

## **Building Macroeconomic models; challenges and obstacles: The Palestinian Experience.**

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This paper is aiming at presenting the Palestinian experience in building macroeconomic models, including the structure of the model (input-output component), challenges and obstacles in estimating the macroeconomic indicators and method of treatment. The problem is that economic- policies in Palestinian territory restricted by Paris protocol and Israeli economy. The Integrated Simulation Framework (ISF) built on UNCTAD's previous generations of econometric models for the Palestinian economy. while the Palestinian Central Bureau Statistics has rebuilt the model with new time series, behavioral equation, economic identity and structure of economic sectors. The model included all categories of aggregate demands: private and public consumption and investment, as well as export and import of goods and services. Its structure makes it possible to model trade by source and destination. The model is capable of simulating less dependence and more controlled interconnection between the Palestinian and Israel economies through the introduction of a set of policy instruments (switches) that alters relative prices of tradable goods and services (including labour). The model simulates 151 endogenous variables generated from 35 behavioural equations and 116 identities. These are distributed among five blocks: (i) labour and demographic, (ii) government, (iii) trade and national accounts, (iv) prices and deflators block and (v) value added. This model use alternative method to estimate coefficients; three stage method and seemingly unrelated method.

**Key words:** Integrated Simulation Framework, seemingly unrelated method, policy makers.