area continue to be dominated by its integration into the more sophisticated and highly protected Israeli industrial sector, in a de facto customs union between Israel and the occupied territory.⁵¹ Israeli demand for final and intermediate Palestinian manufactures effectively favoured the growth of Palestinian branches producing low-cost consumer goods and others which performed specific sub-contracting tasks for Israeli industry. In some other cases, established traditional local and export markets provided sufficient stimulus to continue activity, though with minimal growth. Consequently, many Palestinian industrial establishments which lacked market options or were unable to achieve economies of scale eventually closed down.⁵² West Bank industry in particular suffers from a chronic under-utilization of productive capacity, estimated at between 30 and 70 per cent,⁵³ thus reducing income generation, labour absorption and technological advance.

28. Since 1987, industry has nevertheless benefited from Palestinian efforts to strengthen the productive base and to shift consumer preference to Palestinian products, which helped to weaken the effect of unequal competition. Some Palestinian manufacturing firms experienced unprecedented growth rates, and others which were at first unprepared for the increased demand resulting from the local Palestinian boycott of Israeli products, eventually acquired a significant market share at the expense of Israeli products in the occupied territory, especially in the food and textile branches. The West Bank shoe industry, for example, began primarily as a sub-contractor for Israeli industries, but since 1987 has been able to establish a competitive advantage and to edge Israeli products out of the domestic market while exporting 40 per cent of production to Israel itself.⁵⁴ Moreover, Palestinian industrialists were recently encouraged to increase investment in new production lines and equipment. The recent move by the new Israeli Government to rescind government incentives from industrial plants in Israeli settlements in the occupied territory⁵⁵ should further help Palestinian industrial enterprises compete with Israeli products originating in these settlements, thus reducing idle capacity and increasing employment and income. Incentives, such as tax relief and other measures referred to in section A are also aimed at helping to promote the industrial sector.

29. **Construction** (classified in national accounts series to include water and electricity works) has been the leading sector for many years in terms of real growth achieved. Its share in domestic production doubled from 9 per cent in 1972 to 18 per cent in 1987. This growth has been fuelled by high investments in residential building that were required to meet the growing housing needs, and which were financed mostly by earnings and transfers from abroad. During 1980-1987, the contribution of the housing sector to gross domestic capital formation increased from around \$300 million to \$450 million, representing an average of around 72 per cent of total gross domestic capital formation. Since 1987, the construction sector has witnessed a sharp decline in output, owing mainly to the reduction in remittances and private transfers as a result of the continuing adverse effects of the Middle East crisis.

30. The **housing** situation continues to be one of the most serious economic and social problems in the West Bank and Gaza Strip.⁵⁶ The confiscation of land and other resources, coupled with restrictions on land use, have hampered the proper development of the housing sector. Inadequate building codes, regulations and standards represent another constraint to large-scale housing or

construction activities. Lack of institutional finance continues to be a major impediment to the development of the housing sector. For the first time since 1967, Israeli planning authorities in 1992 approved a zoning plan which would allow private Palestinian investors to build up to 7,500 badly-needed new housing units, but do not provide for government funding or financing facilities.⁵⁷

31. The Palestinian housing sector is characterized by high occupancy densities and inadequate facilities and infrastructures. It is estimated that around one third of all Palestinian households endure occupancy densities exceeding 3 persons per room, and that more than 6 per cent of all families suffer from densities exceeding 5 persons per room. Around one quarter of all the households have no running water, one fifth have no electricity and over one third have no bathrooms. In recent years, increases in population coupled with rapidly deteriorating economic conditions and the returnees from the oil-producing countries of the Middle East, especially Kuwait, have encouraged many families in urban, rural and refugee communities to resort to the rehabilitation and upgrading of abandoned or old buildings as well as the expansion of existing buildings, both vertically and horizontally. Finance continues to be a limiting factor. Building materials constitute the single largest input to construction and may account for 40-50 per cent of the total cost and as much as 80 per cent of the direct cost of housing construction. While some of the basic building materials are, or could be, produced locally, a large proportion of basic items are at present only available through imports.

32. **Services**, grouping both public/community services as well as tourism, trade, transport, and other private service activities, accounted for around 50 per cent of Palestinian GDP in 1987. Of the two components of this sector, the public and community services branch has displayed steady growth. The performance of tourism, trade, transport and other services, which together comprise the largest sector in the occupied territory, continues to reflect the relative strength of the retail and wholesale trade activities fuelled by rising imports, private consumption, and transport services.

33. One vital service sector in the occupied territory whose full potential remains stifled by the impact of occupation is **tourism**.⁵⁸ The Palestinian territory has a clear and enduring comparative advantage in this area, reflecting rich historical and religious attractions, in a setting of natural beauty. Israeli military regulations, entry formalities and the predominance of Israeli tourism enterprises have operated to the detriment of Palestinian tourism enterprises. The related sector of transport and communications is incapable of ensuring the degree of efficiency and comfort desirable for profitable tourism activity. The tourist industry in the occupied territory has become a sub-contractor to Israeli and other tourism enterprises active internationally. It has in any case suffered as a cohesive and growth-stimulating sector from the effects of the recent regional crisis.

34. The **merchandise trade** of the occupied territory continues to reflect the integration of the Palestinian economy with that of Israel. As the major trading partner, Israel continues to absorb around 65 per cent of Palestinian exports and to supply close to 90 per cent of its imports. The success of the Palestinian import substitution drive since 1987 in reducing the trade deficit has been limited. While it was possible to replace or forgo many consumer products imported from Israel, it has not been possible to substitute for imports of inputs, capital goods and raw materials. The territory's trade with all its partners, except Jordan, has continued to register significant levels of deficit.

35. While Israeli agricultural and manufactured products continue to enter freely into markets in the occupied territory, Palestinian exports to Israel face a range of restrictions. For example, the new Government of Israel has banned agricultural exports from Gaza Strip from entering Israel since they would be in direct competition with Israeli products.⁵⁹ In view of the tariff and non-tariff barriers imposed on exports from the occupied territory, Palestinian exporters have resorted in recent years to a search for new markets through preferential treatment. While these efforts have provided

access to some new markets, the absence of adequate marketing facilities, both in the occupied territory and abroad, has hampered greater direct exports to these new markets. The inadequate domestic and international transport and communication system, coupled with cumbersome regulations and procedures have continued to weaken the role of trade in the process of economic growth and development. The absence of financial support, including export credits and guarantees, import and other trade-related financing, remains another important obstacle. Palestinian trade with Arab countries is equally constrained by regulations reflecting domestic economic considerations as well as the provisions of the Arab boycott regulations on trade with Israel. Moreover, the disruptions caused since late 1990 in the territory's trade with its traditional Arab markets continue to affect Palestinian exports to these markets. Exports to and through Jordan, which declined by some 20 per cent in 1990 over 1989, stood at only 5 per cent of total exports in 1991. However, the overall deficit in Palestinian trade with Jordan and the rest of the world, excluding Israel, had worsened in 1991, standing at \$95.5 million as against \$87 million in 1990 and \$66 million in 1989. This growing overall deficit reflects the deterioration in the territory's trade with the rest of the world. Despite modest increases in recent years, the exports of the territory to the rest of the world, excluding Israel and Jordan, amounted in 1991 to only 83 per cent of their level in 1980.⁶⁰

36. With regard to **public finance**, available data highlights the importance of direct income taxes and related transfers flowing to the Israeli Government from the occupied territory. Whereas indirect taxes on production (i.e., value added tax) are identifiable as the difference between GDP at factor cost and at market price, other indirect taxes are not, in particular customs duties levied by the Israeli authorities on imports to the occupied territory from Jordan and via Israel. The complex nature of the fiscal and monetary system in the occupied territory and the relation between local government revenues and budgets and the Israeli Government's fiscal practices in the territory are the subject of a wide literature. Many observers estimate that, over and above the reported flow from the territory to Israel of revenues from direct taxes and indirect taxes on production, significant financial benefits continue to accrue to Israel.⁶¹

(b) National income and expenditure

37. Total expenditure on GDP, which registered noticeable increases up to 1987, has declined in recent years. The decline in economic activity and income encouraged a compression in private consumption and, coupled with the high rates of population growth, resulted in a drop in per capita consumption levels of about 40 to 50 per cent between 1987 and 1990. Despite its declining trend in recent years, private consumption has continued to outstrip GDP, resulting in a continued level of negative domestic savings. Public consumption expenditures, which cover salaries and administrative expenses of local education, health, sanitation, utilities and other social services, have shown modest increases in recent years at the expense of public investment, the level of which has dropped to that prevailing in the late 1970s.

38. Turning to the characteristics of investment, the bulk of these flows is accounted for by the Palestinian private sector. As for its composition, private investment continues to cover two types of flows, namely social overhead investment (termed in official statistics as "Building and Construction Works") and directly productive investment ("Machinery and Equipment"), with the former constituting the largest part of fixed private investment. In the 1980-1987 period, 88 per cent and 82 per cent, respectively, of the fixed capital formation in Gaza Strip and in the West Bank went to the former type of investment.

39. With domestic output and exports showing few gains, external financial resources in the form of net transfers (NTR) and net factor income (NFI) contributed significantly to gross national product (GNP) and gross national disposable income (GNDI) levels. NFI, the main component of which is earned by Palestinians employed in Israel, allowed GNP to grow at a rate equal to or above that of domestic output and by 1987 equalled almost one third of the West Bank's GNP and slightly less

than half of that of Gaza Strip. Since 1987, the reduction in the total supply of Palestinian labour to the Israeli economy (especially from Gaza Strip) and the falling trend of migrant workers (to Jordan and beyond) have combined to produce important falls in the NFI levels, and contributed to the decline in per capita GNP through 1991.

40. Net transfers from abroad constitute an important supplementary source of external income available to the occupied Palestinian territory. Its main components are: transfers to the local administration from Palestinian, Jordanian and other official Arab sources; participation by the Israeli Government in the budget of the Civil Administration; transfers from international aid agencies, mainly UNRWA; and most importantly, remittances from workers residing abroad for a long period, particularly those working in the Arab countries of the Gulf. The NTR levels rose significantly in 1988-1989, particularly in Gaza Strip, but are estimated, as a result of the crisis in the Middle East region, to have fallen substantially in the territory in 1990 and 1991, with the West Bank receiving less transfers than in 1987.

C. Concluding observations

41. The preceding paragraphs confirm the necessity of action to eliminate the constraints that continue to affect the Palestinian economy. The current search for a just and lasting solution to the conflict should be accompanied by an effective role by the international community in providing the Palestinian people with the assistance they need for the revival of their economy. Urgent needs are evident in all sectors, both in terms of policy guidance and operational assistance. Well-conceived and clearly targeted action now could stem economic decline and social fragmentation and lay the basis for the recovery and sustainable growth of the Palestinian economy.

42. There are vital prerequisites related to the beneficiaries "absorptive capacity", i.e. the ability of the Palestinian people to play a determining role in helping to ensure within the existing institutional framework the speedy and efficient delivery of aid where it is most needed. Equally important is the need to establish a supportive policy environment in which the Palestinian people have the necessary freedom to elaborate and implement their development policies and programmes.

43. A number of immediate measures for the revival of the Palestinian economy in the West Bank and Gaza Strip are briefly identified in the following paragraphs. Some of these require action by the Israeli authorities; others address themselves directly to the Palestinian people and also call for international support. These measures are not intended to cover the whole range of immediate needs, nor to address the deeper structural problems and requirements for sustained economic development. Nevertheless, they aim at providing a flexible action-oriented framework for a selected range of policy measures, project formulation and other programming efforts amenable to implementation in the prevailing circumstances. They are based on two objectives: to deal with the pressing current needs, and to prepare the ground for a comprehensive programme for promoting the sustained development of the Palestinian economy.

1. Main common issues affecting economic sectors

44. The performance of major economic sectors (i.e., agriculture, manufacturing and mining, merchandise trade, services including tourism, money and banking and public finance) is affected by a set of common problems. Six such issues are identified below.

(a) Legal framework

The Palestinian economy and its institutions need to be freed from arbitrary measures that distort the structure and performance of the economy. As an initial step, the legal framework governing various aspects of the territory's economy should be reviewed in the light of the immediate needs of the economy.

(b) Institutional framework

(i) The existing Palestinian facilities in the West Bank and Gaza Strip involved in the compilation, processing, analysis and dissemination of data on the economy of the territory require strengthening. To this effect, appropriate training programmes should be organized by Palestinian training institutions to upgrade their technical capabilities.

(ii) Until a statistical facility is created to meet the specific data needs of different sectors, the Federation of Palestinian Chambers of Commerce and Industry could sponsor efforts to initiate a data-base on the Palestinian economy. International organizations could provide the necessary assistance, including the provision of hardware and software facilities as well as appropriate training programmes to develop competent cadres for data gathering, processing, analysis, and dissemination. The ultimate aim of such assistance should be to establish the nucleus of a Palestinian statistical facility eventually covering all economic and social sectors in the West Bank and Gaza Strip.

(iii) There is a growing need to improve the performance and efficiency of Palestinian research centres as well as scientific and other institutions, coordinate their work and avoid duplication. Assistance for this purpose should be sought from the organizations of the United Nations system and regional institutions as well as universities and research centres in various countries.

(c) Marketing

(i) There is a growing need for developing an adequate facility to enable Palestinian producers and exporters to benefit from existing export markets and especially from the concessions that, so far, have been granted to certain Palestinian products entering these markets. In that connection, it would help to develop an integrated system of quality control, grading, selecting, packing and labelling as well as storage facilities. The initiative of the UNCTAD secretariat in regard to an International Trade Centre UNCTAD/GATT project for the establishment, with UNDP funding, of an export promotion and marketing centre, should be pursued.

(ii) Traditional Palestinian trade with the Arab hinterland has been the weakest link in the territory's external sector. Palestinian trading institutions could initiate, under the aegis of the League of Arab States, the necessary contacts with importers in the region aimed at facilitating the flow of Palestinian exports.

(iii) Palestinian municipalities could assist in improving the existing commercial transport infrastructures and cold storage facilities by furnishing land, buildings, storage areas and equipment.

(iv) As a step towards streamlining administrative and other procedures governing Palestinian external trade, existing Israeli measures and procedural arrangements that adversely affect Palestinian external trade should be lifted. Relevant international and regional organizations could help by encouraging Israeli authorities to ease existing non-tariff barriers imposed on Palestinian trade.

(d) Employment

(i) The relevant Palestinian institutions, in particular the chambers of commerce and industry and local trade unions, should be encouraged - on the basis of a survey especially among the Palestinian returnees of the exact numbers of the unemployed, their qualifications and experience - to concentrate on the creation of appropriate employment opportunities in various areas of the Palestinian economy. The proper placement of returnees from the oil-producing countries of the region could help in initiating new industries and businesses in the territory.

(ii) Simultaneously, Palestinian institutions could conduct workshops and training programmes to facilitate the absorption of the unemployed in the relevant areas of the Palestinian economy.

(iii) Improving the orientation and quality of education and training in public schools and vocational institutions could also help reduce structural unemployment.

(iv) More emphasis could be placed on employment generation projects in fields such as agro-based industries, housing, social welfare facilities, infrastructures, cottage industries and tourism.

(v) Palestinian labour unions and employers could initiate a dialogue on the level of wages and on employment practices that have contributed to unemployment and related problems.

(e) **Financing**

(i) As a step towards the full revival of the Palestinian banking system, the restrictions imposed on the Palestinian banking and financial system since 1967 could be further relaxed so as to facilitate the rendering of necessary banking and financial services to the economy. More local Palestinian banks and financial institutions, including insurance companies, should be allowed to reopen and to engage fully in financial resource mobilization and intermediation.

(ii) Efforts should also be made to create specialized credit institutions catering to the present and long-term capital needs of vital sectors such as agriculture, industry, and housing.

(iii) Efforts should be specifically focused on the establishment of a development finance facility capable of mobilizing domestic and external resources and allocating them to developmental projects within the frame of a well-designed programme.⁶² The assistance of relevant international organizations could be solicited in the design and creation of such a facility.

(iv) In parallel with these efforts, attention should be given to improving the quality of existing banking services, by streamlining procedures and up-grading technical and managerial capabilities through appropriate workshops and training programmes.

(v) To the extent possible, branches of foreign banks could also be allowed to reopen so as to complement the services of local credit institutions, to facilitate the flow of external resources into the West Bank and Gaza Strip and to influence positively the performance standards of local financial institutions as well as encouraging the observance of international norms of banking and credit operation in the territory.

(vi) The creation of other forms of credit facilities could be seriously reviewed in order to meet immediate working capital requirements, especially in new businesses, building on the expansion of the experience gained so far in the management of revolving funds along well-developed procedures and standards of performance and in a variety of other saving and credit schemes.

(f) **Technical assistance**

(i) The above-mentioned development finance facility could serve as an appropriate mechanism and focal point for the preparation of a consolidated assessment of technical assistance needs at all levels. Particularly urgent areas for such assistance are engineering, accounting, marketing and agro-industries.

(ii) The international community could intensify its technical assistance in these and other areas and obtain Israeli cooperation in facilitating the flow of such assistance to the West Bank and Gaza Strip.

2. Infrastructures and natural resources

45. There is a close interaction between socio-economic sectors on the one hand, and infrastructures and natural resources on the other (broadly classified here to include transport and communications, construction and housing, public utilities, energy, and land and water resources). An integrated approach is desirable to address the pressing common needs of these areas.

(a) **Some common issues**

(i) The relevant Palestinian institutions need to coordinate their efforts to establish an adequate data-base on the infrastructures and natural resources of the West Bank and Gaza Strip.

(ii) The legal framework covering infrastructural and resource development activities should be further developed, relying on the appropriate local authorities to provide the necessary guidelines for regulation and for improving the economic environment.

(iii) Wide-ranging and well-coordinated efforts in this area could also help develop the human resource base, including managerial, administrative, technical and other skills, through local training institutions and with the assistance of international organizations, as appropriate.

(iv) Palestinian beneficiaries should participate, to the extent possible, with international and Arab financial sources, in mobilizing the considerable financial and other resources required to meet the immediate needs of the Palestinian infrastructures (both physical and institutional) and ensure the preservation and rational exploitation of natural resources.

(b) Transport and communications

(i) A local Palestinian transportation and communications body is needed to address systematically the rehabilitation and other needs of local transport and communications networks. Areas requiring urgent attention include: adequate and efficient maintenance services; extension of transport and communication services to remote areas; planning and programming future needs; developing adequate skills; introducing new concepts in controlling transport by providing traffic control devices, road signs and other means of regulating the flow of transport; introducing a periodic inspection policy; coordinating the efforts of existing public transport enterprises and new ones, as appropriate.

(ii) Facilities for Palestinian radio and television broadcasting should be established, especially for educational and "re-training" purposes.

(iii) Telecommunications and postal facilities with direct international access (telephone, telex and postal services) should be developed in major population centres of the West Bank and Gaza Strip, so as to enhance business and commercial activities.

(iv) The longstanding project to develop the Gaza seaport for both commercial and fishing purposes should be implemented.⁶³

(v) Measures to establish direct air-transport links between the West Bank and Gaza Strip and with the rest of the world could enhance the revival of the Palestinian economy. Appropriate arrangements to enhance regional transport integration between the West Bank and Gaza Strip also need to be seriously investigated.

(c) Construction and housing

(i) With a view to preparing a comprehensive housing strategy, steps should be taken to define and assess housing demand and needs, to identify target groups according to social and economic priorities, to assess capital requirements, and to identify institutions involved in housing programmes.

(ii) Parallel to this, appropriate physical planning schemes at town and village levels are required to allow for the expansion of development areas and allocation of land for low-cost housing, including its parcelling to enable all members of target groups to acquire land for housing at affordable prices.

(iii) Existing housing institutions (cooperatives, financial institutions, engineering and contracting firms, etc.) need to be strengthened with a view to up-grading their capacity in planning, management and implementation of projects; new institutions could usefully be established in areas where shortages in housing delivery and related services are identified.

(iv) The capacities of existing construction material industries should be expanded and the quality of their material up-graded, thus providing adequate suitable construction materials at affordable prices. Early action should be taken on the project for establishing a cement factory in the West Bank.⁶⁴

(v) Existing shortages in the housing balance may be bridged by encouraging public and cooperative housing projects in urban areas and private housing construction in rural areas.

(vi) Municipalities and the relevant professional associations could take the lead in formulating

a comprehensive and suitable building and construction code to guide housing and other constructions in cities and towns.

(vii) Efforts need to be intensified, especially by municipalities and other local authorities, to preserve and protect Palestinian historical sites, houses, monuments and architectural heritage. For this purpose, the technical assistance of regional Arab and international organizations could be solicited.

(d) Land and water resources

(i) The freeze recently introduced on the initiation of new privately and publicly financed Israeli settlement construction in most areas of the West Bank and Gaza Strip should ease the pressure on the use of Palestinian land and water resources. Additional action could be envisaged, including the grant of public access to land registers, an end to Israeli confiscation of Palestinian land, and steps to restitute expropriated land, especially for pressing agricultural and housing purposes.

(ii) Water resources need to be allocated in accordance with Palestinian needs and water rights in Gaza Strip and the West Bank, including the Yarmouk and Jordan Rivers.

(iii) The existing local Palestinian water authorities and institutions should be consolidated and strengthened with a view to establishing an indigenous water resources body capable of developing a comprehensive plan for water resources exploitation, conservation and management.

(iv) The growing needs of the Palestinian people call for the economic use of sources other than groundwater, through the construction of rainwater collection cisterns, reservoirs and new water distribution networks where needed, in addition to up-grading and rehabilitating the existing water distribution facilities.

(v) Water-treatment facilities are urgently needed for the purification and treatment of wastewater and its use in agriculture, industry and other areas.

(vi) The activities of existing research facilities need to be strengthened to include water conservation, monitoring of water quality and possible pollution.

Part II
REVIEW OF PROGRESS IN THE WORK OF THE
SPECIAL ECONOMIC UNIT (PALESTINIAN PEOPLE), UNCTAD SECRETARIAT, 1991/1992

46. Pursuant to Conference resolution 146 (VI) and the decision taken at UNCTAD VIII and in line with the provisions of the work programmes of the UNCTAD secretariat for the biennia 1990-1991 and 1992-1993, the Special Economic Unit (Palestinian people) concentrated work during the period under review (July 1991-June 1992) on the four main areas of its activity, namely: (a) monitoring and analysing policies and practices of Israeli occupation authorities that hamper economic development in the occupied Palestinian territory; (b) investigating the impact of such policies and practices on main economic sectors; (c) developing the data-base of the Unit, including the dissemination of quantitative and qualitative information on the economy of the occupied Palestinian territory; and, (d) coordinating with, and contributing to, the relevant activities of the organizations of the United Nations system in response to General Assembly resolutions on assistance to the Palestinian people and on economic and social conditions in the occupied Palestinian territory. In carrying out work in these areas, close contacts were maintained with Palestine, in addition to consultations with other parties concerned.

47. With regard to monitoring, work was undertaken for the preparation of the present report on "Assistance to the Palestinian people" for consideration by the Trade and Development Board at the first part of its thirty-ninth session. In addition to highlighting recent developments in the policy environment affecting the Palestinian economy, the work focused on identifying pressing problems and needs and recommending feasible measures for action aimed at reviving the Palestinian economy and improving the economic and social conditions of the Palestinian people.

48. Within the context of the inter-sectoral project investigating prospects for sustained economic and social development in the West Bank and Gaza Strip, work was intensified on the preparation of the 25 in-depth field studies covering the main economic and social sectors. Part One of these studies, dealing with an analysis of the prevailing situation, identification of problems and needs and consideration of measures for immediate action, has been largely completed. Concurrently, the study initiated by the Special Economic Unit on a conceptual and substantive framework to provide guidelines for the preparation of Parts Two and Three of the field studies dealing with future prospects has also been completed along with a detailed supplement on various technical aspects of the framework. Accordingly, a quantitative framework has been established investigating, under different scenarios, possibilities for the sustained development of the Palestinian economy in the West Bank and Gaza Strip for the period 1990-2010.

49. In accordance with the work plan of the inter-sectoral project, a meeting of experts, both Palestinian and international, which was also attended by representatives of different United Nations agencies and regional organizations, was convened in Geneva on 19-22 May 1992 to: (a) discuss and adopt the findings of Part One of the twenty five in-depth individual studies, thus providing a consolidated report on the prevailing economic and social situation in the occupied Palestinian territory along with specific measures appealing to the Israeli occupation authorities, to the Palestinian people in the West Bank and Gaza Strip and to the international community for immediate action; and, (b) consider the quantitative framework for investigating the future prospects of the Palestinian economy in the West Bank and Gaza Strip under Parts Two and Three of the individual studies. It is envisaged to hold consultations with all the directly concerned parties on the outcome of the quantitative framework, and related aspects of the inter-sectoral project.

50. As part of the requirements of the inter-sectoral project, work on the development of the secretariat data-base on the economy of the occupied Palestinian territory was intensified. Available statistical series covering national income, population, labour and employment, balance of payments

and external trade for the period 1968-1987 have been standardized and classified along the lines of the Economic Times Series (ETS) in use in the UNCTAD secretariat and stored in the computer facilities of the secretariat for future reference. It is also intended to issue these series for dissemination, especially to researchers and institutions, so as to provide a uniform set of statistics on the economy of the West Bank and Gaza Strip for twenty years. The first of these series, dealing with national income accounts, was issued in UNCTAD/RDP/SEU/6, (in English only).

51. In addition to the above-mentioned reports and studies, the following publications were also produced during the period under review:

(a) "Select bibliography on the economy of the occupied Palestinian territory (West Bank and Gaza Strip)" (UNCTAD/RDP/SEU/5, English and Arabic only). This document contains a select bibliography of some 800 references, including books, articles, monographs and United Nations documents issued in English or Arabic on the economy of the occupied Palestinian territory. The document comprises two parts; one covering references in English while the other deals with references in Arabic, each classified according to the United Nations Bibliographical Information Systems (UNBIS) and by author.

(b) The study on "The tourism sector and related services in the Palestinian territory under Israeli occupation" (UNCTAD/RDP/SEU/7) has been issued and given general distribution.

52. In line with work programme requirements and the provisions of General Assembly resolutions, adopted during the period under review, the UNCTAD secretariat has stepped up its efforts to strengthen coordination and cooperation with the relevant organizations of the United Nations system as well as with regional and non-governmental organizations involved in work on the economic and social situation of the Palestinian people in the West Bank and Gaza Strip. This has included contributing to meetings, participating in inter-agency discussions and fielding missions to Tunis and Cairo for consultations and data collection.

Notes

1. cf. the Report of the United Nations Conference on Trade and Development on its eighth session (TD/364), part two, section IV. B.
2. See "Recent economic developments in the occupied Palestinian territory", TD/B/1305.
3. The content and scope of Palestinian economic initiatives have been reviewed in detail in previous UNCTAD secretariat reports: "Recent economic..." TD/B/1221, TD/B/1266 and TD/B/1305.
4. Some observers consider the authorities to have been indifferent in this regard - the work of the Israeli researcher Meren Benvenisti is a good example of this view point. Others consider the official neglect of the needs of the territory to be means to encourage the fragmentation of the Palestinian society and economy under occupation - this is a common tenet in analyses by many Palestinian researchers.
5. For example, the legality of the imposition of Israeli Value Added Tax in the occupied territory has been widely contested in light of the laws prevailing in the territory prior to 1967. The international legal position of Israeli taxation policies and measures in the territory have been fully investigated in M. Stephens, Taxation in the occupied West Bank, 1967-1989, (Ramallah, Al-Haq, 1990). Also see UNCTAD, "The Palestinian financial sector under Israeli occupation", (UNCTAD/ST/SEU/3/Rev.1).
6. See "Recent economic..." (TD/B/1266) and (TD/B/1305).
7. See "Recent economic..." (TD/B/1305), paras 13 and 16.
8. These measures have been reported in: Jerusalem Post, 3.7.91, 21.10.91, 19.11.91, 20.2.92, 2.3.92; Al-Fajr, 12.8.91, 19.8.91, 30.9.91.
9. Jerusalem Post, 22.11.91.
10. Jerusalem Post, 3.7.91.
11. Jerusalem Post, 24.7.92, 5.8.92, 6.8.92.
12. Al-Fajr, 22.7.91; 12.8.91, 30.9.91.
13. ILO, Report of the Director-General, Appendices, (Vol. 2), International Labour Conference, 79th Session, Geneva, 1992, para. 139.
14. See, UNRWA News, No. 258, 10 June 1992; Jerusalem Post, 4.6.92, 5.6.92, 9.6.92. Income losses after three weeks of the closure of Gaza Strip were estimated at some \$20 million, in Al-Fajr, 15.6.92. Further details on the situation of human rights in the Gaza Strip during this particular period are contained in the letter from the Permanent Observer of Palestine to the United Nations and the Specialised Organizations, dated June 5 1992, addressed to the Secretary-General of UNCTAD.
15. Sara Roy, "Development under occupation?: the political economy of U.S. aid to the West Bank and Gaza Strip", Arab Studies Quarterly, Vol. 13, Nos. 3 & 4, Summer/Fall 1991. The various aspects of this and related issues are investigated in the draft study commissioned by the UNCTAD secretariat "International assistance to the West Bank and Gaza Strip" (Part One, forthcoming).
16. See Jerusalem Post, 12.7.91, 29.9.91; Al-Fajr, 15.7.91, 22.7.91, 29.7.91, 4.5.92, 25.5.92; Al-Hayat (in Arabic), 23.7.91, 13.9.91, 20.11.91; Filasteen al-Thawra, 22.9.91, (in Arabic); Al-Quds, 15.4.91, (in Arabic).
17. One observer has written that "if the objective (of foreign aid) is humanitarian, there are some people benefiting. If the purpose is development, then (the foreign organisations responsible for distributing the aid) have completely failed. There is no development in the occupied areas from this aid", in Al-Fajr, 4.5.92.
18. See Al-Quds, 15.4.92 (in Arabic).

19. Interview with the Special Representative of the Administrator of the UNDP - Programme of Assistance to the Palestinian people in Al-Fajr, 22.7.91.
20. Ibid.
21. See Al-Fajr, 25.5.92.
22. One version of this critique holds that "development has come to mean affluence and influence, as foreign donors offer money and an affiliation that translates into political power. Insufficient coordination, duplication of services and overt competition for funds and a market share are not just an economic waste, but are guaranteed to undermine the process of community development on the basis of a common social and political agenda", in Al-Fajr, 29.7.91.
23. Jerusalem Post, 12.7.91, 29.9.91. Al-Fajr, 15.7.91.
24. Ibid.
25. Based on reports in Al-Hayat, 20.11.91, (in Arabic); Al-Quds, 15.4.92, (in Arabic), UNRWA "Press Release" HQ/7/92, 17.6.92.
26. European Parliament resolution A3-0207/31 of 10 September 1991.
27. All growth rates and other aggregate data period are calculated from or expressed in constant 1990 prices. The values in constant prices for key demographic and economic indicators may be consulted in the UNCTAD secretariat study "Prospects for sustained development of the Palestinian economy in the West Bank and Gaza Strip, 1990-2010: a quantitative framework" (forthcoming, Part One), Tables 1/1 - 1/3. Current price data for most of the aggregates may be consulted in "Selected national accounts series of the occupied Palestinian territory, 1968-1987" (UNCTAD/RDP/SEU/6).
Some of the aggregate national accounts data in this section covers only until 1987, the last year for which comprehensive and comparable data were available, compiled from statistics released by the Israel Central Bureau of Statistics (CBS) in three major publications: the annual Statistical Abstract of Israel (SAI), and the Administered Territories Statistical Quarterly (ATSQ) subsequently published as Judea, Samaria, and Gaza Area Statistics (JSGAS). These were classified within the framework of the Economic Time Series (ETS) in use at UNCTAD. Notwithstanding their limitations, the overall consistency, coverage, and continuity of the statistical series published by CBS render them the only existing adequate basis for analyzing aggregate trends. For the most recent period, 1988-1991, covering the Palestinian uprising (Intifada), estimates were calculated on the basis of official Israeli and various Palestinian statistical sources. The treatment of data for the period until 1990 is discussed in depth in the UNCTAD secretariat study "Prospects for sustained development... Technical supplement" (forthcoming), Part One, Chapter III.
28. Data below on land confiscation was compiled in Arab Studies Society, Land Research Unit, Bulletin, January 1992. (in Arabic). These figures are also reported in A.F. Jayyusi, Four Years of the Intifadah - Facts and Figures (Amman, n.p., 1992), (in Arabic), and in the letter from the Permanent Observer of Palestine to the United Nations and the Specialised Organisations, dated June 5 1992, addressed to the Secretary-General of UNCTAD. Of the total confiscated, some 75 per cent had already been acquired by Israeli authorities and settlers by the end of 1991, while the rest was still in the initial stages of expropriation - based on data in the draft study commissioned by the UNCTAD secretariat "Israeli settlements in the West Bank and Gaza Strip" (Part One, forthcoming).
29. A study reported in Al-Fajr, 9.9.91.
30. Data on settlements below is based on the draft study "Israeli settlements..." (forthcoming). The total number of settlers and settlements indicated here correspond to the figures released by the United States Department of State: see Jerusalem Post, 10.5.92. Other sources provide higher figures for the number of Israeli settlements (a total of 217): See, United Nations, "Report of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories", October 1991, (A/46/522)
31. The growth rates of population are derived from calculations based on population estimates above, in "Recent economic..." (TD/B/1305) para. 26, and in Jerusalem Post, 10.5.92.
32. "Israeli settlements..." (forthcoming).

33. Details of the different developments in the settlement drive during the recent period until mid- 1992 may be consulted in Jerusalem Post, 5.7.91, 8.7.91, 28.7.91, 31.7.91, 8.8.91, 27.8.91, 12.9.91, 13.9.91, 17.9.91, 20.9.91, 22.9.91, 4.10.91, 22.10.91, 28.10.91, 30.10.91, 18.2.92, 19.2.92, 25.2.92, 25.2.92, 10.5.92, 19.5.92, 26.5.92.
34. Jerusalem Post, 19.2.92.
35. J. de Jong of the Arab Studies Society, East Jerusalem, in Al-Fajr, 30.12.91. Also see report by the Palestinian human rights organisation Al-Haq in Al-Fajr, 9.9.91.
36. The Israeli Prime Minister's adviser on settlements, in Jerusalem Post, 28.6.92.
37. Jerusalem Post, 30.7.92.
38. Based on data in the draft study commissioned by the UNCTAD secretariat "Water resources in the West Bank and Gaza Strip" (Part One, forthcoming).
39. For further details on this issue, see ILO, "Report of the Director-General...", 1992, pp. 14-18.
40. ILO, "Report of the Director-General..." 1992, para 40.
41. ILO, "Report of the Director-General..." 1992, para 42.
42. Jerusalem Post, 15.4.92.
43. See "Recent economic..." (TD/B/1305) paras. 55-56.
44. Jerusalem Post, 15.4.92.
45. ILO, "Report of the Director-General...", 1992, para. 46. It is also stated that "Ironically, one could argue that relatively large numbers of men in detention, on average around 15,000 according to Israeli sources, keep unemployment figures down; however they are not considered part of labour force because they are unavailable for work", (*ibid.*, para. 44, footnote 1).
46. See "Recent economic..." (TD/B/1305), p. 19.
47. Al-Fajr, 6.1.91.
48. Al-Fajr, 3.2.92; Jerusalem Post, 11.2.92.
49. Al-Hayat, 25.3.92, (in Arabic).
50. Jerusalem Post, 13.2.92; Al-Fajr, 6.4.92.
51. For more information on this concept, see O. Hamed and R. Shaban, "Involuntary Customs and Monetary Union: The case of The West Bank and Gaza Strip under Israeli occupation" (November 1991, paper presented at the Conference on Economic Units, Institute for Social and Economic Policy in the Middle East, Harvard University).
52. The most recent Palestinian company facing the threat of losing its market share was a soft-drinks producer in Gaza Strip, one of the biggest single employers there, which had its franchise (previously covering the occupied territory) cancelled by the transnational owners and transferred to an Israeli soft-drinks company. See Al-Hayat, 9.9.91 (in Arabic).
53. See Al-Fajr, 30.9.91.
54. Al-Fajr, 6.1.92.
55. Jerusalem Post, 27.7.92, 29.7.92.
56. These issues are examined in-depth in the draft study commissioned by the UNCTAD secretariat "Housing and Construction in the West Bank and Gaza Strip," (Part One, forthcoming).

57. Jerusalem Post, 23.2.92, 28.2.92, 6.3.92.
58. This was the subject of a recent in-depth study prepared by the UNCTAD secretariat, "The tourism sector and related services in the Palestinian territory under Israeli occupation", (UNCTAD/RDP/SEU/7).
59. Jerusalem Post, 22.7.92.
60. Data on most recent external trade performance is based on ILO, "Report of the Director General...", 1992, paras 21-25.
61. The UNCTAD secretariat previously investigated this subject in "The Palestinian financial sector..." (UNCTAD/ST/SEU/3/Rev.1). These issues have also been treated in Hamed and Shaban, "Involuntary customs union..." and M. Benvenisti, 1987 Report, West Bank Data Base Project, (Jerusalem, 1988).
62. General Assembly resolution 46/201 of 20 December 1991 confirms the urgent need for this type of facility.
63. General Assembly resolution 39/223 of 18 December 1984 calls for the implementation of this project, an appeal which has been reaffirmed annually since then in related resolutions.
64. General Assembly resolution 39/223 of 18 December 1984 also called for the implementation of this important project.