

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**A PROGRAMME
OF TECHNICAL COOPERATION
ACTIVITIES IN SUPPORT OF
PALESTINIAN TRADE, FINANCE
AND RELATED SERVICES**



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IN SUPPORT OF PALESTINIAN TRADE, FINANCE
AND RELATED SERVICES**

Prepared by the UNCTAD secretariat

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Preface

Pursuant to Conference resolution 109 (V), the UNCTAD secretariat initiated work on the economy of the occupied Palestinian territory in 1979. In accordance with Conference resolution 146 (VI), a special economic unit was established in the UNCTAD secretariat in 1985 and entrusted with the task of monitoring and investigating policies that hampered the development of the Palestinian economy. At its eighth Conference, UNCTAD decided that the work of the secretariat on assistance to the Palestinian people should continue in its present form. This was endorsed by the General Assembly in its decision 47/445.

In order to investigate the impact of policies affecting the performance of the economy and examine its future prospects, the UNCTAD secretariat designed an intersectoral research project on prospects for sustained economic development in the Palestinian territory. Following the General Assembly's approval of the project (in resolution 44/174), in 1990 the UNCTAD secretariat proceeded with its implementation, which was completed in 1995. The findings of this project have enabled the secretariat to, inter alia, identify areas for rendering technical assistance to the nascent Palestinian Authority. This comes at a time when the Israel-Palestine accords concluded since 1993 have begun to produce tangible improvements in the economic situation, as well as new challenges along the path of revival and reconstruction of the Palestinian economy.

**A PROGRAMME OF TECHNICAL COOPERATION ACTIVITIES IN
SUPPORT OF PALESTINIAN TRADE AND RELATED SECTORS**

A. Background

The UNCTAD secretariat has recently completed the first part of an intersectoral research project on prospects for sustained development of the Palestinian economy in the West Bank and Gaza Strip. This part of the project has, inter alia, identified major problem areas and the immediate needs of various economic and social sectors and outlined a set of feasible measures for action at various levels. 1/ The signing of the Declaration of Principles between Israel and Palestine in 1993 and the establishment since then of the Palestinian Authority in the Gaza Strip and Jericho, accompanied by the growing prospects for peace and security in the region, have added urgency to the task of reconstruction and development in the West Bank and Gaza Strip. 2/ These developments have paved the way for new and expanded efforts by all concerned. Indeed, following the signing of the Declaration of Principles, intensified international action aimed at assisting the Palestinian people in their endeavours was initiated at a variety of bilateral and multilateral levels. With the signing in 1994 of the Agreement on the Gaza Strip and the Jericho Area, including its Protocol on Economic Relations, an improved policy environment for economic activity in the territory is emerging to guide domestic and international action. Subsequent agreements between Israel and Palestine, and between Palestine and its other neighbours, promise to consolidate and expand the framework for international cooperation in providing assistance to the Palestinian people.

Within this context, and as part of its work programme on the Palestinian economy, the UNCTAD secretariat envisages initiating an integrated programme of technical assistance activities in support of the trade and related sectors of the Palestinian economy. Whereas the findings and recommendations of the intersectoral project cover most economic and social sectors, only those areas of direct relevance to UNCTAD's mandate have been considered under this programme. More specifically, the proposed programme concentrates on areas where the UNCTAD secretariat has established internationally recognized capacities within its fields of competence, namely international trade, finance, investment, transport, and related development policy issues.

B. Problem areas and needs to be addressed

The current situation of the Palestinian external trade and financial sectors reflects problems and constraints similar to those that affect most areas of the Palestinian economy. In general, both sectors are characterized by an inadequate and outdated policy and regulatory framework, institutional and physical infrastructural deficiencies, and isolation from regional and international developmental impetus. More specifically, the sectors face shortages in manpower capabilities, particularly at the technical and managerial levels. The nascent Palestinian Authority has begun to mobilize efforts and address itself to these and other priority areas of the economy, including the trade and finance sectors. A comprehensive reform encompassing the policy framework, structures, performance capacities and manpower needs of these and other vital sectors is therefore called for to enable them to play their crucial role in the revival and development of the economy.

1. International trade

Developments in Palestinian external trade during the past decades reveal the gradual emergence of a pattern of trade dominated by one major partner at the expense of the traditional and/or emerging markets. While the export mix has narrowed, the expanding range and volume of imports has rendered the merchandise trade deficit a permanent feature of the Palestinian economy. Over time, this has led to a distortion in the structure of the productive sectors, reduced output and resulted in mounting pressure on the balance of payments. This state of affairs has also encouraged an increasing number of Palestinian producers to engage in labour-intensive subcontracting, especially in the manufacturing and trade of textiles, with much of the value added accruing to the dominant partner.

Where attempts have been made to revive the productive sectors, the absence of indigenous policy-making and regulatory bodies, coupled with inadequate financial and manpower capacities, has prevented coordination in the formulation and implementation of policies and measures pertaining to production and trade at various levels. For example, owing to weaknesses in institutional, technical and financial capacities, Palestinian import substitution initiatives were not accompanied by corresponding efforts on the part of producers to successfully fulfil the objectives envisaged. While small-scale Palestinian industries and a number of Palestinian agricultural commodities have exhibited good potential for competitive entry into export markets, their overall role in strengthening Palestinian trade and contributing to the growth of the economy has been negligible, as producers have lacked market facilities, information, experience and access. Similarly, the potential of Palestinian service exports (e.g. tourism, business/producer services, transport and labour services) for diversifying the external sector and improving the balance-of-payments position has remained unexplored owing to shortcomings in the policy and institutional framework, as well as inadequate financial and human resources at various levels.

On the supply side, a range of constraints continue to hamper Palestinian efforts to regain lost ground in traditional markets, exploit free trade arrangements at the regional and international levels, and benefit from concessional treatment accorded to Palestinian exports in different markets (such as the European Community's preferential treatment, the Global System of Trade Preferences (GSTP), the generalized system of preferences (GSP), and other schemes). At the regional level, these constraints have particularly prevented Palestinians from exploiting complementarities with neighbouring countries and developing the potentials of their economy in areas where it enjoys comparative advantages. The implementation of economic and trade agreements signed recently with neighbouring countries will be severely handicapped by these constraints as long as they remain operative.

The constraints at work include: the virtual absence of marketing facilities, i.e. relevant institutions and expertise in both the private and public domains; insufficient exposure to modern trade promotion techniques; lack of rules and regulations to uphold established international norms in marketing (concerning grading, quality/health control, packaging, labelling,

cold-storage, etc.); inadequate transport and communications infrastructures and facilities; cumbersome export regulations and procedures; lack of export financing arrangements; and unfamiliarity with international market conditions, price mechanisms and tariff systems.

Vigorous measures are called for to deal effectively with these and other constraints and to establish the required regulatory framework, along with suitable mechanisms and the relevant manpower and other resources to help diversify trade linkages and exploit complementarities. In this context, there is also a pressing need to develop Palestinian facilities involved in the compilation, processing, analysis and dissemination of data on external trade and various related aspects of the economy, as well as for coordinating work on relevant strategies and methodologies to be adopted at different levels. While the recently established Palestinian Central Bureau of Statistics (PCBS) is expected to play a prominent role in this respect, the private sector and governmental agencies which will supply primary data to PCBS on external trade also require training and assistance themselves.

2. Finance and investment

The Palestinian financial sector as a whole, and the process of financial intermediation in particular, has encountered a similar range of constraints since 1967. The closure of banks and other financial institutions impaired the process of resource mobilization and allocation in the economy. Financial intermediation, carried out by the limited available banking and credit facilities, has not met the short- and long-term capital needs of the economy in either the public or the private sector. Nowhere is this need more pressing than in the commodity-producing sectors of the economy. As Palestinian financial institutions in the territory are expected to establish and rapidly expand operations in all areas of the economy in the coming period, the tasks of providing them with a secure and attractive regulatory environment, upgrading their managerial and technical capabilities and improving the quality of the range of financial services to be extended to different economic and social sectors and to the general public all acquire greater urgency.

Efforts are also needed to exploit the regional and global dimensions of the Palestinian economy by adopting policies aimed at attracting export-promoting investments in the context of the relevant agreements with trading partners. As the Palestinian economy begins to assert itself, and as the financial requirements of reconstruction grow, the role of foreign private investment, including remittances and financial transfers by Palestinian expatriates in the Arab world and elsewhere, will acquire increasing significance. Similarly, resort to international financial instruments and markets in order to mobilize necessary resources will also become an important preoccupation. Indeed, while international official development assistance will be an important source of external finance in the interim period, its scale, potentials and sustainability may hold less promise for Palestinian development requirements than private foreign investment.

As such, the financial system as a whole, along with its regulatory framework, is in need of wide-reaching structural reform, technical enhancement and vigorous human resource development aimed at ensuring operational efficiency throughout the system. An especially crucial area of action at this juncture is the pressing need to establish and develop the Palestinian central institutional facility for the management of monetary policy and the monitoring of financial institutions, including the mobilization, allocation and management of international aid and external financial resources in line with development objectives. While such a facility has begun to emerge in the shape of the Palestinian Monetary Authority (PMA), this institution will require adequate experience and assistance to perform its vital role adequately and effectively. Parallel to these measures, efforts are also needed to reform and streamline the system of government finances at all levels, i.e. central and local, to mobilize government revenues, rationalize outlays and increase savings and investments.

3. Transport and other infrastructures

The inadequate state of most infrastructures has become a serious bottleneck for the expansion of trade and investment. This is particularly true of the transport sector. The upgrading and expansion of this vital infrastructure is a key priority for stimulating the economy by providing external benefits and increasing absorptive capacity for future productive investment. While the bulk of the financial resources required for the revival and development of this sector would need to be provided for through government programmes, the private sector is expected to play a crucial role in the development of the transport system. Emphasis will have to be focused on the management and efficiency of the system. Considerable external assistance, including foreign private investment, will also be required to meet the sizeable investment needs in these areas.

The present status of other public utilities also calls for serious action. Considerable investment will be required, while their organizational and manpower capabilities also leave much to be desired. An early priority for the Palestinian authority in this respect is to decide how the ownership of utilities is to be structured and how the regulatory and policy-making roles are to be organized, bearing in mind their economic and social considerations. In particular, the legal framework for these arrangements needs to be established, taking into account the special circumstances prevailing in the territory. Until the legal framework governing this area during the transitional period is well established, prevailing commercial law could serve as a legal basis for the newly reconstituted utilities. This should provide a framework for enterprise autonomy and commercial orientation of these utilities and facilitate their partial or total privatization, as appropriate.

4. Legislative and regulatory framework

The legal system, along with its institutional capacity to legislate and to establish and implement rules and regulations governing various aspects of the economy, represents a complicated, outdated and deficient mix of

guidelines accumulated under different regimes spanning the past century. This is true of such diverse areas as direct and indirect taxation, tariffs and other levies, economic management, business licensing, trading (wholesale and retail operations), promotion of domestic and foreign private investment, contract negotiations, accounting, and others. The wide spectrum of loosely assembled and heterogeneous legislative and administrative provisions comprises a commercial code, joint-stock company laws, a bankruptcy law, tax laws, collateral laws, property laws, business licences and others. The deficiencies in their implementation have hindered economic activities, discouraged entrepreneurial initiatives and stifled the process of structural reform for the sustained growth and development of the economy. The legal system as a whole therefore requires thorough reform, in line with socio-economic objectives and priorities, supported by appropriate mechanisms and procedures to ensure enforcement. The recent establishment of the Palestinian Authority and its declared intention of gradually consolidating existing legislation and elaborating the relevant laws and regulations from a Palestinian vantage point should effectively steer the process of reform in each of the above-mentioned areas.

C. Strategy, beneficiaries and coordination

The overall development objectives and strategy guidelines outlined in the Palestine Development Programme (PDP), established as a policy document by the Palestine leadership, emphasize an outward-oriented economic policy, with the private sector expected to play a dominant role and the public sector providing the needed support. Since the establishment of the Palestinian Authority in early 1994, this orientation has been reaffirmed and elaborated by Palestinian officials at various levels. In conformity with this broad policy orientation, a comprehensive programme of technical cooperation activities is called for from the international community to support the efforts of the Palestinian people in achieving the specific objectives envisaged in various economic and social fields, including international trade, finance and related areas outlined above.

The activities outlined in this programme are particularly directed to developing Palestinian capacities in such specific areas as export diversification and development, customs and trade facilitation, trade statistics, the regulatory framework affecting the business environment in general and domestic and foreign private investment (including technology transfer) in particular, as well as transport, management of debt, external financial flows and domestic financial markets (including insurance). The activities comprise rendering of advisory services by the UNCTAD secretariat, organizing training programmes and workshops, assigning expertise in critical areas and extending other related technical assistance as required.

While conceived within the frame of an integrated programme, these activities could be further elaborated in separate modules should operational or financial considerations so require. However, given the need for urgent action in all the problem areas specified and the availability of resources,

the activities envisaged may commence simultaneously, though some could proceed at a slower pace than others according to the optimal sequencing and coordination of domestic and international efforts. At the request of the Palestinian Authority, the UNCTAD secretariat has initiated immediate exploratory action on a number of activities in designated priority areas.

The proposed activities are intended to benefit the Palestinian people in the West Bank and Gaza Strip by contributing to efforts aimed at reviving the Palestinian economy and laying the basis for a sustained process of growth and development. However, bearing in mind the specific needs of the Palestinian economy at this crucial juncture, attention is focused on the specific categories of actors involved in the above-mentioned areas. Furthermore, while this programme would eventually cover all areas of the Palestinian territory, work could commence in the Gaza Strip and the Jericho area, pending the extension of Palestinian authority to the rest of the West Bank.

At the government level, the relevant ministries and organizations responsible for such areas as external trade, industry, money and banking, public finance, transport and statistics will serve as prime interlocutors for the programme. In addition, the newly established Palestinian Economic Council for Development and Reconstruction (PECDAR) will act as a local counterpart in the implementation of the programme. The overall strategy at this level would be to concentrate on activities that contribute to institution-building and enhance manpower capabilities in the formulation, implementation and management of policies and measures aimed at effectively serving the Palestinian people in the above-mentioned areas. More specifically, the thrust of activities at this level will be to create a supportive business environment in which the private sector can effectively play its crucial role in the revival and sustained development of the economy.

At the private sector level, a range of institutions (including community-based organizations) will benefit equally from the programme and serve as important partners. These include: agricultural and marketing cooperatives; chambers of commerce and industry and other institutions involved in trade promotion; the Palestinian trading community as a whole (proprietorships and limited proprietorships); industrial, construction and other service and subcontracting enterprises engaged in external trade; the cadre of emerging Palestinian maritime transport and port management enterprises; and managerial, accounting, auditing and clerical staff in banking, insurance and other financial institutions. The various activities envisaged in this proposal are specifically intended to promote the role of these actors and enhance their contribution to the revival and development of their respective sectors/areas.

The proposed programme covering the period 1996-1997 will be executed by the UNCTAD secretariat in cooperation with UNDP. To the extent possible, those elements of the programme dealing with the processing and marketing of Palestinian agricultural and industrial products will be coordinated with the complementary activities of such organizations as FAO, UNIDO and the UNCTAD/GATT International Trade Centre, as well as with related ongoing projects in the territory. The framework for United Nations inter-agency

cooperation, recently established under the auspices of the United Nations Special Coordinator in the occupied territories, will facilitate the coordination of this programme.

Coordination with other relevant international and/or regional organizations, including IBRD and IMF which have assumed an important role in mobilizing international emergency financial and technical assistance in support of Palestinian efforts, is also essential to ensure the timely delivery and effectiveness of the assistance envisaged. Close contacts are also required with specific bilateral and multilateral donors which might have special interest in one or more components of the proposed programme. In this respect, the Local Aid Coordination Committee (LACC), composed of donor representatives and co-chaired by the United Nations Special Coordinator, should help to identify potential donors in accordance with the sectoral arrangements established by LACC.

Similarly, consultations with Arab and other regional partners involved in the production processes (both agriculture and industry), trading, and finance will further enhance the impact of the programme. The aim would be to promote Palestinian economic cooperation especially with neighbouring countries (namely Egypt, Israel, and Jordan, which have all concluded economic cooperation and trade agreements with Palestine), gradually leading to the effective integration of the Palestinian economy at the wider subregional and regional levels.

D. Development objectives

The development objectives of the Palestinian Authority relating to this programme are: 3/

1. Correction of the structural imbalances and bottlenecks that have distorted the economy, its institutions and their performance;
2. Creation of employment opportunities for the absorption of a high and growing level of the labour force;
3. Promotion of export-generating and import-substituting sectors, leading to a greater degree of self-reliance in the economy;
4. Improvement and expansion of the economic and social infrastructures to provide an adequate basis for the sustained growth and development of the economy; and
5. Mobilization of financial resources and their allocation to investment needs in priority areas of the economy.

E. Immediate objectives, outputs and activities

The immediate objectives, outputs and activities under this programme are as follows:

Immediate objective 1*

Strengthen the technical, managerial and information capacities of Palestinian public and private sector institutions responsible for the formulation and implementation of policies and procedures in international trade and related fields and of those components of the trading community involved in the day-to-day operations of international trade in goods and services

Output 1.1. Operational guidelines for streamlining and modernizing customs administration and management

Activity 1.1.1. Advice on the establishment of a Palestinian Customs Administration as a functioning department of the Palestinian Authority.

Activity 1.1.2. Advice on the collection of customs revenues through efficient and uniform application of approved trade control measures, and improvement of the overall management of customs administration.

Activity 1.1.3. Advice on establishing and implementing procedures involved in the compilation and processing of export-import statistics for customs purposes.

Activity 1.1.4. Advice on and introduction of computerization in customs administration, using the Automated System for Customs Data (ASYCUDA) to accelerate goods clearance, while at the same time improving customs control.

Activity 1.1.5. Training in the use of ASYCUDA and efficient collection of customs revenues.

Output 1.2. Introduction of trade efficiency measures, including facilitation procedures and trade information systems

Preliminary phase

Activity 1.2.1. Assist in the definition of a strategy for the implementation of trade facilitation measures based on the recommendations and guidelines on trade efficiency adopted at the United Nations International Symposium on Trade Efficiency (Columbus, Ohio, October 1994);

Activity 1.2.2. Promote the trade efficiency and Trade Points concept within the Palestinian business community (service users and providers), with particular attention to micro, small and medium enterprises, as well as the informal sector, through cooperation with local trade promotion bodies and NGOs;

* High priority.

Activity 1.2.3. Advise on the establishment of a Trade Point, including an assessment of the specific Palestinian trading environment, definition of the specific requirements for the establishment of a Trade Point (including hardware and software requirements), and linkage of the Palestinian Trade Point with the Global Trade Point Network.

Implementation phase

Activity 1.2.4. Based on the results of preceding activities and the request by the Palestinian Authority, assist in the establishment of the Palestinian Trade Point, in particular telecommunications networking, installation of equipment, and training of Trade Point staff and service providers at the Trade Point.

Activity 1.2.5. Assist in the development and implementation of a marketing strategy for Trade Point services adapted to local conditions. This will include, inter alia:

(a) Assessment of local traders' needs for trade information and trade facilitation services with a view to adapting Trade Point services to such needs;

(b) Development and implementation of a communications policy for the Trade Point aimed at creating awareness of the availability of innovative services at the Trade Point;

(c) Establishment of a pricing policy ensuring both Trade Point sustainability and the widest access to Trade Point services, especially by micro, small and medium enterprises.

Activity 1.2.6. Advice and training in the establishment of a trade information service at the Trade Point to serve particularly the needs of micro, small and medium enterprises and the informal sector with the view to facilitating their participation in international trade (in cooperation with ITC).

Activity 1.2.7. Installation and training in the use of the TRade Analysis and INformation System (TRAINS), the PC-based system for policy makers and exporters (TRAINS includes information on trade control measures, including GSP conditions).

Output 1.3. A plan for establishing comprehensive and up-to-date statistical series on international trade

Activity 1.3.1. Based on progress made in implementing activity 1.1.1.-1.1.5, ascertain the technical capabilities of organizations involved in the compilation, treatment, analysis and dissemination of statistics on Palestinian foreign trade, according to international standards and procedures.

Activity 1.3.2. Advice on the development and dissemination of statistical series on international trade.

Activity 1.3.3. Conduct, in collaboration with UNSD, WCO and IMF, a workshop and follow-up study tour in the region for officials involved in foreign trade statistics.

Output 1.4. Guidelines for human resource development for trade

Activity 1.4.1. Conducting training needs analysis for skills at various levels in different areas of trade.

Activity 1.4.2. Advice on defining and implementing a strategy for HRD in the sector of trade and related services for relevant private and public sector agencies.

Activity 1.4.3. Preparing relevant material for training/workshops to be held for the staff of organizations, in the public and private sectors, including chambers of commerce and others, involved in the promotion and development of international trade.

Activity 1.4.4. Organize workshops using TRAINFORTRADE packages on:
(a) national trade policies; (b) trade financing;
(c) commodities trading; (d) trade and the environment;
(e) trade with the EU single market; (f) multilateral trade negotiations; and (g) TRAINFORTRADE course for Trade Point managers.

Activity 1.4.5. Advice on strengthening of local trade-related training capacities through training of HRD managers, course leaders and developers.

Immediate objective 2

Formulate policy/strategy options to enable the Palestinian agricultural, industrial and services sectors to exploit, in the most effective way, emerging market opportunities at the subregional, regional and international levels; assist in the establishment of a Palestinian tariff regime aimed at enhancing production and liberalizing trade; and design the requisite institutional facilities to elaborate trade policies and procedures aimed at promoting trade in services

Output 2.1. Selected trade policy options, and their regulatory framework

Activity 2.1.1. Advice on assessing options for trade relations with traditional and new trading partners, including the examination of tariff schedules and measures to promote trade, contribute to the growth of the economy and enhance economic cooperation with neighbouring countries.

Activity 2.1.2. Advice on establishing and developing the requisite institutional infrastructures and facilities to elaborate trade policies and procedures.

Output 2.2. Guidelines for maximizing benefits from concessionary trade regimes

Activity 2.2.1. Assessing existing and possible future preferential trade systems in which Palestine could effectively and fully participate (GSTP, EU and bilateral concessions, GSP, etc.), along with relevant institutional arrangements (e.g. GSP and ECDC focal points).

Activity 2.2.2.* A seminar at the local level on the implications for the Palestinian economy of the Uruguay Round and of regional free trade agreements.

Activity 2.2.3. Assessing training needs of and organizing training programme for officials dealing with bilateral and multilateral trading schemes and arrangements.

Output 2.3. Policy guidelines on trade in services

Activity 2.3.1. Assessment of Palestinian potentials for trade in services, including subcontracting and producer services.

Activity 2.3.2. Advice on appropriate domestic and international policies concerning trade in services and on the requisite legal and institutional framework to enhance the role of trade in services, including technology acquisition, innovation and adaptation, in spurring growth and development.

- Activity 2.3.3. Advice on the reform of regulations affecting tourism activities, including those of tour operators, travel agents, hotels, restaurants and related entertainment facilities.
- Activity 2.3.4. Advice on streamlining procedures for investment in services and arrangements for the evaluation of service contracts, including hotel management contracts.
- Activity 2.3.5. Training in the negotiation of equity and non-equity joint venture investments in the tourism sector, and on mobilizing external funding to upgrade the hotel industry through identification of potential partners and eligible sources of financing.

Immediate objective 3*

Enhance and develop the capacity of the commodity-producing sectors in the economy, promote industrial activities, and diversify exports of agricultural and manufactured goods

Output 3.1. Guidelines for enhancing international trade in commodities

- Activity 3.1.1. Identification of ways and means of improving export potentials of Palestinian agricultural commodities (e.g. citrus, olive oil) and non-fuel minerals (e.g. marble and other stones), covering aspects such as quality and physical characteristics, price competitiveness and related market access prerequisites (i.e. policy, institutional and physical capacities).
- Activity 3.1.2. Advice on the identification of means for diversifying exports of agricultural commodities, including promotion of commodity processing and improved access to international commodity markets.
- Activity 3.1.3. Designing schemes, contracts and procedures for international procurement of strategic food commodities.
- Activity 3.1.4. Group training of officials responsible for the management of the commodity procurement system, including the operation of market mechanisms and price determination.

Output 3.2. Guidelines for the design and establishment of export promotion facilities and processing zones

- Activity 3.2.1. Advice on the requisite institutional and technical facilities to encourage the development of agricultural and manufactured exports (including improved grading, labelling and packaging, quality and health control, handling and transport).

- Activity 3.2.2. Advice on the establishment of an export marketing facility to enhance agricultural and industrial exports.
- Activity 3.2.3. Assessment of options and choices in establishing export processing zones domestically and in free zones, involving cooperation with neighbouring trading partners.

Immediate objective 4

Assist in the establishment of the necessary infrastructures (legal, institutional, technical and human resource capacity) for the creation of an adequate and efficient transport system for trade, with particular emphasis on meeting Palestinian needs in shipping services, the development of a Gaza Strip commercial sea port and an efficient multimodal transport system, including the handling of transit traffic

Output 4.1. A plan for the development of Gaza commercial sea port*

- Activity 4.1.1. Assessment of the physical, technical, managerial and operational needs of the Gaza commercial sea port.
- Activity 4.1.2. Advice on the development needs of the commercial sea port in Gaza Strip, and on the design of the organization, rules and regulations, operational procedures and administration of the port (including legislation and financial management).
- Activity 4.1.3. Training (TRAINMAR, IPP and JOBMAR) of officials concerned with specific port activities, including free zones, industrial and commercial activities, transit shipment, warehousing and port handling.

Output 4.2. Guidelines for the establishment of Palestinian shipping services and upgrading the skills of officials involved

- Activity 4.2.1. Assessment of types and volumes of cargoes and the financial, technical, managerial and other prerequisites for the establishment of a Palestinian shipping service.
- Activity 4.2.2. Advice on drafting of relevant maritime legislation and procedures.
- Activity 4.2.3. Advice on the creation of necessary commercial structures, including a body to represent and protect the interests of shippers.
- Activity 4.2.4. Training of officials and development of local training capacities to meet the needs of senior and middle-level shipping staff involved in the operation and administration of shipping services.

Output 4.3. A framework for multimodal transport system

- Activity 4.3.1. Assessment of the institutional, legal and operational prerequisites for the introduction of a multimodal transport system.
- Activity 4.3.2. Design of appropriate modalities for achieving effective participation of Palestinian transport operators in multimodal transport on an equitable basis with foreign competitors.
- Activity 4.3.3. Training of officials of transport authorities and organizations (TRAINMAR) on the effective management and operation of freight and other multimodal transport facilities.

Immediate objective 5

Reform of the overall legal and regulatory framework, along with institutional capacities, for mobilizing financial resources, promoting investment activities and improving the performance of public utilities

Output 5.1. Guidelines for the effective implementation of the private investment encouragement law and increasing the role of financial institutions

- Activity 5.1.1.* Advice on revising, harmonizing and modernizing the necessary commercial, investment and trade legislation and its operational rules and regulations in line with the provisions of the private investment law, along with relevant mechanisms for promoting domestic and foreign private investment.
- Activity 5.1.2.* Advice on legal, regulatory and other incentives for encouraging the repatriation of Palestinian private capital and its allocation in promising areas of the economy.
- Activity 5.1.3. Assessment of the prerequisites for, and advice on the establishment of, a Palestinian commercial and specialized banking system and the harmonization of its operation along the lines of international banking services conducive to the efficient mobilization and allocation of financial resources for development.
- Activity 5.1.4. Preparation of an investment guarantee scheme aimed at encouraging domestic and foreign private investment in promising areas of the Palestinian economy.

Output 5.2. Guidelines on liberalizing the enterprise climate

- Activity 5.2.1.* Advice on the formulation of rules and regulations to facilitate entry of international business into the Palestinian economy and increase access of Palestinian enterprises to international business opportunities.
- Activity 5.2.2.* Advice on promoting and developing linkages and cooperation between Palestinian enterprises and transnational corporations, including negotiation of better terms and arrangements with potential partners.
- Activity 5.2.3. Advice to and training of officials in selected organizations and financial institutions with a view to strengthening capacities in contract negotiations and assessment of international biddings.
- Activity 5.2.4. Examining the nature and scope of the functions of Palestinian chambers of commerce and industry and advice on the requisite institutional and procedural reforms.

Output 5.3. Proposals for the reform of the tax system

- Activity 5.3.1. Advice on the reform of the income tax system aimed at promoting savings and investment.
- Activity 5.3.2. Advice on the reform of indirect taxes, with particular emphasis on tariffs and the value-added tax, aimed at enhancing production, promoting exports and rationalizing imports and consumption.
- Activity 5.3.3. Assistance in designing training programmes for tax inspectors in accounting and auditing systems, assessment and collection of taxes, and tax revenue reporting.

Output 5.4. Guidelines for improving the performance of public utilities

- Activity 5.4.1. Assessing the performance of public utilities (dealing with such goods and services as electricity, water, transport and others) with a view to identifying problem areas involving policy, management and day-to-day operations.
- Activity 5.4.2. Examining options for contracting out ownership of public utilities and regulating their operation.

- Activity 5.4.3. Advice on the establishment of financially autonomous and commercially oriented utilities, as well as on the creation and/or enhancement of relevant supervisory and monitoring institutions.

Immediate objective 6

Strengthen Palestinian technical and institutional capacities in: financial intermediation; analysis and management of financial flows; developing appropriate borrowing strategies and debt management capabilities; and maximizing insurance retention and its optimal allocation to areas with potential for growth and development

Output 6.1. Guidelines for the creation of a national focal point to monitor and manage debt and external financial flows

Activity 6.1.1.* Advice on the design and establishment of an appropriate institutional framework for effective negotiation, management and allocation of external resource flows.

Activity 6.1.2. Installation of and training in the Debt Management and Financial Analysis System (DMFAS) and in formulating effective debt management policies and procedures.

Activity 6.1.3. Training of selected officials of organizations concerned with the preparation, evaluation and implementation of projects financed through external resources.

Output 6.2. Guidelines for strengthening of domestic insurance capacities

Activity 6.2.1. Preparation of a report on insurance policy determination, including the draft of appropriate legislation, rules and regulations.

Activity 6.2.2. Advice on establishing and strengthening the domestic insurance market and improving the terms of access to and integration in regional and international insurance transactions and agreements.

Activity 6.2.3. Advice on developing the technical capabilities of officials involved in various insurance schemes, covering different economic and social sectors, including premium determination and its allocation.

F. Work plan

Upon the approval and adoption of the programme, a detailed work plan for each component will be developed which will become an integral part of the programme.

G. Inputs

1. Government inputs

The Palestinian Authority will:

- Designate PEC DAR as the institutional focal point to coordinate activities with the relevant Ministries and organizations concerned with the programme and to oversee its implementation. To this effect, the Palestinian Authority will appoint a National Focal Point who will serve as local coordinator for the programme in close cooperation with the UNCTAD secretariat, including the experts assigned to the programme;
- Designate required technical staff at PEC DAR and the Ministries concerned to serve as sectoral counterparts to UNCTAD staff and experts involved in the programme;
- Nominate participants from government departments for the training activities, workshops and seminars organized within the context of this programme; and
- Provide office space for local and international personnel and for conducting training programmes, secretarial/administrative staff, and requisite office equipment and supplies.

2. Other inputs

This programme was submitted in late 1995 to potential bilateral and multilateral donors for possible contributions towards its implementation. Such contributions will be allocated to the activities of the programme as it unfolds for implementation.

H. Budget

Preliminary budget estimates for the Programme of Technical Cooperation Activities in Support of Palestinian Trade, Finance and Related Services are detailed in the following tables according to objectives, outputs and corresponding activities. Budgetary figures are subject to modification in the light of further information that may become available in the course of preparations for the implementation of the programme.

The tables provide information on the following items: secretariat substantive support responsibility; the type of activity (where ADV or ADVIS stands for secretariat advisory services, EXP or EXPRT for expert services in the field and TRA or TRAIN for group training, workshops and seminars); work months to be provided by UNCTAD secretariat staff and by experts; secretariat and experts' travel costs, including daily subsistence allowance (DSA); and other costs (equipment and sundries, subcontracting and

organization of seminars/workshops). It should be noted, however, that while UNCTAD staff time is indicated in the budget, it has not been included in the total cost estimates. Accordingly, the column "Total Cost" in the tables is the sum of secretariat staff travel/DSA, expert services, expert travel/DSA and other costs. All estimates exclude overheads.

The following rates have been used to calculate the costs of UNCTAD secretariat staff missions and DSA, expert services and expert travel/DSA (assuming experts will remain in the field for the duration of the assignments):

Travel (Geneva-Jerusalem-Geneva):	\$2,000	
Staff DSA (10 days, Jerusalem):*	\$2,000	
Expert work month (average):	\$9,000	
Expert DSA (one month - Jerusalem):*	\$6,000	(per month for first two months)
	\$5,000	(per month afterwards)

* Note: DSA for experts stationed in Gaza is significantly lower.

UNCTAD will seek to engage qualified Palestinian experts in all aspects of the implementation of the programme.

The tables attached provide information on the UNCTAD staff time required (i.e. 0.5 work month) to prepare for and field a 10-day mission to the Palestinian territory to implement relevant parts of the Programme. However, no estimate is made of the amount of UNCTAD staff time required for substantive follow-up and backstopping of the various project activities.

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Notes

1/ For further information, see "Prospects for sustained development of the Palestinian economy of the West Bank and Gaza Strip - report of a meeting of experts" (UNCTAD/DSD/SEU/2), 27 September 1993.

2/ As part of the intersectoral research project, the secretariat of UNCTAD prepared a quantitative framework for assessing further development prospects of the Palestinian economy, including scenarios for revival and sustained growth with a significant role envisaged for Palestinian external trade; see "Prospects for sustained development of the Palestinian economy of the West Bank and Gaza Strip: a quantitative framework" (UNCTAD/ECDC/SEU/6 and Add.1).

3/ As elaborated in the Palestine Development Programme (PDP).
