



## Questions and Answers

### Q: What are the main conditions recommended by the Bank for increased donor aid?

- For an economic recovery to be possible, the Government of Israel will need to roll back the security-related system of restrictions on the movement of people and goods imposed since the beginning of the *intifada*.
- The Palestinian Authority, for its part, must demonstrate a much stronger commitment to security reform and to addressing violence. The PA also needs to renew itself through a series of democratic elections (presidential, PLC, local) and to re-invigorate its program of internal governance reforms.
- More details available in [What is needed from the parties to allow for a vibrant economic recovery](#)

### Q: What timetable does the Bank propose for development of this agenda?

- This agenda will need to be further refined after the AHLC meeting on December 8 in Oslo, preferably through direct discussions between GOI and the PA. If bilateral negotiations take place, we hope that the report will act as a starting point for the two parties when they discuss the economic agenda.
- The donor community should carefully track progress by both parties over the coming months.
- If significant progress is made by GOI and the PA to create the preconditions for growth, a donor pledging conference should then be called. Ideally this would take place by the middle of 2005, in advance of the evacuation of any Gaza settlements. Calling such a conference in the absence of adequate progress would be counterproductive, however. This pledging conference would need to consider a package of priority reconstruction and development needs.
- In preparation for the pledging conference, and on the basis of the PA's Medium Term Development Plan, the Bank is prepared to draft a Palestinian Reconstruction Program in full consultation with the PA and the donor community.

### Q: What major offers did Israel bring to the table during the discussions with the Bank-led donor team?

- GOI proposed a **network of 52 roads and 16 under/overpasses** for donor financing to ease transport in the West Bank. Assumed here is continued restriction of various roads, esp. those accessing settlements.
- A **major upgrade of border crossings**, i.e. the (re)construction of several terminals located between West Bank/Gaza and Israel, along with significant security technology upgrades and management policy reforms, to facilitate movement of goods and people; GOI expects donors to contribute part of the costs involved (somewhere between US\$100-200 million is the expected total including the railways mentioned below).
- **Adoption of the 'redundancy principle'**, i.e. making available an alternative passage(s) if a primary passage is closed due to security concerns.

- **The application of service standards** (waiting and processing times) for border cargo management
- **Railway construction.** GOI is proposing two railway projects: to link Erez with the national grid and thereby connect to Ashdod and Haifa ports; the second project would connect Sha'ar Efraim (near Tulkarm) to the Israeli national railway grid, permitting a cargo connection to Ashdod and a passenger connection between the northern West Bank and Gaza.
- GOI has shown interest in supporting the early construction of a **Roll-On, Roll-Off cargo port in Gaza** and the introduction of a **helicopter service** between Gaza and Amman, but has not made any commitments so far.
- Israel is committed to issue up to **15,000 work permits for Gaza and 20,000 for the West Bank**, but they would taper off to zero by the end of 2008.

**Q: What are the issues which require further discussion with the Government of Israel?**

- **GOI's intention to maintain the "back-to-back" regime in the West Bank with regard to the movement of goods.** The bank argues that a combination of security screening, containerization and risk-management techniques make this unnecessary.
- **Number and location of border crossings between the West Bank and Israel** (three of the proposed five cargo terminals are located east of the *Green Line*). This is a political rather than an economic issue, but the bank has observed that in light of the ICJ Advisory these locations will not be acceptable to the diplomatic community.
- **Third-party involvement in security and customs arrangements.** GOI is unwilling to cede control of security for a Gaza Port or air connection, while the bank is advocating that GOI take a very hard look at the possibilities of a (friendly) third party involvement of some kind.
- **Institution of a commercial dispute resolution mechanism.** This is the international norm at border points. GOI's reluctance to involve other parties in adjudication stems from concern that this could impair its security control. The Bank understands this but believes it is important to have recourse mechanisms that investors and shippers will have confidence in.
- **Establishment of a strong transport connection between Gaza and the West Bank.** The Bank believes this is very important for the future of the Palestinian economy. GOI is not prepared to reinstitute "safe passage" though it is willing to ease the flow of cargo between the two jurisdictions. The PA insists on a return to the Oslo arrangements.
- **Continuation of labor flow into Israel after 2008.** The Bank believes that termination of labor flows within the proposed timeframe is too abrupt and will make it much harder for the Palestinian economy to recover.
- **GOI opposition to the maintenance of the quasi-Customs Union (qCU) with the West Bank once Israeli leaves the Philadelphi Corridor.** The Bank and the IMF believe this will be damaging to the Palestinian economy - and that it is not necessary since the customs envelope can be protected, e.g. by the PA subcontracting the customs function to an international customs administrator, such as has been done elsewhere with great effect

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