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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\*

#### *Executive summary*

Amidst extremely challenging and adverse conditions, UNCTAD has continuously remained engaged with the Palestine Authority (PA) and other beneficiaries, addressing their pressing needs, through research and analysis, economic policy advice and technical assistance, for institutional capacity development. To a large extent, this steadfast engagement of over 28 years has been due to the creation and resourcing from regular budgets of a special Assistance to the Palestinian People unit.

UNCTAD remains a small but specialist player in the development assistance canvas, with no field presence in the occupied Palestinian territories (oPt). However, it brings a number of proprietary tools and techniques, and its programme of assistance to the Palestinian people has enjoyed the confidence and trust of its beneficiaries, as well as most member States, who have continuously endorsed its mandate. Its projects collectively have made useful contributions to assist the PA in institution building in areas of economic policy, statistical information and financial management, and trade facilitation. However, results have been below potential, largely due to periodic reversals of ground level conditions, including physical destruction.

Moreover, UNCTAD faces challenges in responding to new and emerging priorities of the PA, arising from its limitations in securing financial commitments for new projects, its lack of field presence and partnerships, and its absence from the aid coordination structures in the oPt, all of which limit its ability to make additional contributions despite its relevance, capabilities and expertise. Resultantly, UNCTAD must develop new strategies with appropriate resources toward a more effective engagement, amidst an increasing choice of development partners under the changing realities of the oPt.

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## I Introduction

### A. About the evaluation

1. This evaluation addresses the mandate of the 53rd session of the Working Party on the Strategic Framework and the Programme Budget for an independent external evaluation of UNCTAD's programme of assistance to the Palestinian people. The evaluation's objective is to analyze and document the results and lessons learned from the programme's implementation, and to provide recommendations aimed at strengthening the work that UNCTAD undertakes to benefit the Palestinian people.

### B. Methodology

2. The evaluation's assessments have been based on:
- (a) Terms of Reference (TD/B/58/6/Add.1 - Annex 4);
  - (b) Desk reviews (31 documents);

- (c) 66 Interviews;
- (d) Field missions to Jerusalem, Bethlehem and Ramallah.

## C. Report emphasis

3. The evaluation recognizes the enormous sensitivity of political, security and human rights aspects having an influence on the economic and human development conditions in the oPt. There is an enormous body of research and reportage on these issues in the public domain. Accordingly, there are no independent commentaries reflecting the evaluator's judgement on these aspects in this report. The evaluation draws conclusions only in respect of the performance of UNCTAD's programme of assistance, drawing on information and insights provided by the diverse list of persons consulted, and makes its recommendations only in respect of the terms of reference for this evaluation.

## II. Overview of activities

### A. Mandate

4. UNCTAD's Programme of Assistance to the Palestinian People (APP); the establishment of the special unit; its programme orientation; resourcing; and reporting, draw their mandates from these documents:

- (a) UNCTAD resolution 109 (V), 1979;
- (b) UNCTAD resolution 146 (VI), 1983;
- (c) United Nations General Assembly decision 47/455, 1992;
- (d) 1998-2001 United Nations Medium-Term Plan (MTP);
- (e) Bangkok Plan of Action, UNCTAD X, 2000;
- (f) São Paulo Consensus, UNCTAD XI, 2004; and
- (g) Para 44, Accra Accord, UNCTAD XII, 2008.

5. These mandates and regular endorsement by the Trade and Development Board (TDB) have guided the secretariat's work programme on APP, through a development partnership with Palestine Authority (PA) and its attendant agencies and other beneficiaries, complementing the efforts of other international agencies and donors. Additionally, significant changes in programmatic thrust and the provision of technical assistance were also influenced by the need to respond to the opportunities and resultant needs arising from the United Nations Security Council Resolution 1397 (2002) which first established the international consensus of support for the establishment of a viable and independent Palestinian state, living in peace side by side with Israel.

### B. UNCTAD profile in the development assistance canvas

6. UNCTAD is one among nearly 30 development agencies assisting the Palestinian people, engaging with the PA and attendant agencies and other private and non-government agencies in the oPt. The United Nations Country Team (UNCT) itself has 27 members, including a large number of United Nations agencies. UNCTAD is a non-resident agency, with its two-staff member APPU currently coordinating all technical cooperation delivery and donor engagement activities in the oPt on behalf of the agency. However, UNCTAD is the only United Nations agency with a dedicated focus on trade policy and facilitation, investment and economic development strategies issues.

7. International development support to the Palestinian people rose from \$603 million in 2000 to nearly \$3.0 billion in 2009, of which multilateral agencies contributed over one billion (OECD stats). UNCTAD cumulative delivery since 1995 stood at \$7.02 million, spanning fourteen projects, some involving multiple phases. Average annual delivery has remained less than \$0.5 million, insignificant (less than 0.3%) in the aggregate development assistance flows.

8. Yet, UNCTAD's expertise and comparative advantages in two areas: macro-economic and trade policy; and trade facilitation, have been acknowledged by ministries and other PA institutions. UNCTAD is perceived as an independent institution with an out-of-the-box approach to issues, and often providing a valuable second opinion/ counter argument on issues of economic and trade policy, which enables a more informed policy debate and expands the range of choices for policy makers. Within the United Nations system too, despite overlaps in areas like private sector development, UNCTAD's leadership is recognized in macroeconomic policy, trade policy and trade facilitation issues.

9. In many areas, UNCTAD brings in proprietary technical products e.g., customs administration and debt management systems, training modules and programmes, which have been tested successfully in many countries and can be adapted to new settings. Thus, UNCTAD enjoys the advantage of being a specialist technical agency with demonstrated hands-on expertise to support institutions like Customs/Revenue Departments and Financial Planning/Monitoring Agencies.

## C. Activities implemented

10. UNCTAD's activities fall under three inter-related pillars: **Research and Analysis**; **Technical Assistance**; and **Consensus Building**.

### 1. Research and analysis

11. Since the beginning, the work programme has included a component of monitoring and investigating the social and economic impact of policies of occupation, in accordance with the mandate, and these continue to be a major part of the annual reports to the TDB. To date, over 55 research reports have been prepared on these subjects. Many older reports are not electronically archived, and the website features only the most recent 22 reports, dating to 1999. Topics covered in recent years, include:

- (a) Options for expanding economic policy making space;
- (b) Simulation Framework for macroeconomic, trade and labour policy;
- (c) Enhancing Aid effectiveness;
- (d) Linking relief to development;
- (e) Integration with regional and global markets;
- (f) Frameworks for diversifying and facilitating trade in goods and services;

- (g) Small and Medium-sized enterprise dynamics and development prospects; and
- (h) Investment retention and promotion.

12. Some reports have led to specific technical assistance projects to realise the potential benefits from the pursuit of the policy alternatives identified by the research and analysis. The unit considers this monitoring aspect as being central to its mandate, even though there has been a shift toward implementation of technical assistance to cope with the challenges imposed, and to prepare the institutions for greater levels of self-governance.

## 2. Technical assistance

13. The signing of the Oslo Accords and the Paris Protocol on Economic Relations (PER) provided the rationale for reorienting UNCTAD's approach to more hands-on technical assistance to respond to the need for interim self-government structures required under the PER. Focus of UNCTAD's technical assistance has been under four broad themes focusing on institutional development, specifically relating to trade, finance and private enterprises.

- (a) Revenue Administration Systems (Customs, Public Finance Management);
- (b) Trade Facilitation;
- (c) Investor Retention Strategies;
- (d) Entrepreneurship Development.

14. The Assistance to the Palestinian People Unit (APPU) website refers to 25 technical cooperation activities/ projects undertaken with extra budgetary resources, i.e., financial support from donors. These include a disparate set of one-off activities, training programmes, and full scale field projects. To date, cumulative delivery of technical assistance stood at US \$7.02 million, of which a substantial part has been in since 2006, particularly under the customs administration programme. Meanwhile, a new project involving \$2.2 million in the area of trade facilitation has been signed during the evaluation period. The past five years reflect a trend of fewer but larger-ticket projects (4 projects totalling \$ 6.81 million) being coordinated by the APPU.

15. **Training and advisory services on request:** Besides implementing projects, the APPU and other parts of UNCTAD also conduct training programmes and deliver specially tailored advisory services for PA officials and agencies on areas such as: WTO issues; economic policy making, modelling and simulation frameworks,.

Table 1

### List of Technical Cooperation Activities

Project	Donor	Cumulative Expenditure (USD)
Promotion of the Palestinian Authority's cooperation with Jordan and Egypt in improving sub-regional trade-related services	UNDP	18,132
Development of an industrial estate in Nablus: project feasibility, implementing strategy and environmental impact	UNDP SPR (1999)	225,889
Special Programme (Palestinian Authority)	Netherlands	204,569
Capacity building in debt and financial management (DMFAS)	Norway	319,633

### Cluster 12: Transport & Trade Facilitation

ASYCUDA++ Preparatory Technical Assistance Project -	Palestinian Authority	301,496
ASYCUDA++ Phase II - Pilot Site Implementation	European Commission (EC)	728,526
ASYCUDA Special Technical Assistance for Rollout at Rafah Border	EC	151,438
Phase III: Implementation of ASYCUDA world in Palestine	EC	3,475,891
Establishment of the Palestinian Shippers Council	EC	598,772

### Cluster 11: Strengthening the debt management capacity of developing countries

Institutional Support and Capacity Building for Investment Retention – PIPA	Norway	64,548
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Support for Palestinian Small and Medium Enterprises Development – Emergency Assistance to Empretec Palestine ...	Med 2000 (Italy); PBC	200,665
Support for Palestinian Small and Medium Enterprises Development – Emergency Assistance to Empretec Palestine ...	PFESP/ILO	132,160

## Cluster 1: Capacity Building on trade negotiations and commercial diplomacy

Integrated Framework for Palestinian Macroeconomic, Trade and Labour Policy	Canada/IDRC	70,725
Promoting sub-regional growth-oriented economic and trade policies towards achieving the MDGs in Arab countries of West Asia and North Africa or Development Project No.6	Development Account	531,000
Total		7,023,344

Source: Annex 2 (Statistical Tables) of Review of Technical Cooperation Activities; Project Reports.

### 3. Intergovernmental consensus-building

16. The programme's main output to support consensus building is the secretariat's annual report to the TDB, which provides an assessment of the Palestinian economy's performance and underlying challenges, besides brief updates on technical cooperation activities. The unit produces two research/ policy papers every biennium - whose contents are often summarized in the annual reports; contributes to reports coordinated by other United Nations bodies and prepared for the United Nations General Assembly Secretary General; and also participates in events such as the six-monthly seminars organized by the Department of Political Affairs-Committee on the Inalienable Rights of the Palestinian People.

### 4. Resources

17. The APPU is directly responsible for: production of the annual report to the TDB; the research publications as committed; and for training missions in the field. In technical assistance, the unit plays the role of a coordinator between the PA institutions, donors and other specialist units inside UNCTAD. In the past ten years, there were not more than two projects under implementation at any time, with implementation periods of two years, on average. The main deployment is in field missions for training, donor engagement, consultations with counterpart institutions, and project review missions.

18. The Unit began with two RB staff (P5 and P4), but the addition of technical cooperation activities has necessitated additional staff. This was managed initially (2001-2005) through a P2 position funded by Netherlands, and subsequently a P3 post funded from the budgets in the APPU's project pipeline. However, in 2010, with the P3 staff moving to another post in the United Nations, and with no project pipeline, the post could not be maintained. A replacement is likely by July 2011, currently for one year, contingent on new projects being secured financially. There is also a general-service staff member dedicated to support in the area of TA and other areas of work.

19. **Field Presence:** Lack of field presence has been cited as a constraint by a few donors, United Nations agencies and PA institutions, besides the APPU itself. However, field presence does not automatically imply a direct expatriate presence; the role of the United Nations Resident Coordinator (UNRC) and the Non-Resident Agency (NRA) focal point is to adequately represent institutions like UNCTAD on aid coordination structures. The national counterparts are also not in favour of high field presence costs, and recommend local staffing to the extent possible.

20. **Joint Programmes/ Implementation:** So far, work under the APP programme has been handled almost entirely within UNCTAD. However, system wide reforms in the United Nations are increasingly witnessing joint programming and joint implementation in the field among United Nations agencies. UNCTAD is the proposed lead agency in the Programme on Trade and Productive Capacities (part of the United Nations CEB initiative), which also includes UNDP, ITC and ILO. A programme document prepared in early 2011 awaits funding. However, the evaluation noted apprehensions in the field as to the effectiveness of NRAs leading multi-agency joint programmes.

#### 5. Donor engagement

21. So far, PAPP technical assistance has been supported by: Norway, Netherlands, European Communities, Canada, IRDC and Italy. The unit has experienced challenges in securing financial closure for follow-on projects, with some proposals (Dry port; Empretec-2; and until recently the Palestinian Shippers' Council (PSC) - phase 2) floating for up to three years. The viability of some projects was also affected by implementation challenges and also inadequate donor support for activities in Gaza.

22. Donor reluctance for funding some projects has been a confluence of many reasons:

- (a) The small scale of most interventions, which do not justify the monitoring and administrative costs involved;
- (b) Inadequate synergy with donor strategies and priorities for the oPt;
- (c) Lack of field presence, particularly when beneficiary institutions are known to be weak;
- (d) Inadequate linkages with national development plans and insufficient national ownership- at times caused by changes in priorities.

There have been larger, external reasons as well as mentioned by donors: the deteriorating and highly volatile conditions in the oPt since 2006, and the overall pressure on assistance flows following the global recession in 2008.

23. Donor coordination in the oPt takes place at the Local Development Forum, under four strategy groups. The Economic Strategy Group focuses on: Private sector

development and trade; Fiscal; Agriculture; and Micro and Small Finance, two being areas related to UNCTAD's expertise. This important forum, provides an opportunity for collective overview of all the technical cooperation activities in the oPt, and supports improved proposal formulation and closure. However, UNCTAD is not a member, as per the Local Aid Coordination Secretariat website. The APPU's difficulty in raising funds is hence also partly due to lack of visibility and interaction with donors.

### III. Findings and assessments

#### A. Relevance

24. Spanning more than 25 years, UNCTAD work has adapted to changes in the political and economic realities of the oPt, while remaining consistent with its mandate. Beginning in 1979 with a focus on initiating studies (United Nations resolution 109 V), the scope and thrust of the Programme has evolved over the years, through: identifying and capitalizing on promising opportunities for accelerating Palestinian economic growth; supporting economic development and institution building efforts; responding to implications of widespread economic crisis resulting from closure policies and movement restrictions, and more recently to supporting Palestinian state building efforts (Accra Accord).

25. UNCTAD's analysis and policy advice, reflected in its reports, focus on six key constraints in the oPt: (i) Absence of national sovereignty; (ii) Territorial fragmentation; (iii) Limited economic policy space; (iv) Vulnerability to external shocks; (v) Land-locked and limited access to markets; and (vi) Inadequate physical infrastructure. The thrust of UNCTAD's work has been to elaborate- through qualitative and quantitative analysis and use of economic simulation modelling and inform the international community of the implications of the continuance and, in some times, exacerbation, of these constraints, on the lives of the Palestinian people in the absence of the essential policy space and functioning organs of sovereign states.

26. **Research and analysis:** The bulk of the analytical work and the resultant technical assistance is in five broad areas:

- (a) Economic, Trade and Labour Policy – to assist in informed choices in a restricted policy space;
- (b) Institutional Capacities building- to assist in creation and development of capacities in important state institutions – finance (debt management) and customs being directly related to UNCTAD expertise;
- (c) Trade Facilitation- toward reduction of transaction costs for enterprises;
- (d) Private Enterprise Development- to assist in the creation and enhancement of skills and productive capacities;
- (e) Regional Trade Integration – to assist in the identification and creation of veritable alternatives for trade to neighbouring and regional markets, to improve the terms of trade and diversify/reduce the dependence on Israel for imports and exports.

27. UNCTAD's expertise and thought leadership is well recognized and acknowledged in these domains. Some respondents stated that UNCTAD's perspective provides counterbalance and alternative approaches to those of other institutions, thus enabling more informed and well-argued choices on important policy issues and national development strategies. This was particularly cited in the matters of trade policy liberalization and WTO accession.

28. The evaluation took up eight reports (covering a diversity of themes and spanning a twelve-year period until 2010) for a more detailed study of the content and to infer key messages from their analysis. Observations on some reports are summarised in Annex 3 (TD/B/58/6/Add.1) to this report.

29. Overall, the evaluation finds these reports to be rich in data and incisive in their analysis, providing an appreciation of the significant challenges and constraints to growth under occupation. Collectively, these reports attest to the enormous economic potential of a peace arrangement on one hand, and the extreme vulnerability of the oPt economy to Israeli security measures.

30. The overriding inference from a number of these reports is that the policies of occupation in the oPt inflict a huge cost on the Palestinian people and render the PA institutions unable to attain self-sufficiency and sustaining their operations through available revenue sources, in turn leading them to become overly dependent on external support. The reports covering 1994 until 1999 provide a positive account of the economic gains from the PER implementation despite its limitations in enhancing the policy space for the PA. The most important conclusion and endorsement of the PER is that by 1999, the PA had managed to eliminate revenue deficits in 1999, was able to manage its recurrent expenditure without donor dependence. The overwhelming conclusion of subsequent reports is that conditions and policies since 2000 have utterly reversed this progress, with the situation in the Gaza strip far worse than in the West Bank.

31. The conclusions of these reports provide useful policy directions for the PA to maximize the potential from its constricted policy space, and identify specific areas for revision or adjustments to the PER, which remains the only operational instrument governing the economic arrangements for the oPt. To an extent, these also provide a menu of specific "asks" for removal of critical bottlenecks imposed by Israeli policies and procedures in the oPt.

32. **Technical Cooperation:** Launched in 1995, technical cooperation has remained oriented toward strengthening institutional capacities for the achievement of national development objectives in four clusters: (a) trade policies and strategies; (b) Trade Facilitation and Logistics; (c) Finance and Development; and d) Investment, Enterprise Development and Competition. Since 2000, the emphasis has been on building and strengthening of institutions of the oPt to cope with the conditions of occupation and additional access and movement restraints, and acquire capabilities for carrying on the functions of state institutions.

33. Individually, most projects have demonstrated high relevance to addressing these institutional strengthening needs. Important knowledge gaps and capacity needs in customs administration, debt management and financial planning, trade facilitation, and integrated macro-economic planning, as identified in national priorities have been covered by technical assistance activities. These projects were all based on UNCTAD's recognized expertise, proprietary tools and platforms, besides in-house competence areas, and have been implemented in other settings as well.

34. On the other hand, UNCTAD faces new challenges in retaining its space and visibility in the development canvas, which are significant pointers for its future engagement strategy.

35. The most important is that Palestine's objective of securing admission into important bodies such as WTO, the United Nations and others, and also secure Israel approvals for critical projects, does influence the choice of development partners. Second, agencies bringing in funds have an edge over others that merely execute and utilise these funds. UNCTAD suffers serious disadvantages in this respect, being dependent on extra-budgetary support; and also entailing higher, Geneva-based overheads. Third, UNCTAD's focus on government and insufficient engagement in recent years with key private sector institutions – PALTRADE and Palestinian Federation of Industries (PFI) - denies it several opportunities even as most donors are increasingly focusing on private sector led growth strategies. Lastly, a few stakeholders also observed that UNCTAD's advocacy orientation on occupation policies, at times restrict its opportunities for a wider range of partnerships and projects.

36. Three senior officials and ex-officials associated with UNCTAD activities for several years also observed that the unit needs to be more energetically engaged with the priority needs and more responsive to requests for assistance, and that the quality of the relationship, which has been excellent in the past, needs to be sustained through high responsiveness to requests for support. Although such opinions can be subjective, they provide feedback as to the need for greater investment in the institutional relationship at the highest levels.

#### B. Effectiveness

37. **Research & Analysis:** The sustained coverage of the conditions of the Palestinian people for more than 25 years forms an authoritative repository, highly appreciated by stakeholders, including academia, several donors and also other development agencies. UNCTAD reports highlight the linkages between policies and measures of the occupying authority; the law, order and security conditions in the oPt; and the resultant state of growth and development; and portray the inherent contradiction in states of 'growth under occupation'. Several reports also provide specific directions for solutions through a greater level of policy making freedom in the oPt.

38. **Intergovernmental consensus and servicing of expert meetings:** UNCTAD has done its best in highlighting the need for interventions to improve the economic and social conditions in the oPt, backed by empirical evidence of its studies. However, its ability to influence intergovernmental processes remains limited. This can be gauged from the attention given to this subject, with the TDB spending between two hours and a half-day session per year deliberating on the outputs of the

APPU, and with the Board subsequently just "noting" the secretariat report.

39. Meanwhile, the considerable coverage given to occupation policies in these reports has invited criticism from a few members States, on grounds that these receive much more space than the substantive coverage of UNCTAD's activities and projects during the year, and that the assessments do not consider official information and data provided by Israel (even though UNCTAD draws on authoritative sources including the World Bank, PCBS and Israeli Statistics for its reports).

40. **Technical assistance projects/ activities:** The aim of most projects was to create and strengthen institutional capacities based on assumptions of greater freedom to formulate and manage economic policies. However, under the current structures and conditions of occupation there is very limited policy space for exercising macroeconomic, trade and labour policies. Under such conditions, technical assistance works in a sub optimal environment, which drastically reduces its potential for impact.

41. As a rather small and specialist partner, UNCTAD's results manifest in terms of the knowledge, capacities and resilience created in the beneficiary institutions to develop, sustain, re-emerge and rebuild through cycles of conflict. This evaluation believes that the survival and continuation of these nascent institutions and their ability during the past ten years to re-emerge and manage their limited political and financial space without internal collapse, is in itself an important indicator of the impact of the development assistance to the oPt. Further, UNCTAD has contributed the tools for the PA to analyse, monitor and channel its policies in line with the national development strategies.

Table 2

**Evaluation Observations Summary on selected projects**

Project	Activities	Observations
<b>ASYCUDA-</b> various phases	<ul style="list-style-type: none"> <li>Design of customs administration system to adapt to oPt requirements</li> <li>Training of personnel</li> <li>Trade statistics and risk management systems</li> <li>Direct Trader Input</li> <li>Reconciliation with Israeli customs</li> </ul>	<p>Initiated in 2000, UNCTAD has implemented three phases of its Customs Administration programme, from design to commissioning and operations in multiple locations. The system operates on a post clearance basis, based on goods cleared through Israel ports. An integrated tariff and trade database are in place and replete with disaster recovery systems and back up arrangements. The revenue collection and reconciliation with Israel are functioning very smoothly and the project has recovered all its costs from additional revenue capture through accurate reconciliation of transaction volumes and transfers. Despite challenges, the system is operational at 14 points in the oPt, and has trained over 200 people in customs administration, and now also facilitates direct trader input into the system. The project's success is in no small measure due to the high motivation of the local team, which worked between phases without certainty of remuneration.</p> <p>The project will be handed over to the PA under its next phase, presently awaiting financial closure.</p>
<b>DMFAS</b> PAL/00/A28 Norway July 2000-2001, ended in 2005	<ul style="list-style-type: none"> <li>Establishing the institution set up (Debt office)</li> <li>Computerization and installation of DMFAS 5.3 in Arabic</li> <li>Study on financing of public investments</li> <li>New phase under discussions</li> </ul>	<p>The project focused on the institutional framework for effective debt management and improving the capacity of officials from the Ministry of Finance to analyze external financing, record, monitor and analyze current and future debt service obligations, using the DMFAS. It also helped create a centralized debt database with complete information and debt monitoring tools, and a policy paper on debt strategy as well as policy advice on institutional aspects. There were huge delays in implementation, leading to extensions until 2003. However, activities continued until 2006 without formal approvals, and were eventually suspended in 2007, and unused funds were diverted to the AYCUDA project. Subsequently, the installation in Gaza was physically destroyed in 2008. UNCTAD continued to support the Ministry from Geneva. A new project proposal presently awaits funding from donors.</p>
<b>PSC</b> MED/2005/105-371 European Union 2005-2008	<ul style="list-style-type: none"> <li>Constitute and register the PSC.</li> <li>Enhance technical capacity of PSC staff.</li> <li>Familiarize shippers' on the different aspects of trade facilitation, and the role of PSC</li> <li>Obtain competitive rates, reduced charges and fair treatment for Palestinian shippers from service providers.</li> <li>Access and disseminate latest information on modifications</li> <li>Build public outreach with Goyt, private sector and international institutions.</li> <li>Ensure PSC sustainability</li> </ul>	<p>The project aimed to create a national shippers' council as the authorized industry representative to represent the interests of Palestinian traders/ shippers with service providers and regulatory authorities for transport matters as well as trade facilitation aspects.</p> <p>The project assisted in the constitution of the PSC, and supported training workshops covering international maritime procedures, trade facilitation, and also familiarization visits to Israel ports and other international locations. The PSC was able to function as a representative of the industry and present all their issues, even procuring legal services on behalf of members, and assisting members in successfully exporting to distant markets.</p> <p>The PSC also engaged with the authorities in the PA, Jordan, Egypt and Israel, besides Israeli, Swiss and European Shippers Councils and the ASYCUDA team. It also brought out a web site and several trade policy briefs and other publications on relevant issues. Financial sustainability through fee-based services has remained challenging due to the ground conditions and the sub optimal levels of business.</p> <p>A second phase of the project is now approved for funding by Canada.</p>
<b>EMPRETEC</b> INT/98/A 33 Italy (MED 2000); ILO 2001-2006	<ul style="list-style-type: none"> <li>Design Programme and institutional framework</li> <li>Translation and adaptation of training materials</li> <li>Empretec workshops</li> <li>Local training capacity</li> <li>Follow-up assistance and support entrepreneurs</li> <li>Networking</li> </ul>	<p>EMPRETEC is an established UNCTAD programme for entrepreneurship development. The first phase aimed at creating a pool of 100 Empretec (SMEs), supporting them with tailor made training programmes to prepare and implement their business plans, including accessing financial assistance, and supported by a local team of certified trainers in a counterpart institution- the PBC. It established 43 Empretec including 13 women, and 5 potential certified trainers, but was stopped due to withdrawal of funding by the donor.</p> <p>An emergency phase, funded by ILO and a new counterpart institution (PFI/PFESP) was formulated to continue the project and extend to Gaza, besides some activities to ensure self-sustenance of the local institution.</p>

		Implementation could not take place in GAZA. However, 130 EMPRETECOs were created, including 21 women. Lack of ownership and continuity of local partners, besides funds mobilization has been a major weakness of the project, which has been unable to secure funding for a new phase planned with a nongovernmental agency, SEC, as partner .
PIPA PAL/OT/3BZ Norway 2003- 2007	<ul style="list-style-type: none"> <li>Assessment of present status of existing industries/enterprises</li> <li>Design an investment retention program Design an institutional building plan</li> <li>Design a training program,</li> <li>Study tour / training at leading investment promotion agencies</li> </ul>	PIPA, the national investment promotion agency faced challenges not only in attracting new investors but also in retaining existing investors under extremely difficult conditions in the oPt. PIPA not only faced financial challenges itself, but lacked capacities to assist its clients amidst these circumstances. UNCTAD, with considerable history in investment promotion initiatives, has relevant expertise in assisting investment promotion agencies such as PIPA in designing and implementing investment promotion and retention programmes. The project experienced a delay of more than three years in completing the industry survey and database of enterprises. Based on the survey and other inputs, an investment promotion programme was prepared to be shared in 2007. In 2009, UNCTAD undertook a research project on the need for after care strategies in the oPt, which became the seed for another proposal for PIPA. However, this proposal has not yet received positive consideration from donors, while some stakeholders also feel it has not been pursued actively .
Integrated Framework for Palestinian Macroeconomic, Trade and Labour Policy	<ul style="list-style-type: none"> <li>Formulation of Integrated Simulation Framework</li> <li>Installation of the programme at various beneficiary institutions</li> <li>Training programmes on the use of the model</li> <li>A policy paper using the results of the model</li> </ul>	The project aimed at formulating an Integrated Framework for Macroeconomic, Trade and Labour Policies for the oPt, through a computerized econometric model considering the impact of policies including trade, labour, returnees, taxes and transfers, public investment, and debt and foreign saving. The project also sought to enhance modeling capacity in the Ministries of Labour, National Economy, Finance and Planning, the Palestinian Monetary Authority, and Palestinian Central Bureau of Statistics, besides the local partner. The model was installed in six institutions, and a set of training programmes was delivered successfully.

Source: Evaluation assessments based on documents, field missions and interviews.

42. The successful operation of the ASYCUDA is a unique example of good cooperation, not only between UNCTAD and the PA but also enabled by the sustained support of donors over multiple phases, and, a proactive and supportive approach by Israeli authorities and attendant institutions. The ASYCUDA project amply demonstrates the potential for fruitful and constructive cooperation on the ground even amidst challenging political conditions and sensitivities, based on the tangible gains for both the PA and Israel from an effective post clearance tax reconciliation arrangement that was the prime objective of the project. Similarly, another project- the Palestinian Shippers' Council (PSC) - received some support from Israeli private sector bodies such as the Israel Shippers Council (ISC) and the Peres Centre for Peace.

43. In comparison, projects directly aimed at private sector enterprises faced challenges of continued uncertainty in the enabling environment as well as inadequate local ownership, and may seem premature in hindsight, although they were all based on the expectations of a successful resolution of political dialogue. Despite their relevance, the evaluation expects there to be continuing challenges in securing extensions of projects for investor retention and enterprise development until a substantial improvement in ground conditions, i.e. investor demand, well-established local ownership and co-financing mechanisms are in place.

### C. Efficiency

44. Prior to 1995, research and analysis reports constituted the main if not only activities at the APPU. However, the recurrent work programme presently consists of two research reports over a two-year period, besides an annual report to the TDB, i.e. two reports each year. A proposal to increase the number of recurrent studies on Palestinian economy were resisted by some member States at a recent UNCTAD meeting, and resultantly dropped in the interests of obtaining consensus. Therefore, despite the possibilities, the work programme includes only two recurrent outputs per year.

45. Meanwhile, several technical assistance projects faced delays in execution, largely due to the adverse ground conditions marked by conflict. In some projects, the allotted funds could not be completely used, as some planned activities could not be undertaken. Two projects were aborted midway: Empretec due to withdrawal of funding support by donors; and DMFAS, following a continuance of activities for several years without obtaining donor consent (see Table 2). The following table provides a summary of the deviation in the implementation periods of each project.

Table3  
Planned and Actual Completion times for selected Projects (in months)

Project	Planned	Actual
Phase I ASYCUDA++	6	18
Phase II: ASYCUDA	16	35
Phase III: ASYCUDA	30	36
DMFAS	16	Suspended
EMPRETEC Phase I	24	Suspended
EMPRETEC Emergency Phase	8	11
PSC	24	34
PIPA	6	36

Source: Project Documents and Reports.

46. **Cost-effectiveness:** An analysis across various projects indicates that UNCTAD's expertise accounts for the bulk of the expenditures. This is understandable given the proprietary nature of UNCTAD flagship programmes, and hands-on involvement in these activities. For a selection of projects taken at random, almost 51% of budgets were consumed in-house at UNCTAD, not including external expert costs. On the other hand, local expenditures accounted for less than 15% of

expenditures, though this did not include salaries of local staff paid from the projects.

Table4

**Breakup of Project Expenditures**

Project	Unit	UNCTAD experts	Consultant/ staff	Training	Travel	Others	Pro-gramme Support	Total
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PSC	\$	82,002	308,303	28,766	45,406	85,254	39,171	598,711
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Empretec Emergency Phase	\$	102,195		13,702			15,900	131,756
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PIPA	\$	41,891		18,563			7,859	68,314
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DMFAS	\$	261,355		10,442		36,673	40,101	348,571
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IDRC	\$	28,525	8,008	6,500	14,404		7,629	74,770
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ASYCUDA Phase 2*	\$	300,000	254,408	45,784			50,056	765,148
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DMFAS proposed	\$	269,750	137,000	52,716	171,457	114,619	96,920	842,462
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<b>Total</b>	<b>\$</b>	<b>901,623</b>	<b>707,719</b>	<b>176,473</b>	<b>231,264</b>	<b>236,546</b>	<b>257,636</b>	<b>2,829,732</b>
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<b>Share of Total</b>	<b>%</b>	<b>34.5%</b>	<b>25.01%</b>	<b>6.23%</b>	<b>8.17%</b>	<b>8.35%</b>	<b>9.1%</b>	<b>100%</b>
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Source: Expenditure Reports for Selected Projects, Budgets and Project Finance Section.

47. **Human Resources:** The unit has expressed concerns over the limited ability to deliver with a two-person unit, and expressed concerns as to the impact of the loss of the P3 post on the work load of the remaining staff. It was stated that the recurrent work programme (one annual publication, and one to two research reports) itself does not justify another position, however, coordination, monitoring and reporting of technical assistance needs additional full-time resources, including field resources.

48. On the other hand, the evaluators also heard concerns from other stakeholders over the drop in productivity in recent years. While these drops can also be explained by the resource constraints, the analysis of work months utilization for six years 2004-2009 (information for 2010-11 is not yet available) is shown below. There was a steep increase in overall manpower allocations in the unit from 97 work months in 2004-5 to 149.5 work months 2006-07, followed by a reversal to 100.5 work months in 2008-09, most of the difference being in the allocations for field projects and extra-budgetary resources. However, significantly, there has been progressive reduction in the deployment of resources for advisory services, from 29.5 work months in 2004-05 to 17.25 work months in 2006-07 to 9 work months in 2008-09.

49. As can be seen from table 5, policy advisory work now constitutes the least work load in the unit. These somewhat support the concerns expressed by some stakeholders that policy advisory work has not been sufficiently prioritized. However, the Unit maintains that its policy advice work has always been demand driven,



and fluctuations reflect the actual demands by policy-makers from time to time. A detailed documentation of the content of these activities does not presently exist and it would be useful to have the same compiled and posted to the website along the lines of other activities reported by the unit.

**Table 5**

Manpower allocations as reported in Biennium Work Plans, 2004- 2009

	2004-05					2006-07					2008-09				
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	P- RB	P- XB	C- RB	C- XB	All	P- RB	P- XB	C- RB	C- XB	Field XB	All	P- RB	P- XB	C- RB	C- XB	All
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Substantive servicing meetings*	135	3	0	0	16.5	8.5	0	0	0	0	8.5	14	0	0	0	14
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Parliamentary documentation	10	3	0	0	13	11	3	0	0	0	14	8	4	0	0	12
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Non-Recurrent publications	6	4	3	0	13	11.25	2.25	4	0	0	17.5	8	2.5	0	0	10.5
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Other substantive activities	5.5	3	5.5	0	14	3.5	2.5	1.5	0	0	7.5	4	3	3	0	10
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Advisory services	205	3	0	0	29.5	8.5	4.75	0	0	4	17.25	5.5	3.5	0	0	9
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Training/ seminars & w/shops	1	0	0	0	1	3	1.5	1	0	0	5.5	6.25	5.25	0.5	1.5	13.5
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Field Projects	4	2	0	6	10	4	6	0	69	0	79	6	18	0	7.5	31.5
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Total	58.5	24	8.5	6	97	49.75	20	6.5	69	4	149.25	51.75	36.25	3.5	9	100.5
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\*This is reported at the Divisional level, and includes inputs of others besides the APPU.

Source: Biennium-wise Work Plan documents (work plans 2010-11 not yet available).

## D. Sustainability

50. **Local ownership of initiatives:** The most important ingredient for sustainability is the local ownership of the initiatives undertaken. Most of UNCTAD's engagement has been with the PA directly, with sufficient ownership of some initiatives such as ASYCUDA, economic policy making and DMFAS. However, there have been some challenges in others, particularly Empretec, which saw two changes of national partners, beginning with a financial institution, then an industry federation. Lack of co-financing capacity was an important element behind these changes. Further, the project document for the new proposed phase is based on yet another partner.

51. **Financial sustainability:** Sufficient attention has been given in the design of projects like Empretec and PSC to prepare beneficiaries institutions to become financially self-sustainable, through membership and fee-based services. However, this was difficult to achieve due to the poor paying capacities of the private sector, due to the adverse business conditions and economic contraction under periods of conflict. It is also difficult for a revenue-short PA to sustain these

institutions from budgetary resources. Even in successful projects like ASYCUDA, supporting programme staff from the PA's resources has remained fragile in between project phases.

52. **Institutional capacities:** Attrition of trained human resources is a challenge at technical cooperation projects aimed at building institutional capacities. Indeed, this has been the case in projects like PIPA, Empretec, and, to a smaller extent, ASYCUDA. In some cases, this attrition has been from career improvement prospects. The gaps left by departure of trained persons have not been bridged or with similar levels of training and exposure.

53. **Continuity of political stability:** A stable political leadership in the oPt is a critical pre requisite for progress and development as much as the course of the bigger dialogue process. While this been true for a considerable period since the formation of the PA, challenges have emerged since, and a fractured mandate exists at present. The future course of events will have an important influence on the political climate resultantly on the implementation of assistance as well.

54. **Peace and Security for Economic Development:** The biggest challenge to sustainability continues to be the absence of an enforceable framework of mutual accountability under any interim economic arrangement over the occupied territory. The fate of growth and development in the oPt precipitously hangs on perceived conditions of peace and security, with any adverse assessments potentially reversing all the economic, physical and social progress attained until any given point.

## IV. Conclusions and recommendations

### A. Conclusions

55. Amidst extremely challenging and adverse field conditions, UNCTAD has continuously remained engaged with the PA and other beneficiaries, addressing their pressing needs, through economic policy advice and technical assistance, for institutional capacity development. To a large extent, this steadfast engagement of over 28 years has been due to the creation and resourcing from regular budgets of a special Assistance to the Palestinian People unit.

56. UNCTAD remains a small but specialist player in the development assistance canvas, with no field presence. However, it brings a number of proprietary tools and techniques, and has enjoyed the confidence and trust of the PLO since 1979 and subsequently the PA since its formation and most, if not all member States. However, UNCTAD must demonstrate a more effective engagement and responsiveness to continue to retain this confidence amidst an increasing choice of development partners under changing realities of the oPt.

57. UNCTAD's research and analysis has been strong in its assessment and articulation of the underlying causes of the poor state of development in the oPt, linking them directly to specific policies and procedures of Israeli authorities, building the economic and human development argument for the cessation of occupation. However, these assessments and conclusions are not shared- rather their objectivity has been challenged, specifically on grounds of non-inclusion of Israeli official data and reports in these assessments, and on grounds that these do not consider the positive measures announced by Israel to progressively ease the restrictions.

58. UNCTAD's technical assistance has largely been based on its mandate, and responding to needs expressed by beneficiaries, in conformance with the priorities set out under national development plans, focusing on institution building. Collectively, the technical assistance projects have made useful contributions to assist the PA in institution building in areas of economic policy, statistical information and financial management, and trade facilitation. However, the results have been below potential, due to periodic reversals of ground level conditions, physical destruction, and shifting priorities toward emergency measures and crisis management, and away from a calibrated, planned path to consolidate the benefits from technical assistance.

59. Yet, measuring from the objectives of assisting the PA in building institutions sufficient for a functioning government, reports to the Quartet by a number of agencies- the WB, IMF and the United Nations- attest to the satisfactory attainment of this initial target for 2011. As an important partner in the customs administration and economic policy formulation assistance, UNCTAD's contribution to this result is implicit and undisputable.

60. Despite its historic relationships with the oPt, UNCTAD faces potential challenges in responding to new and emerging priorities of the PA and other beneficiaries, which cause a re-orientation in its engagement in the oPt. These challenges emanate from: i) the PA's need to mobilise adequate financial commitments (which has somewhat been a challenge for the APPU for strategic priority areas such as garnering support to more effectively pursue and influence the PA's inclusion in important international forums such as the WTO); ii) an increasing trend of donor-supported, field-based interventions for the private sector which has not received adequate engagement in recent years; and iii) lack of field presence and partnerships, and its absence from the aid coordination structures in the oPt, all of which limit its ability to make additional contributions despite its relevance, capabilities and expertise.

### B. Recommendations

#### 1. Relevance

61. Endorsing the relevance of UNCTAD's programme based on the continued state of economic and social conditions in the oPt, the evaluation recommends that UNCTAD follow a two-pronged approach: retaining its evidence-based advocacy on the costs of occupation policies, but also strengthening the coping approach of "managing the possible", i.e. making the best of the available opportunities within the constrained policy space. In particular, the evaluation considers that there is a strong basis for UNCTAD to devote some of its analysis to identify and evaluate concrete areas for a **Private Sector led Indigenisation Programme** in addition to traditional export diversification focus prescription to reduce the trade dependence on Israel, given that indigenization of industrial sectors in the oPt for basic building-block industries, such as steel, cement, food processing, metals, etc. has enormous potential to kick-start growth without overly affecting trade with Israel.

62. The evaluation recommends a broader consultative approach to building the work programme, based on a review of the previous year's work and a list of priorities identified by the PA in terms of policy advisory; training programmes; research papers; and technical assistance project formulation.

#### 2. Results Effectiveness/Impact

63. **Research & Analysis:** Arguing for private sector development as a second track for UNCTAD's initiatives, the evaluation considers it important to complement current approaches which focus on private sector institutions or support small/micro enterprises, with a strategy to identify and develop opportunities to build a few strong, **anchor industries**, which have the potential for scaling up competitively, demonstrating absorptive capacities, and generating employment, import substitution and tax revenue, and become the nuclei for other ancillaries.

64. Research work should be intensified in new occupation-resistant sectors (to borrow the term from UNCTAD research), particularly in knowledge sectors, which are less vulnerable to access and movement restrictions and also do not add to security concerns. For instance, a cluster for the provision of Arabic translation services (IT-enabled services could assist in the creation of a strong export service sector with considerable employment potential. While the idea itself is not new, the evaluation recommends that a strategy to attain scale and competitiveness by initially supporting the creation of a few large, scalable and competitive centres of excellence, and not develop a spread of small, sub-scale enterprises. The revenue opportunity could be substantial, from governments in the Middle East and North Africa (MENA) region, as well as development agencies and intergovernmental bodies. For instance, even the mandatory Arabic translations of United Nations documents could be a sizeable opportunity.

65. UNCTAD should work more actively with credible and authoritative Palestinian as well as Israeli institutions that are pursuing similar and complementing themes, and engaging in advocacy based on economic arguments. This evaluation, based on a quick perusal of some publications of Pal Trade, MAS, the Peres Centre for Peace and the AIX group (composed of Palestinian and Israeli economists), considers these to be useful, objective and complementary to UNCTAD's work, and potentially revalidating UNCTAD's arguments as voices on the ground, besides partly compensating for the lack of field presence and visibility on the ground.

66. **Technical Cooperation:** Many flagship products of UNCTAD have already been introduced in the oPt with different levels of success. However, based on the findings of the evaluation, two areas offer further potential for impact: **transit rights**; and **risk management aspects** in trade facilitation, as these hold the keys to addressing growth as well as security concerns. These would represent technical approaches based on best practices for risk-mitigating, yet less trade-infringing security measures, based on UNCTAD's arguments on the costs and impact of occupation.

67. For private sector programmes like EMPRETEC, UNCTAD should intensify the approach of a licensed franchisee model, drawing on the standard and approved methodologies, managed by local institutions and periodically reviewed and renewed by UNCTAD, instead of implementing these from Geneva. This would, at a minimum, imply working with partners already developed in earlier phases, to the extent feasible.

68. **Inter-governmental Consensus Building:** Given the potential for debate on its neutrality and transparency, the evaluation recommends appropriate and due consultation of beneficiaries in the selection of themes; and, documenting the process used in selection, review and clearance of the annual reports. The evaluation also recommends a more inclusive process of content generation in the reports, drawing not only on official data provided by all parties, but also involving credible local institutions to contribute the 'evidence from the ground', without sacrificing the Secretariat's independence and final ownership. Also, the process of consensus building needs to extend to government institutions, academia and research institutions, besides social media, which is now an accepted dissemination channel in the United Nations system.

69. **Work Programme Balance:** APPU's role as coordinator of technical cooperation should not be at the cost of its policy advice and Research & Analysis focus, particularly in view of concerns articulated by beneficiaries. UNCTAD must continue to provide increasing policy advisory support for macroeconomic policies,

trade, and labour, and find ways to be able to respond at short notice, be readily available for consultations, second opinions and scenario analyses on an increasing range of policy matters, drawing on the specialist resources in the house, as well as a roster of regional experts. Policy advice work should be duly documented on the website to avoid any impressions of neglect or reducing priorities.

70. **Bridge building:** There is a need to reinforce relationships at the highest level with the PA, building on the long history of cooperation and legitimacy. UNCTAD should be more responsive to requests, and make available its advisory services on call, fully using available in-house expertise, as well as sourcing relevant external expertise for specific areas. Financial arrangements for such short notice services would need to be structured differently than the traditional project-specific assistance which is unsuited to such on-call advisory engagements. Although the prescription of specific mechanisms and structures for such funding would be beyond the scope of this evaluation, this evaluator wishes to propose that a way of securing such assistance could be either through a trust fund available to the PA, to procure short term assistance from any agency, or creating a window under the United Nations CEB cluster programme on trade and productive capacities, currently awaiting donor support.

71. **Local Partnerships:** The APPU needs to work seriously on improving its relationships with all the key actors within the PA, with the major donors, improve visibility through inclusion in the LACS, and build new bridges with key partners and alliances on the ground.

72. **Organization:** The evaluation considers the present staffing to be adequate for the current recurrent work programme, with perhaps an additional post funded from XB resources to assist in managing the new technical assistance projects. The evaluation recommends that such additional resources be, ideally, based in the field rather than in Geneva. The CEB Cluster project on the trade and productive capacities provides an opportunity to test this approach to build a field presence in the oPt through the One United Nations model and focal points for NRAs such as UNCTAD.

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