

CONTENTS

1. Introduction	1
1.1 Objectives	2
1.2 Methodology	2
1.3 Limitations	3
2. Understanding the Knowledge-Based Economy	5
2.1 Definitions of the Knowledge-Based Economy	5
2.1.2 <i>Knowledge, its Types and Characteristics</i>	6
2.3 Characteristics of the Knowledge-based Economy	7
2.4 Dimensions (pillars) of the knowledge-based economy as described by the World Bank	8
2.4.1 <i>Pillar I: Human Capital- An educated and skilled population that can create and use knowledge</i>	8
2.4.2 <i>Pillar II: Innovation- A system composed of firms, research centers, universities, consultants and other organizations that can tap into the growing stock of global knowledge, adapt to local needs, and transform it into products valued by markets.</i>	11
2.4.3 <i>Pillar III: Information infrastructure- A dynamic information infrastructure that can facilitate the effective communication, dissemination and processing of information.</i>	13
2.4.4 <i>Pillar IV: Creating appropriate economic incentives and an institutional regime that encourage the widespread efficient use of local and global knowledge in all sectors of the economy, that foster entrepreneurship, and that permit and support the economic and social transformations engendered by the knowledge revolution.</i>	14
2.5 KBE Success Stories - Challenges, Strategies and Outcomes:	15
2.5.1 <i>South Korea</i>	15
2.5.2 <i>China</i>	15
2.5.3 <i>Ireland and India</i>	16
3. The Presence of KBE Characteristics in Palestine	19
3.1 Overview of the Palestinian Economy	19
3.1.1 <i>National Accounts</i>	19
3.1.2 <i>Public Finance</i>	20
3.1.3 <i>Foreign Trade</i>	21
3.1.4 <i>Price Levels</i>	21
3.2 A review of the Main Knowledge- Based Economy Pillars in Palestine	23

3.2.1 <i>Human Capital Developments</i>	23
3.2.2 <i>Research and Development (Innovation)</i>	29
3.2.3 <i>Infostructure and Infrastructure</i>	33
3.2.4 <i>Economic and Institutional Regime</i>	39
4. Conclusions	53
4.1 The Labor Force and the Education System	53
4.2 Research and Development (Innovation)	54
4.3 ICT Infostructure and Infrastructure	55
4.4 Economic and Institutional Regime	56
5. Recommendations	59
5.1. General Recommendations	59
5.2 Skilled Labor Force and the Education System:	59
5.3 Research and Development	60
5.4 ICT Infrastructure and Infrastructure	61
5.5 Economic and Institutional Regime	63
6. The Presence of KBE Characteristics in Jordan	65
6.1 Overview of the Jordanian Economy	65
6.1.1 <i>General Macro-Economic Environment</i>	65
6.1.2 <i>A Review of Human Capital in Jordan</i>	70
6.1.3 <i>Research and Development (Innovation)</i>	78
6.1.4 <i>ICT Infrastructure and Infostructure</i>	81
6.1.5 <i>Economic and Institutional Regime:</i>	84
7. Conclusions	91
7.1 An Educated Labor Force and the Education System:	91
7.2 Research and Development (Innovation):	92
7.3 ICT Infostructure and Infrastructure:	93
7.4 Economic and Institutional Regime:	93
8. Recommendations	95
Summation	97
References	99