

# OFFICE OF THE SPECIAL ENVOY FOR DISENGAGEMENT

## Periodic Report

15 August 2005

The Special Envoy concluded his fourth visit to the region on 10 August since his appointment at the beginning of June 2005. With Disengagement scheduled to begin in a week's time, all efforts have been focused on resolution of the six joint issues.

(1) *Border Crossings and Trade Corridors:* Coordination between the two sides has been underscored by the visits of Secretary Rice and Javier Solana. The Government of Israel and the Palestinian Authority have now agreed to two key steps on the crossing points: first, the introduction of a modern, coordinated management system based on the publication and transparent monitoring of terminal service standards and procedures; and second, replacement of the inefficient "back to back" cargo management system (i.e. full unloading and reloading of all cargoes at the border) with mechanisms that use scanner technology---progressing in time to the through passage of Palestinian trucks (so-called "door to door" movement). Detailed discussions are underway between two committees to reach agreement on a new approach which will produce an immediate, significant and visible change in the movement of goods in and out of the West Bank and Gaza. Once the basic agreements are in place, USAID and the World Bank will move to provide financial and technical support for this regeneration and improvement of the border management regime.

One crossing that deserves special mention is the border between Egypt and Gaza at Rafah. Israel remains concerned about post-disengagement security management and customs considerations along the Philadelphi Line. This is reflected in intensive discussions with the Government of Egypt and by internal debate in the Israeli cabinet and among the Israelis, Palestinians and Egyptians about whether or not to allow the

continuation of today's arrangements at Rafah or consider alternatives at the three way border in Kerem Shalom. The outcome of these discussions is still not certain, and deliberations are expected to continue in the coming weeks. It will be the central issue in the days and weeks ahead and will affect both security and custom issues also of great importance. **The European commission has undertaken a preliminary study into design and costs of a sunken territorial link.**

(2) *Connecting Gaza with the West Bank*: We have a basic understanding between the parties that escorted convoys of goods and people will be introduced immediately after disengagement. In parallel, **the World Bank and USAID will be identifying the optimal form of territorial link between Gaza and the West Bank through a technical and economic comparison of various rail and road combinations.** This study will take several months. In addition, the European commission has undertaken a preliminary study into the design and costs of a sunken territorial link.

3) *Movement in the West Bank*: The World Bank cites a major freeing up of movement within the West Bank as essential to Palestinian economic revival. The UN OCHA and CoGAT have compared data on roadblocks with a view agreeing on and reducing their number. This is being complemented by OCHA/World Bank work on identifying **key movement corridors within the West Bank** that, if opened, would make a major difference to social and economic activity there.

(4) *Air and Sea Ports*:. In recent weeks, the PA and Israel have agreed that the PA can initiate work immediately on the seaport in Gaza. Donors are ready to finance construction, which is likely to take 2-3 years to complete. The European Commission, in cooperation with the World Bank will undertake additional studies in this regard.

With regard to the airport, the situation is less clear, though it is understood that Israel will reconsider airport reconstruction after disengagement. With both the port and the airport, as with Rafah, the operation of the facilities depends on agreements being reached on customs management and security.

(5) *The Houses in the Settlements*: Final details are being worked out at this moment and the Special Envoy's Office is assisting both sides to negotiate a Statement of Understanding that will spell out the responsibilities of each. It is envisioned that the Israelis will first remove environmentally hazardous materials from the houses and then from the Gaza Strip and Northern West Bank. **Israel will then completely destroy the houses as partial destruction** could render the building unstable and potentially dangerous. After the disengagement, private local contractors, under an internationally recognized project management team, will sort the rubble and then process and crush much of the material for reuse in road construction elsewhere so that only a small quantity of unusable material will require disposal—likely in a third country. The GoI is conducting a series of audits which should confirm the amount of hazardous and other material in the settlement houses, and the amount of material to be transported or recycled. Funds will be provided by the GOI to pay for the process.

(6) *The Greenhouses in the Settlements*:

**\$14 million from the private sector in the U.S.A was raised to purchase the greenhouses** which will be protected with the help of the Israel Defense Forces until disengagement when Palestinian workers will occupy them and commence work. The contract with the settlers was signed by an Israeli NGO, ECF (Economic Cooperation Foundation), which has given great help. This will give employment to 3,000 to 4,000 Palestinians and lead to significant earnings. The PA and international donors are likely to provide funds for the construction of new greenhouses in both Gaza and the West Bank.

### **The Three Palestinian Issues**

(1) *Fiscal Crisis*: **The PA faces a budget shortfall of approximately \$400 million.** The recent actions of several Arab League countries to make good on earlier budget pledges: Kuwait, Algeria, Egypt and Saudi Arabia have cleared past commitments to the tune of over US\$160 million. As the prospects of a successful disengagement materialize and

reveal opportunities for real progress towards peace, it is hoped that all donors will be able to increase their vital budget assistance efforts.

*(2) The Three-Year Plan for Palestinian Development:* Without freedom of movement and a serious process of policy formulation and physical planning, donors cannot -- and should not -- be expected to increase current levels of funding. Much depends here on the parties' commitment to resolving the first four of the six joint issues above and the PA's commitment to pursuing internal reform. Over the coming three to four months, the Palestinians will develop a plan for the 2006-8 period. The planning process will be participatory and will include input from Palestinian citizens, civil society and the private sector. The Finance, Economic and Planning Ministries are working together to develop a single plan. It is important for the PA to be able to plan with the assurance that improvements in the bilateral relationship and progress in Palestinian governance will evoke predictable flows of assistance. For that reason, we are giving prominence to the quality of this plan and to its transparent monitoring. Detailed preparatory work has been done already by the World Bank, and the Quartet will be providing intensive support to the PA ministries as they go about the planning process.

Within the context of the national planning process, donors should be encouraged to make full use of their relationships with UNRWA and other UN agencies to ensure rapid implementation of projects.

*(3) A Package of Quick-Impact Economic Programs:*

It is essential that the day after disengagement the Palestinians in Gaza and the West Bank see immediate benefits from the withdrawal. Work is continuing with the Ministry of Planning, donors and UN Agencies to ensure that a program with a focus on job creation, infrastructure, housing, water, sewerage, community development projects, and credit provision services is offered. The Special Envoy is grateful to the donors for their responsiveness and desire to support this particular initiative. Donors will be consulted on the program at the earliest possible date.