

Palestinian Bureau of Statistics

Current Status Report Series (No.2)

Economic Statistics in the West Bank and Gaza Strip

January 1995

PAGE NUMBERS OF THE ENGLISH TEXT ARE PRINTED IN SQUARE
BRACKETS
TABLES ARE PRINTED IN THE ARABIC CORDER (FROM RIGHT TO LIFE)

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Suggested Citation:

Palestinian Bureau of Statistics, 1995.. Economic Statistics in the West Bank and Gaza Strip. Current status report series, No. 2. Rammallah – West Bank.

**Palestine Liberation Organization
Palestinian National Authority
Office of the President**

No. —

Data —

Decree

The Chairman of the Executive Committee of the Palestine Liberation
Organization,

President of the Palestinian National Authority,

By virtue of the powers vested in him,

And in light of the demands of public interest,

Decides as follows:

1. The Palestinian Bureau of Statistics shall be transformed into a Central Bureau of Statistics.
2. This Decree shall be effective as of the date shown herein.

Gaza: January 2, 1995

**Yasser Arafat
The Chairman of the Executive Committee of the
Palestine Liberation Organization
President of the Palestinian National Authority**

Acknowledgments

This report was prepared by the staff of the Economic Statistics Division: Mr. Nabil Dabbour (Subject Officer, National Accounts Statistics), Mr. Khalid Islayeh (Subject Officer, National Accounts Statistics), and Mr. Umar Tabakhna (Subject Officer, National Accounts Statistics). Mr. Ervin Warteanberg an expert in economic statistics from the German Agency for Technical Cooperation (GTZ), assisted in the preparation of this report. Also, a group of Palestinian economists reviewed the material and provided comments on previous drafts of the report, among whom we especially recognize: Dr. Mohammed Al-Samhuri (Al-Azhar University – Gaza), Dr. Mahmoud Al-Ja'fari (Islamic University – Gaza), Dr. Samir Hazbon (Data institute Bethlehem) and Dr. Basim Makhoul (An0Najah National University). The final draft of the text was translated by Mr. Khalil Sleibi and Mr. Abdul-Rahim Al-Hasan-PCBS. Miss Rana Halawa performed the typing and assisted in the preparation of the tables during the preparation of the final draft.

Finally, we express our deep appreciation for Dr. Hasan Abu Libdeh (Director General, PCBS) Who reviewed the material and provided Comments during all stages of preparation. We also express our deep gratitude for the Government of Germany, represented by GTZ, for funding the expenses of producing and publishing this report.

Preface

The Palestinian Central Bureau of Statistics is pleased to present this report on economic statistics in the West Bank and Gaza Strip. This serious contribution will provide Palestinian planners, researchers and decision makers with the necessary economic and statistical material. As it is impossible to conduct economic censuses and surveys before preparing plans and securing the needed resources (not available at this stage), the statistical data provided in this report on various aspects of the Palestinian economy will definitely contribute to meeting the urgent statistical demands.

This is the second report of a series by PCBS on the current statistical status of all aspects of the Palestinian society. The purpose of this series is to compile scattered information and statistics on all economic and social in on document, to review the methodologies used in data collection and analysis, to assess the quality of available data, and to provide new for eac sector.

This report examines the most important statistical and economic indicators available on the Palestinian economy. It aims at evaluating the methodologies used in developing them whether they are Israel or Palestinian. It also provides statistics on the important economic sectors including: agriculture, industry, services and their share in gross domestic products. Such sectors also include statistical indicators for the national accounts such as, gross domestic product, gross national product, disposable income, gross investment and consumption, consumption, consumer price indexes, inflation rates; in addition to statistical indicators for foreign trade and trade balance in the West Bank and Gaza strip.

PCBS hopes that it has managed through issuing this report to fulfill some of its tasks. We hope that the Lord crowns our work with success.

January, 1995

Dr. Hasan Abu Libdeh
Director General

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Abbreviations

ADB	Agricultural Data Base
ATF	Arab Thought Forum
CIF	Cost, Insurance, and Freight
CPA	Classification of Product by Activity
CPC	Central Product Classification
CPI	Consumer Price Index
CSR	Current Status Report
DOP	Declaration of Principles
FOB	Free on Board
GDP	Gross Domestic Product
GNP	Gross National Product
GS	Gaza Strip
GTZ	German Agency for Technical Cooperation
ICA	Israeli Civil Administration
ICBS	Israel Central Bureau of Statistics
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of all Economic Activities
NIS	New Israeli Shekel
OPT	Occupied Palestinian Territory
PBS	Palestinian Bureau of Statistics
PCBS	Palestinian Central Bureau of Statistics
PNA	Palestinian National Authority

PLO	Palestine Liberation Organization
RWB	West Bank (excluding Jerusalem)
RWBGS	Remaining West Bank and Gaza Strip
SNA	System of National Accounts
UNDP	United Nations Development Programme
UNRWA	United Nations Relief and Works Agency
US\$	United States Dollars
UNSTAT	United Nations Statistical Office
WB	West Bank
WBGs	West Bank and Gaza Strip

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1. THE STATISTICAL ENVIRONMENT

1.1 The Palestinian Bureau of Statistics (PBS)

The Palestinian Bureau of Statistics (PBS) was established by the PLO on March 13th, 1993. A board of Trustees, made of 16 members, guides and supervises its work. PBS operates from several offices in Gaza Strip and West Bank. At present, PBS has a approximately 60 employees in its difference offices. On the organizational level, PBS is in a transitional phase and enjoys the help of international organizations and several national statistical offices. a transitional phase and enjoys the help of several international organizations and national statistical offices.

1.2 Legal status

Since its establishment almost one year ago, the Palestinian Bureau of Statistics has drafted the **Statistical Law for Palestine**. Several drafts have been developed and shared with legal and professional experts. Moreover, the general public was invited to participate in discussions concerning the draft and legislation of Law. Ultimately, a final version of the Law has been submitted and approved by the Palestinian National Authority (PNA). The approval by the PNA obviously constitutes an essential step in authorising the activities of the PBS and in according the organisation a legislative power. The main aim of the Statistical Law for Palestine is to define the functions and responsibilities of an official statistical system in the West Bank and Gaza Strip (WBGs). The following is a resume of some of the more fundamental components.

According to the approved final draft (No.9) of the statistical law for palestine, Article Three, the Central Bureau of Statistics (CBS) is mainly empowered to "establish a comprehensive and unified statistical system for Palestine", "prepare an integrated Information System", and "collect, analyze and disseminate statistical information". These are to be carried out in a variety of fields including, *inter alia*, population and housing, agriculture, industry, prices, trade, services, public organizations and national accounts.

Articles Four to Eight specify that the Director General will be appointed by the Prime Minister who will also determine the composition and the role of the Advisory Council. These Articles also specify the functions of the employees and state that statistical divisions shall be established at all government departments and public organizations. Article Ten accords the PBS the right to conduct a population census every ten years. Article Eleven stipulates the obligations of the respondents and the related powers of the employees (See Article Twelve). Finally, Articles Thirteen and Fourteen specify the rules of confidentiality. The remaining articles mention the penalties and fines encountered by non-conformity with the Statistical Law for Palestine.

1.3 Objectives of the Current Status Report

The CSR is the first Palestinian initiative of its kind that sets out to compile a comprehensive statistical representation of the WBGs. The tables are not exhaustive but will be of significant use to researchers and policy-makers and other interested readers, at least until primary data are made available at the PBS. This activity offers a

valuable training ground for PBS' staff who, through the course of their work, have become familiarized with the output of a whole variety of institutions. Moreover, PBS' personnel have been exposed to a variety of economic fields ranging from production, prices, balance of payments and national accounts. The report is also designed to facilitate the completion of a PBS' Master-Plan and offer a contribution to the development strategy for the future compilation of a WBGs' Statistical Yearbook.

This CSR is confined to the main areas of economic statistics. These areas cover the fields of production, employment, revenues, value added, investments, external relations and national accounts for the main sectors of the economy, i.e., agriculture, industry, construction and services. These main sectors are then disaggregated into sectoral activities.

The main objectives of the CSR are the identification of secondary data sources, the assessment of the different methodologies and the creation of a secondary data-base. In order to achieve these objectives, a wide range of sources have been analysed. During the course of this analysis, several gaps were discovered and were compensated for by harmonising data using special techniques. This was the case, for example, for Tables 2.2.1 and 2.2.2 regarding establishment statistics. The number of establishments and employees in the different sectors and the range of activities was compiled from two sources: the Israeli Central Bureau of Statistics (ICBS) for the Remaining West Bank (RWB) and the Union of Industrialists for the Gaza Strip (GS). For the evaluation of the Consumer Price Index (CPI) in different parts of the Remaining West Bank and Gaza Strip (RWBGs), estimates are based on a correlation with price evolution in Israel. All data are available on a PC-DATA-BASE for analysis, completion, updating and publication.

1.4 Scope and requirements for economic statistics

In general, it is acknowledged that a statistical information system should provide long and medium-term structural data as well as short-term indicators on different aspects of the economy to support policy formulation and monitoring of economic trends. A recommended approach for organising an effective system which covers the sphere of production, income, and consumption, in institutional and functional terms, is the input/output scheme. This scheme consists of sectoral tables which are disaggregated by the main indicators which include the following: production, investments, employment, wages and salaries, operating surplus, taxes, value-added, intermediate consumption, expenditure on gross domestic product, and external transactions with the rest of the world.

This system, if adopted, does not necessarily demand that Input/Output tables are calculated in the near future. However, the tables offer useful information concerning the different variables that direct the dynamics of the economy, and can offer an indication of how to orient the economy. In this respect, the Production Account, including the External Account of Goods and Services, and the Generation of Income Account, as defined in the System of National Accounts, SNA 1993, are considered as a starting point.

In accordance with the ISIC's (International Standard Industrial Classification), "Third Revision" the following information should be available in disaggregated form, including long, medium and short-term economic indicators and covering all sectors of the economy:

1) Number of establishments

2) Employment:

- Working proprietors, working partners, and unpaid family workers
- Number of employees
- Employed persons by type of work (e.g. administrative, operational, etc.)
- Hours worked

3) Compensation of employees:

- Wages and salaries in cash and in kind
- Other fringe benefits.

4) Change in value of stocks:

- Goods produced
- Work in progress
- Input goods
- Finished products
- Goods for resale

5) Fixed capital formation:

- Buildings and other constructions
- Machinery
- Transport equipment
- Land

6) Intermediate consumption of goods and services such as:

- Cost of materials, parts, etc.
- Cost of purchased fuels
- Cost of purchased electricity
- Cost of contract and commission work done by others
- Cost of repair and maintenance work done by others

7) Value of output:

- Value of output of major activity
- Value of output of subsidiary activities which may include:
 - * Services rendered to others (rent of buildings and equipment ...etc)
 - * Sales of goods bought and resold in the same condition
 - * Fixed assets produced for own account

8) Taxes

9) Value Added, GDP

10) Production by commodities (CPC-Classification)

11) Goods and Services Accounts, and Commodity Flows

1.5 Definitions and standards

One of the main objectives of statistical work in the field of economic statistics is to provide National Accounts data. Such work is particularly important for indicating progress made in the economy and, therefore, the incidence of projects undertaken within the reconstruction process. For international comparison and also as a contribution to macro-economic accountability in relation to financial assistance from international agencies or donors, the statistical framework will be based on the newly developed **System of National Accounts 1993**. The SNA covers primarily the production, income and capital accounts which constitute the preliminary stages in the development of National Accounts. This system will also enable the PBS to provide a comprehensive view of the economy with all its inter-relationships with the rest of the world.

The SNA is a system designed to show the economic flows and stocks that result from economic activities, thus, providing a macro-level picture of the economy. Production activities form the basis of this system, where production indicates a transformation process in the establishment. The results of this process are the goods or services produced - the output. To obtain this output, inputs of labor, capital, raw materials and other goods and services are needed. The difference between total output and total input shows the value added in the producing unit, i.e., the establishment.

Since the SNA is interested in aggregate results, the individual figures (by establishments) will be compiled into global flows. The results will show the total commodities produced in a defined subsector; for example, the total production of olives in a certain district or region, the total employment requested for this production and also the total inputs needed by categories from different suppliers. The sum of all the individual values added, as defined above, will provide the Gross Domestic Product (GDP) for a certain subsector (in our example, olive production).

For the aggregation of commodities as well as activities two classifications have been retained:

- The Central Product Classification (CPC) and,
- The International Standard Industrial Classification of all Economic Activities (ISIC, Third Revision).

The **Central Product Classification (CPC)** is a complete commodity classification recommended by the United Nations, covering all goods and services. The code is designed to compare industrial statistics, national accounts, price statistics, foreign trade statistics and balance of payments. The CPC code consists of sections (identified by the first digit), divisions (identified by the first and second digits), group (identified by the first three digits), classes (identified by the first four digits) and subclasses (identified by all five digits).

The **Standard Industrial Classification of all Economic Activities (ISIC)** enables the classification of establishments or enterprises into groups engaging in similar economic activities. The statistical unit will be classified according to its main activity. The principles for the elaboration of the classification are based on the kind of commodity or service, the raw materials utilized, the production process and the use of the goods and services. Thus, for example, the establishments producing shoes could be classified according to the production technology and the raw materials used. In this case, the units would be classified into categories such as "Leather

Shoes", "Plastic Shoes", etc. If these establishments were classified according to the nature of the final products, the categories would be "Men's Shoes", "Women's Shoes", etc. The ISIC's Classification is considered as a compromise between the criteria of the production process and the criteria of the final use of the product.

For the purposes of the Current Status Report, the ISIC's Classification (Third Revision:1990:Annex 2), has been synchronised with the Palestinian economy. This means that the data will be compiled from the 4-digit to the 1-Digit level of classification-a detail which was formerly unavailable. The definitions used in the accounts and in the statistical surveys will correspond to the 1993 SNA.

1.6 Availability and assessment of the data

The CSR deals with several sources: Palestinian, Israeli, and international publications. Over the past 27 years of occupation, many Palestinian researchers and institutions, either in conjunction with international organisations or independently, have conducted various economic studies. Most of these studies are related to very specific topics, or to a certain period of time only.

The CSR also dealt with Israeli data sources, i.e. ICBS statistical publications on RWBGS. Since 1967, the ICBS has been responsible for the statistical data collation in the RWBGS and has disseminated publications, including economic statistics, in this respect. However, from the Palestinian perspective, these statistics are biased since the occupier's interests are embodied therein. Bias is also evident in terms of the region covered since ICBS statistics on the West Bank exclude East Jerusalem which is included in Israeli statistics. Since 1987, the beginning of the Intifada (the Palestinian uprising against the Israeli occupation), the coverage and quality of ICBS' statistics on the RWBGS have been severely distorted due to inefficient and unreliable survey processes where no cooperation from respondents. Consequently, the economic statistics for that period are mainly based on estimation. Among other thing, National Accounts figures for example were published within margins and thus the data "are not very useful for any policy purposes" (Johansson, 1994).

Another major shortcoming in ICBS' statistics is that they do not provide sufficient details to fulfill the purposes of planning and analysis. This affects mostly the establishments statistics. After 1987, the ICBS continued to provide National Accounts data by industrial origin but they were not based on a complete production account. Due to the lack of surveys, the GDP, for example, was not calculated as the difference between Gross Output and Intermediate Consumption (as recommended in the SNA production account), but through an income approach provided by the quarterly labor force survey. After the components of GDP at factor cost were estimated, some assumptions were made to estimate the intermediate consumption. For these purposes, the ICBS made use of technical coefficients from a 1968 input/output study. So the data on establishments by sectors, as well as GDP estimates according to main activities (published by ICBS), do not conform to SNA's standards.

Despite all these shortcomings, an effort has been made to maintain a certain program consistency in the Current Status Report. The calculations and methodology introduced to harmonize the data found in different sources are presented in the related chapters. In some cases, as it is indicated in the tables, data issued from

international organizations, such as the World Bank and the IMF (International Monetary Fund), were also included in the Current Status Report.

1.7 Comments and critical appraisal of reports from international organizations

a) International Monetary Fund: The West Bank and Gaza Strip, Report on Multitopic Statistics Mission (May, 1994)

In response to a request by the (PBS), a multitopic statistics mission from the IMF statistical department visited Jerusalem during May, 8-20, 1994. Its principal objective was to undertake an in-depth review of the sources and methods underlying the compilation of the major areas of Macroeconomic Statistics for the West Bank and Gaza Strip by the ICBS, i.e., national accounts, balance of payments, prices, and government finance. It is envisaged that the findings of the mission will assist the PBS in its further articulation of a Master Plan for functional and institutional development, together with a relevant database, with the help and assistance of both bilateral and multilateral donors.

Since most of the members of the mission team were also authors involved in the publication of the 1993 SNA, the report contains valuable information that facilitates the understanding of ICBS' methodologies.

The IMF recommendations concerning the field of economic statistics in the short-term are currently being scrutinised, in particular for the agricultural sector and the labor force survey. However, the recommendation that the PBS should continue the Quarterly Survey on Industry, previously conducted by the ICBS, will not be adopted since the basis for these surveys is considered inaccurate and, thus, unreliable. Currently, the PBS is in the process of carrying out an Establishment Census in this respect.

b) World Bank-UNSTAT: The Statistical Agenda for the Palestinian Bureau of Statistics (June 1994)

A joint World Bank-UNSTAT mission visited Jerusalem to work with PBS staff on developing a short term work-program. The mission's main tasks were to help in identifying the data needs of the Palestinian Authority and to point out the range of statistical surveys and other activities that could be included in the work program. It was part of the mission's tasks, to determine the staffing requirements, hardware, and budgetary needs of PBS. The mission also proposed a strategy for institutional development, including the broad legislative framework under which PBS could operate.

In relation to the primary objectives of the Current Status Report, the recommendations on the **Establishment of the National Accounts Framework** are discussed below. The system which the World Bank proposed for the establishment of national accounts may be appropriate in other countries where a process of "normal" development is under way. However, given the very distinct and unique nature of development which prevails in the WBGs, the system is inadequate.

The World Bank proposals are based on the assumption that detailed data are available somewhere and could, thus, be collated and utilised at least as a preliminary step for obtaining swift results. The experience of the Current Status Report, as an effort to determine the main sources of information, has demonstrated that the data available from ICBS, are neither reliable nor consistent. For example, the National Accounts data for the RWBGS are presented with margins. Compilation of these data, therefore, as was proposed is not recommended.

It is possible that the World Bank had assumed that raw data would be available. However, these data may not be provided by the ICBS for reasons of confidentiality.

On this basis a benchmark year cannot be selected as proposed by the World Bank. The World Bank Report accords major significance to the reconciliation process based on a strategy for eliminating statistical discrepancies in the National Accounts. The PBS, however, will adopt a more direct approach by creating, from the outset, a consistent system that is capable of defining the sectoralisation of the economy. This will cover, according to the SNA (1993), the following:

- the Production account ,
- the Income Generating Account
- Gross Fixed Capital Formation and Inventories.

This system is presented in chapter 3, "Strategies for a future development of economic statistics", of this report. Contrary to the World Bank, which did not propose any survey in the first 24-32 months, the PBS system for economic statistics will start (over the next three years) with a comprehensive Establishment Census that will provide an overall Register. This tool will enable the PBS to synchronize the whole statistical program. This census should, in effect, take less time than is recommended in the World Bank's 'Phase one' (6-8 months), but this will exclude the agricultural sector and government accounts.

Based on the Register, benchmark surveys as samples will be designed. The base year for setting up the system should be 1994. The questionnaires of these surveys will conform with the recommendations of the SNA (1993) in order to compile National Accounts data directly. This program also is set to be completed in less than the World Bank's recommended period of 12-18 months.

To remedy the lack of *annual* data, the World Bank proposes a reduced compilation of the benchmark data. The PBS approach, on the other hand, will be based on (cost efficient) sample surveys. In addition to the recommendations of the World Bank, the PBS will also include quarterly statistics on Mining and Manufacturing in order to calculate a production index and commodity flows. In later stages, all economic activities could be covered by short term surveys.

2. AVAILABILITY AND ASSESSMENT OF AVAILABLE DATA

2.1 Agriculture and Fishing

a) Explanatory Notes

According to Tables 2.1.1 and 2.1.2, the total area of the West Bank including Jerusalem is about 6 million dunams, of which 1.7 million dunams (28.3%) are cultivated. The same tables reveal that the total area of the Gaza Strip amounts to 365,000 dunams, of which 182,100 dunams are cultivated (50%). Irrigated farming is predominant in the Gaza Strip and in the Jericho area. In the West Bank, only 95,700 dunams are under irrigation, representing 5.6% of the cultivated area, whilst this figure for Gaza is 111,500 dunams, representing 61.3% of the cultivated area.

Following the Israeli occupation in 1967, there was a progressive increase in the cost of agricultural production in the WBGS. As a result, many farmers were forced to abandon their fields and seek employment inside Israel. The remaining farmers were only able to increase productivity by introducing new technology.

Agricultural statistics presented in this document are based on results obtained by the Agricultural Data Base (ADB) which is sponsored jointly by the Arab Thought Forum (ATF) and the Palestinian Agricultural Relief Committees (PARC), and Israeli sources. The ADB has collected data in fields such as poultry, beehives, greenhouses, agricultural equipment, dairy cows, and sheep and goats. The Israeli data come from different sources such as the Department of Agriculture, the Department of Veterinary services and the central markets and labor force surveys conducted in RWBGS by ICBS.

Based on Table 2.1.7, all these sources are not harmonized. There are large discrepancies in the figures due to the different methodologies used. For instance, in 1992/3, there was a difference of 62 thousand heads of sheep and goats, in addition to 12 thousand draught animals, between the local and the Israeli sources..

ICBS' Methodology:

Agricultural production statistics are principally based on the following sources:

- a -** Agricultural questionnaires to estimate areas and yields by region
- b -** Livestock surveys conducted annually or bi-annually
- c -** Marketing surveys: collecting data by a sample of the RWBGS main markets, on quantities of fruit and vegetables by source (local or Israeli farmers); other data, such as prices, were estimated by consultation with agricultural advisors and professionals.
- d -** Adjustment of the monetary equivalent of each product from the month it was marketed to the average for the entire year according to the regional Consumer Price Index.
- e -** Various surveys: data collection on export of transit of merchandise in a number of days during the year at the main crossing points. Various data are received from the agricultural offices including data on citrus, fishing, tobacco yields, and marketing

inputs such as chicks (Poultry Council). The slaughterhouses provide a monthly report on the slaughter of the various types of animals.

Main Remarks on ICBS' Data:

- No agricultural census has been conducted since 1967 to provide a larger data framework.
- There is no scientific methodology available to determine land use.
- Value of production does not reflect actual production due to trans-border flows.
- Figures for livestock do not take into account animals not under veterinary supervision.
- Meat production is only based on slaughterhouse records.
- Regional coverage is not unified: for example, production data is collected for the areas of Ramallah and Bethlehem, whilst employment data covers Bethlehem and Jericho.

ADB's Methodology :

Herds of sheep and goats with more than 10 heads were fully enumerated in 1991, whilst a stratified sample of 40 localities was selected for the rest. The stratification variable was the number of sheep and goats based on the results of the complete enumeration of herd.

The list from the community survey conducted by the ADB was used to ensure that every locality is covered. Within every locality, a member of the public served as a guide to farmers in that locality and no statistical maps were used. A 10% simple random sample of the questionnaire was selected and then refilled.

This process showed a rate of error of less than 5%. The reporting unit was the farmer. For a dairy cattle census, a complete survey was conducted in 1991, using a similar procedure to the one implemented for the sheep and goats census, except that no sample was taken in this survey. In 1992, the census results were updated by taking a stratified sample of 70 localities, similar to the sample selected from the sheep and goats. The stratification variable was the number of dairy cattle. The olive press survey in the RWBGS and the agricultural equipment survey in the WBGS which were conducted in 1992, implemented the same procedures as those used in the dairy cattle survey.

Main Remarks on ADB's Data:

Despite the fact that a complete list of localities was used to make sure that every locality is visited, no list of farmers was used within each locality to ensure that every herdsman was included. Data collection was carried out only by direct questioning of the farmers without a comprehensive enumeration process. The sampling errors have not been estimate

b) Comments on the data

The tables on agriculture include data on land use (cultivated land), employment, production, equipment, income of farmers and agricultural inputs. Tables (2.1.1) and (2.1.2) show that the cultivated area in the RWB in 1991/2 (1697.4 thousand dunams) is nearly ten times that of the Gaza Strip (182.4 thousand dunams). Only in the Jordan Valley is the irrigated area (42.8 thousand dunams) larger than the

rainfed area (11.7 thousand dunams).

Total local employment in agriculture (Table 2.1.3) increased over the last few years in the RWBGS. In 1992 there were 38,500 persons employed in this sector in the West Bank compared to 30,600 in 1989. The corresponding figures for the Gaza Strip were 14,900 and 11,100 respectively. The districts with the largest employment opportunities in agriculture (Table 2.1.4) were Jenin (12,600), Khan Yunis (9,400), Gaza (8,800) and Bethlehem and Jericho (8,000).

Agricultural production in the RWBGS is very diversified and covers field crops, vegetables and potatoes, citrus and other fruits (including olives) as well as livestock and related products. Details are shown in Tables 2.1.5 and 2.1.6.

In 1992, total production of vegetables and potatoes amounted to 407,500 tons whilst total fruit production (excluding citrus but including olives) was 278,400 tons. Citrus products recorded a total production of 184,600 tons. Livestock activities were also very significant - meat production, mainly poultry products, achieved a production total of 79,900 tons in 1992. Agricultural progress over the years was supported by increased automisation and the introduction of new technology.

2.2 Industry (Manufacturing & Mining)

a) Explanatory notes

Statistical data on industry are available from Palestinian and Israeli sources. The data on industry in the Gaza Strip are obtained from a study undertaken by the Union of Industrialists in 1993, called "The Reality of Industry in the Gaza Strip". This study provided a comprehensive census of industries. The system used for classifying the establishments according to their activity and kind of products, for the purpose of tabulation, is consistent with both the ISIC and Israeli classification of all activities.

In those subsectors where only one establishment was found to be carrying out specific activities, the subsector was combined with the more general sector in order to keep all the relevant information concerning the establishment and its activities confidential. In this respect, the Gaza Strip was classified into 13 types of industry. For the purposes of the CSR, data was used in terms of the number of establishments, the number of employed persons, and the total wages for each type of industry (See Table 2.2.1).

Given that this study is a census, sampling errors are not considered. However, according to the methodology used (see, Union of Industrialists-Gaza, 1993, pp 2-3), the author explains that there was a high percentage of non-response regarding a few specific variables. Therefore, these variables were treated in the analysis as a result of a sample survey, and not a census.

Thus, there were some sampling errors concerning these variables, and these sampling errors were difficult to estimate since there was no sampling design. Consequently, since the figures used from this study (number of establishments, number of employed persons, wages are variables that have a high response rate, they were not considered to be the result of the sample. Thus, within these variables there are no sampling errors.

Concerning the non-sampling error, there should be a high percentage of coverage error due to the absence of a sampling frame and statistical maps. Moreover,

the author of the work indicated that there was a high percentage of coverage error, regarding establishments with less than eight employees, estimated at :

- * 20% of clothing establishments
- * 5% of metal production establishments
- * 2% of construction establishments.

Data on the RWB were obtained from the Statistical Abstract of Israel. The primary sources of data concerning manufacturing, since mining activity is negligible, were collected through a quarterly survey of industrial establishments. The basic framework of this survey includes all industrial establishments in towns and in larger localities for which licenses are issued by the staff officer of taxation in the Civil Administration. The evaluation of this methodology was described in the IMF report as follows (see Table 2.2.2):

"[The survey] does not cover rural localities, nor areas outside the jurisdiction of towns and large localities..... information is collected on total revenue (i.e. sales), total wages paid, and number of people employed. Data obtained from the sample are "blown up" on the basis of employment data obtained from the labor force survey. These data, along with their indices, are published in the Statistical Abstract of Israel at a group level." (IMF 1994:26)

Data on olive oil production are obtained from the Statistical Abstract of Israel, whilst similar data for the Gaza Strip are obtained from the Agricultural Database (see Table 2.2.3).

b) Comments on the data

In 1992 there were over 4000 operational establishments in the RWBGS. Those establishments employed, in both the WB and the GS, a total of around 25,000 persons (Tables 2.2.1 and 2.2.2).

The sectoral specialization is, however, different in both regions. In the GS, industrial production is concentrated in:

- Textiles and clothing (535 units)
- Metal (407 units)
- Wood (312 units)
- Glass and construction materials (290 units)
- Food beverages & tobacco (159 units).

In the WB, industrial production is concentrated, according to employment, in:

- Food beverage & tobacco (2592 persons)
- Textiles and clothing (2217 persons)
- Non-Metallic minerals (818 persons)
- Rubber plastic & chemical products (1627 persons)
- Basic metals & products (1569 persons)

Table (2.2.3) shows the seasonal evolution of the production of olives and olive oil. Every two years, according to the season, production of olive jumps to around 100,000 tons, and that of olive oil to around 20 000 tons. In the other years, production is only one tenth of that in good years.

2.3 Construction

a) Explanatory notes

Data on construction are available from ICBS' publications only. The data reported in "The West Bank Data Base Project" are issued from ICBS' sources. The ICBS methodology in developing construction statistics was evaluated in the IMF report:

"Estimates of total value of construction output, including new construction and repair work, are developed from a variety of sources, e.g., data on works in infrastructure by the Israeli Government (the Ministry of Housing, Public Works Department, the Ministry of Defense) and the Jewish National Fund, and estimates on the buildings begun and completed, including data on additions to existing buildings, time required for completion of a particular type of building, and the expenditure per unit of constructed areas." (IMF 1994:26)

Data on the construction of buildings are based on the following sources:

- A special questionnaire, offices of the ICA, UNRWA, and reports from *mukhtars* (village headmen) for 22 local authorities.
- A special survey with a representative sample of 80 small localities out of hundreds of small, mostly rural, localities.

b) Comments on the data

In reference to Table (2.3.1), detailed figures are only available for 1986/87. At that time, 14,700 persons were reported to work in construction in the RWB and 4,200 in the GS. However, in reality, construction activities are expanding. In 1992, the construction sector contributed around 13% of GDP compared to 8% for the industrial sector.

2.4 Services

a) Explanatory notes

Statistics on services are available only in ICBS' publications. Although some Palestinian researchers have dealt with this sector, they used ICBS' statistics. ICBS classifies services into two main sectors:

- public and community services
- Transport, trade, and other services

For the purposes of the Current Status Report, the public and community services will not be presented here as they are not part of the economic statistics. Value added is based primarily on analysis of financial and budgetary statements of the municipal authorities and Israeli Civil Administration. For transport and other services, estimations within the group were derived residually as the difference between GDP, compiled by expenditure categories, less net indirect tax and value added for agriculture, industry, construction and public and community services. Tables 2.4.1 and 2.4.2 show data for the period 1987-1992. For the Tables 2.4.3-2.4.5 data are only available for the year 1986 or 1987.

b) Comments on the data

From an economic point of view, as can be seen in the work of Hazboun (1992), the service sector is a very important one for the Palestinian economy. As the public and community service sector was underdeveloped, the private service sector represented in 1992 approximately one third of Palestinian GDP.

Tables 2.4.2 and 2.4.5 provide some statistics on service sectors in WBGS at intermittent time intervals. Table 2.4.2 shows the increase of the number of vehicles between 1987 and 1992. There were also 80 licensed restaurants in WBGS in 1987.

Although a formal banking system is not yet developed, in 1986, 196 money changers were operating. Nevertheless, many data are missing. For example, data on trade and commerce are lacking, and thus a comprehensive service sector survey is required.

2.5 Balance of Payments

a) Explanatory Notes

Data on balance of payments in this report are mainly based on the ICBS data. Sources and methods utilized by the ICBS concerning the balance of payments items are summarized in the IMF (1994) report. Their main findings are highlighted as follows:

a. Goods: concerning trade of goods with the rest of the world, the ICBS relies on customs documents to produce statistics for this type of trade. Trade statistics with Israel are developed from the belt sample survey.

b. Services: in terms of the current account of balance of payments, transportation services are relatively insignificant. For sea transportation in trade with the rest of the world, charges are approximated by the difference between C.I.F and F.O.B (freight insurance is estimated to be negligible). For truck transportation from Israel's harbors inland and between Israel and the RWBGS, it is assumed that the value of goods includes transport or charges (roughly estimated as a percentage of the total value.) Travel estimates are linked to surveys of foreign travelers in Israel that are conducted every 5-6 years based on data concerning the number of arrivals by country and estimates of per capita expenditure. The government services component of the GS and RWB service accounts reflects only debits attributable to the purchases of services in Israel by the ICA in Gaza and the West Bank.

c. Compensation of Employees (income): the estimate of salaries and wages paid to RWBGS residents are obtained from two sources: the permits issued by the Israeli Civil Administration and the quarterly labor force survey.

d. Transfers: Data on credit for the RWBGS include personal and institutional remittances (the largest percentage of which are from UNRWA and transfers from the Government of Israel). Personal remittances are probably understated, whilst UNRWA and Israeli Government transfers are well documented. Debits are accounted for by taxes and other contributions paid by Palestinians working in Israel.

b) Comments on the data

The external situation may seem somewhat surprising, for despite the fact that the economy is in crisis, the RWBGS is not an indebted country (World Bank 1993: Vol 2, "The Economy"). The deficit of the trade balance is compensated by a surplus of exports of services and remittances from abroad. Table (2.5.1) shows that from 1988 to 1990 total imports and exports of goods and services were balanced with a volume of around 1 billion US\$ for imports and exports. In 1989 and 1990, the current accounts balance showed a surplus of 53 and 20 million US\$, respectively. In 1991, the current account could not be equalized due to an escalation in merchandise imports-around 300 million US\$ more than the previous year. Trade, in terms of destinations, shows that the RWBGS maintains a trade deficit with the rest of the world and a trade surplus with Jordan.

2.6 Prices

a) Explanatory notes

The only source for price statistics in the RWB and the GS since 1967 was the ICBS. The ICBS publishes two indices, one for the RWB and the other for the GS. The ICBS carried out a comprehensive consumer expenditure survey for the RWB and the GS over a full year from Sept. 1973 to Aug, 1974. The methodology used to calculate the consumer price index using this survey has been summarized in the IMF mission report as follows:

"The survey covered about a quarter of all families in Judea and Samaria and about five/sixths of all families in the Gaza Strip.....The families selected in the sample in these districts were town dwellers and households in the refugee camps. Approximately 780 households were surveyed in the West Bank and 740 households in the Gaza Strip. The final processing covered 684 families in Judea and Samaria (544 in towns and 140 in refugee camps) and 735 families in the Gaza Strip (411 in towns and 324 in refugee camps). The standard international (UN) definition of a household was used, which is "an economic unit whose members, either related or unrelated, have a common budget for food and other living arrangements." The sampling frame for choosing the households was based on the Labor Force Survey, which included about 6000 families per quarter. This was the first and last consumer expenditure survey done in the WBGS." (1994:35)

The survey was conducted in two phases. The first phase was a diary survey, where diary forms were left with the household for a period of two weeks. After two weeks, an interviewer collected prices for those items, such as major appliances, jewelry and automobiles, purchased infrequently

Expenditure data were collected and tabulated on close to 2000 items. Published results of the survey do not include individual item expenditures, but only aggregated expenditure totals. Due to the lack of weights, it was not possible to aggregate an index for the total of the RWBGS.

b) Comments on the data

From 1986 to 1992, inflation was very high in the Gaza Strip as well as in the West Bank. In the course of those six years, prices doubled in both regions. On the level 1986 =100 the Consumer Price Index (CPI) reached 200.7 in RWB and 203 in Gaza for 1992. However, the price index in Israel increased to 261.5 in the same period.

2.7 National Accounts

a) Explanatory notes

The data in this chapter were derived mainly from the World Bank study, "Developing the Occupied Territories - An Investment in Peace" (1993). This study used ICBS data as the main source. The ICBS statistics on national accounts comprise the following series:

1. GDP by industrial origin, at factor cost, in current and constant prices.
2. GDP by expenditure categories, at market prices, at current and constant prices .
3. GNP at current market prices .

4. Gross national disposable income at current and constant prices.
5. Gross disposable private income at current and constant prices.
6. Composition of private consumption expenditure in current and constant prices.
7. Composition of private gross capital formation at current and constant prices.
8. Private saving at current prices.
9. Per capita gross private income at current and constant prices.
10. Per capita private consumption expenditure at current and constant prices.

The ICBS methodology underlying macroeconomic statistics (National Accounts) has been evaluated in the IMF mission report as follows:

".....in general, the concepts, definitions and procedures for the estimation of macroeconomic aggregates are in accordance with the 1968 SNA.....The ICBS' publications on national accounts for the WBGS duly acknowledge the low reliability of : (a) imports and exports of goods and services from or to Israel, payments to employees from the WBGS working in Israel, reflecting the generally free movement of residents and goods; and (b) data concerning the consumption of services of nonprofit institutions; and gross output and value added in the industrial and construction branches.

Fixed input-output coefficients based on an input-output table attempted in 1968 are being used for manufacturing, construction, etc. Separate estimates of GDP for trade, transport, and other services (excluding public and community services) are not available.

ýThe aggregate estimates for these services are derived [by residuals]." (1994:23)

b) Comment on the data

The Palestinian economy is based on agriculture and on private services that include, as mentioned previously, trade, hotels and restaurants, transport and other personal services. Agriculture accounted for 40% and the private service sector for one third of total GDP in 1992. These two sectors also maintained their production level over the years since 1987, taking into account that the agricultural production is also influenced by the seasonal production of olives. Industry and construction represented only about 20% of the Palestinian economy.

From 1987 to 1992, GDP (at factor cost in constant prices and converted into US\$.) declined significantly from 1.4 billion US\$ (1987) to 1.2-1.3 billion US\$ (1992). As the population increased in the same period, the result was a per capita decrease in real income in the RWBGS. Private final consumption also diminished despite the growing population Table (2.7.3). As mentioned by the World Bank (1994), GNP per capita at constant prices and in US dollars declined by one third between 1987 and 1992, from around 1,500 US\$ to around 1,000 US\$.

3. STRATEGIES FOR A FUTURE DEVELOPMENT IN ECONOMIC STATISTICS

These recommendations will cover the fields of establishments/enterprises and agriculture statistics.

3.1 Establishments/Enterprises

The Current Status Report demonstrates the difficulties that the PBS faced when attempting to compile a set of tables based on different standards, especially SNA-Standards. Many gaps and deficiencies in the statistics available are based on the fact that, since 1987, the statistical system provided by ICBS for the RWBGS was inconsistent. Contrary to the recommendations of international organizations (World Bank, UNSTAT, International Monetary Fund) for the "transition phase" in the WBGS, the PBS will not perpetuate the bias of the system by extrapolating data from existing series. The inevitable occurrence of errors and bias in such a methodology is not only resource-consuming, but also makes it difficult to comply with the SNA-Standard framework. Therefore, the PBS will endeavour to undertake primary research and urgently needed surveys at the earliest available opportunity in order to avoid the necessity of integrating or harmonising existing systems.

Another sensitive issue is regional coverage. As the statistical data on the RWBGS provided by the ICBS are not reliable as of 1987 (e.g. GDP is published with margins), the PBS will be accorded the responsibility of the collection and dissemination of statistical information covering the entire WBGS. This coverage will be in accordance with the electoral districts as outlined in the DOP.

The first phase on the fields of national accounts will be concentrated on the following accounts as an integrated system with unified classifications:

- the Production Account,
- the Income Generating Accounts, and
- Gross Capital Formation and Inventories

For these purposes, a set of surveys is recommended that allows:

- a total coverage of the economy,
- timely affordable results,
- the creation and implementation of an national information system
- the use of the results for communication between the various departments.

As a preliminary step, a total inventory of all establishments (except agriculture) should be carried out. This goal could be reached with an overall Establishment Census which should cover the following sectors or industries:

- Mining
- Manufacturing
- Electricity, Gas and Water (Production and distribution)
- Construction
- Wholesale and Retail Distribution
- Transport
- Other Services (hotels, restaurants, etc.)

The questionnaire is limited to the following items:

- Name and address of the unit
- Main economic activity
- Year of creation of the unit
- Foreign participation
- Legal status
- Number of persons employed

The resulting database will lead to the creation of a Register that will act as a basis for the synchronization of different statistics with different periodicity and coverage. Assuming that the financial support is available, the census should be completed by the end of 1994.

This will be followed by detailed benchmark surveys covering the productive industries mentioned above. The surveys will provide information that will assist in the compilation of the national accounts according to SNA's (1993) recommendations:

- Gross Output
- Intermediate Consumption
- Fixed Capital Formation
- Inventories
- Employment
- Compensation of Employees
- Value Added

This will enable the calculation of the contribution of the different industries to GDP and provide a firm base for National Accounts for the year 1994 that could be made available by the end of 1995. This process will be implemented in accordance with the financial and personal capacities of PBS. After the development of this database for a year of reference (1994), it will be necessary to install a system of integrated yearly and quarterly surveys to respond to the demand for yearly national accounts and short term economic indicators.

This current information system should also be based on smaller sample surveys carried out several times per year. The questionnaire for the yearly survey could be more detailed than it was in the first benchmark survey, and could include capital consumption and other more specific inputs.

The quarterly survey questionnaire should include indicators such as production, employment, sales and exports, hours worked and electrical consumption. With the production data, the calculation of a Production Index will be possible. The proposed timetable is planned as follows:

- Overall Establishment Census: End of 1994
- Economic Benchmark Surveys: First half of 1995
- First Results for National Accounts : End of 1995 to beginning of 1996
- Complete Information System: 1997

3.2 Statistical Information on Agriculture

The agricultural sector is the most important sector in the economy of the WBGS. According to ICBS' statistics, the agricultural sector contributes about 35-40% of GDP due to fluctuation of olive production. The sector also provides employment for approximately one quarter of the labor force. Furthermore, in most rural areas, agriculture-related activities are a predominant means of living. The importance of this fact is emphasized by the Palestinian National Authority, which has accorded a high priority to agricultural and rural development.

Reliable data are important for development planning in order to establish a baseline, to allocate resources efficiently and to monitor progress and impact of implementation of the planned policies. Since 1967, all statistical and agricultural departments were directed by the Israeli authorities. Inevitably, Israeli statistics on the RWBGS, disseminated by ICBS, are compiled from an Israeli perspective in order to assist in the formulation of occupation policies.

The PBS must, therefore, build a solid national database on agriculture in order to facilitate planning and agriculture policy-making. Agricultural censuses and surveys are essential prerequisites for such a process.

Objectives of agricultural statistics:

Statistics on agriculture should provide data on the following fields:

1. Land tenure to specify the type of land property and cultivated & uncultivated area.
2. Agricultural employment, i.e. wages, employed persons (proprietors and family members), employees, sex, level of education, and compensation of employees.
3. Land use, i.e. field crops, vegetables, horticulture, grass, and fallow area.
4. Input-output by crops, i.e. quantities and prices.
5. Animals: including cattle (local, hybrid and Friesian strains), sheep (Awassi and Assaf strains), goats (Baladi and hybrid strains), poultry (broilers and layers), draught animals (horses, mules, camels, donkeys), fish and beehives.
6. Agricultural equipment, (type and number).
7. Agricultural practices: focused on time of irrigation, source of irrigation, methods of irrigation, source of generating power, transportation media, fertilizers & insecticides, marketing and sources of financing.
8. Value added in agricultural sector.
9. Taxes.
10. Change in inventories for both input and output products.
11. Fixed capital formation.
12. Consumption of fixed capital.

Agriculture Census:

This census is supposed to provide a complete register on land, land use, and livestock holding. This register will be the basis for later surveys or censuses that provide more detailed information on the agricultural sector.

Activities:

An agricultural census will require the following activities:

1. Conducting a general agricultural workshop, with local and foreign experts specialized in agriculture statistics to discuss and develop a future strategy on agriculture statistics based on available sources and future requirements.
2. Coordination with relevant local institutions to determine the priorities of this census.
3. Preparing the statistical maps of the covered regions in this activity.
4. Preparation of the census questionnaire.
5. Training the field workers.
6. Questionnaire testing.
7. Field work.
8. Data processing.

Agriculture Surveys:

These surveys will be the source for establishing agricultural information in the following main fields:

1. **Agricultural Production:** these surveys will cover the areas of cultivated land and the time of cultivation, the consumption of inputs and outputs per dunam crop production, number of bearing trees, quantity and value of production.
2. **Agricultural Capital Formation:** statistics will be used primarily to determine the value and type of investment according to categories including general construction, wells, pools, tanks, equipment, land reclamation, livestock, beehives, and permanent crops.
3. **Agricultural Prices:** statistics will be concerned with wholesale and farm-gate prices, marketing margins based on type of crops, location, time of production, input-output prices and seasonality of production for both livestock and plant production. These surveys will be conducted annually.
4. **Livestock:** statistics will be based on the number of livestock according to sex, strain and age. Surveys will also cover the size of investments, fixed assets, inputs-outputs value and quantity, employment status, and size. These surveys will be conducted twice yearly and will include the following categories: broilers, layers, sheep and goats, cattle and draught animals.

Glossary

Balance of Payments: a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world.

Balance of Trade: the difference between the value of exports and the value of imports of visible items (goods).

Consumer Price Index (CPI): a measure of the average changes in the prices of commodities commonly bought by households and compiled monthly.

Depreciation: an estimate of the amount by which the capital stock is depleted through its contribution to current production, also called capital consumption allowances.

Disposable Gross National Income: equal to the Gross National Product at market prices plus net current transfers from abroad.

Employed Persons: persons who have worked at least one hour during the "determinant week", in any kind of gainful activity and/or family members who had worked in the family business or farm for more than 15 hours a week and those temporarily absent from their regular work.

Employees: any person employed by another person in return for wages.

Gross Domestic Capital Formation: the gross value of assets added to domestic capital inventory including expenditure on acquisition of fixed assets and the value of physical changes in stock.

Gross Domestic Product (GDP) at market prices: the net value of goods and services, prior to deduction of depreciation of fixed capital assets, produced by factors of production. GDP is equal to the sum of expenditures on private consumption, expenditure on general government consumption, expenditure on gross domestic capital formation, and net exports of goods and services. It also equals the sum of gross value added, at market prices, of all domestic economic activities.

Gross Domestic product (GDP) at factor cost: equals the GDP at market prices minus indirect taxes net subsidies.

Gross National Product (GNP): equal to the GDP at market prices plus net factor income received from the rest of the world.

Inflation: a continuous rise in the average level of all prices.

Input-Output Tables: Input-Output tables have two main functions. In the first instance, they represent an integral part of, and check on, the national accounts estimates produced for the economy. In the second instance, they represent an important statistical tool for economic planning purposes. In both 1968 and 1993's SNA, the overall content and orientation is on integrating input-output tables as industry by commodity and commodity by industry tables (make and use matrices) with the national accounts. The Input-Output structure, one of the main features of SNA, embraces the sound compilation approach of using the goods and services accounts and commodity flows as basic information in national accounting.

Per Capita GNP: GNP divided by total population.

Remaining West Bank: the West Bank excluding Jerusalem.

Self-employed: a person who works in his/her own business and does not employ others for wages or any other remuneration.

System of National Accounts (SNA): is a fully consistent, comprehensive framework for recording flows (such as production, income, and finance) and stocks (assets and liabilities) using T-accounts, input-output tables and balance sheets. The system is recommended by the United Nations.

Transfer Payments: payment to a private person or institution that does not arise out of current productive activity, typically made by governments (e.g. welfare payments), but also made by business and private individuals in the form of charitable contributions.

Unpaid Family Member: A person who worked in the family business for 15 or more hours in the "determinant week", without any kind of remuneration. A family member who receives wages is considered an employee.

Value Added: the value of a firm's output minus the value of the inputs that it purchases from other firms.

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