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Report on UNCTAD assistance to the Palestinian people

Report of the independent evaluator on UNCTAD's programme of assistance to the Palestinian people*

Annexes

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**Annex I
Abbreviations**

| | |
|---------|--|
| AHLC | Ad Hoc Liaison Committee |
| APP | Programme of Assistance for the Palestinian People |
| APPU | Assistance to the Palestinian People Unit |
| ASYCUDA | Automated System For Customs Data |
| CEB | Chief Executive Board |
| DAC | Development Assistance Committee |
| DB | Development Board |
| DMFAS | Debt Management and Financial Analysis System |
| DPA | Department of Palestinian Affairs |
| ECE | United Nations Economic Commission for Europe |
| EU | European Union |
| EXIM | Export Import |
| GDS | Globalization and Development Strategies |
| HRC | Human Rights Council |
| ILO | International Labour Organization |

| | |
|----------|--|
| IMF | International Monetary Fund |
| ISC | Israel Shippers' Council |
| ITC | International Trade Centre |
| ITU | International Telecommunication Union |
| LACS | Local Aid Coordination Secretariat |
| LDC | Least Developed Country |
| MAS | Palestine Economic Policy Research Institute |
| MENA | Middle East and North Africa |
| MTP | Medium-Term Plan |
| NGO | Non-Governmental Organization |
| NRA | Non-Resident Agency |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| oPt | Occupied Palestinian Territory |
| PA | Palestinian Authority or Palestine National Authority |
| PALTRADE | Palestine Trade Centre |
| PBC | Palestinian Banking Corporation |
| PCBS | Palestinian Central Bureau of Statistics |
| PER | Paris Protocol on Economic Relations |
| PFESP | Palestinian Fund for Employment and Social Protection |
| PFI | Palestinian Federation of Industries |
| PIPA | Palestinian Investment Promotion Agency |
| PNA | Palestine National Authority |
| PSC | Palestinian Shippers Council |
| RB | Regular Budget |
| SPR | Special Programme Resources |
| TDB | Trade Development Board |
| UAE | United Arab Emirates |
| UNCT | United Nations Country Team |
| UNDP | United Nations Development Programme |
| UNEP | United Nations Environment Programme |
| UN-ESCWA | United Nations Economic and Social Commission for Western Asia |
| UNRC | United Nations Resident Coordinator. |
| UNRWA | United Nations Relief and Works Agency |
| UNSCO | United Nations Special Coordinator Office |
| USAID | United States Agency for International Development |
| USD | United States Dollar |
| WCO | World Customs Organization |
| WTO | World Trade Organization |
| XB | Extrabudgetary |

Annex II

Economic indicators, Palestinian Territories

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------|
| Real GDP growth (%) | NA | NA | 6.0% | 2.9% | 12.6% | 12.1% | 8.5% | -8.7% | -8.6% | -13.3% | 14.9% | 12.0% | 8.6% | -6.2% | 5.4% | 7.1% | 7.4% |
| GDP (US\$ million) | 2759 | 2,828.4 | 3,220.2 | 3,365.5 | 3,701.6 | 3,944.3 | 4,176.5 | 4,194.7 | 3,897.2 | 3,432.6 | 3,840.9 | 4,198.4 | 4,634.4 | 4,619.1 | 5,182.4 | 6,168.2 | 6900 |
| Population (million) | 2.3 | 2.4 | 2.48 | 2.63 | 2.8 | 2.9 | 3.02 | 3.16 | 3.3 | 3.6 | 3.74 | 3.7 | 3.8 | 3.61 | 3.72 | 3.83 | 3.94 |
| Unemployment rate % | 6 | 15 | 18 | 24 | 20.3 | 14.4 | 11.8 | 14.1 | 25.5 | 31.3 | 25.6 | 26.8 | 23.5 | 23.7 | 21.7 | 26.6 | 24.5 |
| Total Palestinian exports (US\$ million) | NA | NA | 394 | 346 | 381 | 396 | 372 | 401.4 | 290.2 | 240.8 | 279.7 | 312.7 | 336.4 | 366.7 | 513.4 | 558.4 | 518 |
| To Israel (US\$ million) | NA | NA | 363 | 319 | 358 | 382 | 360 | 370.0 | 273.0 | 216.0 | 256.0 | 281.1 | 290.6 | 326.6 | 433.2 | 499.4 | 434 |
| Total Palestinian imports (US\$ million) | NA | NA | 1658 | 2017 | 2164 | 2376 | 3007 | 2,382.4 | 2,834 | 1516 | 1,800.3 | 2,373.2 | 2,666.8 | 2,758.7 | 3,284.6 | 3,466.2 | 3,660 |
| From Israel (US\$ million) | NA | NA | 1439 | 1743 | 1803 | 1833 | 1833 | 1,739 | 1,332 | 1,117 | 1,310 | 1,745 | 1,873 | 2,002 | 2,443 | 2,793 | 2,632 |
| Palestinian net balance trade | NA | NA | -1264 | -1671 | -1784 | -1980 | -2635 | -1,981 | -1,743 | -1,275 | -1,521 | -2,061 | -2,331 | -2,391 | -2,771 | -2,908 | -3082 |
| Donor assistance (US\$ million) | 171 | 488 | 436 | 641 | 692 | 671 | 438 | 601 | 861 | 868 | 976 | 1106 | 1091 | 1441 | 1564 | 2541 | 3000 |

Source: GDP: PCBS; UNCTAD TDB Reports.

Note: Data on GDP excludes that part of Jerusalem which was annexed after the 1967 occupation by Israel; GDP growth: 1997 is the Base Year for the Period 1994-2003, 2004 is the Base

Annex III

Assessments of selected UNCTAD research reports

I. Rebuilding the Palestinian tradable goods sector: Towards economic recovery for State formation

Thrust: The paper provides a detailed account of Palestinian trade patterns based on SITC-5 digit data for the period 1996–2006 and offers policy recommendations for economic revitalization, employment generation and trade deficit reduction. Analyses of trade indices and indicators¹ covering various aspects of structure, evolution and patterns of Palestinian trade have been included with the objective to construct a set of quantitative indicators to identify constraints and explore possibilities for expanding Palestinian trade in ways that enhance economic growth and job creation. Moreover, this analysis is further used in the gravity trade model to shed light on the determinants of Palestine's import demand and export supply.

Key Conclusions: The analysis shows that Palestinian exports are less diversified than most Arab countries, while the relatively low technology content and high resource contents of exports indicates a potential for labour-intensive goods to be produced within the oPt. It also identifies a number of industries and products for export promotion and policy support. These products include pharmaceuticals, building stone, cement, cut flower, mineral fuels, as well as lubricants and related materials. Estimation of a gravity model reveals that there is a significant scope for domestic production of some goods currently imported from abroad in such categories as food, live animals, beverages and vegetables, as well as some manufactured products and equipment. Moreover, a potential exists for expanding intra-industry trade in food, live animals, stone, marble, animal, vegetable oils (olive oil) and manufactured products.

II. Aftercare strategy for investors in the Occupied Palestinian Territory

Thrust: This paper proposes a tailor-made aftercare strategy for Palestinian Investment Promotion Agency (PIPA) to support its efforts to set the economy on the path of sustained recovery, which is based on a comprehensive needs assessment survey of the PIPA's clients, both local and foreign enterprises. Given its leading role in dealing with investors and formulating investment policy, the strategy is to be executed primarily by PIPA focusing on its 400 clients (mostly local medium and large enterprises) that are benefiting from the 1998 Palestinian Investment Law No. 1. The initial section highlights the particular challenges facing investment retention efforts in the Occupied Palestinian Territory, as an occupied, war-torn territory, while the following section delves into the existing investors' business development needs, leading to a proposed aftercare strategy in chapter III.

Key Conclusions: Retaining and expanding investments in the Occupied Palestinian Territory will require assistance to firms to enhance their competitiveness, including through the development of their technological capabilities and mitigating existing constraints to their growth. Such an approach should also seek to create synergies between public services and interventions that address the enterprises' immediate needs and long-term interventions that aim at strategic, development objectives. This necessitates investment retention and aftercare efforts to proceed at four levels: enterprise, industry, institutional and macroeconomic. This integrated approach is at the heart of the proposed aftercare strategy, which emphasizes PIPA aftercare services with a view to (a) generating additional capital investments from existing enterprises; (b) bringing local enterprises up to international standards in terms of product quality; (c) ensuring the widest possible spin-off benefits from foreign direct investment (FDI). The proposed strategy involves each of the core functions of PIPA, i.e. Investor Aftercare Services, Policy Advocacy and Investment Attraction. It proposes an implementation plan for sequencing the recommended strategy components by priority in two interrelated phases. Even though the study warns that donor assistance is required to support the implementation of the proposed strategy, it has still not been able to convince donors for the requisite assistance that has withheld the benefits the study could potentially offer.

III. Policy alternatives for sustained Palestinian development and State formation

Thrust: The study aims to contribute to the debate on the nature of economic policies required for the rehabilitation, recovery and long-term growth of the Palestinian economy, given the limited economic policy framework available to the Palestinian Authority. Specifically, the analysis compares the future outcomes of the present economic policy framework – the baseline scenario – to different policy scenarios that assume expanded policy options with the availability of fiscal, monetary, trade and labour policy instruments to Palestinian policymakers. The analysis is based on simulations of UNCTAD's macro-econometric model (Integrated Simulation Framework (ISF)) to quantify and assess different policy options that could provide Palestinian negotiators and policymakers with insights into the type and range of policy space needed for sustained economic growth.

Key Conclusions: The model simulation of the status quo in the *baseline scenario* demonstrates that a reduction in the intensity of closures and a return to the relative pre-2000 stability would not be suffice to replace the eroded productive capacity, remedy the Palestinian economy's deep structural problems and produce growth that could meaningfully reduce unemployment. There is a critical need to empower Palestinian policymakers with a full range of economic policy instruments to realize the Palestinian development vision. On the other hand, policy simulations of *alternative fiscal, monetary, exchange rate (national currency), trade and labour policies* predict better economic results than the baseline policy framework. The simulation suggests that integrating all these policies into one package would lead to full employment by 2012, or a considerable reduction in unemployment in conservative terms.

Furthermore, the study recommends that significant and urgent progress can be achieved under the present political conditions and prior to the establishment of a sovereign Palestinian State, if Palestinian policymakers gain access to an expanded array of economic policy instruments, who should continuously persist towards addressing the limiting aspects of the existing policy framework and laying the bases for sovereign economic institutions and policymaking. The international community can contribute by directing financial and technical aid to the Palestinian Authority in ways that ensure the expansion of its policy options as well as the correction of the pervasive structural distortions.

IV. The Palestinian war-torn economy: Aid, development and State formation

Thrust: The study basically examines the development and current state of Palestine's war-torn economy and also discusses the role of aid and development in the formation of a democratic, contiguous and economically viable State of Palestine. It also lays down a host of recommendations for its sustained economic recovery. It specifically notes that, under the Israeli occupation, the institutionalization of restrictive measures, in the context of what may be termed a policy of asymmetric containment, has inflicted a heavy toll on the economy and has locked it in adverse path dependence. With the intensification of constraints and the overwhelming challenge of building modern, transparent public institutions in such an environment, the quality of PA governance since the interim self-government period could only deteriorate, which is why it is not surprising that the authority's governance came to be viewed so harshly by observers, donors and evidently by the Palestinian people themselves, as also witnessed by the Palestinian legislative elections of 2006.

Key Conclusions: The study recommends for the adoption of development-driven reform measures, with emphasis on “non-distorting” aid, and preparations for statehood. The PA complements short-term emergency responses with long-term planning and policies that focus on poverty reduction and employment growth; that it try to use crucially needed foreign aid in a “non-distorting” way that won't hinder future economic growth and won't leave the population dependent on such assistance; that Palestine try to shift away from its close economic involvement with Israel; and that the PA set up effective and transparent institutions for eventual statehood despite an uncertain future for Palestine with no end in sight to the Israeli occupation.

V. Transit trade and maritime transport facilitation for the rehabilitation and development of the Palestinian economy

Thrust: The study consolidates and elaborates the main technical findings of UNCTAD's advisory services on two issues viz possibilities for lessening dependence on transport routes through Israel and perspectives and mechanisms for establishing an operational framework for transit transport facilitation, in the context of an integrated framework for enhanced trade facilitation.

Key Conclusions: This technical study ascertains the costs of re-routing Palestinian imports and exports, which are currently transiting Israeli ports, via Port Said in Egypt and Aqaba Port in Jordan. It shows that, under prevailing conditions, re-routing Palestinian trade through alternative routes will be slightly more costly than currently utilized routes. This is mainly due to high costs associated with Israeli security measures, the absence of adequate physical infrastructures, institutions and regulations, and an adverse political and economic situation. However, the study finds that, under certain conditions, re-routing could generate savings and other gains to the Palestinian trading community. In addition, it also demonstrates that there are a number of measures that could be implemented even under present conditions. However, all of this calls for the sustained support of the international community. Besides the political situation, limited financial resources are the other major obstacle to the Palestinian Authority's implementation of major transportation-related projects and here again, the support of donors is imperative.

Annex IV

Terms of reference for the external evaluation of UNCTAD's programme of assistance to the Palestinian people

I. Introduction and purpose

The fifty-third session of the Working Party on the Strategic Framework and the Programme Budget requested the UNCTAD secretariat to conduct an independent external evaluation of UNCTAD's programme of assistance to the Palestinian people. The Trade and Development Board approved the request of the Working Party, and will consider the results of the evaluation at its fifty-eighth session, under its agenda item on UNCTAD's assistance to the Palestinian people.

The objective of the evaluation is to analyse and document the results and lessons learned from the implementation of the programme that addresses the special needs of the occupied territory and the Palestinian people, and to provide recommendations aimed at strengthening the work that UNCTAD undertakes to benefit the Palestinian people.

II. Background

UNCTAD's work on the economy of the occupied Palestinian territory (oPt) began in 1979, following UNCTAD resolution 109 (V), which requested the Secretary-General of UNCTAD to initiate studies as regards the Palestinian people in collaboration with the Palestine Liberation Organization (PLO), representing the Palestinian people.

That work was intensified in 1985 with the establishment of the Assistance to the Palestinian People Unit (APPU), in accordance with UNCTAD resolution 146 (VI), which requested the secretariat to set up a special economic unit to monitor and investigate policies of the Israeli occupation authorities and their impact on the living conditions of the Palestinian people. This mandate was upheld by the General Assembly decision 47/455 of 1992, following UNCTAD VIII held in Cartagena, Colombia in 1992.

The secretariat's work was brought into the spotlight following the launching of the Israel-Palestine peace accords in 1993, particularly as the secretariat's focus was on identifying and capitalizing on promising opportunities for accelerating Palestinian economic growth.

In this context, UNCTAD initiated a programme of technical assistance in favour of the Palestinian people in 1995. The programme expanded UNCTAD's work in this area to include an integrated, research-based technical assistance programme to support Palestinian economic development and institution building efforts.

The reorientation and expansion of the secretariat's work on the Palestinian economy was reaffirmed in the United Nations Medium-Term Plan (MTP) for the period 1998-2001, and the Bangkok Plan of Action adopted at UNCTAD-X in 2000.

Since then, the programme has evolved to respond to the implications of the widespread economic crisis, resulting from the movement restrictions imposed on the oPt.

The São Paulo Consensus, adopted at UNCTAD-XI in 2004, welcomed UNCTAD's systemic approach and called upon the secretariat to intensify its programme of assistance to the Palestinian people, strengthened with adequate resources. UNCTAD's mandate on assistance to the Palestinian people was further expanded under the Accra Accord, adopted at UNCTAD-XII in 2008, to include a special emphasis on capacity-building and supporting Palestinian State-building efforts.

UNCTAD's work on the Palestinian economy is centred on the secretariat's three main interrelated pillars of activities:

- (a) Research and analysis;
- (b) Technical cooperation; and
- (c) Intergovernmental consensus-building in this area of work.

Activities under each pillar respond to the evolving needs of the Palestinian people within four programmatic clusters:

- (a) Development strategies and trade policies;
- (b) Trade facilitation and logistics;
- (c) Public finance modernization and reform; and
- (d) Enterprise, investment and competition.

For additional information about the programme, please visit APPU's webpage: <http://www.unctad.org/palestine/>.

III. Scope of the evaluation

The evaluation will examine the logical framework of APPU, the institutional set-up within which it operates, and how it collaborates with stakeholders, partners, beneficiaries and other UNCTAD programmes to research and advocate the needs and potentials of the Palestinian people and their economy, provide policy advice, contribute to technical cooperation activities, and to assist in consensus building and in mobilizing international support for them. The evaluation will assess if APPU is organized and supported in a way that facilitates achievement of its mandates. The evaluation will also look at what tangible outcomes have been obtained in the implementation of their mandates.

The evaluation will primarily cover the activities implemented by APPU under its three pillars of work. The evaluation will pay special attention to how the work of the APPU has evolved since its establishment in 1985, and to what extent this work and their intended (and resultant) outcomes correspond to what the Programme should deliver based on its mandates and the expressed needs of beneficiaries.

It is at the evaluator's discretion as to the actual activities to be assessed in-depth. A list of activities and other relevant materials will be provided to the evaluator. The latter includes: project documents and reports; mission reports; documents and reports produced for intergovernmental meetings, publications produced by the programme and material used for activities; resource-use information; list of beneficiaries, counterparts and resource persons; existing evaluation reports and feedback (assessments, letters).

IV. Evaluation criteria

The evaluation should examine the following elements:

(a) *Relevance:*

- (i) To what extent the defined objectives and intended outcome correspond to what the Programme should deliver based on its mandates and the expressed needs of intended beneficiaries;
- (ii) How has the programme dealt with emerging policy trends and how should it respond?
- (iii) Whether UNCTAD had played the most relevant role in helping the Palestinian people in view of its challenges, comparative advantage, and assistance received by the oPt from other United Nations system entities, and other development partners.

(b) *Effectiveness:*

- (i) To what extent have the objectives been achieved? To what extent have the mandates been addressed? How much progress has been made against the intended outcome?
- (ii) What adjustments to programme design/strategy could enable improvements in the desired outcomes? (Is the programme design consistent with and supportive of the mandates? Is the strategy likely to lead to expected accomplishment, and the intended outcome? Is there room for improvement to the current programme design?)

(c) *Efficiency:*

- (i) How efficiently have human and financial resources been used to achieve programme outcomes?
- (ii) Were project schedules met or were projects completed within reasonable time parameters?

(d) ***Sustainability:***

- (i) Have the activities been designed and implemented in such a way to ensure maximum sustainability of their impact, for instance, and were beneficiaries actively involved in the initiation, design and implementation of the projects?
- (ii) Whether adequate follow-ups to policy-advocacy work, research outputs and other activities are provided to promote their impact.

(e) ***Other issues:***

- (i) Were the activities designed to contribute to the achievement of the Millennium Development Goals, in particular the goals of gender equality, sustainable development and poverty eradication? What tangible results are evident in this regard?

V. Methodology

The evaluation activities are likely to comprise:

- (a) Study of relevant materials available;
- (b) Collection and analysis of evidence;
- (c) Interviews with direct beneficiaries and other relevant stakeholders in the field;
- (d) Interviews with representatives of member States at Geneva;
- (e) Interviews with relevant UNCTAD staff; and
- (f) Questionnaires as may be required.

The evaluation will likely include a field visit so as to conduct interviews with beneficiaries and other relevant stakeholders, and if desirable and feasible, to observe the projects in action. Organization of the visit will be decided in consultation with the EPU, taking into account the budgetary provisions for this purpose.

VI. Conduct of the evaluation and deliverables

The evaluation will be conducted by an independent consultant, who will work under the methodological guidance of the EPU. The evaluator must take full responsibility for the contents of its report and ensure its independence and accuracy.

The evaluation, on the basis of its findings and assessments made on the above criteria, should draw conclusions, make recommendations and identify lessons learned for the future orientation of UNCTAD's work to benefit the Palestinian people, and contribute towards the effective meeting of its mandates.

More specifically, the evaluation should:

- (a) Make recommendations, to suggest, *inter alia*, adjustments to the programme structure, the portfolio of activities, and the way the three main areas of its work could complement each other;
- (b) Identify the programme's main constraints and challenges and make recommendations as to how they could be addressed; and
- (c) Highlight what has been successful and can be replicated elsewhere and on what should be avoided in the future and the rationale for such recommendations.

The final output of the main evaluation is a report of no more than 8,500 words, composed of three parts: (a) Introduction and a brief description of the interventions assessed as necessary; (b) assessments according to the criteria listed above; and (c) recommendations drawn from the assessments.

In the report, all the assessments made by the evaluator must be supported by facts, direct or indirect evidence, and/or well-substantiated logic. It follows that all the recommendations made by the evaluator should be supported by the assessments made. The evaluator is required to submit a separate list of those interviewed for the record. If necessary, the report may be accompanied by a supplement, detailing the findings of the evaluation, and/or supporting materials.

VII. Timetable

The total duration of the evaluation is estimated to be equivalent to three months of work, to be undertaken during the period 18 April 2011–30 September 2011.

The deadline for submission of the Report of the independent evaluation of UNCTAD's programme of assistance to the Palestinian People is **1 July 2011**. The evaluator is required to present this report to the Trade and Development Board at its fifty-eighth session in September 2011 in Geneva.

¹ The 12 indices highlighted in the study include Relative Growth Rate of Exports/Imports Index (RGREI), Trade intensity index (TII), intra-industry trade index (IIT), Export specialization index (ESI), Export Diversification Index (EDI), Export Concentration Index (ECI), export similarity index (XSI), index of global demand (GD), Competitiveness index or Global Market Share, Technological content (TC) index, Custom Tariff Rates