



State of Israel

Supporting Palestinian Capacity Building: Israel's Efforts in Supporting the Palestinian Economy, Security Reforms and Civil Affairs

Report of the Government of Israel to the
Ad Hoc Liason Committee

Oslo, June 7-8, 2009

Acronyms

AHLC	Ad-Hoc Liaison Committee
BOI	Bank of Israel
COGAT	Coordinator of Government Activities in the Palestinian Territories
CPI	Consumer Price Index
EIB	European Investment Bank
EU	European Union
GDP	Gross Domestic Product
GOI	Government of Israel
ICD	Israel Customs Department
ICRC	International Committee of the Red Cross
IEC	Israel Electric Company
IMOF	Israel Ministry of Finance
IMOFA	Israel Ministry of Foreign Affairs
IMOJ	Israel Ministry of Justice
IPCC	Israeli Palestinian Chamber of Commerce
IPF	Israel Police Force
ITA	Israel Tax Authority
JEC	Joint Economic Committee
JLC	Joint Liaison Committee
MASHAV	National Agency for International Development Cooperation
MOITAL	Israel Ministry of Industry Trade and Labor
MOU	Memorandum of Understanding
NIS	New Israeli Shekels
NGO	Non-Governmental Organization
PA	Palestinian National Authority
PACE	Palestinian Authority Customs and Excise
PAMOF	Palestinian Authority's Ministry of Finance
PAMOFA	Palestinian Authority Ministry of Foreign Affairs
PAMOJ	Palestinian Authority Ministry of Justice
PIBF	Palestinian Israeli Business Forum
PMA	Palestine Monetary Authority
PSO	Palestinian Security Officers
PTP	People to People
UNISPAL	United Nations Information System on the Question of Palestine
UNRWA	United Nations Relief and Works Agency
USAID	United States Agency for International Development
USD	US Dollars
WCO	World Customs Organization
WFP	World Food Programme
WHO	World Health Organization

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Introduction

Developing and strengthening the Palestinian economy and Palestinian capacity building are challenges shared by the Palestinian Authority, the international community and Israel.

Israel recognizes the importance of international support to projects in the West Bank in the areas of economic development, capacity building and the security and civil sectors. The international community plays an instrumental role in shaping, through its assistance, the manner in which capacity building projects are designed and implemented de facto and how Palestinian institutions are formed. Israel supports efforts by the international community to promote Palestinian development.

This Report presents a series of steps and actions undertaken by Israel during 2008 and the first quarter of 2009, which were intended to promote and substantially improve the West Bank economy, alongside building security and other capacities. These measures have been taken in parallel with a broader diplomatic and economic effort led by the international community, and notwithstanding the security risks posed by continued Palestinian terrorist activity against Israel's civilian population.

The Report also briefly addresses the situation in Gaza, in the context of Operation Cast Lead and Israel's actions to support efforts by the international community to meet humanitarian needs. Israel acted to support these efforts despite the fact that Gaza is a hostile territory controlled by Hamas, a terrorist organization supported by Iran, which continues to constitute a security threat to hundreds of thousands of Israeli citizens. As of the publication of this Report, Hamas still holds Israeli soldier Gilad Shalit in captivity.

The Report provides an overview of Israeli measures to help develop Palestinian capacity in three main fields: **economy, security, and civil cooperation.**

- » Chapter one provides an overview of economic conditions in the West Bank, Israeli efforts to boost the West Bank economy, as well as bilateral economic cooperation initiatives.
- » Chapter two presents information on international and Israeli capacity building efforts in the security sector, as well as steps taken by Israel to ease movement and access restrictions.
- » Chapter three describes bilateral Israeli-Palestinian cooperation in the civil sector.
- » Finally, chapter four outlines Israeli efforts to support and facilitate humanitarian aid to Gaza within the context of Operation Cast Lead.

Chapter One

Israeli Measures for Economic Growth in the West Bank

ECONOMIC SITUATION IN THE WEST BANK

The year 2008 was one of significant economic recovery for the West Bank, continuing the positive trends reported in the second half of 2007. It should be noted that the global economic crisis did not appear to affect the Palestinian economy during 2008 as severely as it affected economies in other parts of the world. The impact of the crisis may be felt in 2009, however as of the publication of this Report, there is little data pointing to a significant downturn.

The economic recovery was evident in several sectors, such as tourism and trade with Israel, inter alia.

Tourism

In 2008, there was a significant increase in tourism in the West Bank. Almost one million tourists visited Bethlehem, an increase of approximately 94%. Almost 500,000 tourists visited Jericho, a 31% increase. According to the Palestinian Central Bureau of Statistics, approximately 6,000 Palestinians currently work in the tourism sector in the West Bank. The industry includes 63 hotels and 290 restaurants.

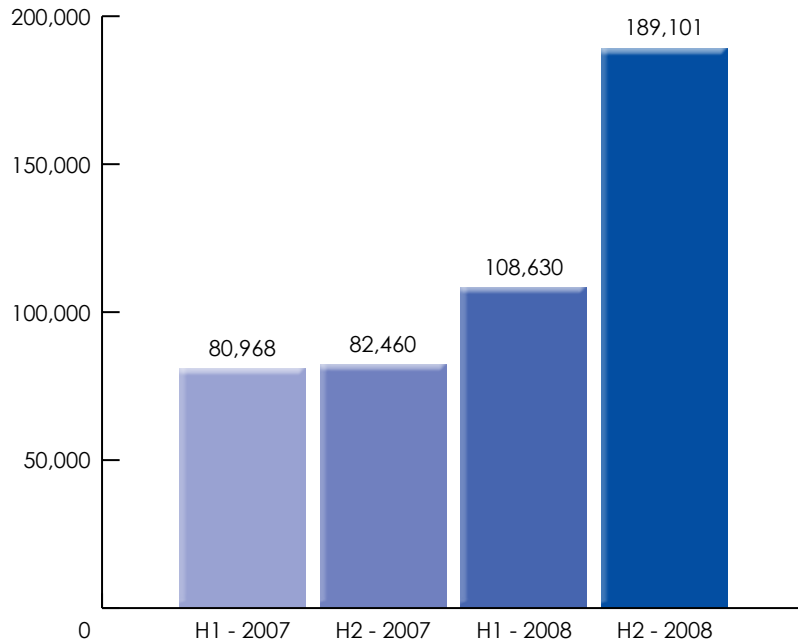
Trade with Israel

In addition, in 2008 there was a significant (30-35%) increase in trade between Israel and the West Bank, compared to 2007. Trade between Israel and the West Bank in 2008 amounted to approximately NIS 13 billion¹, compared with approximately NIS 9 billion in 2007. This increase in trade is reflected by an 82% increase in truck crossings between Israel and the West Bank. Chart 1 summarizes truck crossings in 2007 and 2008.

¹ Estimate of National Revenue Service.

Chart 1

Truck Crossings between Israel and West Bank in 2007 and 2008



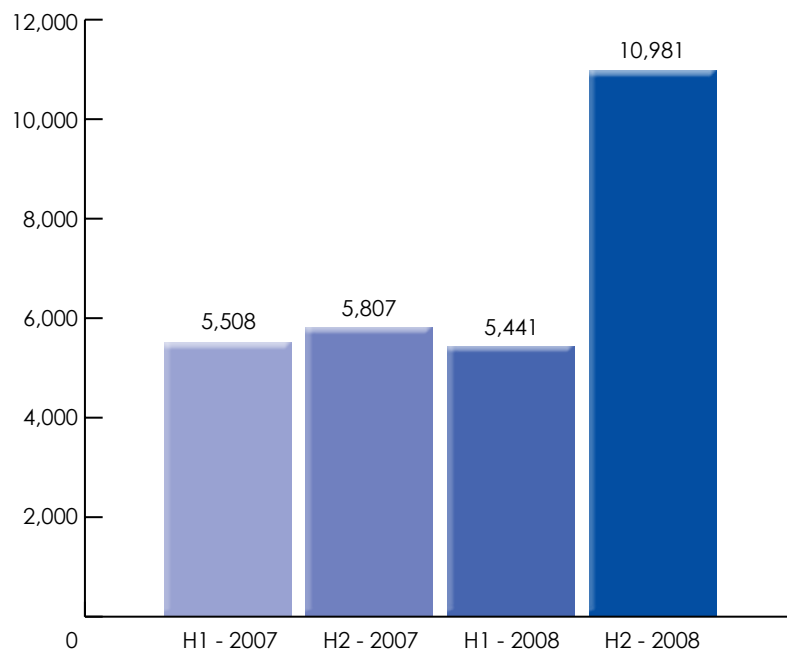
Palestinian Trade through the Allenby Bridge

At the Allenby crossing, in 2008 a 45% increase was recorded, from 11,315 in 2007 to 16,422 shipments. From January to March 2009, a total of 3,335 shipments passed through the Allenby crossing (1,347 import and 1,988 export).

Chart 2 reflects passages through the Allenby crossing in 2007 and 2008.

Chart 2

Truck Crossings through Allenby Bridge



In 2008, 1,502,880 passengers crossed through the Allenby terminal, a record number. This number constitutes a 17.5% increase in comparison to 2007 (1,278,729). In addition, a number of projects to refurbish terminal infrastructure were conducted in 2008², and additional projects are planned for 2009³. Furthermore, operating hours of the crossing were extended until 20:00.

Employment in Israel and by Israeli Businesses in the West Bank

There has been an increase in the number of Palestinian workers employed in Israel and by Israeli businesses. For example, the number of Palestinians employed by Israeli-owned businesses increased by 12.7%. During the olive harvest season, 3,000 Palestinian workers worked in Israel. Table 1 below provides additional information on Israeli measures enabling an increase in Palestinian employment in Israel and by Israeli businesses.

ISRAELI MEASURES TO PROMOTE ECONOMIC GROWTH⁴

Measures to Facilitate Palestinian Employment and Business Activity

A number of measures have been adopted by Israel in order to help facilitate increased Palestinian employment and business activity. These measures include increasing the numbers of Palestinians employed in Israel and by Israeli businesses, issuing special documents to facilitate the entry of Palestinian businessmen to Israel, and issuing a larger number of BMC cards to Palestinian businessmen who generate a large volume of business⁵. Detailed data regarding these measures is provided below:

- » As indicated above, in 2008 there was an increase in the number of Palestinian workers employed in Israel and by Israeli businesses. This increase was made possible by a number of Israeli measures, including an increase in the number of Palestinian workers authorized to work in Israel.
- » There has also been an increase in the number of special documents issued to facilitate the entry of Palestinian businessmen to Israel. These documents make it easier for Palestinian businessmen to conduct ongoing business, and provide vital income for many in the West Bank. They also afford holders preferential treatment and simplified security checks at crossings and checkpoints (some crossing points have preferential lanes).

² Replacement of water supply infrastructure, completion of fire detection system, refurbishment and painting of passenger terminal, refurbishing sidewalks and offices, refurbishing terminal façade, inter alia.

³ Upgrading procedures for incoming Palestinian passengers, replacing air conditioning system, implementation of movement program, improving terminal façade.

⁴ See also further information on measures to promote economic growth included in the list of measures and tables on pages 20 to 24 below.

⁵ Two types of special documents are issued to Palestinian businessmen in this context: special documents to facilitate the entry of businessmen with a limited volume of trade, and BMC cards, for Palestinian businessmen who generate a large volume of business.

- » The number of BMC cards⁶ has been increased, from 1,000 in January 2008 to 1,500 in January 2009. De facto, in January 2009 there were 1,313 BMC holders in the West Bank (compared to approximately 726 in January 2008), an increase of 81%.

Table 1 provides additional data regarding a number of Israeli measures to increase Palestinian employment and business activity:

Table 1⁷

Measure	Implementation	Estimated Impact
Maximum number ⁸ of Palestinians working in Israel and Israeli businesses in the West Bank increased to approx. 49,339.	Approx. 47,868 Palestinians are currently employed (97% of maximum number).	16.3% of the West Bank Palestinian workforce is employed in Israel (3rd quarter 2008) - an increase of 1.8% from Q2 2008 and 3.4% from Q3 2007. Providing for at least 15-20% ⁹ of the West Bank population.
Maximum number of overnight stays in Israel for Palestinian workers increased to 5,000.	2,909 Palestinians have an overnight stay permit (per request of employer) - 58% of maximum number.	Reduced costs for workers. Ability to work additional hours - increased wages.
Maximum number of permits for Palestinian businessmen to enter Israel increased to 14,000. ¹⁰	9,930 Palestinians currently have businessman permits (71% of maximum number).	At least 3-4.5% of the population of the West Bank is provided for as a result of these permits.

ECONOMIC INFRASTRUCTURE MEASURES IN THE WEST BANK

Supporting the establishment of a viable Palestinian economy in the West Bank, Israel has taken a series of concrete measures to boost the economic infrastructure of the West Bank.

A number of long-term development projects in the West Bank have been supported by Israel, including the development of the industrial parks in Jenin and Tarkumiya and the agro-industrial park in Jericho, which are currently in different stages of planning. Additional long- and short-term infrastructure projects are currently in progress, including inter alia roads,

⁶ Special documents issued to Palestinian businessmen who generate a large volume of business.

⁷ As of mid-March 2009.

⁸ The maximum number of Palestinians working in Israel and in Israeli businesses fluctuates weekly, due to the fact that there is no limitation on work in Israeli businesses in the West Bank (number based on demand) and due to the fact that some work is seasonal.

⁹ Based on an average Palestinian family of 7-10 individuals.

¹⁰ These permits are intended for businessmen with a smaller volume of trade than BMC holders.

sewage, housing (Ramallah and Nablus), water, building schools (in Jilabun and Jenin), and flour storage silos, creating numerous new jobs in the process. A total of 27 infrastructure plans are in progress in area C¹¹. These projects, conducted based on a master plan meeting Western standards, including amenities such as gardens etc., enable Palestinian villages in area B to legalize previously unauthorized construction spilling over into area C, expanding the boundaries of these villages, and enabling them to develop within these expanded boundaries. It should be noted that these projects have made it possible to cancel demolition orders previously issued for these areas and leave existing construction in place.

Israel is cooperating with the Palestinian Electricity Authority as well as the European Investment Bank on the establishment of four electricity substations¹². In addition, the electricity supply has been increased in certain locations, solar power capabilities have been established in localities that are not connected to the power grid, and villages have been connected to the electricity network and power grids have been constructed within villages.

Believing that an improved reality can be created on the ground, Israel, in a joint effort with both international donors and the PA, has supported a regional development concept for the Jenin area, adopting two sets of measures, both economic and security-related, as described below:

JENIN PILOT PROJECT

In May 2008, the PA, supported by Israel and the international community, embarked on the Jenin Pilot Project. The Pilot Project, which aims to create a model for successful PA governance in the West Bank, is comprised of the following elements:

- » Reinforcement of the PSF in the Jenin area and increased security activity.
- » Israeli measures to support enhanced Palestinian security activity, as well as economic and civil measures, focused on improving the local economy and day to day life.
- » International involvement in promoting and financing economic projects (long term and short quick impact projects).

The Pilot is an ongoing sustained effort that is designed to incorporate continued security, civil and economic steps. The Pilot's results in some areas will continue to be felt far into the future. For example, the Pilot has led to increased PSF public order operations and overall visibility and renewed trust in the PSF by the population in the Jenin area. The PSF has taken some action in the following fields of operation: public order, counter-terrorism, apprehension of illegal weapons, prevention of incitement and promoting reform programs. However, it should be noted that the PSF still needs to do more in the area of security, particularly with regard to counter-terrorism, where action remains limited and sporadic.

¹¹ Nine projects were approved in 2006, four were approved in 2007, and 14 additional projects are currently in different stages.

¹² Four substations are expected to be established in Jenin, Ramallah, Nablus and Hebron. The Israel Electric Corporation and the Palestinian Energy Authority, in close coordination with Israeli authorities, are currently working on detailed plans for each substation. The European Investment Bank and the Israel Electric Corporation are in the process of determining funding for station infrastructure.

The Pilot has also helped increase Israeli-Palestinian security coordination. The PSF is currently operating throughout Palestinian villages in the area. In coordination activities, the sides discuss matters of shared concern, such as the release of detainees due to limited jail capacity.

In addition, a large number of infrastructure projects have been approved within the Jenin Pilot, including 36 quick impact projects at a cost of approximately USD 1.6 million, carried out in cooperation with USAID. These quick impact projects focus primarily on improving external infrastructures in Jenin, neighboring villages and the industrial area. Additional infrastructure projects within the Pilot include: establishment of the Mukeible Industrial Area, construction of storage silos, upgrading the Jenin sewage treatment facility, laying sewage lines, connecting villages to sewage infrastructures, connecting villages to water networks, upgrading electricity infrastructure, building (three) schools, and refurbishing (seven) roads. The aforementioned infrastructure projects are funded by various donors, and are currently in various stages of implementation. A project to upgrade the Jalame crossing, adding capacity for the passage of vehicles, funded by USAID, was also recently approved and is currently being implemented. Furthermore, the Pilot has already brought signs of positive economic change, including a decrease in unemployment.

The following list outlines a number of select specific Israeli measures undertaken within the Pilot:

- » Promotion of security-related infrastructure, including construction of four Palestinian police stations, and approval to open a prison.
- » In the first quarter of 2009, approval was granted for the establishment of a national security forces camp in the Jenin area¹³.
- » Improving the security coordination mechanism.
- » Movement and access measures.
- » Increasing the number of Palestinian workers in Israel from the Jenin area, adding 1,000 workers, plus approval for overnight stay in Israel for 1,200 workers.
- » In the Jenin area, increasing numbers of permits for merchants and BMC cards (numbers of BMC cards increased from 9 to 33, as of January 2009).
- » Authorization for Israeli citizens to enter the Jenin area, serving as an impetus for the local economy.
- » An exhibition of locally manufactured goods from Jenin was held from November 24- 27, 2008.

Stage two of the Jenin Pilot commenced in September 2008. The second stage of the Pilot addresses three objectives that were also addressed within the Pilot's initial stage: Palestinian activity to increase public order and combat terrorism, Israeli measures to support Palestinian activity and to promote projects, and international assistance to fund projects. In order to realize these objectives, the second stage of the Pilot builds upon the base of the first stage, and includes inter alia: continued easing of restrictions on movement of tourists, Palestinian workers and Israeli citizens; additional work permits and permits for Palestinian workers to remain in Israel overnight; opening police stations; and additional infrastructure projects.

¹³ It should be noted that Israel decided to allow this camp to be established in area B, even though under the Oslo Accords Israel retains authority over security in this area.

Despite signs of positive economic and security changes, the Jenin Pilot has yet to fulfill its potential contribution to the wellbeing of the Palestinians. Intensified Palestinian action in the area of security, together with an increase in the levels of donor funds, could improve implementation and help bring about the full realization of the Pilot's objectives. Additional donor support is required to promote the implementation of quick impact projects, as well as other elements of the Pilot.

BILATERAL ECONOMIC COOPERATION

Israel conducts extensive economic cooperation with its Palestinian neighbors. This cooperation includes fiscal cooperation between the Israeli and Palestinian ministries of finance, designed to guarantee the smooth flow of tax revenue collection to the Palestinian Authority; cooperation through the Joint Palestinian-Israeli Economic Committee (JEC) established under the Oslo Accords; cooperation between the customs and VAT authorities; joint professional training activities; and cooperation enabling the Palestinian Authority to successfully conduct economic conferences in Bethlehem and Nablus.

The economic relations between Israel and the PA are governed by the Paris Protocol of April 29, 1994, which has been incorporated into the subsequent agreements signed by the two sides.

FISCAL COOPERATION

Since mid-2007, there has been close cooperation between the ministries of finance of Israel and the Palestinian Authority. This cooperation includes the regular transfer of tax clearance revenues to the PAMOF by IMOF, which has been carried out on a consistent monthly basis since July 2007. Between this date and March 31, 2009, approximately NIS 9 billion in tax revenues was credited to the Palestinians¹⁴. These revenues constitute one of the PA's primary sources of income, and are indispensable, together with budget support provided by donors and local tax collection, in enabling the PA to sustain operations, including payment of public sector salaries and private sector contracts.

It should be noted that payments due to Israeli companies for utilities including water, electricity and sewage, as well as healthcare, that are provided to the Palestinians in the West Bank and Gaza by Israeli companies, are partially deducted each month directly from the tax clearance revenues transferred. Usually, the timing and amounts of these deductions are agreed in advance with the Palestinians. Thus, from July 2007 to March 31, 2009, approximately NIS 1.8 billion was deducted from the aforementioned figure of NIS 9 billion, and de facto IMOF transferred NIS 7.2 billion to the PA during this period.

JOINT ECONOMIC COMMITTEE¹⁵

In December 2007, the Joint Economic Committee established under the Paris Protocol on Economic Relations resumed discussions and regular meetings. Resumption of the Committee's activities was made possible by improved cooperation between the Israeli and Palestinian ministries of finance, and reflected a shared desire to address and explore solutions to economic issues of mutual importance.

¹⁴ Of this NIS 9 billion, approximately NIS 2 billion are taxes collected for the period 2006-2007, which had not previously been transferred.

The Joint Economic Committee is intended to serve as a forum to discuss issues arising from the implementation of the aforementioned Paris Protocol and the Interim Agreement, as well as other ongoing economic issues of mutual importance between the sides. Since 2007, the Committee has provided a platform to discuss a wide range of issues, including inter alia: investments, the operation of crossings, Palestinian workers in Israel, the transfer of cash to Gaza, and resolving obstacles to economic development. The Committee agenda is set prior to Committee meetings.

The Committee has met seven times, since its resumption. On the Israeli side, the Committee is headed by the Director General of the Ministry of Finance, and on the Palestinian side by an Advisor to the Prime Minister. In addition, representatives from different Israeli and Palestinian government ministries have participated in the meetings.

COOPERATION BETWEEN CUSTOMS AUTHORITIES

As set out in the Paris Protocol, in the customs field Israel and the PA operate based on the principle of a "customs envelope". Under this principle, apart from certain exceptions, Israel and the PA share the same import policy, regarding matters such as licensing and standards, and the level of import taxes on Palestinian imports must be the same or higher than those applying in Israel.

Since there is no customs border between the two sides, customs procedures are carried out at the ports of entry. Once the goods leave the port, they may circulate between the sides without having to undergo additional customs formalities.

If the goods are destined for the Palestinian side, Israel transfers the import taxes to the Palestinian side in accordance with the provisions of the Paris Protocol.

Professional cooperation between the customs authorities of Israel and the Palestinian Authority has been fruitful. A close and productive partnership has developed between the Israel Customs Department (ICD) and the Palestinian Authority Customs and Excise (PACE), in the area of ongoing operations, as well as in the area of capacity building.

ICD has informed the WCO that it fully supports the capacity building of PACE and regards initiatives being implemented by the WCO in this regard as an important element both for PACE itself and for enhancing future cooperation between the sides. ICD sees itself as an integral partner and is willing to assist in the professional capacity building of PACE, in cooperation with the WCO and other international organizations.

Cooperation between ICD and PACE has been carried out in a number of fields, as described below:

Joint Training Seminars for PACE Professionals

Five seminars for PACE professionals (from the West Bank) have been held, most recently in March 2009. Thirty professionals from PACE participated in this most recent seminar, which was funded by USAID. Leading experts in the customs field, from ICD, served as lecturers ¹⁶.

In April 2009, a joint meeting took place at the Allenby crossing between representatives of 25 Palestinian private companies, ICD representatives,

¹⁵ Information regarding additional bilateral committees appears in Chapter Three below.

USAID, the Trade Facilitation Program, the American Consulate, the World Bank, IMOFA, IDF, COGAT and other border agencies and government offices. This meeting followed an earlier meeting with USAID concerning ways to improve trade procedures between Jordan and the PA. During the meeting, representatives of the 25 Palestinian companies raised issues of concern, and relevant assistance and solutions were discussed. The Palestinian company representatives showed appreciation for the initiative and thanked ICD for the meeting.

ICD also participated, together with other Israeli parties, in a number of professional joint study tours for Palestinian colleagues at different locations in Israel, including:

- » A tour of the Haifa Port for Palestinian importers.
- » A tour of the Hamesila Industrial Area for members of the Palestinian Organization of Industrialists.
- » A tour of the Standards Institute of Israel for Palestinian importers.

Cooperation in Enforcement of Collection from PA Importers

Pursuant to the agreements in force, ICD transfers to the PA taxes collected in respect of imports to the Palestinian territories. ICD conducts professional audits of imports, even after the goods have been released to importers, and where inaccuracies are uncovered, deficits result, for collection from importers.

ICD has begun providing PACE with computerized information regarding deficits due for collection from Palestinian importers, which ICD was unable to collect due to a lack of access to the Palestinian territories. The information transferred provides PACE with tools to deal with importers within its territories. Collecting deficits independently is an essential step in building the professional capacities of PACE.

Cooperation in enforcement of collection includes a number of joint activities, as follows:

Joint Israeli-Palestinian Computerized Interface and Coordination Team – a joint team has been established to coordinate procedures and computerized interfacing in order to improve the exchange of information for the benefit of both sides. The team's objective is to provide a forum to discuss ideas and identify solutions regarding computerized connections between the customs authorities and procedures for working together. ¹⁷

Joint Procedures for Releasing Goods to the PA with a Conditional Exemption – joint working procedures have been formulated by the customs authorities, in order to enable coordination and cooperation regarding the release of goods from the control of customs, under certain conditions and with a conditional exemption. ¹⁸

COOPERATION BY THE UNIT FOR VAT AND PURCHASE TAX COORDINATION

The Paris Protocol provides for the clearance of VAT on local production on the basis of special tax invoices which must be used in business transactions between the sides. Since Palestinians purchase more goods and services

¹⁶ Seminar topics have included: Customs tariffs and classification; General aspects of customs authority operations, such as: clearance process for goods, valuation, personal importation, legality of importation; Customs investigations, enforcement, and post-audit control.

from Israelis than Israelis purchase from them, Israel transfers the difference to the Palestinian side.

Pursuant to a subsequent agreement between the sides, a similar procedure exists for the clearance of purchase tax on local production.

Cooperation is conducted through a special unit created to coordinate with the PA on VAT and purchase tax matters. Coordination includes joint meetings to determine the amounts of VAT and purchase tax clearance revenues to be transferred. Joint meetings are held on a monthly basis, and include both monthly preparatory pre-clearance meetings¹⁹ and monthly clearance meetings²⁰, in which the final amount to be transferred is determined.

In addition to the abovementioned clearance meetings and related activities, there are other areas in which Israeli and Palestinian representatives cooperate, on different matters and based on need. Cooperation includes assistance in conducting verifications, including submitting investigation materials to the other side, upon request.

INTERNATIONAL INVESTMENT CONFERENCES

Two international investment conferences were held in 2008, in Bethlehem in May and in Nablus in November, with hundreds of participants from states throughout the world. Close bilateral Israeli-Palestinian cooperation helped assure the smooth and successful travel of international participants to and from the conferences.

JOINT FORUMS IN THE FIELD OF INFRASTRUCTURE

In addition to the joint forums described in detail above, Israeli representatives have met numerous times with counterparts from the PA and the international community, to discuss issues of mutual interest in the field of infrastructure. A total of 36 meetings were held between January 2008 and March 9, 2009, in the areas:

¹⁷ At present, information regarding imports to the Palestinian territories is transferred to PACE in monthly collection reports, which include information about the goods imported, their value, classification, taxes paid and the importer.

¹⁸ This coordination and cooperation consists of the following stages: First, PACE ensures that the terms of the conditional import have been met, secondly, ICD performs the actual clearance of the goods at the port of importation, and thirdly, PACE determines that the importers meet the legal requirements of the relevant conditional exemption.

For these purposes, joint working procedures have been formulated by the customs authorities on the following topics:

- » Releasing donations to the Palestinian territories.
- » Releasing goods with a conditional exemption (such as raw materials).
- » Releasing personal imports with returning resident rights.
- » Releasing new taxi cabs.

¹⁹ Each month, a meeting is held prior to the monthly clearance, in which Israeli and Palestinian representatives discuss problems and exchange materials such as: PA requests to deal with VAT and purchase tax refunds, updates on future deductions, requests to receive copies of receipts for verification purposes. In addition, procedures are determined to deal with different problems. The meeting is a preparatory meeting for the actual clearance meeting.

²⁰ At the end of each month, a clearance meeting is held to determine the final amount to be transferred. Representatives from Israel and the PA participate in these meetings, in which serious matters are discussed, such as: the East Jerusalem Electric Company, tax receipts from Gaza following the closing of the crossings, and other matters requiring the involvement of senior decision-makers.

- » Water and sewage - including the Joint Water Committee (see "Joint Water Committee", below in Chapter Three);
- » Energy and Electricity - including a trilateral meeting between Israel, the PA and the EU, and the EIB project to upgrade the Palestinian electricity infrastructure;
- » Projects - including industrial areas and projects funded by the international community.

ISRAELI-PALESTINIAN CHAMBER OF COMMERCE

The Israeli-Palestinian Chamber of Commerce (IPCC) was established in October 2008 as a voluntary organization comprised of leading Israeli businesspeople seeking to enhance bilateral trade and investment between Israelis and Palestinians. This groundbreaking initiative not only promotes business opportunities and trade, like all binational chambers of commerce, but also creates strong business networks and builds mutual economic trust between the two peoples. The IPCC is a vital tool that promotes cooperation through dialogue in both the private and public sectors. The organization facilitates close government contact on the economic, legal and commercial levels, in order to ease barriers to trade.

THE PALESTINIAN ISRAELI BUSINESS FORUM (PIBF)

The Palestinian Israeli Business Forum (PIBF), founded in 2002 and officially registered as a non-profit organization in 2005, has since worked on several projects, with the combined efforts of Israelis and Palestinians and the support of the International Council of Swedish Industry – NIR, an organization operating under the auspices of the Swedish Manufacturers Association.

In October 2009, the PIBF is expected to hold an international conference in Stockholm on the economic development of the Palestinian Authority. The PIBF has served well in terms of promoting business interests and goals, as well as in building trust between the involved partners, in problem solving and in joint work towards shared interests.

Chapter Two

Security Challenges and Capacity Building

INTRODUCTION

Building the security sector, like efforts to strengthen the Palestinian economy, constitutes an essential foundation of building Palestinian capacity.

Security challenges on the ground necessitate solutions and capacity building in both counter-terrorism and law enforcement. The ease with which terrorist activity can torpedo progress on the ground makes it necessary for Israel to take steps to deter and prevent terrorism. Unfortunately, despite a relative decline in the number of terrorist attacks perpetrated in 2008, Israel continues to face security threats that require measures such as checkpoints, the security fence and IDF military presence, among others. Recent terror attacks and attempted attacks against Israeli targets in both Israel and the West Bank during the first quarter of 2009, demonstrate the urgency and necessity of counter-terrorism measures.

It is these very threats that make building the capacity of the Palestinian civil security forces and improving coordination between the Israeli and Palestinian security forces so essential. The higher the level of security reached on the ground, and the capabilities developed, the less Israel will need to act on the ground.

Improvements in Palestinian capabilities in the area of law and order, and growing coordination between Israeli and Palestinian security forces, enabled Israel to take significant steps in 2008 and the first quarter of 2009 to support these Palestinian capabilities and ease restrictions, including removal of checkpoints and roadblocks and alleviation of other movement restrictions.

Furthermore, Israel supports efforts led by the international community to help implement and facilitate capacity building initiatives in the security field. For example, activities by the Dayton Team, EUPOL COPPS, and within the Berlin Conference, have played a central role in this process.

SECURITY THREATS IN THE WEST BANK

Terrorist organizations in the West Bank continue to attempt to attack Israeli citizens, and remain active in planning, preparing and attempting to execute terrorist attacks. Despite a relative decline in the number of terrorist attacks that carried out their aim in 2008, an escalation in the numbers of attempted attacks was reported. These attempts were carried out in all potential forms and on all fronts, particularly by Hamas. For example, there was an increase in the number of kidnapping attempts.

Outside funds have been transferred to bankroll terrorist activities in the West Bank, primarily from Hamas abroad and in the Gaza Strip. The sources of these funds are charities throughout the world, money laundering and bank transfers.

Since the beginning of 2008, preventative operations by Israel's security forces have succeeded in averting many attempted terrorist attacks. On the evening of March 21, 2009, a huge disaster was averted in Haifa, when the Israel Police Force (IPF) succeeded in neutralizing a vehicle loaded with explosives before it detonated. It was reported that in 2008, 92 suicide and kidnapping attacks were prevented. Six explosives labs were uncovered in Hebron, in addition to four vests loaded with explosives. A total of 68 terrorists, who were identified as potential perpetrators of suicide attacks, were arrested in 2008. Furthermore, a number of attempted stabbing attacks at crossings, by terrorists acting alone, were intercepted successfully in the beginning of 2009. An attempted illegal arms shipment was also intercepted during that period.

Despite these preventative operations, unfortunately, in 2008 a number of attacks succeeded in their deadly goal. Terrorist attacks in 2008 led to a total of 17 casualties and 219 injuries. During the period between January 1 and April 30 2009, two terrorist attacks were committed, leading to three deaths and 14 wounded.

Despite steps taken by the Palestinian Security Forces thus far, the effectiveness of counter-terrorism efforts remains insufficient. Within the PA there has been only a sporadic increase in the scope of operations against Hamas activists. These operations are successful in decreasing Hamas operations in the short term. However, failure to remove activists from the ground in the long term enables quick rehabilitation of Hamas civil and military infrastructures. Another limitation is the lack of legislation prohibiting Hamas. More needs to be done to uproot these activities, and their damaging potential outcomes, at the source. Efforts must be intensified, consistent and effective, including prosecution of suspected terrorists, incarceration of convicted terrorists, confiscation of weapons, and more.

In addition to the aforementioned activities, in order to ensure security, there is a critical need to address a number of shortcomings in the PA infrastructure which continue to hinder its ability to combat terrorism independently. For example, the civil justice system still does not function satisfactorily and there is insufficient prison space.

BUILDING CAPACITY OF PA SECURITY AUTHORITIES

IDF-PSF COORDINATION

Since 2008, there has been increased coordination between the IDF and the PSF. Israel has adopted a series of steps intended to improve the security capacity of the PSF, however this is a gradual process.

Joint coordination efforts have included: meetings, application of a more lenient policy regarding PSF coordination requests, and establishment of a real-time coordination mechanism and a joint direct 24/7 hotline.

In addition, there has been facilitation of large-scale PSF operations, mainly in Jenin (the "Jenin Pilot" - see section on Jenin Pilot above), Hebron and Bethlehem.

Efforts have also been made to maximize the capacity of PSF officers to carry out their mandate. These efforts include expanding security operations of the PSF; granting VIP status for senior commanders and public personnel; as well as granting armed security approvals in all areas through an expedited

procedure (subject to security vetting). Approval has also been granted to reinforce deployment in requested areas (such as the force's reinforcement in Hebron during an operation and in Bethlehem during religious holidays) and facilitation of movement between different areas in the West Bank.

Israel has taken a number of measures to help improve PSF infrastructure. A number of PA requests to enhance PSF infrastructure in area "B" have been approved, including approval to open police stations and a jail. In 2008, 19 new police stations opened. As of April 30, 2009, two additional police stations opened.

COORDINATION WITH GENERAL DAYTON AND THE INTERNATIONAL COMMUNITY

Israel is committed to helping the efforts of Gen. Dayton's team succeed, and regards the team as an essential, effective force, which is making strides in capacity building in the security field. In 2008, The IDF worked closely with Gen. Dayton's team, to assist and facilitate their work to organize, train and upgrade the NSF battalions. Efforts have been made to facilitate requests by Dayton's team, including requests involving logistical equipment (electronics, communications, and policing equipment), the entry of bullet-proof vests and helmets, entry of vehicles and the donation of vehicles.

Israel has also facilitated an international initiative to train Palestinian security forces in Jordan, by enabling four battalions to be sent for training there. From the beginning of 2008 until April 30, 2009, 2,986 members of the PSF participated in training programs abroad.

An international initiative to supply equipment for the PSF in the West Bank has also been approved, including protective and communications equipment, ambulances, vehicles, anti-riot non-lethal weapons and more.

EUPOL COPPS

Since mid-2007, the European Union Police Mission in the Palestinian Territories (EUPOL COPPS), an international EU force dedicated to building Palestinian capacity in the area of the rule of law, has been active in the West Bank. The project first focused on the Palestinian police force, among others as part of the Jenin Pilot Project. It now includes capacity building in the Palestinian legal system, within efforts to establish law and order. The EUPOL COPPS works in close coordination with the Israeli Police, and with the continuous cooperation of several Israeli government ministries, including the Ministry of Foreign Affairs and the Ministry of Justice.

BERLIN CONFERENCE

The Berlin Conference in Support of Palestinian Civil Security and the Rule of Law, held on June 24, 2008, marked the commencement of an international process of building the capacity of the Palestinian civil security sector. Israel participated in this Conference, and takes an active role in promoting the steps decided upon by the international community within this conference. These steps include the establishment of a Four Party Focal Points Group, to monitor and assist implementation of the Conference objectives. The PNA, Israel, the European Union and the United States are represented in this group.

On March 15, 2009, Israeli government representatives participated in a Focal Points Group meeting, alongside representatives from the Palestinian Security Forces, the United States, and the European Union. This Focal Points

Group was established following the Berlin Conference, and is aimed at monitoring donations from donor countries in the area of security and the rule of law, and dealing with issues and problems arising in this area, in order to facilitate the implementation of the task at hand.

At the March 15 meeting, Israel expressed willingness to work together with Focal Point Group members in order to examine solutions to the obstacles the security sector faces. Implementation of the Palestinian Justice Sector Strategy, presented at the Berlin Conference, was also discussed.

The next donor conference within the Berlin process is expected to be convened in the Netherlands in September 2009.

MOVEMENT AND ACCESS

Checkpoints and roadblocks have proven to be effective tools for preventing and intercepting terrorist attacks, enabling the confiscation of weapons and the detainment of terrorists and wanted individuals. In many cases, the checkpoints serve as a last line of defense against terrorists, who end up executing their attacks against the soldiers who man these checkpoints, instead of helpless citizens. The checkpoints serve as a buffer, delaying execution of attacks, and provide the security forces more time to intercept the attack and stop it before it reaches its civilian target.

In spite of the aforementioned security threats, and due to Israel's desire to ease movement and access of Palestinian civilians on the ground, Israel has taken calculated risks and removed key checkpoints, as well as adopting new procedures that improve access and movement significantly.

As a result of these measures, movement between the different areas within the West Bank is now smoother and quicker. Palestinian individuals or trucks moving from Nablus to Ramallah, from Ramallah to Bethlehem, or from Bethlehem to Tarkumiya, cross through fewer checkpoints, most operated as "normally open". Despite the persistence of terrorist attacks and continuing motivation to carry out attacks, in 2008 and the beginning of 2009, Israel took further steps to ease movement and access, as follows:

Roadblocks and checkpoints

- » As of mid-March 2009, a total of 136 roadblocks were removed and 11 checkpoints were changed to "normally open" status (see table 2A below).
- » Working hours at crossings to Jenin were extended: the Gilboa crossing operates until 24:00 (June 1, 2008), the Raihan crossing operates until 22:00 (May 25, 2008). This helps increase trade and economic activity with Israel and enables the extension of working hours of merchants and workers in Israel.
- » Israel has upgraded facilities and infrastructure at checkpoints and crossings, in order to shorten travel times and increase convenience, and has extended hours of operation of checkpoints.
- » Expanding hours of operation at Allenby Bridge until 20:00.
- » Upgrading the Rachel crossing, including the establishment of a humanitarian lane.
- » Upgrading existing checkpoints in the West Bank by the IDF, at a cost of NIS 8.5 million.

- » Biometric technology – opening of 8 biometric stations – 3 in Kalandia, 3 in Rachel, 3 in Zeitim.
- » Movement of merchandise from Nablus to the Sha'ar Efraim crossing - Doubling the amount of truckloads from Nablus through the Ephraim Gate (from 110 to 220) since May 13, 2008.
- » On February 13, 2009, three roadblocks located on the main access roads from Road No. 60 to the Bani Na'im village in the Hebron District, were removed.
- » On March 15, 2009, the Beit Iba checkpoint in the Nablus District was removed.
- » On March 23, 2009, the junction at the Juned, Kutzin and Jit villages was opened to free movement.
- » On May 10, 2009, two roadblocks in the Ramallah area were removed, allowing free movement of vehicles between the city of Ramallah and the villages to its west, as well as traffic between Ramallah and villages to its east.
- » Facilitating the flow of pedestrians and vehicles at main crossings, and changing the operational mode of checkpoints to "normally open", as illustrated by the following table:

Table 2A²¹

Changing checkpoints to "normally open"²² status

Checkpoint and Date of Change	Change	Estimated Impact
2008		
"Bir Nabballah" ("45") (August 21).	Normally open	Allows for unobstructed movement between villages south of Ramallah.
"Shavei Shomron" (August 9) - connects villages in the Jenin area with Nablus.	Normally open	A significant improvement in the movement and access of Jenin area villages - connecting them directly to Nablus, Qalqiliya and Ramallah. Positive impact on the local economy - agriculture, local industries.
Hebron junction, Road No. 35 (August 7) - replaced (September 11) by the Halhul bridge (the "Olive Junction"). Connects Hebron with the Tarkumiya crossing.	Open weekdays-commercial traffic (5:00-20:00)	Allows improved access for commercial traffic to the Tarkumiya "back-to-back" crossing. Should reduce costs to economy. Junction 35 was closed to truck movement due to road safety hazards. The alternate road is considered superior by Palestinian businessmen.

Checkpoint and Date of Change	Change	Estimated Impact
"Kvasim" (May 18) - connects Hebron and the towns of Yatta and Tamun.	Normally open	Allows for improved flow of commercial traffic to the industrial zone near Hebron (from Hebron and the nearby villages). Eases traffic problems within Hebron.
"Beit Ha'arava" (May 13).	Normally open	Allows access to the Dead Sea.
"408" (April 28) - connects Nablus and the Jenin area.	Normally open 06:00-22:00	Connects Jenin, Tulkarem, and Qalqiliya with Nablus. Greatly impacts commercial traffic and shortens traffic time considerably.
"Rimonim" (March 31) - connects Ramallah and Jericho.	Normally open ²³	Allows for unobstructed movement of Palestinians between Jericho and the northern West Bank to Ramallah during the weekdays. Important economic impact on the area.
"Hava 7" (December 7) - Nablus area.	Normally open	Allows for unobstructed and expedited movement from Nablus to the villages east of it.
"Awarta" ("Hava 6") (December 7) - "back-to-back" checkpoint for trucks from Nablus to the Efrayim Gate.	Normally open	Enables non-stop truck movement from Nablus to the Efrayim Gate without need for prior "back-to-back" unloading.
2009		
"Hava 8" (March 4) - Tulkarem area.	Normally open	Enables entry of vehicles from south of Tulkarem.
"Beit Iba" (March 15) - Nablus area.	Normally open	Enables unobstructed movement from Nablus towards Dir Sharef and nearby villages.

²¹ As of mid-March 2009.

²² "Normally open" checkpoints allow for unobstructed movement, except at times of heightened security alert.

²³ Until the completion of the investigation into the terrorist attack on March 15 in the Jordan Valley (in which two Israeli policemen were killed) and the determination of the causes and origin of the attack, the "Rimonim" checkpoint will not be at normally open status.

Table 2B²⁴

Checkpoint	Status	Estimated Impact
Upgrading checkpoint infrastructure		
Jerusalem crossings - installing biometric systems.	3 stations installed at "Atarot", 3 at "Rachel", 2 at "Zeitim".	Allows for unobstructed movement between villages south of Ramallah.
"Lil Road" checkpoint - Ramallah.	Building of inspection side-lane completed.	Improved conditions for: » Movement through checkpoint (additional lanes, improved roads, quicker and smoother security checks). » Upgrading of the waiting areas at the checkpoints (ventilators and air conditioning, shaded areas, water fountains, etc).
Rachel crossing - Bethlehem.	Renovation work nearing completion - the special humanitarian lanes almost completed.	
"Hawara" ("Hava 5") - Nablus.	Upgrade work began on April 16, 2008 and is in progress. Pedestrian lane completed. Renovation of vehicle lane under way.	
"Wadi Nar" ("The Container") - Hebron.	Upgrade to enable vehicular crossing began on June 16, 2008.	However, the most important factor in the operation of the checkpoints is still the security situation. A security alert or the discovery of weapons, ammunition or explosives is still a common occurrence at the checkpoints.
"Shelah" - Jericho.	Currently in planning procedures.	
"Hava 8" - connecting Nablus and Beit Iba.		
"Einav" - connecting Tulkarem and Qalqiliya.	Plans completed - awaiting planning committee approval.	

Permits Facilitating Access and Movement

In addition to the aforementioned measures to ease roadblocks and checkpoints, Israel has implemented a series of steps to ease restrictions, as well as accompanying steps, intended to facilitate access and movement of parties that generate increased economic activity, as follows:

- » Israel has instituted a policy of preferential treatment for VIPs and businessmen, and has expanded the maximum number of available VIP permits to 149. The number of businessman cards (BMC) has also increased, from 1,000 to 1,500 (as of January 2009 there were approximately 1,300 BMC holders in the West Bank – see above).
- » In Hawara, doctors and Palestinians over 50 have been granted free passage in vehicles, without need of special permission/permits.
- » Approval for Israeli citizens to enter the Jenin area²⁵ 7 days a week,

²⁴ As of mid-March 2009.

and the Nablus and Tulkarem areas on weekends, increasing trade and Israeli spending in Palestinian cities.

- » Extending the validity of different permits (international organization workers, employment and prisoners visitation permits) to 6 months (instead of 3 months as previously).
- » Increasing the maximum number of Palestinian workers in Israel and readjusting age criteria. For example, in 2008 the maximum number of Palestinian construction workers permitted to enter Israel from the West Bank (age 28 and up + married) was increased by 1,000.
- » 5,000 overnight stay permits were approved for Palestinian workers to enter Israel (as of March 23, 2009). 2,900 such permits have been issued, as requirements prevented issuance of the remaining number. In total there are more than 26,000 valid work permits to enter Israel. A total of approximately 50,000 Palestinians are employed in Israel and by Israeli businesses in the West Bank.
- » Issuance of 10,000 permits for merchants.
- » Registering 20,000 additional illegal aliens ("late registration"), for a total of 52,000.
- » In addition, during special periods (holidays, financial conferences, etc.) Israel periodically approves special measures to ease access and movement in the West Bank and to Israel, based on assessments of the situation on the ground.

²⁵ Since 2000, it has been illegal for Israelis to enter area A without a permit. As mentioned above, a project to upgrade the Jalame crossing, adding capacity for the passage of vehicles, was recently approved and is currently being implemented.

Chapter Three

Building Bridges between Governments and People: The Civil Sector

INTRODUCTION

Israeli-Palestinian cooperation in the civil sector aims to strengthen the ties between governmental branches on both sides, supporting the capacity building process of the Palestinian administration, enhancing cooperation and capacity building of civil society, as well as building bridges between the Israeli and Palestinian peoples.

This chapter provides information on the fruitful and intensive cooperation between Israel and the Palestinians in 2008 and the first quarter of 2009, in the civil field. The data provided below are intended to give a general indication of different types of cooperation conducted between Israel and the Palestinians during that period.

It should be noted that although this chapter deals primarily with bilateral Israeli-Palestinian cooperation, some of the cooperation described below involved donor states and functioned on a multilateral basis.

JOINT BILATERAL COMMITTEES

The Oslo Accords established joint Israeli-Palestinian committees, to coordinate cooperation between the sides in different fields, on ongoing matters of mutual importance. Additional committees were established as subcommittees of the Joint Civil Affairs Coordination and Cooperation Committee established by Oslo. Many of these committees were active in 2008 and the beginning of 2009, including committees in the areas of Economics, Law, Tourism, Agriculture, Health, Communications, Water, Welfare, and Project Implementation. The operations of a number of committees are outlined in detail below. It should be noted that the operations of the Joint Economic Committee are outlined separately in the chapter of this Report that deals with economic issues.

Joint Agricultural Committee – Headed by the Director General of the Israeli Ministry of Agriculture and Rural Development and the PA's Minister of Agriculture. The Committee, which includes two active subcommittees (on Regional Veterinary Issues and on Protection of Plants), met a number of times in 2008. Within this framework, Israel's Minister of Agriculture and Rural Development, Shalom Simhon, met with his Palestinian counterpart twice.

Joint Tourism Committee – Headed by the Deputy Director General of Israel's Ministry of Tourism, and the PA's Deputy Minister of Tourism. The Committee held several meetings in 2008.

Joint Transportation Committee – Headed by the Directors General of the ministries of transportation of Israel and the PA. The regional subcommittee held several meetings in 2008.

Joint Telecommunications Committee – Headed by the Deputy Director

General of Israel's Ministry of Communications and the PA's Deputy Minister of Communications. The Committee held several meetings in 2008. Committee discussions dealt inter alia with establishing the second Palestinian cellular operator, Al-Watania. A sub-committee on postal matters also held several meetings.

Joint Water Committee – Headed by the Director of the Israel Water Authority and the PA's Water Commissioner. The Committee includes subcommittees on sewage, pricing, hydrology and water works. The Committee held several meetings in 2008. Within the Committee, 21 Palestinian water and sewage projects were approved in 2008, including requests regarding drilling and additional water supply. Three MOUs were also prepared within this forum²⁶. In addition, the Committee is expected to examine 27 more projects when it next convenes. It should be noted that a number of additional projects (43) were approved prior to 2008, yet implementation has been delayed on the Palestinian side.²⁷

Joint Health Committee – Headed by the Commander of COGAT and the PA's Director of Health. The Committee has three active regional subcommittees, dealing with hospitalization, pharmacy, public health and epidemiology. In 2008, the Committee and its subcommittees held several meetings.

The Welfare (Social Services) Committee – Headed by the Ministers and/or Directors General of the ministries of social services of Israel and the PA. The Committee convened once in 2008.

Joint Legal Committee – The Israeli-Palestinian Joint Legal Committee reconvened, for the first time in over eight years, on August 20, 2008. The Joint Legal Committee is meant to serve as a forum for Israel and the Palestinians to discuss and cooperate on ongoing, practical legal issues of mutual importance, including inter alia legal assistance in criminal and civil matters. The Committee is headed, on the Israeli side, by the Director General of the Ministry of Justice. On the Palestinian side, the Committee is headed by the Deputy Assistant at the Ministry of Justice. At the opening meeting in August 2008, the sides expressed a desire to enhance cooperation between the legal systems of Israel and the PA. The sides agreed to begin holding regular Committee meetings. Additional Committee Meetings were held on November 30, 2008 and June 1, 2009.

PROMOTING DIALOGUE AND MUTUAL UNDERSTANDING

The Government of Israel conducts numerous initiatives designed to promote dialogue and mutual understanding among the Palestinian and Israeli peoples. Participants include members of civil society, organizations, the private sector, private individuals, students, professionals, civil servants and politicians. Activities touch on many different aspects of the daily life of Palestinian and Israeli individuals, including: education, welfare, agriculture, healthcare, religion, sports and the environment.

²⁶ Kidron Project, Nablus-Tulkarem Sewage Project, treatment of waste from three villages.

²⁷ More information on the operations of the Joint Water Committee, as well as water issues between Israel and the Palestinians, can be found on the Israel Water Authority's website: <http://www.water.gov.il/NR/rdonlyres/A111EFEF-3857-41F0-B598-F48119AE9170/0/WaterIssuesBetweenIsraelandthePalestinians.pdf>

These activities are carried out primarily by two agencies within Israel's Ministry of Foreign Affairs: Israel's National Agency for International Development Cooperation (MASHAV) and the People to People Program (PTP). MASHAV focuses on training and capacity building, while PTP focuses on joint programs aimed at building personal connections between Israelis and Palestinians.

JOINT PROJECTS THROUGH MASHAV

MASHAV activities in the region are designed to reflect both the goals of Israel's Ministry of Foreign Affairs vis-à-vis the Palestinian Authority as well as the development strategies of the Palestinians. MASHAV programs aim to foster an atmosphere of trust, mutual respect and tolerance between the Palestinian and Israeli peoples.

Select MASHAV activities and cooperation projects with the Palestinian Authority in 2007 and 2008 are outlined briefly below:

Establishment and Management of Small Enterprises - A joint program conducted in collaboration with the Polish Humanitarian Organization (PHO) and a Palestinian NGO, to help improve the standard of living and empower women in society. Thus far, the program has trained 34 Palestinian women in the raising of goats and the production of milk.

Chain Supply Workshop - A joint training program in cooperation with the Palestinian Shippers' Council and the Peres Center for Peace, bringing Israeli and Palestinian businesspeople together to better understand the rules of international trade.

Effective Agricultural Business Management - Leaders of Palestinian and Israeli agricultural cooperatives participated in a course designed to strengthen the norms of cooperatives and learn about the international cooperative reality.

Programs to Empower Palestinian Women and Youth - MASHAV conducted a number of programs aimed at empowering Palestinian women and youth, including:

- » **Small Business for Young Palestinians – A Tool for Job Creation** – in 2007, taught 22 young Palestinian professionals the tools of establishing and managing small businesses.
- » **Women Building a New Reality** – a series of seminars designed to develop a dialogue between Palestinian and Israeli women representing a varied cross-section of their societies. Over the past four years, the workshop has brought together 400 participants from a broad spectrum of Israeli and Palestinian society: students and university graduates, social workers, teachers, doctors, lawyers, businesswomen, directors of social NGOs, volunteers and religious groups. In 2008, 71 women participated in the seminars. Two workshops have already been held in 2009 (in January and in April), and four additional workshops are planned for the second half of the year.
- » **Women Leadership, Strengthening Civil Society and Small Businesses** – a workshop aimed to help Israeli and Palestinian women learn about life's reality on both sides, in order to create a shared way of thinking and a common language. (In 2008, 25 women participated.)

Training Program for Health Professionals at Hadassah Hospital - Within this program, conducted in cooperation with the Palestinian Ministry of

Health, six Palestinian healthcare personnel collaborated with their Israeli colleagues in diverse specialties at Hadassah Hospital.

Israel-Palestinian Authority Regional Agricultural Program - A unique regional program being carried out under the sponsorship of the Danish International Development Agency (DANIDA), encompassing different topics in the field of agriculture. Egypt, Jordan, Israel and the Palestinian Authority all participate in the Program, with Denmark as the initiator and main supporter. The Program is currently well into its second five-year phase. During 2008, 45 trainees from Jordan, Egypt and the Palestinian Authority participated in workshops conducted in Israel on quality standards of fresh products, reclaimed wastewater and milk processing for women, and 13 meetings of partner experts were held.

Corridor of Peace and Prosperity in Jericho - MASHAV is expected to implement a capacity building project within the Corridor, pursuant to a Japanese initiative to build an agro-industrial park in Jericho, under the auspices of the Japanese government and in cooperation with the ministries of agriculture of Israel, Jordan and the Palestinian Authority. This project is also expected to incorporate follow-up in the West Bank and Jordan.

Rehabilitation of Children with Special Needs - A seminar conducted in cooperation with the Jewish Distribution Committee, in February 2008, in which 11 professionals from the Palestinian Authority participated.

Working Together to Prevent Violence in Israeli and Palestinian Schools – a workshop designed for both Israeli and Palestinian teachers, held in April 2008. Ten teachers from the Palestinian Authority participated in this workshop.

MASHAV Activities Scheduled for 2009: MASHAV has a number of activities scheduled for 2009, including a one-year trilateral Israeli-Belgian-Palestinian program designed to empower Palestinian women for economic development (approximately 25 participants expected), and a two-day seminar on Small Business Enterprises for Palestinian Women.

PEOPLE TO PEOPLE

The People to People Program was established in accordance with the Oslo Accords, in order to enhance the dialogue and relations between the Israeli and Palestinian peoples.²⁸ Carried out by IMOFA, the concept behind PTP is an understanding that a stable and lasting peace is woven between peoples, and not just leaders and states.

The objectives of PTP are to break down psychological barriers, to lighten emotional baggage caused by fear, to conquer stereotypes and preconceptions resulting from the conflict, and to convey the mutual benefits that peace can accord to both sides, on the economic and social planes as well as with regard to quality of life. These objectives are achieved through projects in the areas of education, welfare, agriculture, health and environment.

The Program's operations are intended to create a framework for cooperation between communities, organizations, and different groups within society, through a "bottom-up" approach. Program activities are intended to serve as a security net for the peace process, and as confidence-building measures.

²⁸ Article VIII of Annex VI to the Oslo Accords - Protocol Concerning Israeli-Palestinian Cooperation Programs.

PTP has been active, at varying degrees, since the signing of the Oslo Accords. The scope of activities has been tied to political developments and progress in the peace process, however it should be noted that even during periods when the peace process was frozen, the PTP channel remained open. Since mid-2007, PTP activities have flourished and been revitalized, thanks to excellent cooperation with the PA government.

Since mid-2007, activities bringing together members of the Israeli and Palestinian civil societies have gained momentum, with enhanced involvement of the governments of Israel and the PA, and with assistance from NGOs in coordination, funding and support. In addition to numerous independent joint civil society activities²⁹, the Israeli and Palestinian ministries of foreign affairs have helped realize cooperation in the following areas:

- » The "Diplomatic Channels" program, meetings for young Israeli and Palestinian diplomats (sponsored by the Dutch Ministry of Foreign Affairs);
- » Coordination meetings between the Israeli and Palestinian societies for the protection of nature. As a result of these meetings, a number of proposals for joint activities were drafted, inter alia in the areas of bird-watching and education for protecting the environment. As soon as funding is obtained, implementation of these proposed projects will commence.
- » Meetings for young politicians: parliamentary assistants, social action leaders and others.
- » A joint seminar to "get to know the other" for educators from Jewish and Muslim religious study institutions, including meetings in Israel and Jordan.
- » Meetings between Israeli and Palestinian students in Israel and Germany, with the aim of co-authoring a children's book to be distributed to the Israeli and Palestinian education systems.
- » Meetings between Israeli and Palestinian students and with their European counterparts, with the aim of learning from European experience. These meetings were held in Germany.
- » Sport competitions for young Israelis and Palestinians (the competitions were held in Tel Aviv, Ein Gedi and Tiberias).
- » Experts meetings on regional sustainability.

Numerous additional activities are planned for 2009, including:

- » Training Palestinian and Jordanian medical personnel to treat premature babies, at the Edith Wolfson Medical Center in Holon.
- » Meetings between Palestinian high school students from the Deheisha Refugee Camp and Israeli high school students from Yarka and Tel Aviv.
- » Continuation of the meetings for young Israeli and Palestinian diplomats, within the "Diplomatic Channels" program.
- » Meetings between the administrations of Israeli and Palestinian government ministries.

²⁹ Scores of organizations, many under the umbrella of the Palestinian Israeli Peace NGO Forum, in which over 100 organizations are members, conduct numerous additional activities in these areas.

- » A course on public management for managers from Israeli and Palestinian government ministries.
- » A meeting for musical composers and performers from Israel, the Palestinian Authority and Jordan, to be held in Norway.

COGAT TRAINING SESSIONS

A number of training sessions were coordinated by COGAT, together with staff officers from the civil administration and different government ministries. The following is a brief summary of the sessions:

- » COGAT, in coordination with the Transportation Commander, held a number of courses to teach driving skills for forklifts, in order to facilitate issuance of Israeli forklift drivers' licenses for workers from the West Bank, by the Economics Division.
- » A workshop on packing olive oil was held, with 25 participants from the PA, and representatives of the Peres Center for Peace.
- » A week-long workshop was held on managing a dairy.
- » A two-day workshop was held on promoting the olive industry, in Tubas.
- » A tour was held for 30 agricultural professionals, in the Arava, to learn about new strains of vegetables.

COOPERATION IN AGRICULTURE

Cooperation with the PA in the West Bank in the field of agriculture has included sampling of agricultural produce in order to ascertain that the produce meets health standards and is not contaminated (samples were taken from 3,533 growers/farmers throughout the West Bank). Due to the Avian Flu outbreak, a week-long training course was held, to teach four veterinarians to diagnose the illness and operate a PCR machine. In addition, an outbreak of foot and mouth disease was diagnosed, samples were sent to laboratories, more than 1,000 vaccinations were sent to the West Bank, and the movement of animals was restricted. Additional vaccinations were provided to the PA, numbering 1,126,206 doses and worth NIS 1,971,880, to treat various other diseases.

Several joint Israeli-Palestinian forums in the agricultural field convened during 2008, including:

- » The Israeli-Palestinian Joint Veterinary Subcommittee (January 23).
- » Meeting on Avian Flu (January 30).
- » Work Meeting on Veterinary Field (July 22).
- » Joint Israeli-Palestinian Meeting on Plant Protection (December 16).
- » Meeting between the heads of the Israeli and Palestinian Veterinary Services (December 18).

Chapter Four

Facilitation of Humanitarian Assistance to Gaza

Since the hostile takeover of the Gaza Strip by Hamas in June 2007, Gaza has been controlled by an Islamic terrorist organization which refuses to recognize the existence of Israel. The Hamas regime in Gaza is not recognized by the international community as a legitimate government of the Palestinian people, as this regime refuses to accept the three conditions set forth by the Quartet: recognition of Israel, cessation of terrorism, acceptance of the agreements previously accepted between the sides.

The Hamas regime has consistently waged terrorist attacks against Israeli citizens and territory, as well as continuous attacks on the crossings to Gaza, which serve as the main channel for providing all civilian needs. A “tunnel industry” flourishes in the Gaza Strip, enabling Hamas to illegally smuggle weapons and explosives to be used against Israeli civilians and territory, as well as commercial goods.

Israel disengaged from the Gaza Strip in August 2005, evacuating all of its citizens and military forces from the area. On June 25, 2006, two Israeli soldiers were killed and Israeli soldier [Gilad Shalit](#) was kidnapped to the Gaza Strip. Despite efforts by the Government of Israel and the international community to bring about his release, Shalit remains in captivity to this day.

Events leading up to operation Cast Lead

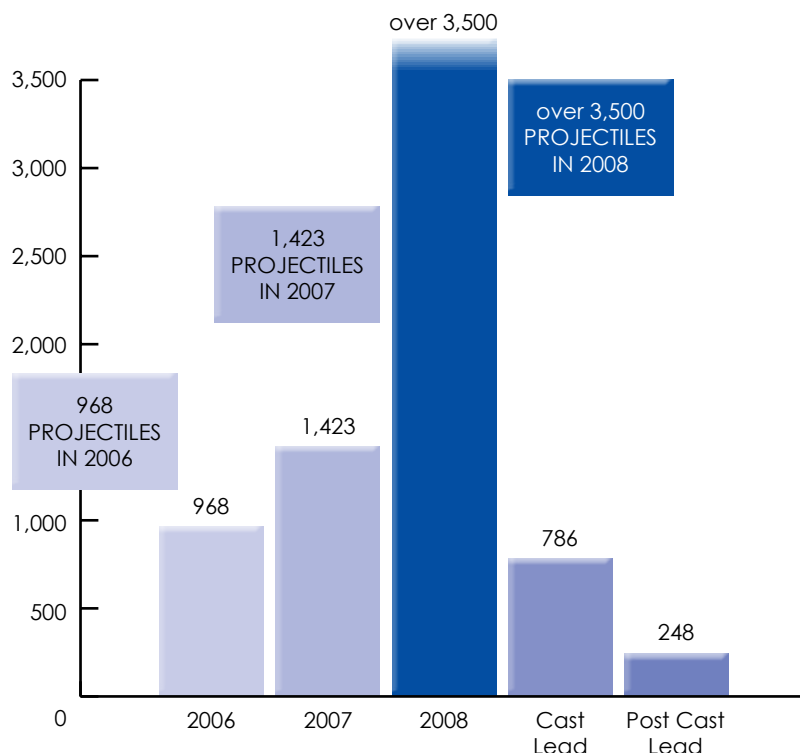
Operation Cast Lead followed eight years of terrorist attacks against Israeli citizens emanating from the Gaza Strip. The barrage of rocket and missile attacks on the south of Israel became increasingly intensive starting at the end of 2005 - more than 6,500 Kassam and Grad rockets have been fired on Israel since that time. Rocket fire from Gaza reached a peak in 2008 - 3,278 rockets and mortar shells landed in Israeli territory in 2008, double the amount of landings in 2007. In the final months leading up to the Operation, while the “tahadiya” (declared lull in the fighting between Israel and Hamas) was still in force, from November 4 to December 19, 2008, the numbers skyrocketed to 203 rockets and 121 mortar shells, resulting in a total of 362 projectiles launched against Israel.

There have also been attempts to commit terrorist attacks on humanitarian routes: placing IEDs and firing at IDF soldiers manning the routes. In April and May 2008, there were a number of violent attacks at the crossings to Gaza: on April 9, 2008 two Israeli civilian employees of the Dor Energy oil company were killed at the Nahal Oz fuel terminal. On April 19, 2008, there was an attack on the Kerem Shalom terminal, involving three armed vehicles. On May 22, 2008, a truck loaded with four tons of explosives was blown up by terrorists at the Erez terminal. On May 29, 2008, two mortars fell inside the Erez terminal.

Chart 3 illustrates the numbers of projectiles launched leading up to Operation Cast Lead:

Chart 3³⁰

Total Projectiles Launched 2006-2009 (Plus Cast Lead)



While over 1,000 rocket and mortar attacks were launched against Israel from Gaza between December 27, 2008 and May 2009, Israel's efforts to provide humanitarian aid to Gaza increased during this period. Throughout Operation Cast Lead, and during the months after, Israel made a concerted effort to ensure the supply of Gaza's essential humanitarian needs and to avert a humanitarian crisis in the Strip.

Amount and Types of Humanitarian Aid since Operation Cast Lead

During the Operation, Israel operated a 24/7 humanitarian center, together with representatives of the international community, including agencies from the US, EU, UN and others. The center provided round-the-clock updated information on humanitarian necessities in Gaza, and enabled Israel to provide every possible means of assistance and access to humanitarian goods and medical equipment, as well as enabling humanitarian movement of international organization team members on the ground. Since the end of the Operation, Israeli authorities have continued to meet with the relevant international parties on a regular basis, in order to assess humanitarian needs and facilitate the mission of the international organizations operating in Gaza.

Since the Operation, the levels of humanitarian supplies entering the Strip have remained high. The scope of aid increased from 724 aid shipments during Operation Cast Lead, to 1,217 shipments three weeks after the Operation (February 7, 2009). The total number of humanitarian aid shipments

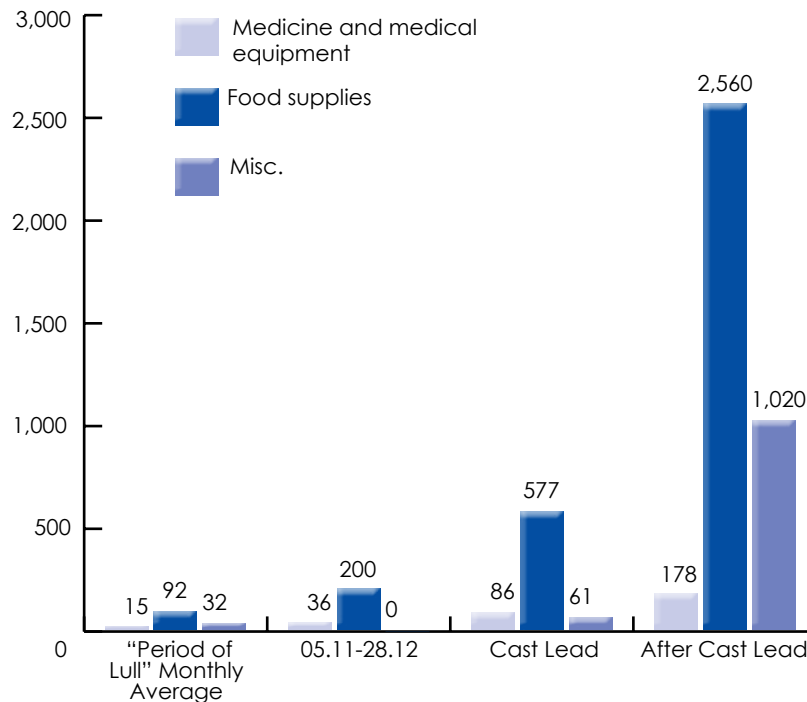
³⁰ As of May 16, 2009.

during the aforementioned time period reached 2,003. Humanitarian aid has provided a range of essential supplies, including foodstuffs, medical equipment, fuel and cooking gas, and domestic electrical appliances, to residents of the Gaza Strip.

Chart 4 demonstrates the sharp increase in the volume of shipments from the international community following Operation Cast Lead.

Chart 4³¹

Donations from the International Community (shipments)



The following figures demonstrate the high level of aid entering the Strip during the three-week period following the Operation (as of February 7, 2009): 4,915 shipments of humanitarian aid (123,663 tons) from the international community; 169 new donation applications were submitted to Israeli customs - 134 applications were approved during the three week period following the Operation. In the following months (by mid-May), approximately 250 additional donation applications were submitted, of which roughly 80% were approved. In addition, until the end of February 2009, Israel's Ministry of Health put in place special procedures to expedite the transfer of all food, medicine and medical equipment into the Gaza Strip. Thus, a mechanism for solving blockages in the transfer of aid was decided upon and approved by all the relevant official parties in Israel.

The Gaza Strip has received humanitarian donations from a number of different sources, including NGOs and international relief agencies, the private sector, and the international community. A total of 25,935 trucks carried donations from NGOs, international relief agencies and the private sector from January 1, 2008 to December 28, 2008, amounting to 629,393

³¹ As of May 17, 2009.

³² 13 of these donations were intended for the West Bank.

tons of aid. The largest donors in this category were UNRWA, WFP, and the private sector. The total number of donations from the international community from January 1, 2008 to December 28, 2008, was 521.

Coordination of Aid

Israeli authorities have done their utmost to enable the smooth coordination of humanitarian aid activities. Open contact including a 24-hour hotline with international organizations (UNRWA, ICRC, WHO, WFP, etc.) was established in order to evaluate and coordinate humanitarian needs and requirements throughout the Operation. 120 COGAT officers were present, at the IDF operational level, in order to ensure the continuation of the humanitarian effort conducted by Israel.

According to the UN Humanitarian Monitor in February 2009, "according to individual reports gathered by OCHA, during February there has been a marked increase in access of international non-governmental organisations (INGOs) and NGOs staff to Gaza through the Erez Crossing, compared to January."³³

In addition, the International Organizations and Health sections of the IDF's Coordination and Liaison Administration (CLA), helped to coordinate the evacuation of civilians from combat zones to safe areas. For example, several handicapped Palestinians were evacuated from the fighting in Izbet Aba to Jabalia. The CLA Unit also helped efforts to enable 37 people to receive medical treatment in Israeli hospitals, including a 9 year old child rescued from the combat area. A total of 68 patients and accompanying individuals crossed into Israel for medical treatment during the Operation. As well, 14 medical staff members and 23 personnel from international organizations crossed through Erez.

Israel has declared that it is willing to treat sick and wounded Palestinians from Gaza in Israeli hospitals, but those in need of care have been prevented from exiting the Gaza Strip by Hamas and the Palestinian Authority.

Humanitarian Efforts Following Operation Cast Lead

Adequate humanitarian conditions have been sustained in Gaza since the end of Operation Cast Lead. Data on conditions in a variety of areas illustrate conditions in Gaza during this period:

Cash Flow - In 2008, approximately NIS 293,000,000 was transferred to Gaza, for payment of salaries to PA employees.³⁴ Between January and June 2008, approximately USD 88,000,000 was transferred to UNRWA, for the payment of salaries. In addition, in 2008 the Minister of Defense approved the replacement of old banknotes at a total value of up to NIS 40,000,000. De facto, as of February 2009, approximately NIS 30,000,000 had been replaced (NIS 17.61 million in July 2008, NIS 3,000,000 in August 2008, and NIS 10,000,000 in February 2009).

During Cast Lead, NIS 2 million and USD 500,000 were transferred to the ICRC. In January 2009, after the Operation, NIS 40,000,000 and USD 16,000,000 were transferred to UNRWA.

³³ http://www.ochaopt.org/documents/ocha_opt_humanitarian_monitor_2009_02_01_english.pdf

³⁴ PA employees in Gaza number approximately 77,000 (about 30,000 civil and 40,000 military), including a large number of retirees. It should be noted that a significant percentage of PA civil servants in Gaza have been striking for over a year, in accordance with an order from the PA government in Ramallah. Since the takeover in 2007, Hamas has established its own roster of civil servants, numbering about 25,000, which may overlap with the PA roster.

In February 2009, at the request of Secretary of State Clinton, an additional NIS 175,000,000 was transferred for PA salaries in Gaza . At the end of March 2009, the ICRC received NIS 100,000, for operational expenses.

Since April 2009, monthly transfers amounting to NIS 50 million are made for PA salaries.

In April 2009, the following sums were transferred to Gaza: USD 13.5 million for UNRWA salaries, NIS 1.5 million for ICRC salaries in addition, NIS 10,500 was transferred to the Red Crescent in April 2009.

Monitoring the transfer of funds - Israel, the PA and the international community share a common goal of maximizing the effectiveness of funds transferred to the Gaza Strip, by ensuring that these funds reach their intended beneficiaries only, and are not diverted to terrorist organizations. With this aim, Israel calls for the development of principles and benchmarks to monitor the transfer of funds to Gaza and guarantee that these transfers are carried out in a transparent, reliable and efficient manner, in line with international standards. A set of shared principles for the transfer of these funds would ease concerns in the international community regarding the misuse of funds.

Water and sewage – The Palestinian Water Authority continues to be responsible for water and sewage systems throughout the Gaza Strip. Repair of the main water and sewage lines has been completed, except for nine water wells. The North Sewage Treatment Facility Project is currently underway. The first phase of this Project has already been completed and nine oxidation pools have commenced operations. Israel has approved the transfer of equipment for the second stage of the Project, constructing a treatment facility. However, implementation has been delayed on the Palestinian side. During the period from January to March 2009, 37 trucks carrying water and sewage infrastructure equipment supplied by the Palestinians entered the Gaza Strip. According to the UN Humanitarian Monitor, in February 2009, "Access to water improved progressively during February."³⁵

Electricity - Electricity supply to the Gaza Strip is now at 100% of its current capacity³⁶. All power lines from Israel and Egypt are operational and the Gaza Strip's power station is supplying 60 MW. Maintenance and repair equipment are still needed. A technical team from Siemens is currently working on repairs and refurbishing the power plant in Gaza. Once the team's work has been completed, the plant's capability to produce electricity is expected to improve. It should be noted that during the period from January to March 2009, 21 trucks carrying electrical infrastructure equipment entered the Gaza Strip.

Communications - All communication lines are operational. During the period from January to March 2009, 28 trucks carrying infrastructure equipment for the communications field entered the Gaza Strip.

Education - Schools in the Gaza Strip have resumed regular operations. A donated mobile school, containing 11 classrooms and full furniture and equipment, has entered the Gaza Strip.

³³ http://www.ochaopt.org/documents/ocha_opt_humanitarian_monitor_2009_02_01_english.pdf

³⁴ 124 megawatts from Israel, 17 from Egypt, between 55 and 65 from local power plants. This capacity may increase once the Siemens team completes its work.

Health – Since 1994, the PA has full responsibility in the area of health and medical supplies.

According to the World Health Organization, as of May 2009 there were 37 warehouses inside the Gaza Strip filled with miscellaneous medical supplies, as compared with only two or three such warehouses prior to the Operation. All consumable medicine stocks in the Gaza Strip are full. Since the Operation, 178 trucks carrying medical supplies have entered the Strip³⁷. According to the PA/World Health Organization (WHO) on February 4, 2009, the PA Ministry of Health/WHO reported that "96% of the priority drugs at the central levels have been either delivered or committed and 81% of the priority disposables were either delivered or are in the pipeline. At peripheral level, a full stock of pharmaceuticals is available at all MoH hospitals while some items are still in storage at some PHC centers, especially in North Gaza, Khan Younis and the Middle Zone."³⁸

A Jordanian field hospital approved on March 2, 2009 commenced operations on March 6, 2009. On a weekly basis, between four and ten truckloads arrive from Jordan, transporting medical supplies to support the field hospital's operations. In addition, hospital medical personnel are reshuffled on a weekly basis. Israel grants expedited approval for the travel of these medical team members in and out of Gaza, as well as the transfer of the aforementioned medical supplies.

Food - The food supply stock in the Gaza Strip is enough for a month and a half. ³⁹According to the WFP, basic food commodities are available in Gaza's markets for reasonable prices.⁴⁰

It would appear that a reasonable level of food supply has been maintained in Gaza. As of February 11, 2009, the World Food Programme (WFP) had 4,850 metric tons of food stocked in Gaza, "enough to feed 160,000 people for two months."⁴¹ In addition, the WFP stated on March 4, 2009, "basic food items are currently available in Gaza in sufficient quantities."⁴²

Fuel supply – Between January 18, 2009 and February 16, 2009, a total of 7,890,900 liters diesel fuel for the power plant and 391,000 liters of diesel fuel for UNRWA were transferred. In addition, 1,823 tons of cooking gas were also transferred. Israel continues to enable the unlimited transfer of cooking gas into Gaza, based on demand, as well as the transfer of diesel for the power station. According to the UN Humanitarian Monitor in February 2009, "The amount of industrial fuel from Israel used exclusively for the operation of the Gaza Power Plant (GPP) increased significantly during February compared to the previous three months."⁴³

Meanwhile, Israeli soldier Gilad Shalit remains in captivity for almost three years.

³⁷ As of May 17, 2009.

³⁸ http://www.who.int/hac/crises/international/wbgs/sitreps/gaza_4feb2009/en/index.html

³⁹ As of May 17, 2009.

⁴⁰ Although prices for meat, chicken, fish and fruits are high.

⁴¹ <http://www.wfp.org/stories/wfp-reaches-more-222000-hungry-gaza>

⁴² <http://domino.un.org/unispal.nsf/c25aba03f1e079db85256cf40073bfe6/3460c6baf5848a5f8525757800486411!OpenDocument>.

⁴³ http://www.ochaopt.org/documents/ocha_opt_humanitarian_monitor_2009_02_01_english.pdf



Oslo, June 7-8, 2009