



House of Commons  
International Development  
Committee

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**The Humanitarian and  
Development Situation  
in the Occupied  
Palestinian Territories:  
Government Response  
to the Committee's  
Eleventh Report of  
Session 2007–08**

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**Ninth Special Report of Session  
2007–08**

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## International Development Committee

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### Contacts

All correspondence should be addressed to the Clerk of the International Development Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 1223; the Committee's email address is [indcom@parliament.uk](mailto:indcom@parliament.uk)

## Ninth Special Report

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On 24 July 2008 the International Development Committee published its Eleventh Report of Session 2007–08, *The Humanitarian and Development Situation in the Occupied Palestinian Territories*, HC 522-I. On 23 September 2008 we received the Government’s response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee’s conclusions and recommendations are in bold text. The Government’s response is in plain text.

The Government’s Response included a response from the Office of the Quartet Representative which is published as an Annex.

## Appendix: Government response

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### The Security Situation

**[Paragraph 7] The international community withheld support for the National Unity Government—itself an attempt to establish a stable and functioning government in the territories—and bolstered one side against the other which increased tension between Hamas and Fatah. This build-up of tension was followed in June 2007 by the violent takeover by Hamas of the Gaza strip. We condemn this takeover which resulted in unnecessary deaths and a deepened rift between Hamas and Fatah.**

We do not believe the international community’s position in early 2007 has led to where we are today. Full responsibility lies with those within the two parties who have chosen violence over reconciliation and dialogue. It is up to the Palestinian parties to decide when they are ready to engage with one another. President Abbas announced his call for a process of “national dialogue” in June as a means of bringing the different Palestinian factions together.

The UK played a critical role in ensuring Palestinians continued to receive substantial support from the donor community despite the political challenges in early 2007. We helped establish the Temporary International Mechanism, which has delivered in both the West Bank and Gaza.

**[Paragraph 13] The policy of seeking to isolate Hamas in Gaza has neither improved security nor caused Hamas to shift its position. The pattern of violence and retribution between the Israeli Defence Force and Hamas militants has resulted in insecurity for Israelis and Palestinians. Innocent civilians have been killed on both sides although the death toll is by no means equal. As we noted in our previous Report, Israel has a right to security but the measures taken to ensure this should be proportionate. We also noted that the actions of both parties were damaging to the prospects for a peaceful settlement. We therefore wholeheartedly welcome the truce brokered by Egypt in June and call on all parties to abide by it and to accelerate the removal of the blockade on Gaza.**

Full responsibility for insecurity in Gaza lies with those who have chosen violence. We have always made clear our desire for peace and our willingness to work with all those that share that goal.

The Government welcomes the ceasefire in Gaza and the instrumental role Egypt played in the process. This has provided an opportunity to improve the daily lives of people in Gaza and southern Israel, although we remain very concerned at the continued restrictions on movement in and out of Gaza.

Any ceasefire is difficult. We, along with the Quartet, have made our position clear: both sides need to avoid provocations and resist resuming the spiral of violence. And Israel needs to fully reopen the crossings to allow humanitarian supplies, commercial goods and people through.

**[Paragraph 14] We recommend that the UK Government increase its efforts to persuade Israel to allow students from Gaza and the West Bank to exit from those territories to take up courses for which they have been accepted in the UK and other countries abroad.**

We continue to raise this with the Israelis and in recent months have done so at Ministerial level. A number of students coming to UK and EU universities have now been issued with exit permits. British Consulate staff have travelled to Gaza to help them leave. We will continue to work to secure exit permits for the remaining Gazan students who have places at UK or EU universities.

## **The Responsibility to Ensure Humanitarian Access**

**[Paragraph 29] Blocking civilian access to humanitarian supplies is an unacceptable practice which should not be condoned. While minimal humanitarian supplies have generally been allowed entry these fall short of requirements. At other times the borders have been closed to all such supplies. We believe the UK Government and the Quartet should not only have more assertively condemned the blockade of Gaza but should have exerted much greater diplomatic pressure on the Government of Israel to lift the blockade in practice. It is clear to us that ways must be found to ensure full humanitarian access and the current truce offers an important opportunity for this. We appreciate that Israel needs to ensure that its security is not compromised but we do not accept that the crossings should be closed for political objectives.**

The ceasefire is a positive step forward. We agree with the Committee that the current ceasefire presents an opportunity for restrictions to be eased and we continue to press Israel to do this. It has led to some easing of restrictions to and from Gaza. However, we are still very concerned about the humanitarian situation. We continue to press Israel to reopen fully the crossings into Gaza and improve movement and access in the West Bank. This should be based on the full implementation of the 15 November 2005 Agreement on Movement and Access.

## Hamas' Responsibilities

**[Paragraph 31] Disrupting humanitarian supplies through attacks on border crossings is also an unacceptable practice and should not be condoned. With the current truce in place we call on Hamas to ensure that rocket fire into Israel ceases and to do all in its power to ensure the safe transfer and distribution of humanitarian supplies in Gaza.**

We support the Committee's recommendation. We hope that all groups maintain their commitment to stop all attacks against Israel and act to improve the daily lives of Gazans.

## A Humanitarian Access Cell

**[Paragraph 32] We support the proposal to develop a UN humanitarian access cell for Gaza as a matter of urgency. We wish to be kept informed of its start date and its full remit. We agree that it should not prejudice efforts to reopen fully the crossings into Gaza.**

The UN is proceeding with creation of the Access Team. A liaison officer is already in post, other team members are being recruited and procurement of the vehicles and other equipment is underway. The UN expects the full team to become operational by October. Since the IDC enquiry, the UN has partly redesigned the team, and the UN's Office for the Coordination of Humanitarian Affairs (OCHA) will now provide a senior adviser and two other staff from its own resources. In addition to highlighting the importance this project holds for the UN, this has reduced the UK's financial commitment to about £620,000.

The main elements of the team's remit are to: provide immediate advice to UN agencies and international NGOs on access restrictions at all crossings and entry points into and within Gaza and the West Bank; support the UN Humanitarian Coordinator to facilitate the movement of staff and goods, including through discussions with the Government of Israel and the Palestinian Authority; coordinate between existing UN mechanisms such as UNRWA's access system; facilitate and coordinate directly with Israeli officials regarding the movement of goods and staff at all crossings; monitor and, where appropriate, facilitate medical referral cases from Gaza; develop and provide training to staff of partner agencies on practical issues related to access; and develop an online database on the OCHA website to publicly report on access issues and imports and exports to and from Gaza.

## The Palestinian Reform and Development Plan

**[Paragraph 41] The economic situation in the West Bank may have improved since our last Report, but only marginally. The economy in Gaza has collapsed since the June 2007 closures. In both places many people continue to live in conditions of deep poverty and the economy is heavily reliant on aid. We welcome the decision by donors to restore direct funding to the Palestinian Authority. We were highly critical of the UK Government's decision to stop this funding in 2006 and the severe fiscal pressure it placed on the Palestinian Authority. We are encouraged by the Palestinian Authority's efforts to reform, as outlined in the Palestinian Reform and Development Plan and in particular to reduce the public sector payroll. We encourage donors to contribute on a predictable basis to the Palestinian Authority's budget as part of the effort to strengthen the institutions of a future Palestinian state. We request that the**

### **Government updates us on the PA's estimated fiscal deficit for 2008 in its response to this Report.**

We agree with the Committee that the economic situation in the OPTs is of great concern. Recent figures suggest the economy in the OPTs grew by around 1% in 2007. Although there has been a contraction of the economy in Gaza, it has actually grown in the West Bank. Part of this growth is attributable to public spending by the PA made possible by donor funding. The private sector continues to struggle under movement and access restrictions. Unemployment in the West Bank increased by two percentage points over the course of 2007, ending the year at 19.2%.

We agree with the Committee that providing financial assistance to the PA's budget is important and this now forms a critical part of our strategy for supporting a capable, accountable PA that can be an effective negotiation partner for Israel. We also applaud the Palestinian commitment to reform which comes from the very top. By reducing the payroll to 150,000 and sustained efforts to increase revenue generation Prime Minister Fayyad has made considerable progress in stabilising the PA's finances. We have responded to calls for support as budgetary pressures increase and provided substantial assistance to the PA's budget. However, with per capita incomes 40% below 1999 levels, revenues have decreased considerably and the PA is operating a considerable deficit. We have encouraged other donors, including Arab ones, to honour the pledges made in Paris. We welcome the recent announcement of Saudi Arabia releasing \$100 million of its pledge, Kuwait's confirmation of the \$80 million it announced at the AHLC (Ad Hoc Liaison Committee), and further contributions from UAE and Canada. The long-delayed Israeli permission for the PA to award a new mobile phone licence will also contribute a windfall revenue to the PA. The unfunded budgetary shortfall for the PA this year has therefore been reduced to an estimated \$250 million.

### **The Importance of Movement and Access**

**[Paragraph 47] One of the major barriers to the development of a viable Palestinian economy is the continued restrictions on movement and access which Israel insists were put in place to enhance the security of its citizens. Increased donor assistance, while welcome, will not be sufficient to turn around the economic downturn which has pervaded the Palestinian economy since 2000 without significant and long-term removal of such restrictions. While efforts to remove some strategic checkpoints may be useful, such agreements lack permanence and can easily be replaced by other restrictions. It is also important from development and human rights perspectives that Palestinians are able to move around their own country for education, to receive healthcare, to visit their families, to work and to trade, irrespective of whether their journeys are regarded as strategically significant to international negotiations. Neither Israel nor the international community should lose sight of this. The Government of Israel signed up to the Agreement on Movement and Access in 2005. We believe it must respect such commitments.**

We strongly agree with the Committee's recommendation. Movement and access restrictions have a serious humanitarian, economic and social impact. The current restrictions on movement and access in the West Bank and at Gaza's borders—including the virtual closure of Gaza's main trade crossing at Karni—severely undermine the

Palestinian economy. We look to Israel to ensure that, in line with its own public commitments, its actions do not result in a humanitarian crisis in Gaza. We continue to make very clear that Israel must act in accordance with its obligations under international law. All parties must fulfil their commitments under the November 2005 Agreement on Movement and Access. We agree with the Committee that in the long term aid is not a viable or sustainable means of turning around the Palestinian economy but that it can help mitigate the decline, help build the institutions of a future Palestinian state and provide humanitarian relief.

## Expanding Settlements and the Construction of the Barrier

**[Paragraph 51] We do not believe there is any justification for the continued expansion of settlements. This creates new ‘facts on the ground’ which then have to become part of the negotiations for a final agreement. Such actions on the part of the Government of Israel undermine the prospects for a successful peace process. We believe that this continued flouting of international law should be condemned unreservedly by the international community. The international community should also identify how it can more effectively persuade Israel to abide by its obligations in practice.**

We strongly support the Committee’s recommendation. Settlement construction is illegal under international law, and we continue to call on Israel to fulfil its Roadmap commitments and freeze all settlement activity. Settlements are an obstacle to peace. The Prime Minister made this very clear during his visit to the region in July 2008. We continue to work closely with the rest of the international community to encourage Israel to stop settlement construction.

## The EU-Israel Association Agreement

**[Paragraph 52] We are surprised that the EU has decided to upgrade its relationship with Israel while it continues to flout international law. In its reply to this Report, the Government should provide more details on the exact nature of this upgrading and the UK Government’s position on it. We also request clarification on whether Israel has once again withheld funds which rightfully belong to the Palestinian people and what action the UK proposes to take as a result.**

The Government sees strong relationships with both Israel and the Palestinian Authority as part of making progress on the peace process. The EU-Israel Association Council met on 16 June to set out the direction of the EU’s relationship with Israel. The Association Council outlined a relationship based on closer working in a number of technical fields in which the EU and Israel share many links. However, the measures announced do not mark a substantive political upgrading of the EU’s relationship with Israel. Co-operation will continue to be within the existing framework of the European Neighbourhood Policy. This policy forms the basis of the EU’s relationship with a large number of neighbouring states and the Palestinian Authority. The Government fully supports the EU approach, which provides an important forum within which we can push for further progress on the peace process.

The EU Declaration raised many of the issues over which the UK Government is concerned (settlement expansion, compliance with international law, removal of

restrictions on movement and access and the humanitarian situation in Gaza) and reiterates its support for a two state solution. The text of the EU Declaration reflects the reality that progress on the peace process would provide a better context in which the EU could develop a substantively enhanced political relationship with Israel.

In May 2008, Prime Minister Fayyad wrote to EU Member States expressing concern about upgrading the EU relationship with Israel. In June 2008, Israel delayed the transfer of the regular monthly payment of the trade taxes it collects on behalf of the PA. International lobbying led to the payment being eventually released, allowing PA salaries to be paid around a week late.

## EU Funding Mechanisms

**[Paragraph 56] We welcome the creation of the PEGASE in as much as it provides donors with a new mechanism through which to support the Palestinian Authority. We also welcome the EU's direct re-engagement with the Palestinian Authority. The PEGASE will, like the Temporary International Mechanism, enable the payment of Palestinian Authority salaries in both the West Bank and Gaza. However the PEGASE has been created in the context of a humanitarian crisis in Gaza and political and institutional developments in the West Bank which largely exclude Gaza. As such the PEGASE can only be a limited response to a severe humanitarian and political crisis.**

The UK strongly supports the work of the EC in channelling resources through the PEGASE. So far in 2008 DFID has channelled £14.5m through this mechanism to support the payment of salaries in both the West Bank and Gaza. PEGASE salary payments cover 24,000 PA officials in Gaza. High dependency ratios mean these payments directly benefit 156,000 individuals. PEGASE also covers social hardship payments to over 20,000 vulnerable families (over 120,000 direct beneficiaries) and pays for fuel to the Gaza Power Plant. Although that support is significant to help address the humanitarian situation, we agree that it does not cover all humanitarian needs. Our funding for UNRWA, the ICRC and the UN Access Team provides further humanitarian support.

## The Work of the Quartet Representative

**[Paragraph 66] In our last Report we encouraged DFID to find ways to facilitate private sector development in situations of conflict. The efforts by the Quartet Representative to achieve this are welcome. We would like an update, as part of the Government's response to this Report, on the progress of these projects, including the removal of checkpoints, the creation of the Jenin Industrial Park and the improvements to the Beit Lahia sewage treatment facility in Gaza.**

We agree with the Committee that private sector development should be a priority in the OPTs. The UK has played a leading role, hosting a launch for the Palestine Investment Conference (PIC) in May, which was attended by the Prime Minister, PM Fayyad and Tony Blair. We also supported the PIC itself and will host a follow up conference in London in December 2008. The UK funded the Investment Climate Assessment conducted by the World Bank in 2007, which was critical to identifying the challenges and needs for business to recover in the OPTs. In partnership with the World Bank, we have committed £3 million over three years to make Palestinian businesses more competitive

and to access new markets. The Prime Minister awarded the first five grants from that facility to Palestinian entrepreneurs during his visit to Bethlehem in July.

We attach an update from the Office of the Quartet Representative on all the projects the Quartet Representative is working on [see Annex].

**[Paragraph 67] We recognise the problem that economic development in an occupied territory is bound to be constrained by the presence of the occupiers but this should not be allowed to deter the international community from pursuing economic initiatives to relieve the hardship faced by the people forced to live under occupation. A pragmatic response is needed. Economic development should go ahead where it is supported by the local Palestinian community.**

DFID's programme is aligned with the PA's Reform and Development Plan and delivered in close consultation with the PA and other partners. The UK has committed up to £243 million over three years, linked to tangible progress in peace negotiations, including progress on reform and the easing of movement and access restrictions. The UK plays a leading role in stimulating economic development, not just through our support to the private sector but also through technical assistance to the PA to improve the investment climate, and by funding the public services needed for firms to thrive, such as security, electricity and infrastructure.

**[Paragraph 68] Care must be taken that the Quartet does not lose sight of the objective, set out in the Agreement on Movement and Access, of creating a contiguous Palestinian state. It needs to be satisfied that economic projects do not risk creating a series of Palestinian economic enclaves which may be linked to each other and perhaps the outside world by a discrete series of roads and entry/exit points but which do not promote the creation of a contiguous Palestinian state and which still leave most Palestinians unable to travel freely around their own land. There is a danger that this in turn could lead to the creation of two parallel universes in the West Bank since Israeli settlements already have their own network of much less restricted roads and services linking them to Israel and the outside world. The international community must take care that it does not end up legitimising the occupation and allowing Israel permanently to extend its borders into the West Bank rather than creating an independent Palestinian state alongside its own territory.**

The UK supports a two-state solution. Settlements are illegal and cause so much distress among the Palestinians. The Prime Minister has been clear about the damage settlement construction does. We agree that current restrictions on movement and access hold back progress to a viable economy or state. We continue to call on all parties to fulfil their commitment under the November 2005 Agreement on Movement and Access.

Aid plays a vital role in the OPTs. Our support is consistent with the objectives of the process begun in Oslo and continued more recently in Annapolis, and complies with the International Development Act.

**[Paragraph 69] We recommend that the Quartet regularly assess its economic projects before and during implementation to ensure that the issues which we have highlighted are addressed. However, we believe the Quartet Representative's efforts are important and should continue in cooperation with both the Israeli and Palestinian governments.**

We understand the Office of the Quartet Representative has worked to co-ordinate with Palestinian stakeholders, particularly the Ministry of Planning, to ensure that economic projects are consistent with Palestinian plans and do not cut across final status issues. The Office of the Quartet Representative has had some discussion with the Negotiation Support Unit about the technical and legal issues regarding projects and more widely with NGOs. We continue to urge the Quartet Representative to continue this type of dialogue.

## Improving Palestinian Security

**[Paragraph 74] The international community should do more to press Israel to release all prisoners it holds without trial, including parliamentarians, and do more to press Hamas to secure the release of Corporal Shalit who was captured in June 2006.**

The UK Government believes that all Palestinian prisoners should have access to a fair trial, and has called upon Israel to ensure that any actions they take are in accordance with international law. We welcome the recent announcement that Israel will release 199 Palestinian prisoners as a first step.

While we also welcome Israel's release of two Hamas Palestinian Legislative Council (PLC) members, we will continue to call for all elected members of the PLC detained by Israel to be either released or subject to the due legal process.

The UK will continue to call for the current ceasefire in Gaza to be used as an opportunity to resolve all outstanding issues including bringing about the immediate release of Corporal Shalit.

**[Paragraph 75] It is vital to develop credible and capable Palestinian security forces in the West Bank and Gaza. All efforts made in this regard are welcome and we fully support the Quartet Representative in his endeavours. It is equally important that commitments made by Israel to allow Palestinian security forces to operate in the West Bank are honoured. To this end we recommend that progress toward establishing an effective Palestinian security force be monitored by a designated third party.**

We support the principle that, in line with Roadmap commitments, progress shown by the PA on security sector reform should be accompanied by an easing of Israeli control over the movement and operation of the PA's security forces (PASF) in the West Bank. In order to develop into a fully proficient security force, the PASF require the ability to move around the West Bank. Whilst recognising the security concerns of the Government of Israel, we encourage close cooperation from it to allow the PASF this space, thereby fulfilling its own commitments.

Any third party monitoring should take into account agreed criteria against which to measure progress. The Palestinian Reform and Development Plan (PRDP) outlines priorities for reform of the security sector agreed by the PA and endorsed by the international donor community. The US are already active in taking forward Roadmap monitoring, which includes monitoring the Palestinian security sector. As co-chair, with the Palestinian Authority, of the Working Group on Security Sector Reform, the UK closely follows the development of the PASF.

## Involving All Parties

**[Paragraph 86] The Quartet and the UK Government have supported the Annapolis Peace conference in the face of what appears to many to be a difficult, if not impossible situation—increased attacks by both Israel and Palestinian groups over the last year, the lack of Palestinian unity, a humanitarian crisis in Gaza, continued obstacles to movement and access, the construction of the Barrier on occupied land and the expansion of settlements in the West Bank. Whilst it is important to be optimistic in situations of ongoing conflict the international community must do more to ensure that all parties address these issues if a peace deal is to be credible.**

The Government agrees that it is critical that the actions of both parties serve to reinforce the peace process. The Prime Minister has been clear about the damage settlement construction does. We lobby the Israelis consistently on movement and access, and Gaza. We press the Palestinians to reform and build their institutions. We are investing heavily in building the capacity of the Palestinian Authority and reforming their security sector. We will continue to do so.

**[Paragraph 87] The international community must also do more to ensure that the issues we have raised are addressed in practice as well as in theory. The Quartet is right to insist that a lasting settlement must be based on both Israel and Palestine recognizing each other's right to exist, on an end to violence and on acceptance by both parties of existing agreements. Following the Hamas victory in the parliamentary elections of 2006, the Quartet decided that acceptance of these principles would become a precondition to its even having any dialogue with any Palestinian government which included Hamas. This approach has achieved very little in the last two years and has contributed to increasing tension between Hamas and Fatah. The Hamas armed takeover of Gaza was neither justified nor acceptable and the international community is right to recognize the government of the West Bank and Gaza appointed by President Abbas. However, it remains important to bring Hamas into dialogue and into the peace process. The current truce between Israel and Hamas brokered by Egypt provides the opportunity to do that. We urge the UK Government and the international community to seize this opportunity.**

The Government shares the Committee's view that the ceasefire is a very positive step. The Government also welcomes President Abbas' attempts to promote reconciliation in Palestinian politics. It is for President Abbas to develop the way forward.

However, this does not change our position that any dialogue with Hamas must be based on the Quartet principles. These are non-violence, recognition of Israel and acceptance of previous agreements and obligations. These are not unreasonable and are fundamental for a viable peace process.

## The Egyptian-Brokered Truce

**[Paragraph 89] We hope that the truce will hold and that the period of calm will be used to reassess strategies for progress towards peace. Hamas must be encouraged to meet the Quartet conditions and Israel must open the borders and allow full humanitarian access. Much is required of both parties and we hope each will step up to its**

**responsibilities. Equally the international community must at all costs avoid supporting measures that add legitimacy to, or entrench, the occupation and lead effectively to two states sharing the same territory in the West Bank. Instead it should press as hard as possible for a long-term solution and to maintain the momentum towards peace. It failed to do this when the National Unity Government was formed, with dire consequences. The current truce provides another opportunity to move forward after a prolonged period of seeming hopelessness. This moment of optimism must be seized and the peace process advanced with energy and commitment on all sides.**

The Government agrees that it is critical to put as much momentum behind the peace process as possible. We will work with the parties involved and our international partners to make as rapid progress as possible, alongside pressing for real improvements to deliver justice for Palestinians and security for Israelis.

## Annex: Response by the Office of the Quartet Representative

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### General comments:

- The Quartet Representative is focused on the implementation of the package of measures he announced on 13 May 2008. In addition, the QR has continued to work hard in support of developing the Palestinian economy and institutions, which has included efforts and lobbying to ensure that donors honour their commitments to disburse budget support pledges to the PA. His efforts towards Gaza extend well beyond the North Gaza sewage project, to include working to maintain Gaza's entire water and sanitation network, and the successful lobbying of the Israeli government to allow much needed new currency into Gaza and the exchange of old currency so that 400,000 civil servants and their dependants could receive salary, pension and safety net payments. The QR has also successfully lobbied on behalf of Gaza students to be allowed to travel abroad to take up their scholarships and has pushed for more goods to be allowed into Gaza. He has also begun to raise funds internationally to support public education in the West Bank and in Gaza and to improve the learning environment of over a million students.
- On the projects front, the QR's strategy has been to identify opportunities to strengthen existing efforts from donors and to ensure the projects receive all the necessary clearances and can come into effect quickly, rather than to set up parallel initiatives for project development to the ones already in existence (in the PRDP and in the Berlin Conference outcome document.)
- Efforts to support the rule of law and to follow up on the Berlin conference have been coupled with a renewed focus on Jenin, coupling rule of law activities there with economic projects. This is intended to create successful precedents for Israel's removal of movement and access restrictions instituted since 2000, matched with a marked improvement in security delivery by the PA, and 'peace and security dividends' to the Palestinian population resulting from greater access, investment and donor support.
- Response to paragraph 63 (projects manifesting the occupation and legitimising it): The international community at large has chosen not to compromise the well-being of the Palestinian population, and has therefore sought to ensure that well-being at the same time as pushing for an environment that supports peaceful negotiations to the creation of a peaceful, viable, and democratic Palestinian state and an end of the Israeli occupation.

## Update on progress of the removal of checkpoints, the creation of the Jenin Industrial Park and the North Gaza sewage project (paragraph 66 of the report):

- 1) **Removal of checkpoints:** Shavei Shomron, the main checkpoint connecting Nablus to Jenin was opened in mid-August and remains open on a daily basis between the hours of 06:00-18:00. This follows the removal of the Kvasim checkpoint on 18 May, as well as the removal of the Asira A Shamaliya checkpoint near Nablus and the Rimonim checkpoint before that. The QR continues to press for easing West Bank access and movement, including the removal of other checkpoints and granting of permits as agreed in the May 13 package.
- 2) **Jalameh Industrial Park:** Progress is being made with good cooperation between PA-GOI, the donors, and the developer. Questions over power and water supply remain, but these are in the process of being addressed. The issue of the access road has already been resolved. *The primary PA agency responsible for this industrial estate is the Palestinian Industrial Estate and Free Zones Authority (PIEFZA). The Ministry of National Economy, which chairs PIEFZA, is the key ministry. The private developer for the site is the North Industrial Investment Company.* Germany, through KfW, is financing and executing off-site infrastructure, and the European Investment Bank and the World Bank are involved in all power issues. The Israeli Ministry of Defence has agreed to reduce the distance from the barrier to 350m (from 500m). Issues that remain to be resolved include the design and height of the surrounding fence, the height of the industrial buildings, criteria for products, equipment and workers allowed to go in and out during the construction period and the type of security checks required during the construction period. As soon as the list of industries allowed to produce inside the park and the list of products to go in and out have been agreed, the presentations for the road-show will be prepared for attracting potential investors.
- 3) **North Gaza Sewage Project:** Good progress has been made. Phase One of the project will be completed once the last 70 trucks of pipes are allowed into Gaza by the Israeli authorities. The Israelis are working hard to let these in as Phase One should be completed before the start of the rainy season. Once this is done, Phase One will be completed one month after that. Israel has provided the security clearance for all goods for Phase One, and needs to co-ordinate the transfer of goods from Ashdod to Gaza.

Report on other areas of progress:

- **Wataniya telecommunications company:** On 28 July, the Palestinian Authority and the Government of Israel signed a Frequency Allocation Agreement that enables Wataniya, the second mobile telephone operator in Palestine, to begin operations. The Wataniya deal was one of the cornerstones of the May 13 package agreed upon by the Quartet Representative and the Israeli government. As a result of the frequency allocation, Wataniya will begin procurement of the equipment to begin operations by the beginning of 2009. This deal will contribute to the overall growth of the Palestinian economy. It will involve an injection of funds to the PA of

over \$354 million in licence fees, with an immediate transfer of \$80-100 million, which has crucially helped Prime Minister Fayyad cover the August salary payments. Secondly, Wataniya will invest more than \$700 million in the Palestinian Authority over 10 years, create 750 jobs for Palestinians and generate 1,500-2,000 indirect jobs.

- **Palestinian workers:** a further 1000 permits have been granted for 1000 Palestinian olive harvesters to work in Israel.