

## **Palestinian Statment**

According to the Brussels Plan of Actions for the Least Developed Countries (BPOA), over the last decade the Palestinian National Authority (PNA) has demonstrated a strong commitment to developing an open, rule-based trading and financial system. This commitment has contributed to improvements in governance, socio-economic development and poverty reduction especially in the last three years. PNA has made significant progress in building institutions of a state, including through the approval of some of the most progressive laws in the Arab world and the peaceful conduct of free and fair local and national elections.

However, progress has been frustrated, and sometimes reversed, by insecurity as well as political and economic instability driven primarily by the illegal occupation of our homeland. As a result of Israel's destructive military, social and economic measures the real economic growth rate of OPT declined precipitously in the period 2001-2002 and again in 2006. By 2008 per-capita GDP was still nearly 20 percent below its level in 1999, which significantly hindered real progress in social development in OPT. The structural weaknesses of the economy have continued to deepen. The economy has become increasingly dependent on foreign aid being unable to develop a competitive tradable sector under the constraints imposed by the occupation. This has fuelled the growth of non tradable sectors at the expenses of the shrinking tradable sectors. This in turn has led to fewer employment opportunities, higher poverty rates and has undermined the prospects of a sustainable economy in the OPT.

The substantial rise in public sector employment, permitted by the increase in foreign aid, has absorbed a large share of the labor force. Public sector employment became particularly important after Israel imposed severe restrictions on Palestinian access to the Israeli labor market. The large increase in aid allowed the OPT to maintain and eventually increase its trade deficit, which is now almost entirely covered by foreign assistance. Recent growth has largely been driven by the increased foreign aid and has allowed the PNA to achieve progress in some economic, social and socioeconomic development indicators including in health and education in the last 10 years. Such improvements are then intrinsically connected to the direct financial assistance from abroad. Although this kind of assistance can assist the economy survive in the short run, it does not help establish the foundations for long-term sustainable development. The OPT's real need is help in building and developing the productive base of economy and improving the investment climate. But the efforts in this direction are bound to remain elusive without the dismantling of the constraints imposed by the occupation.

Moreover such efforts would require a substantial change in the trade regime in general and between OPT and Israel and OPT and high income countries in particular. The development of effective trade relations between Palestine and the rest of the (high income) world will also depend on the implementation of the UNGA resolution 43/178 to extend to the OPT the same preferential treatment accorded the LDCs. This implementation needs to go hand by hand with the continuing progress to upgrade all Palestinian institutions of government and delivering on a challenging reform agenda. In this way Palestine can try to maintain a secure and stable internal environment in which social and economic development can take place and which, ultimately, will create the institutional infrastructure of the Palestinian state.

The PNA is doing everything in its power to ensure that the MDGs are met by 2015 and that the action plan that this conference will adopt is implemented, despite the occupation. The PNA views this work as a key pillar of its state-building efforts. However, the requirements of IPOA and MDG8 place the responsibility for the attaining the MDGs on all UN member states (including Israel).

An independent, sovereign Palestine based on the June 1967 borders with a territorial link between the West Bank and the Gaza Strip, and with East Jerusalem restored as its social, cultural and economic hub, has enormous potential for economic growth and social development. If liberated from restrictions on movement and access of goods and people, free to trade and engage fully with the international community, and free to develop and utilize all of Palestine's land and other natural resources, the Palestinian society and economy will grow and thrive and its dependence on external aid will quickly vanish.