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International Development Committee

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Footnotes

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Map 1: The West Bank
Map 2: Territorial fragmentation of the West Bank

UN Office for the Coordination of Humanitarian Affairs
CAP 2006 - Revised Emergency Appeal
May 2006

LEGEND
- TRISECTION BOUNDARIES
- ENCLAVE BOUNDARIES
- CONSTRUCTED AND PLANNED BARRIER
- 1949 ARMISTICE LINE (Green Line)

TERRITORIAL FRAGMENTATION
A combination of checkpoints, physical obstacles and a permit system has effectively cut the West Bank into three distinct areas in addition to East Jerusalem. Within these areas further enclaves have been created – also bordered by checkpoints and roadblocks – that has led to one Palestinian community being isolated from its neighbour.

The Jordan Valley is practically cut off to Palestinians from the rest of the West Bank. And, over the past year, progressively fewer Palestinians have been able to obtain permits to visit "closed areas" – land to the west of the West Bank Barrier.

The designations employed and the presentation of material on this map do not imply the expression of any opinion on the part of the United Nations concerning the legal status of any territory, or its delimitation, or concerning the boundaries of any country or its communities. They are symbolically represented in the organization of these lines.

Sources: UN Office for the Coordination of Humanitarian Affairs, May 2006.
Summary

Three years ago the International Development Committee published a report on Development Assistance and the Occupied Palestinian Territories (OPTs). The report noted a level of economic decline unprecedented in a middle-income economy such as the West Bank and Gaza. The aim of this report is to assess what has happened since 2004 in the context of the election victory of Hamas in January 2006.

Consequent upon the formation of a Hamas-led government, the Government of Israel began withholding the tax and customs revenues it collects on behalf of the Palestinian Authority. The Quartet, composed of the EU, the UN, Russia and the USA, declared they could not work with the Hamas-led government unless it met three conditions: to renounce violence, to recognise Israel and to adhere to previous agreements. In the absence of this, many donors, including the UK, took the decision to stop all direct assistance to the Palestinian Authority.

The combined effect of the withholding of revenues and budget support has been to place the Palestinian Authority under severe fiscal pressure. It has also increased poverty and hardship amongst most Palestinians. In an attempt to mitigate the worst effects of the situation, the European Union created a Temporary International Mechanism as a means of funding the continuation of essential services. The Temporary International Mechanism was a timely response to the crisis but is insufficient to cope with it. The UN has increased its humanitarian appeal for 2007 based on the assumption that the situation will not improve significantly this year.

Increasing donor assistance is not the answer to the problems facing the Palestinians. The OPTs are the largest per capita recipients of aid in the world. Under conditions of occupation their development prospects are being eroded largely by the actions of the Government of Israel (although the Government of Israel disputes that it is an occupying power). These actions—the expansion of settlements on occupied territory and the accompanying security infrastructure, including the construction of a security barrier, a system of separate roads, road blocks, checkpoints, permits as well as the restrictions on Palestinian commerce and trade, especially from Gaza—are justified by Israel on the grounds of security. Every state has a duty to protect its citizens and Israel has genuine security concerns. However, we question the proportionality of many of the measures it takes, their human cost and their effectiveness in achieving the long-term peace and security that the peoples of Israel and Palestine deserve.

There are reports almost daily of possible developments in the political and security situation in the OPTs, and between the Palestinians and Israel. In the absence of formal agreements, there is only a downward trend in the development and humanitarian situation in the territories.

The first steps to improving the development prospects for the Palestinians are to implement the Agreement on Movement and Access signed in November 2005. The international community must ensure that Israel makes good its promises in this regard. In addition Israel must also stop withholding revenues due to the Palestinian Authority.
The international community’s policy of isolating a democratically elected government is questionable under conditions of ongoing conflict. We understand the reasons for this decision but doubt whether it is in fact the most effective response. Indeed, the withholding of revenues by Israel and the boycott of the Hamas-led Palestinian Authority by existing donors has led the Hamas government increasingly to look elsewhere for financial support. As a result, Hamas now has closer links to governments like that of Iran than it had two years ago. We doubt whether this is a development that the international community would have intended. The situation at the beginning of 2007, politically, economically and socially, is worse than it was in 2004. The international community is in danger of preventing the creation of a viable Palestinian state.

While the end of occupation will provide the best opportunity for development, ways must be found now to influence the actions of the Government of Israel and to create in the territories a government capable of self-rule and peace with its neighbour. The current approach of waiting for something to turn up militates against this.
Background and acknowledgements

The previous International Development Committee published a report on development assistance and the Occupied Palestinian Territories (OPTs) in 2004. Most of their findings remain relevant. However, since the Hamas election victory in January 2006 the development situation in the OPTs has deteriorated significantly. In July we announced our intention to undertake a new inquiry. The aims of the inquiry were to examine the implications of the Hamas victory, the effectiveness of the international community’s response and the contribution which development assistance can make in terms of supporting political solutions to the conflict.

We began taking evidence in October and have held four oral evidence sessions. We also received written evidence and background papers from 39 organisations and individuals from the UK, the OPTs and Israel. The Committee visited the OPTs and Israel at the beginning of November.

We are grateful to all those who gave evidence to the inquiry including the Department for International Development and the Foreign and Commonwealth Office, the UN Office for the Coordination of Humanitarian Affairs (OCHA), the European Commission External Relations Directorate, Christian Aid, Oxfam, Quaker Peace and Social Witness and the Board of Deputies of British Jews. We would also like to thank all those individuals and organisations in the OPTs and Israel who met with us on our visit and helped us to understand the situation on the ground. Our itinerary is included as an Annex to the report.

1 Introduction

The political context

1. On 25 January 2006 the Palestinian Authority (PA) election was won by the militant Palestinian liberation group Hamas. They won by a clear majority taking 74 out of 132 seats with Fatah, the other major contender, and the incumbent party, taking 45 seats.\(^2\) Hamas’s share of the vote was 45%. The divided Fatah and four other secular parties won 55% of the vote.\(^3\) Rafiq Husseni, Chief of Staff to the Palestinian President, told us that Hamas had won the elections for three reasons:

- the inefficiency of the Fatah Government—the Palestinian Authority had built up debts of US$440 million;
- the failure of Fatah to make any progress with the Government of Israel in the peace talks leading to the unilateral withdrawal from Gaza; and,
- the growth and visibility of Islamic fundamentalism.

Other people we spoke to mentioned corrupt practices, economic mismanagement and poor delivery of services by the former Fatah PA. These were contrasted with the record of welfare organisations associated with Hamas in delivering welfare support in recent years and were seen as additional reasons for Fatah’s electoral defeat. We were also told that Fatah had failed to manage the election campaign properly and had fielded too many candidates who ended up competing against each other.

2. Some have said that the Hamas victory was predictable. For example, Alan Seatter, Head of the Near East Unit, Directorate-General for External Relations in the European Commission, told us that it was possible to see that there was a major political shift in Palestinian public opinion before the elections, and that the likelihood of a Hamas victory was growing.\(^4\) Officials from the Department for International Development (DFID) commented that, although it was clear that Hamas would do well, everyone was surprised at how well they did. In response to questioning about whether warnings should have been given on the probable implications of a Hamas victory, DFID explained that the view of the Middle East Quartet (the EU, US, UN and Russia) was that it would not be right to try to influence the outcome of the elections.\(^5\) Following the elections, a package of emergency assistance was arranged by the EU in February 2006, in anticipation of the problems which Hamas might face once it had formed a government.

3. After the election the Israeli and the US Governments immediately stated that they would not work with a government which included Hamas. The Quartet issued a statement on 26 January 2006 saying: “the Quartet reiterates its view that there is a

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\(^2\) The Sunday Telegraph, 8 October 2006. See also Democracy and the Middle East: Egypt, the Palestinian territories and Saudi Arabia, House of Commons Library Research Paper 06/54.

\(^3\) The Palestinian Parliamentary Election and the rise of Hamas, House of Commons Library Research Paper 06/17, p 10.

\(^4\) Q 172 [Mr Seatter]

\(^5\) Q 2 [DFID]; see also Q 275 [Hilary Benn]
fundamental contradiction between armed group and militia activities and the building of a democratic state. A two-state solution to the conflict requires all participants in the democratic process to renounce violence and terror, accept Israel's right to exist, and disarm, as outlined in the Road Map.9

4. Following the formation of a Hamas-led government on 29 March 2006, the Government of Israel stopped the transfer of revenues that it collects on behalf of the Palestinian Authority. (This is a measure which the Government of Israel has used on previous occasions.) We have been told that these funds have not been confiscated but are being held in a trust fund. On 30 March the Quartet called upon the newly-formed government to commit to the principles of non-violence, recognition of Israel and acceptance of previous agreements and obligations.7 Having made no progress in this regard, on 7 April the European Union and the US announced the suspension of direct aid to the Hamas-led government.

5. Direct aid to the Palestinian Authority was approximately US$30 million per month or 25% of the PA's monthly revenues in 2005.8 The withholding of PA revenues by the Government of Israel amounts to about US$60 million a month or approximately 50% of the PA's monthly revenues.9 While many donors, including the UK, have redirected their funding to the UN Consolidated Appeal, the UN Relief and Works Agency (UNRWA), NGOs, the Office of the President and the Temporary International Mechanism (TIM), the PA is deprived of about 75% of its monthly budget.10 The biggest part of PA expenditure is the payment of salaries to PA workers, effectively the Palestinian public sector, including teachers, doctors and PA officials. As well as paying the wages of the expanding public sector, the PA has also become the ‘financier of last resort’ covering the unmet obligations of Palestinian utilities and public institutions.11 In addition international banks have withdrawn credit and other services from the PA, fearing anti-terrorism litigation. It has been possible for the PA to continue to collect domestic tax revenues since March 2006 but the increase in unemployment and poverty in the territories has affected the amount that domestic taxation can bring in. There have been continued donations coming from outside Arab sources and Iran, sometimes carried in cash through the Egyptian border with Gaza. Given the nature of these donations and the haphazard way they reach the territories, it is not clear which are intended for the PA and which for the work of individual organisations and factions.

6. The suspension of direct payments to the Palestinian Authority was accompanied by an increase in humanitarian assistance to the OPTs. DFID figures indicate that EU assistance to the PA was £65 million in 2005 and that this will increase to £117 million in 2006.12 The UN Consolidated Appeals Process increased its appeal in mid-2006 and again for 2007.

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7 www.bbc.co.uk 30 March 2006.
9 OCHA, Occupied Palestinian Territory 2007 p 13.
10 OCHA, Occupied Palestinian Territory 2007 p 13.
12 HC Deb, 4 December 2006, col 66W.
The 2007 appeal is for US$454 million. The Palestinian economy is already heavily reliant on development assistance. Annual donor funding to the Palestinians had doubled since the beginning of the second intifada in 2000. The OPTs have received more than $300 per capita or approximately US$1 billion a year in aid in each of the last five years reflecting the continuing and acute needs of the Palestinian people. This is about one quarter of annual GDP.

7. In June 2006 the Quartet endorsed a proposal by the European Commission to channel aid directly to the Palestinian people, by-passing Hamas. The Temporary International Mechanism, which will be discussed in detail in Chapter 4, provides funding for essential supplies and running costs of hospitals and healthcare centres, supplies of energy utilities including fuel, and support for vulnerable Palestinians through the payment of social allowances.

8. Inevitably, the impact of the withdrawal of revenues has been overwhelmingly and predictably negative. At the time of writing this report, public sector workers had not been paid full salaries since mid-March 2006 and teachers, civil servants and health workers in both Gaza and the West Bank either had been or continue to be on strike as a result. During the week of our visit in November, some school-teachers in the West Bank returned to work but doctors in West Bank hospitals were on strike. According to OCHA up to one million Palestinians are dependent on PA incomes. Levels of poverty have risen. Evidence from Save the Children indicates that 66% of Palestinian households are living below the poverty line. A more detailed analysis of the socio-economic situation is presented in Chapter 2.

The security situation

9. Israel disengaged unilaterally from Gaza in September 2005. But this has not resulted in a diminution of conflict. Statistics from OCHA show that during the period from September 2005 to the beginning of November 2006:

- 1,700 qassam rockets were fired into southern Israel from northern Gaza resulting in 41 people being injured.
- 14,200 artillery shells were fired into Gaza and there were 550 air strikes by the Israeli Defence Force (IDF) on Gaza resulting in 525 people being killed and 1,527 injured.

10. We do not in any way condone the firing of qassam rockets from Gaza into Israel. Such actions need to stop. The question of a proportionate response nevertheless arises.
The Israeli Defence Force’s response has killed and injured many more people than the actions of the Palestinian militants. Many civilians, including women and children, have been killed in Gaza. We accept that in situations of conflict there will be mistakes and even excesses but proportionate response must be an integral part of any state’s security policy. The actions of neither the Palestinian militants nor the IDF in and around Gaza enhance the prospects for a peaceful settlement.

11. Gaza was also subject to an intensified military assault by the IDF in the five months following the kidnapping of an Israeli soldier by Palestinian militants in June 2006. During our visit the IDF was engaged in a major offensive in the town of Beit Hanoun from where hundreds of qassam rockets have been launched into Israel. On the night of Tuesday 7 November 19 Palestinian civilians, including 14 women and children, were killed when Israeli artillery hit the residential area of the town.21 We were deeply shocked by the outcome of this action by the IDF which, we were subsequently told, was due to a technical error. The Foreign Secretary, Rt. Hon. Margaret Beckett MP, said she was gravely disturbed by the incident and the Government of Israel expressed regret for the civilian deaths which were apparently caused by the misalignment of artillery by one soldier.22 On 17 November the UN General Assembly condemned the attack “expressing deep sorrow.”23 A resolution by the Security Council was vetoed by the United States.

12. A ceasefire between Israel and the Palestinians was subsequently agreed on 28 November preventing the predicted outbreak of revenge attacks. However the Beit Hanoun incident raised questions about the extent to which the operational directives of the IDF are aligned with Israel’s security policy.24 The shelling also serves as a reminder that the Government of Israel has obligations, including the protection of civilians, which it is failing to fulfil. This is discussed in Chapter 3.

13. In the summer of 2006 Israel and Hezbollah were engaged in violent conflict in Lebanon and northern Israel after the kidnapping of two Israeli soldiers by Hezbollah. The conflict ended after the UN brokered a ceasefire. The inconclusive nature of the war has weakened the Olmert government and raised the possibility of a return to conflict at some point in the future. The significance of this conflict for the OPTs is as yet unclear. Evidence from the Palestinian NGO, BADIL Resource Centre for Palestinian Residency and Refugee Rights, points out that the war led to an expansion of illegal outposts25 while DFID considers that the war leaves any plans for Israeli disengagement from the West Bank in question.26

21 Haaretz, 9 November 2006.
22 The Times, 9 November 2006.
24 Haaretz, 9 November 2006.
25 Ev 117 [BADIL Resource Centre]
26 Ev 75 [DFID]
The Department for International Development’s programme in the OPTs

14. Our remit is to scrutinise the work of the Department for International Development. In relation to the OPTs, this requires us to assess the immediate impact of DFID’s programme on the territories but also to examine DFID’s engagement with the wider donor community, including the EU and the UN, and with the Government of Israel. The DFID programme in the OPTs has three main objectives:

- “direct support to the peace process;
- humanitarian assistance to improve the prospects for peace; and,
- supporting the institutions of a Palestinian state which could participate in the peace process and govern the Palestinian Territories following a final peace settlement.”

DFID says these objectives, set out in their Country Assistance Plan, have not changed as a result of the Hamas election victory although it has reconfigured its programme to support the peace process without working directly with Hamas by bolstering the Office of the President and the institutions reporting to him, and by supporting the PLO Negotiations Support Unit.

15. However DFID cannot meet the objectives of its Country Assistance Programme in the current circumstances, in particular that of building up Palestinian institutions. DFID says that it does not wish to punish ordinary Palestinians for the actions and policies of their government but the measures it has put in place mean that the budget for the OPTs is now skewed heavily in favour of humanitarian and emergency assistance. This is provided through the EU’s Temporary International Mechanism (TIM) as well as through the UN Relief and Works Agency (UNRWA) and the UN Office for the Co-ordination of Humanitarian Affairs (OCHA). Despite DFID continuing to provide assistance through alternative means, the perception among Palestinians with whom we held discussions on our visit was that the decision to withhold direct aid, or not to renegotiate budget support for 2006, has been harmful to ordinary Palestinians, is contributing to the erosion of Palestinian institutions which DFID has been trying to build up, and has deprived the opposition of its legitimate role. Many Palestinian people we met told us that they felt they were being punished for the outcome of their democratic elections.

16. In its 2004 Country Assistance Plan DFID states that a funding crisis in the Palestinian Authority carries a high risk and would have severe repercussions for poverty and unemployment. In its response to the previous International Development Committee’s report on the Occupied Palestinian Territories the Government states that, while conventional development assistance is problematic under conditions of occupation, it has a major role to play, “particularly in supporting the PA to meet its peace process

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27 Ev 73 [DFID]
29 Ev 75 [DFID]
30 Q 286 [Hilary Benn]
commitments and to build the institutions of a viable Palestinian state. The case for this type of assistance is arguably even stronger when the peace process is not going well.”

We commend DFID on its foresight. This analysis was accurate in 2004 and remains so today. If the PA collapses the prospects for peace will be set back significantly. By supporting the Office of the President, and indeed using the Office as the intermediary for the Temporary International Mechanism, the EU and the UK are managing to by-pass Hamas. However there are risks inherent in supporting a democratically elected head of state who is also the leader of the opposition party as a substitute for, rather than in addition to, having direct relations with the government properly elected under the provisions of the Oslo process to provide services to the people of the West Bank and Gaza.

17. The international community’s decision to suspend funding to the PA has had significant implications—political, social and economic. The socio-economic implications are discussed in Chapter 2. The political implications include the isolation of Hamas by the international community. It is also worth remembering that efforts to isolate the Hamas-led PA have led Hamas increasingly to look elsewhere for financial support. Hamas now has closer links to governments like that of Iran than it had two years ago. We doubt whether this is a development that the international community would have intended. We believe that the international community is right to place pressure on Hamas to change those policies which militate against a peace process. However this would best be achieved through dialogue and engagement rather than isolation. The danger of the current approach is that it might push Hamas into a corner which encourages violence rather than negotiation. The international community must also ensure it is not bolstering one faction against the other and thereby increasing the risk of internal strife.

The Committee’s inquiry and visit

18. We started our visit in Jerusalem in early November 2006 by meeting with the UN Office for the Coordination of Humanitarian Assistance (OCHA), who gave us an update on movement and access in the OPTs. We then met the World Bank, European Commission representatives and other donors, the Office of the Palestinian President and the Negotiations Affairs Department of the PLO. We made two field visits—one to the northern West Bank to look at the system of checkpoints and to visit the Balata refugee camp, and another to Bethlehem. We were unable to get to Hebron due to planned protests. In Jerusalem we also met with a wide cross-section of Palestinian civil society organisations. After a short visit to an Israeli settlement we met with a number of Israeli Government officials in Jerusalem and Tel Aviv. We also held meetings with Israeli civil society organisations in Tel Aviv. Because we placed excessive reliance on the Foreign and Commonwealth Office and the Department for International Development to arrange our programme, and they were constrained by the Government’s boycott of Hamas, we were unable to meet members of the Hamas government. This was a regrettable omission—our information-gathering would have been enhanced by such a meeting. The full programme of our visit is included as an Annex to this report.

19. Because of the security situation during our visit we were unable to visit Gaza, where 1.4 million Palestinians live. We were also told that neither DFID nor the FCO had been able to go to Gaza since May although we understand that some other European donors have been able to do so. We recognise that in not visiting Gaza we have not seen the full extent of Palestinian poverty and the worsening humanitarian situation.

20. During our visit there were fresh attempts to create a government of national unity, composed of representatives of all parties, which would reflect the Quartet principles. Some Palestinian representatives we met were positive about the initiative while others were less hopeful. The Hamas Prime Minister, Ismail Haniyeh, offered to step down to facilitate the formation of such a government.\textsuperscript{33} The cease-fire between Israel and the Palestinians raised the possibility of a return to peace talks but little progress has been made to date. A meeting between President Abbas and Prime Minister Olmert on 24 December 2006 offered the possibility of some of the withheld revenues being disbursed.\textsuperscript{34} This is discussed in Chapter 6.

21. In his speech at the Guildhall in November 2006, the British Prime Minister listed progress in the Middle East Peace Process (MEPP) as a priority for the Government: “engagement has to start with Israel and the Palestinians—it’s the central conflict in the Middle East.”\textsuperscript{35} \textbf{We agree that until the Israeli-Palestinian conflict is solved there will be no peace in the region. 2006 has been a year of crisis for the OPTs; much of the progress made in the past has been eroded. We hope the Prime Minister’s comments will revive interest in a peaceful settlement for the Israeli-Palestinian conflict which has continued for several decades.}

22. This report looks firstly at the situation in the OPTs three years after the previous International Development Committee’s inquiry to see where progress has been made and where the situation, in terms of development, has deteriorated. Chapter 3 assesses progress on the Agreement on Movement and Access which was signed in November 2005. Progress on movement and access is vital for the future of the Palestinian economy. In Chapter 4 we examine the EU’s response to the crisis by looking at the operation and impact of the Temporary International Mechanism designed to help meet basic needs in the OPTs. Chapter 5 focuses on the health sector which, we believe, is in crisis. In Chapter 6 we explore donor engagement in difficult environments.

23. The information contained in the report was correct at the time of writing. We are conscious that the situation changes from day-to-day and as far as possible we have tried to take account of this.

\textsuperscript{33} \textit{The Independent}, 12 November 2006.
\textsuperscript{34} \url{www.guardian.co.uk} ‘Surprise Gaza talks raise hope for peace’, 24 December 2006.
\textsuperscript{35} \textit{The Guardian}, 14 November 2006.
The worsening development situation in the Occupied Palestinian Territories

24. In this Chapter, we discuss the situation in the OPTs where, despite having received large amounts of development assistance, the quality of life for the majority of Palestinians has deteriorated, especially since 2000.36

The socio-economic situation

25. The OPTs have the potential to become economically vibrant given the right circumstances. Together they are endowed with fertile agricultural land, good access to ports and fishing waters, a well-educated and industrious population and potentially good health care facilities.37 As the previous International Development Committee stated in its report, the OPTs are not an obvious candidate for development assistance.38 On our visit we were told by a number of interlocutors that they did not wish to be aid recipients; they simply wanted the opportunity to build up a vibrant economy and an independent Palestinian state.

26. The international community is committed to achieving a reduction in levels of hunger and poverty through the Millennium Development Goals (MDGs). These goals reflect a growing consensus that poverty alleviation should be the primary goal of development policy for donor countries. However the donors’ role in the OPTs has been reduced to that of providing humanitarian or emergency assistance, with development put on hold pending a political outcome. David Shearer, the Head of OCHA in the OPTs, gave the following explanation about the role of donors there:

“I think all of them recognise that this is an unsustainable situation and it is getting worse. There is a search looking for ways in which to slow the deterioration in the hope that somewhere along the line there is going to be some sort of a political development or some sort of a change. The question is, at what point do donors say, ‘We cannot do any more’, or say, ‘Actually Sudan is in a lot worse state than the Palestinian territory and we cannot do it'? Or they say that Israel … is withholding the major PA revenue, which are the customs revenues, and that there is somehow more pressure on Israel to pass those over because they are Palestinian revenues. Or the other aspect, is that there still is an occupation and under international law Israel is responsible for the welfare of the Palestinians. So it is a question of where that threshold comes in terms of paying out in the hope, or, in a sense, saying, ‘enough, we need another situation; we need to change the circumstances’.”39

27. Reducing poverty is not the responsibility only of donors. Recipient governments also have a role to play. The case of the OPTs is somewhat unique, since there is no self-
government as such. The Palestinian Authority, created after the 1993 Oslo Peace Agreement, has limited domestic responsibilities which, since March 2006, it has been unable to fulfil. However even prior to the formation of the Hamas-led government, the PA, heavily dependent on Israel for its economic survival, has been constrained by the policies and actions of Israel.

28. The current socio-economic situation in the OPTs is not simply a product of the election of Hamas in 2006, but part of an ongoing deterioration in living standards which began in 2000 with the start of the second intifada. Before 2000 the economies of Israel and the Palestinian territories were closely linked. There was significant trade between them and many Palestinians were able to work in Israel.40

29. The previous International Development Committee’s report stated:

“The operating environment in the OPTs is one of conflict. Israel’s security measures: curfews, movement restrictions, the security barrier, and the network of settlements; are preventing Palestinians from accessing services, as well as inhibiting humanitarian and development work. Above all, they are destroying the Palestinian economy and creating widespread poverty.”41

These comments remain valid today but socio-economic conditions have deteriorated even further. Today there is even greater insecurity for both Palestinians and Israelis, a worsening humanitarian situation, and increased levels of poverty and hardship for Palestinians.42

Economic growth and private sector development

30. The real gross domestic product (GDP) of the OPTs declined by about 9% in the first half of 2006, and was predicted to fall even further by the end of 2006.43 This has been largely driven by the withholding by Israel of PA tax and customs revenues. If these revenues are discounted there was a slight growth in GDP in the first half of 2006 mainly due to increased public sector hiring and the effects of increased public sector wages agreed in 2005.44 Because of the increased number of PA employees and the increase in wages in 2005 the PA was already facing a severe fiscal crisis prior to the elections.45

31. UNRWA has noted a more worrying downturn in economic activity in the private sector, especially a drop in manufacturing.46 During our visit the World Bank emphasised the significance of private sector development for the future viability of a Palestinian state. This is underscored by the decrease in job opportunities for Palestinians in Israel as a result of a decision by the Government of Israel, for security reasons, to reduce to zero the

41 International Development Committee, Occupied Palestinian Territories HC 230-I, Session 2003-04, Summary.
42 Q 108 [Christian Aid]
43 UNRWA, Prolonged Crisis in the OPT: recent socio-economic impacts, November 2006, and OCHA, Occupied Palestinian Territory 2006 Revision.
44 UNRWA, Prolonged Crisis.
45 Ev 74 [DFID]
46 UNRWA, Prolonged Crisis.
number of Palestinians employed in Israel by the end of 2007, as well as by the unsustainability of current levels of PA employment. As we said in our report last session on private sector development, economic growth is central to reducing poverty. However the private sector’s capacity to deliver growth is determined by the environment in which it operates. The right investment climate and the right regulation will attract private sector development. At present the OPTs do not offer investors a reliable or predictable environment for their money.

32. On our visit to Bethlehem we met with Zahi Khouri, Chairman of the National Beverage Company. He pointed out that there was a high level of education and qualifications in the OPTs which provided potential to specialise in high-tech and services industries and that there were already a number of IT contracts in place with companies such as Volvo. Telecoms were highly developed in the OPTs compared with other Arab countries. He told us that Palestinians had a strong work ethic and that productivity levels in the OPTs were 40% higher than for other workers in the region. As an example of the business skills in the OPTs, he told us that, in official testing of Coca-Cola produced all over the world, his company in Ramallah had come out top. But this economic potential is not being fulfilled because of constraining factors. We met at the Jacir Palace Inter-Continental Hotel in Bethlehem. Its developers had hoped it would be a magnet for tourists which Bethlehem had hoped to attract for the millennium celebrations in 2000 and subsequently. But the emerging tourist trade to Bethlehem has been devastated through the impact of the intifada, a number of major Israeli military incursions into the town and by the increasing isolation of Bethlehem through the construction of the separation barrier (see Chapter 3). We were told that, despite the proximity of our visit to Christmas, room occupancy rates were as low as 2% but that closing down the hotel would be more expensive than operating at a loss.

33. At a lunch in Ramallah we met with a number of businessmen who recounted the difficulties they had in keeping their businesses operating. One had tried to import a replacement granulator for his chemical processing factory but had been refused a permit by the GoI, on security grounds, after paying $600,000 for the equipment. We were also told about the difficulties in transporting and gaining permits to trade goods between Gaza and the West Bank because of GoI regulations which gave priority to products from Israel, as well as ongoing restrictions in movement and the back-to-back system, which are discussed in detail in the following chapter.

34. The UN Conference on Trade and Development (UNCTAD) reports that the Palestinian economy has become increasingly dependent on low-skilled, labour-intensive activities—a trend which pre-dates the current crisis. The World Bank similarly notes a progressive de-industrialisation of the economy as imports and exports move to the lower end of the technology ladder. Consumption rather than exports has provided the main source of growth for a largely inward-oriented economy. The World Bank recommends

47 Q 81 [DFID]
49 UNCTAD, Report on UNCTAD’s assistance to the Palestinian people, 19 July 2006.
that donors should shift their focus to the transfer of technology to Palestinian firms including new ideas, equipment, management practice and marketing strategies.\textsuperscript{51}

35. The environment in the OPTs is not conducive to the growth of the private sector. On the contrary current measures imposed by the Government of Israel, on security grounds, provide significant disincentives for local and foreign investment in the OPTs. This is a worrying trend which threatens the viability of a future Palestinian state. Donors can play a role in encouraging the creation of an enabling investment climate but a reliable and predictable environment requires a peace settlement. Nevertheless more pro-active steps can be taken, even prior to the attainment of a peace settlement. The easing of occupation could dramatically improve the prospects for business development and this in turn could improve the prospects for a durable peace. There is particular potential to encourage the development of small business and the third sector. We recommended in our report on private sector development that DFID should develop a strategy for private sector development in conflict-prone and conflict-affected states. The OPTs are an obvious example of where this would be valuable.

\textbf{Trade}

36. The reduction in the domestic production of the OPTs has led to decreased exports and increased dependence on external support. The World Bank reports that over the past six years imports of goods and services represented approximately 70% of GDP while exports of good and services represented between 15% and 20% of GDP.\textsuperscript{52} The main trading partner for the OPTs is Israel, although it is difficult to measure accurately trade between the West Bank and Israel since there are no customs stations, unlike trade between Gaza and Israel. UNCTAD estimates that while Palestinian trade with Israel is a small part of total Israeli trade, trade with Israel is approximately 70% of total Palestinian trade. The OPTs maintain a large and growing trade deficit with Israel, greater than the total amount of development assistance which the OPTs receive.\textsuperscript{53}

37. The EU has established an Association Agreement with Israel and an interim Association Agreement with the OPTs.\textsuperscript{54} However, given the ongoing restrictions in movement and access faced by the OPTs, the latter agreement is not functioning.\textsuperscript{55} In particular, and as discussed in the following chapter, movement in and out of Gaza has been severely restricted in the last year with the majority of crossings for goods operating at well below their capacity because of the security concerns of Israel.\textsuperscript{56} Oxfam reports that transaction costs for Palestinians wishing to export products are up to 70% higher than for Israelis exporting the same product. This market benefit is also true of products produced by Israeli settlers in the West Bank who can get direct to markets in or through Israel without the disruptive road blocks and back-to-back transfers faced by Palestinians. In

\footnotesize{\textsuperscript{51} World Bank, \textit{West Bank and Gaza}, p 6.}  
\footnotesize{\textsuperscript{52} World Bank, \textit{West Bank and Gaza}, p 11.}  
\footnotesize{\textsuperscript{53} UNCTAD, \textit{Report on UNCTAD’s assistance to the Palestinian people}, 19 July 2006.}  
\footnotesize{\textsuperscript{54} Qs 81-85 [DFID]: The details of these were also discussed in the previous International Development Committee report \textit{Development Assistance and the OPTs}, HC 230-I, Session 2003-04, paras 84-88.}  
\footnotesize{\textsuperscript{55} Q 167 [Christian Aid], Q 75-77 [DFID] and Q 219 [Mr Seatter]}  
\footnotesize{\textsuperscript{56} Qs 68-72 [DFID]}
addition Palestinians face a range of regulations which Oxfam, for example, argues, do not appear to be linked to security. Similar restrictions are placed on imports, apart from those from Israel. Oxfam also told us that “the Palestinians are obliged to rely on Israeli intermediaries to transport their goods and, therefore, do not pay purchase taxes and customs to the Palestinian Authority, which we have been told creates further losses to the economy of 3% of GDP a year.” In short, Palestinian trade is constrained and the benefits which they derive from it are limited.

Current restrictions, including those on movement and access, make Palestinian trade uncompetitive and the interim Association Agreement with the EU inoperable. The viability of a future Palestinian economy will depend significantly on its trading opportunities. The EU must ensure that Palestinian products are not being unfairly treated by Israel and measures need to be put in place to make the Association Agreement effective.

38. In contrast Israel benefits from its own trade agreement with the EU which contains, as do all EU association agreements, a political dimension. This enables the EU to raise with Israel human rights and governance issues where they arise. DFID told us that the EU has done so in the past, and may do so again. Evidence submitted by War on Want argues that there could be grounds for suspending the Agreement because of the undermining of human rights and democratic principles by Israel. The European Parliament has also suggested that the Council investigate whether Israel’s actions have breached the human rights requirement of the Association Agreement. DFID told us it considers the Agreement to be a useful tool which enables dialogue to continue. There is an incongruity in allowing Israel to continue to benefit from a type of agreement from which Israel prevents Palestinians from benefiting from. Continued dialogue with Israel is certainly necessary but the Association Agreement appears to give tacit assent to the restrictions on movement and access which Israel imposes on the Palestinians. The UK should urge the EU to use the Association Agreement with Israel as a lever for change and consider suspending the Agreement until there are further improvements in access arrangements.

39. Reports that products from Israeli settlements in the OPTs have been classed as ‘made in Israel’ and have thereby benefited from the EU-Israel Association Agreement, which was raised in the previous IDC’s inquiry, were discussed with Alan Seatter of the European Commission. He explained that a new system of postcodes ensures that such products do not benefit from the Agreement. He subsequently submitted written material to confirm this. The regulation requiring detailed postcodes for settlement products is a recent and welcome development. It is important that the EU is not indirectly supporting and giving benefit to unlawful settlements on Palestinian land. However, to be effective, information about the postcodes needs to be widely understood in the EU and member

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57  Ev 105 [Oxfam]
58  Q 168 [Oxfam]
59  Q 85 [DFID]
60  Ev 197 [War on Want]
62  Qs 83-88 [DFID]
63  Qs 222-230 [Mr Seatter], Ev 208 [European Commission]
states should ensure that robust, cost-effective arrangements are put in place to monitor goods being imported from Israel. The UK Government should press for the EU to take practical action to achieve these things. It has also been reported that the Government of Israel is compensating Israeli manufacturers beyond the Green Line who export to the EU for the loss of their preference. This matter should be fully investigated by the EU to determine whether such practices undermine the basis of the Agreement.

**The labour market**

40. Employment in the OPTs grew in the first half of 2006, due mainly to an increase in the number of public sector employees, but this was countered by a downturn in manufacturing and construction jobs. The current fiscal crisis in the PA means that 160,000 public sector employees have not been paid salaries since March 2006. Given the high levels of dependence on such salaries, UNRWA estimates that about 25% of the population of the OPTs are affected. OCHA reports that around 70% of the Gaza workforce is out of work or without pay. Evidence suggests an unemployment rate of 40%.

41. Without employment Palestinians cannot hope to meet their basic needs and poverty and hardship are therefore increasing. The consequences of the non-payment of PA salaries are substantial. UNICEF reports that:

> “The Palestinian Central Bureau of Statistics (PCBS) found that households dependent on salaries from the public sector are resorting to negative coping strategies including postponing paying bills (83.5%), relying on past savings (26.3%), selling jewellery (29.6%) and reducing consumption of fresh meat (88.6%). Households are also becoming heavily indebted, with 65% reliant on informal borrowing in order to subsist. The reliance on negative coping strategies was most apparent in Gaza households. If this situation continues, the World Bank estimates that real GDP per capita will decline by 27% by December 2006 and personal income (real GDI) by 30%.”

**Hunger and malnutrition**

42. Recent World Food Programme assessments indicate that 51% of Palestinians are now food insecure—unable to cover their families’ daily requirements without external assistance. This represents a 14% increase in the past year. OCHA also reports an increase in food security in the order of 13% in 2006.

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65 UNRWA, *Prolonged Crisis*, p III.
66 Q 251 [Mr Shearer] See also OCHA, *Occupied Palestinian Territory 2006 Revision*. Monthly updates are available on the OCHA website, www.ochaopt.org.
67 Q 251 [Mr Shearer], Ev 151 [Médecins du Monde], Ev 127 [Discovery Analytical Resourcing]
68 Ev 190 [UNICEF]
69 Ev 195 [World Food Programme]
70 OCHA, *Occupied Palestinian Territories 2007*.
43. The World Food Programme reported recently that:

“the Gazan economy is collapsing and there is no trust for the future, no investment and no hope… There is now a one-month stock of food in densely populated Gaza which relies on external food shipments through border checkpoints which have been periodically closed by Israel. Infrastructure is also crippled while industries which have formed the backbone of the territory’s economy, mainly farming and fishing are in sharp decline. There is no more grain in the four major silos of the four major mills, and even if we are providing food to some of the needy in Gaza, that is 15-16% of the population, the trade has completely collapsed. Since June no fishing is allowed at all and in fact you come to the fishing port and there is no more smell of fish. This puts out of work about 35,000 people who were living from the fishing industry.”

44. In 2004 the previous International Development Committee reported that rates of malnutrition in Gaza and parts of the West Bank were as bad as one would find in sub-Saharan Africa. UNICEF has reported on the effects of the cut-back in health services in the West Bank and Gaza in 2006. Micronutrient deficiencies are the main health problem, with anaemia remaining a severe public health challenge: 37.9% of children under five and 31.1% of women of child-bearing age are anaemic. In addition, 22% of under-5s are vitamin A deficient and 20% show signs of iodine deficiency. Infant mortality (25.2 per 1,000 live births) and under-5 mortality (29.1 per 1,000 live births) rates are not improving, making the achievement of Millennium Development Goal 4 difficult. The loss of income to poor families over an extended period, coupled with reduced health services, is likely to have long-term repercussions on nutrition and basic health indicators.

Access to water

45. The bombing of the Gaza power plant by Israel has severely restricted access to water in Gaza. This has caused problems for the operation of hospitals and there has also been an increase in diarrhoea, particularly in children under three. However, limited access to water for the Palestinians is not a new phenomenon. The previous International Development Committee noted the huge discrepancies between Palestinian and Israeli water consumption. Greater discrepancies can be found in respect of Israeli settlements. UNICEF reports that Palestinians consume an average of 83 cubic metres of water per person per year, while Israelis consume 333 cubic metres and settlers 1,450. OCHA reports that 25% of Palestinians in the OPTs do not have sufficient access to water. In addition, David Craig of the World Bank and a number of other witnesses told us that settlements located on hill tops often drain their waste water into the valleys below where

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72 International Development Committee, Occupied Palestinian Territories, HC 230-1, Session 2003-04, para 6.
73 Ev 189 [UNICEF]
74 Ev 151 [Médecins du Monde]
75 Ev 180 [Save the Children]
76 International Development Committee, OPTs, HC 230-1, Session 2003-04 paras 40-45.
77 Ev 192 [UNICEF]
78 OCHA, Occupied Palestinian Territories 2007, p 3; Ev 136 [International Solidarity Movement]
Palestinian villages are located, contaminating water supplies. Water access arrangements continue to be a problem for agriculture. According to Oxfam only 7.3% of West Bank land is irrigated. The comparable figure of Israeli agricultural land is about 50%.80,81

**Poverty**

46. The downturn in economic activity, the squeezing of the private sector and the non-payment of PA salaries have all contributed to an increase in poverty and hardship in the OPTs. This is contrary to the internationally agreed goal of reducing poverty. According to Christian Aid, 20% of the population fell below the poverty line in 1998; by 2005 that had increased to 54%, and by 2006 to 64% across the OPTs and to 78% in Gaza.82 Similar figures are reported by Save the Children and UNICEF.83

47. A report by UNRWA notes that since 2000, about two-thirds of all poor persons have had consumption levels below the deep consumption poverty line.84 Average daily consumption of such individuals was about US $1.66 per day—below the accepted level of consumption which would meet the basic needs measure of US $2.10 per day.85

48. Using data for the first half of 2006, UNRWA reports that real per capita consumption levels fell by about 12%, with food consumption down by 8% and non-food consumption down by 13% relative to the second half of 2005. “This increased the number of deep poor from an average of 650,800 in the second half of 2005 to an average of 1,069,200 in the first half of 2006—a 64.3% increase.”86 OCHA reports that the poverty rate stands at 65.8% and continues to rise.87

49. Although the West Bank and Gaza were suffering from the impact of occupation well before 2000, developments since the outbreak of the intifada in that year took the socio-economic situation in the OPTs to crisis level. That crisis has intensified in 2006. In its current phase it is largely triggered by the withholding of PA revenues by the Government of Israel and the withdrawal of budgetary assistance by the major donors. These actions have made a bad situation worse. The PA is operating with a fraction of its normal budget and its contribution to household income has declined. The Government of Israel has been urged by the EU General Affairs Council to stop withholding the revenues, or to pay the revenues through the EU’s own Temporary International Mechanism. There have been recent reports of an agreement between the Government of Israel and the Palestinian President on the repayment of some of the withheld funds. This is a matter of the highest priority. Current measures taken by the

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79 See also, Ev 150 [International Solidarity Movement], Ev 170 [Palestinian Grassroots Anti-Apartheid Wall Campaign]
80 Ev 107 [Oxfam]
81 We are currently undertaking an inquiry into water and sanitation provision in the developing world on which we will report later in the year.
82 Q 109 [Christian Aid]
83 Ev 180 [Save the Children]; Ev 190 [UNICEF]
84 UNRWA, *Prolonged Crisis in the OPT*. Deep consumption poverty is defined as the inability to meet basic consumption needs.
85 UNRWA, *Prolonged Crisis*, p III.
86 UNRWA, *Prolonged Crisis*, p III.
Government of Israel and the international community are harming ordinary people. We recommend that the UK make specific representations to the Government of Israel to pay the remainder of the revenues due to the recognised institutions of the PA. If negotiations take place to channel the revenues through the Temporary International Mechanism or the Office of the President, it is important that these recognise that the revenues belong to the Palestinians, not the Government of Israel, and that any such discussions expedite, rather than delay, the revenues being put to use in the OPTs.

**Humanitarian assistance**

50. The UN Office of the Coordination of Humanitarian Affairs (OCHA) has responsibility for monitoring the humanitarian needs of the Palestinian people and for coordinating humanitarian-related activity for all UN agencies and donors. The Consolidated Appeals Process is the means by which resources are mobilised and then distributed through a programme for strategic planning, implementation and monitoring—the Common Humanitarian Action Plan.

51. In May 2006, faced with a worsening humanitarian situation and in response to the PA fiscal crisis, the UN took the unprecedented step of revising its appeal for humanitarian assistance from US$215 million to US$384 million. The head of OCHA in the OPTs, David Shearer, told us that in 2007 the appeal would be for around US$450 million. The increase will mainly be used for job creation, cash assistance and food aid. About 25% will be used for education, health and agricultural support. 88

52. The high levels of humanitarian assistance being allocated to the West Bank and Gaza are not sustainable in the long run. David Shearer believed that donors were simply trying to stop the deterioration in living standards in the hope that there would soon be change in the political circumstances. 89 In its evidence, DFID points out that the UN system, and the provision of humanitarian assistance, should not become a replacement for the PA. 90 We agree with DFID that, while the UN can provide short-term humanitarian assistance, it cannot replace the services normally offered by the Palestinian Authority. Current high levels of humanitarian assistance may be necessary but they far exceed per capita levels provided in many poorer countries, for example in sub-Saharan Africa, and are not sustainable in the long term.

53. Aid, especially in conflict settings, has political implications. There is a widely-held view that aid is reinforcing the Israeli occupation, 91 but equally most agree that donors cannot simply withdraw. 92 There is no easy answer to this dilemma without agreement on

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88 Qs 231-232 [Mr Shearer]
89 Q 233 [Mr Shearer]
90 Ev 81 [DFID]
92 Qs 27,33 [DFID]
final-status negotiations. In the interim donors must ensure that their aid is, as far as possible, non-distorting.93

The role of the UN Relief and Works Agency (UNRWA)

54. UN Relief and Works Agency is mandated by the General Assembly of the UN to provide health, social services and education for Palestinians who became refugees in 1948 and who now live in the OPTs, Jordan, Syria and Lebanon. Over four million Palestinians are registered as refugees.94 This can lead to apparent discrimination between refugees and non-refugees although in practice UNRWA provides support to both in many cases. UNRWA now also gives food aid and cash assistance to Palestinians who lost their jobs in Israel after the second intifada. Although UNRWA funds are part of the Consolidated Appeals Process, 96% of UNRWA’s funding is at the discretion of individual donors and, according to DFID, this funding has lagged behind population growth and inflation.95

55. A recent report by UNRWA found that refugees are hardest hit by the current crisis—they are more likely to be unemployed, and make up the largest proportion of those living in deep poverty.96 UNRWA launched an appeal on 12 December 2006 for $246 million in emergency funds. In response DFID announced a new package of assistance, worth £75 million over four years.97 This represents an increase of about £20 million a year over current commitments.98

56. We visited the Balata refugee camp in the northern West Bank and spent some time in one of its schools. We were told that class sizes had been increasing steadily, as a result of UNRWA budget restraints and the closure of PA schools since PA teachers had gone on strike. There were now about 50 children in a class, which UNRWA officials considered too many. The school was fairly well-equipped although toilet facilities were basic and insufficient to cope with the increased numbers of children. While the Palestinian Authority has obligations to provide essential services, such as education, for non-refugee Palestinians, it cannot fulfil this role without a budget and so UNRWA has, in some cases, become the default provider of such services, especially in the current crisis. The increase in DFID funding serves as a means of helping ordinary Palestinians, who are not refugees, but for whom regular health and education services are not being provided in the current circumstances. It has been welcomed by UNRWA.

57. The UN Relief and Works Agency’s capacity is stretched by the current crisis which has created an increased demand for its services. Even before the current crisis, UNRWA had requested more financial resources and increased management capacity to ensure a high standard of service delivery. We urge donors to bring greater predictability to UNRWA funding so that appropriate planning can take place to

93 Helps to relieve external and internal developmental constraints. See UNCTAD, The Palestinian war-torn economy: aid, development and state formation, 2006, Chapter IV.
94 Ev 81 [DFID]
95 Ev 81 [DFID]
96 UNRWA, Prolonged crisis.
98 Q 263 [Hilary Benn] and footnote to the oral evidence.
ensure proper provision of services for Palestinian refugees. DFID’s additional funding over a four-year period is a welcome contribution and will also benefit non-refugees in the current crisis. If the UNRWA mandate is extended in 2008 it must be made clear to donors that the current level of funding is insufficient to provide high quality services for Palestinian refugees.

**The responsibilities of the Government of Israel**

58. In 2004 the previous International Development Committee argued that there had to be a sense of realism about what development assistance can achieve under conditions of occupation. This remains the case today. Under the Fourth Geneva Convention Israel, as the occupying power, bears legal responsibility for the welfare of the Palestinian population.\(^99\) This includes the provision of basic humanitarian services as well as safeguarding the security of the local population. Over the past ten years, according to OCHA the PA has fulfilled this role with the help of the international community. However the PA is currently unable to provide basic services.\(^100\) The Government of Israel does not wholly accept that it is an occupying power, or that the Geneva Conventions apply to the Palestinian territories.\(^101\) Instead they argue that the territories are disputed and that Israel is bound by customary international law and certain selected humanitarian provisions of the Fourth Geneva Convention.\(^102\)

59. In September 2005 the GoI pulled out of Gaza by ordering the relocation of Israeli settlers. The disengagement was unilateral and consequently did not engender an increase in goodwill between Israel and the Palestinians. On the contrary, as we have noted, conflict between the IDF and Palestinians in Gaza has increased since the withdrawal. In many ways the current conditions in Gaza are much worse than under conventional occupation. Evidence submitted to us argues that, despite physical withdrawal, because the GoI still controls all movement in and out of the Gaza strip—by land, sea and air—the Israelis remain de facto occupiers.\(^103\) As Discovery Analytical Resourcing said, “military disengagement and the dismantling of settlements alone, without enabling free access and open frontiers, constitutes neither a legal termination of occupation nor a practical proposition for economic development.”\(^104\) Recent incursions by the IDF into Gaza illustrate the fragility of any gains made from the withdrawal.

60. From the Palestinian point of view withdrawal from Gaza may be an important first step toward a two-state solution but Gaza is unviable without the West Bank and East Jerusalem. There has been no progress since the withdrawal on facilitating communication links between Gaza and the West Bank as set out in the Agreement on Movement and Access.\(^105\) Many have described Gaza as an open prison. OCHA writes that “the Gazan

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99 Q 253-256 [Mr Shearer]
100 OCHA, Occupied Palestinian Territories 2006 Revision, p 4.
102 More detailed discussion of this can be found in *Christian Aid, Facts on the Ground: the end of the two state solution*, October 2004.
103 Q 249 [Mr Shearer]; Ev 98 [Christian Aid]
104 Ev 127 [Discovery Analytical Resourcing]
105 See Appendix.
population is undergoing a virtual siege by historical standards.106 Gazans are unable to enter Israel and border crossings for goods in and out of Gaza have been restricted. Port and air access has been prohibited and there are reports that the airport in Gaza has been vandalized by Israeli soldiers.107 Increased areas of Gaza are now designated buffer or no-go zones, further increasing population density.108 However, while severe pressure has been placed on the Hamas-led PA to change its policies and accept Quartet principles, no comparable initiative has been taken with the Government of Israel to encourage it to put into practice agreements it has signed up to or to end clearly identified practices which are causing poverty and suffering in Gaza. We recommend that the UK urgently initiate a dialogue with the Government of Israel about those actions which are creating a humanitarian crisis in Gaza.

Physical protection of civilians and their property

61. Withdrawal from Gaza does not absolve the Government of Israel from its moral obligation to alleviate, and certainly not to cause, suffering. In particular the Government of Israel, as well as the Palestinians, have obligations to protect civilians and their property.

62. Human Rights Watch has condemned the use of Palestinian civilians as human shields by both Palestinian armed groups and the Israeli Defence Force.109 The condemnation came in the light of calls to Palestinians to defend houses targeted for destruction by making human shields. Human Rights Watch also called on the IDF to explain the military value of targeting homes which it has already ordered to be evacuated.

63. 2006 saw a marked increase in the number of Palestinian casualties of the ongoing conflict. According to UN OCHA, in the first five months of 2006, 117 Palestinians were killed including 21 children and 4 women and 844 Palestinians were injured by the Israeli Defence Force or settlers. The number of Israeli deaths has also increased in this period: three suicide bombings have killed 14 Israelis and internationals and injured 88.110

64. OCHA keeps monthly and weekly records of the number of deaths and injuries. Between 1 and 7 November, 68 Palestinians were killed and 182 injured in the OPTs, including 8 children and 6 women. One Israeli soldier was killed and two others injured. In the week of 8 to 14 November, 33 Palestinians were killed and 90 were injured in the OPTs, including 10 children and six women.111 The conflict between Palestinians and Israel is resulting in a high civilian death toll. There was a marked increase in the number of Palestinian casualties in 2006. Greater pressure must be exerted on both sides to prioritise physical protection of civilians.
3 The infrastructure of occupation

The settlements

65. Over 420,000 Israeli settlers live in the OPTs in about 160 settlements and 100 outposts.\(^{112}\) The location of settlements in the West Bank can be seen in Map 1. All settlements established on land which is occupied are in breach of international law. Under Article 49 of the Fourth Geneva Convention, Israel is under an obligation as the occupying power not to transfer its citizens to the Occupied Palestinian Territories.\(^{113}\) The Roadmap is clear that Israel should freeze all settlement activity including the natural growth of existing settlements, and dismantle all outposts built since former Prime Minister Sharon’s election in March 2001.\(^{114}\) The UK Government’s view is that settlement building is contrary to international law and is an obstacle to peace.\(^{115}\)

66. The Hague Regulations prohibit the occupying power from making permanent changes to the occupied area apart from in relation to narrowly defined military needs or unless the occupied population benefits from such changes.\(^{116}\) A recent report by the Israeli NGO Peace Now notes that the property rights of Palestinians have been systematically violated in the course of settlement building. Using data from the Israeli Civil Administration the report found that Palestinians privately own nearly 40% of the land on which settlements have been built. The report also found that over 50% of land deemed ‘state land’ by Israel has been declared as such through controversial means and mostly for the benefit of settlements.\(^{117}\) In addition, the allegation that Israel or Israeli Government agencies have appropriated privately-owned land without fair compensation is extremely serious. The allegation is frequently made on the Palestinian side. It was refuted by representatives of the GoI to whom we spoke. We are not in a position to review all the evidence and to reach a judgement, but we believe that the international community should commission a report by outside jurists and other experts, so that authoritative light can be shed on the matter.

67. In respect of outposts, evidence from Discovery Analytical Resourcing states that:

“In March 2005, the head of the criminal department at the Israeli Attorney General’s Office, Talia Sasson, published a report on unauthorised settlements citing ‘blatant violation of the law by certain national authorities, public authorities, regional councils … and settlers’, revealing that:

- the unauthorized outposts phenomenon is a continuation of the settlement enterprise in the territories;

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112 Ev 84 [DFID]; Q 243 [Mr Shearer]. Outposts are unauthorized ‘temporary’ structures which have been erected close to existing settlements. See, The Sasson Report Concerning Unauthorized Outposts, www.pmo.gov.il.
113 Israel formally annexed East Jerusalem in 1967 and considers it belongs to the state of Israel. This is not recognized by the international community.
114 The Roadmap, ‘a performance-based roadmap to a two state solution to the Israeli-Palestinian conflict,’ was agreed in 2003 between the GoI and the PLO and approved by the Quartet.
115 www.fco.gov.uk.
116 The Hague Regulations are discussed at www.btselem.org.
117 Peace Now, Breaking the Law in the West Bank: One violation leads to another, October 2006.
the Israeli government was involved in planning and financing illegal outposts;

- the Civil Administration was involved in allocating private Palestinian land on which outposts were unlawfully established; and,

- over many years officials at the Ministries of Defence and Housing, the World Zionist Organisation and the Israeli army were implicated in the establishment of over 100 outposts.”

On our visit we were told by the GoI that one illegal outpost had recently been removed.

68. Despite rulings against the settlements and outposts they continue to grow both in number and size, through what is called “natural growth”. UN Security Council Resolution 465 (of 1 March 1980) called on Israel “to dismantle the existing settlements and in particular to cease, on an urgent basis, the establishment, construction and planning of settlements in the Arab territories occupied since 1967, including Jerusalem.” However most Israeli settlements in the OPTs have been built since this Resolution was passed, with the greatest expansion having taken place in the past decade. In September 2006 the GoI authorised the construction of 690 settlement housing units. A new settlement was approved in the West Bank on 26 December 2006 for the families who were moved out of the Gaza strip. These recent decisions are in direct contravention of the commitment made in the Roadmap to freeze all settlement activity.

The proposed E1 settlement

69. The biggest settlement inside the West Bank, Maale Adumim, lies to the east of Jerusalem. While West Bank Palestinians cannot travel through Jerusalem to get between the northern and southern West Bank, they can currently travel through a passage between the eastern side of Jerusalem and Maale Adumim. The proposed Israeli E1 project is designed to connect Jerusalem to Maale Adumim and other settlements east of Jerusalem. The effect of E1 will be to cut off the passage between the north and the south and to further restrict links between Jerusalem and the West Bank.

70. The breaking up of the West Bank into a fragmentation of communities with severe communication difficulties between them seems to us to be entirely incompatible with a two-state solution. Proceeding with E1 would make Israeli claims to favour a two-state solution unsustainable and bring into question how a viable West Bank economy could function.

71. An official from the Israeli Ministry of Defence acknowledged to us that the proposed E1 settlement would cause serious movement problems for Palestinians. The project is currently on hold although a huge police station is being built on the site. The proposed E1 settlement will severely impact on Palestinian territorial contiguity. The current

118 Ev 128 [Discovery Analytical Resourcing]
119 UNSCR 465 was adopted under Chapter 6 which means it is a non-binding resolution.
121 Ev 93 [Christian Aid]
explosive nature of the relationship between Israel and the Palestinians, and the significance which Palestinians attach to the city of Jerusalem, should be sufficient incentive to shelve plans for E1. We recommend that the UK initiate talks with the Government of Israel about the unacceptable nature and likely impact of E1 and identify what measures could be applied by the international community if Israel persists with the implementation of its E1 plan.

Restricted roads and closure

72. The presence of settlements and outposts in the West Bank and East Jerusalem has led the GoI to create a support infrastructure for these, the effect of which is to severely limit Palestinian movement and consequently economic viability. This infrastructure includes a network of restricted roads which connect the settlements with Israel and which are accessible only to Israelis or Palestinians with permits. According to the Israeli NGO B’Tselem, the road system is based on the assumption that all Palestinians pose security risks for Israel and that it is therefore justifiable to restrict their movement. The GoI defends its policy as necessary for the protection of Israeli citizens living in the West Bank after the increase in violence since the start of the second intifada. The purpose of the system is to allow Israelis to travel freely between and within settlements. For Palestinians the effect is to divide their communities from one another making economic and social interaction extremely difficult. In addition the system of bypass roads has required the expropriation of Palestinian land to build settlement roads. The territorial fragmentation of the West Bank is shown in Map 2.

73. Restrictions in movement caused by the separate roads system are compounded by road blocks, border crossings, mounds, trenches, flying checkpoints, and a separate system of underground passes for Palestinians, to which OCHA gives the collective name ‘closure’. OCHA regularly monitors and reports on the number of obstacles to movement. At the time of our visit we were told there were 528 checkpoints and other closure points. One result was that OCHA found it almost impossible to get into Hebron. Journeys were taking much longer than usual—for example a one and half hour journey from Hebron to Ramallah now took three hours.

74. On our visit we stopped at many of the checkpoints in the northern West Bank. We saw some of the difficulties Palestinians face in trying to get from one part of the West Bank to another. At Huwarra checkpoint we saw taxis stopping at one side to let passengers off so they could pass through the checkpoint and then resume their journey in another taxi on the other side of the checkpoint. The roads were too narrow to cope with the large number of taxis waiting to either drop off or pick up passengers. The checkpoint on the outskirts of Nablus was chaotic with long queues. It made it extremely difficult for those living in the outlying villages to get into Nablus to use health services or for education purposes. Nablus is effectively encircled by five Israeli settlements and a series of restricted bypass roads and checkpoints through which all Palestinians have to pass.

75. At the Za’atara checkpoint, also in the Nablus region, an age restriction has been placed on all males who are allowed to pass through. No males between 16 and 25 are allowed

123 B’Tselem, Forbidden Roads: Israel’s Discriminatory Road Regime in the West Bank, August 2004.
through and sometimes this age limit is raised to 35. We were told this could prevent between 26,000 and 100,000 young men travelling south from Nablus for work, education, health or for social reasons. The Head of OCHA told us that the particular restrictions applied at a given checkpoint are often dependent on the attitude of the IDF soldier in charge at that time.124

76. Movement in and out of the West Bank is also controlled by a system of permits and passes. For example Palestinians who live in the West Bank but work in Jerusalem require a permit to travel to work each day. Quaker Peace and Social Witness told us:

“getting permits from the Israeli authorities is highly problematic. It is not a transparent process; people are denied permits on security grounds but they have no means of appealing against decisions or knowing what the reasons behind them are. Also, there are costs involved in trying to get permits; permits are short term and they have to be renewed and they can be withdrawn at any time; permits can also be overruled by any kind of closure that is declared at any time. So you may have a permit to enter Jerusalem, go to a checkpoint and not be able to go through anyway because some other kind of rule has applied.”125

77. We heard two separate accounts of arbitrary delays at checkpoints which resulted in unacceptable medical consequences. David Shearer of OCHA told us of a delay which resulted in a week old baby dying,126 and on our visit we learned of a boy of ten with cancer who had to go to a hospital appointment alone because his mother was not allowed through a checkpoint to accompany him. Camden Abu Dis Friendship Association also submitted background papers describing patients being prevented from getting through checkpoints.127 In response to the previous International Development Committee’s comments on closure, the Government said that it had pressed the GoI to ensure that commitments made to the UN humanitarian envoy in 2002 were upheld. The Government also acknowledged that theoretical agreements not to cause unnecessary delays at checkpoints were not in practice implemented.128

78. Israel is entitled to defend its citizens. Attacks against civilians violate international humanitarian law. However any such defence must be proportionate to the threat. The system of separate roads and road blocks is discriminatory and much of the need for such infrastructure arises from the presence of settlements. Palestinians are being treated as second-class citizens in their own country. The checkpoints are slow and the access roads are poor. The operation of the checkpoints is haphazard and arbitrary. Where humanitarian needs exist, these must, as a matter of priority, be met without delay. We are extremely disappointed that no progress has been made in this area since the previous International Development Committee’s report in 2004.

124 Q 236 [Mr Shearer]
125 Q 157 [Quaker Peace and Social Witness]
126 Q 235 [Mr Shearer]
127 Camden Abu Dis Friendship Association background paper. Copy in Library.
The separation barrier

79. In 2002 the GoI decided to construct a separation barrier between Israel and the West Bank with the declared objective of preventing Palestinian suicide bombers and terrorists from entering Israel. The intention is to create a barrier which is 703 kilometres long. This will be more than twice the length of the Green Line (315 km) which is the 1949 Armistice Line between Israel and Jordan, as it weaves in and out of Palestinian communities and Israeli settlements. So far 406 kilometres (58%) has been constructed. In most places the barrier is a fence. In some, mainly urban and built-up areas, it is a concrete wall. Bethlehem, for example, is more or less surrounded on three sides by a concrete wall with access to the city from the north controlled by a checkpoint. Within Bethlehem a wall is being constructed along the route to and around Rachel’s Tomb. These closures have cut off the main route between Jerusalem and Bethlehem and drastically reduced the number of tourists visiting the city.

80. The separation barrier divides East Jerusalem from the West Bank leaving 220,000 Palestinian Jerusalemites on the Israeli side of the barrier. If the barrier is completed along the proposed route, 60,500 West Bank Palestinians will live in the area between the barrier and the Green Line or in closed areas. OCHA told us that, when complete, 12 villages and 31,400 Palestinians will be both completely encircled by the barrier and on the western side of it.

81. The effect of the barrier is to divide Palestinian communities and families from each other. Its route also prevents or severely inhibits the ability of Palestinian farmers to access their land. Quaker Peace and Social Witness submitted many first-hand accounts of the difficulties farmers face in this respect, the violence directed at some farmers by settlers, and the implications of these actions for agricultural production in the West Bank. They note:

“The barrier now separates the village of Jayyous from about 70% of their agricultural land. The 900 hectares of land trapped behind the barrier produce almost 90% of the agricultural income earned by the village. According to Jayyous mayor Faez Salim the land that has been separated from the village contains 15,000 olive trees, nearly 50,000 citrus trees, and 120 greenhouses. Six of the seven wells that supply water to the agricultural land lie behind the barrier. The mayor suggests that the majority of families in the village are directly affected by the construction of the barrier with an associated loss of income.”

82. The Deir al Hatab Women’s Association whom we met gave us graphic accounts of how they were prevented from accessing their land and were faced with threats or actual violence from settlers when they tried to do so. Evidence submitted by the International

130 OCHA, ibid. p 2.
132 B’Tselem, A Wall in Jerusalem, Summer 2006.
133 OCHA, Preliminary Analysis of the Humanitarian Implications of the April 2006 Barrier projections.
134 Ev 110 [Religious Society of Friends in Britain (Quakers)]
Solidarity Movement also provides eyewitness accounts of the effects of the wall. They note that, “there is evidence of a well organised and developed agricultural industry in the past, which is now derelict and unviable due to the apartheid wall and checkpoints restricting every part of the agricultural process.”

83. Both the World Bank and OCHA have reported on the implications of closure for the olive harvest in the West Bank and Gaza. Over half the Palestinian population participate in the olive harvest which in good years can contribute 15-19% of agricultural output. This is an important contribution to the economy as agriculture accounts for nearly 25% of GDP. The World Bank identified a number of constraints which the olive oil sector faces; in particular current movement restrictions and closures have significantly increased the cost of production. Limited access to fields and markets, as well as the destruction and uprooting of trees by settlers, led the Israeli Defence Minister to instruct the IDF to protect Palestinian farmers during the 2006 olive harvesting season.

84. On our visit we were told by the GoI that the barrier was successful in preventing suicide bombers from entering Israel, but we were also told by Palestinian commentators that the barrier was ineffective in this regard because determined terrorists could find ways to get through the barrier. We accept that the barrier acts to some extent as a deterrent to terrorists, but it is also making life extremely difficult for ordinary Palestinians. The question of at what cost Israeli security should be achieved must give appropriate weight to the fact that the barrier deprives Palestinians of their land and has a devastating impact on their ability to lead normal lives.

85. The previous International Development Committee commented on the route of the barrier which departs significantly from the Green Line in many places. They understood why the Israelis might wish to build a barrier but believed that this should not be built on Palestinian land. The UK Government’s response was that the construction of the barrier on occupied land was unlawful and was harming the prospects for a peaceful settlement. We agree.

86. The International Court of Justice (ICJ) ruled that “the construction of the wall being built by Israel, the occupying Power, in the Occupied Palestinian Territory, including in and around East Jerusalem, and its associated regime, are contrary to international law.” Subsequently the UN General Assembly called on Israel to comply with the legal obligations identified in the ICJ ruling. The Israeli Supreme Court has also “declared invalid a number of orders under which land was seized to construct the separation barrier.” While the Government of Israel and the Israeli Supreme Court have on
occasion re-examined and altered the route of the barrier, and maintain that it is a temporary structure, it has also acknowledged that there are political implications arising from the barrier. Tzipi Livni, now Israeli Minister for Foreign Affairs, is reported to have said that the fence will impact on the future border of Israel implying that, despite its declared temporary status, the wall may in fact establish Israel’s future borders.\textsuperscript{143}

87. Israel has the right to construct a barrier inside its own territories or along the Green Line. However, the barrier, as it is currently constructed and according to its projected route, destroys the viability of a Palestinian state. It divides Palestinian communities and families and it separates Palestinian farmers from their land. The barrier has been declared contrary to international law by the International Court of Justice. The UK Government shares the view that the building of the wall on Palestinian land is illegal. Building up the Palestinian economy and business environment is not possible under these conditions. The Government of Israel bears primary responsibility for ensuring public order and humanitarian conditions in the Palestinian territories. We accept that Israel’s security concerns are legitimate, but it should not unlawfully seize Palestinian land or place unnecessary obstacles in the way of Palestinian economic development. The rulings against the separation barrier are clear—the barrier must be removed from Palestinian land and the UK Government should make renewed representations to the GoI about this and consider what further responses would be appropriate from the international community should Israel continue to ignore these rulings.

**The Agreement on Movement and Access**

88. Restrictions on movement and access continue to be the main impediments to Palestinian development.\textsuperscript{144} The Israeli disengagement plan for the Gaza strip created concerns about the economic conditions in Gaza unless accompanying measures for increased movement of goods and people were implemented. The Quartet identified six conditions for Gaza’s success after disengagement, four of which relate to the movement of goods and people.\textsuperscript{145} The Agreement on Movement and Access (AMA), signed on 15 November 2005, was designed to “promote peaceful economic development and to improve the humanitarian situation on the ground,”\textsuperscript{146} and reflects these conditions.\textsuperscript{147} It seeks to open crossings between Gaza and Israel, and Gaza and Egypt, and to facilitate movement within the West Bank and between the West Bank and Gaza. It also aims to make progress on an airport and improved port facilities in Gaza.\textsuperscript{148} Map 3 shows all the crossing points into Gaza.

\textsuperscript{143} Reported in Haaretz 14 June 2006. See also OCHA, Preliminary Analysis of the Humanitarian Implications of the April 2006 Barrier Projections.

\textsuperscript{144} Ev 83 [DFID]

\textsuperscript{145} Ev 82 [DFID]

\textsuperscript{146} PLO Negotiations Affairs Department, The Agreement on Movement and Access: costs of non-implementation, October 2006. Copy placed in Library

\textsuperscript{147} The text of the Agreement is set out as an Appendix to this report.

\textsuperscript{148} Agreement on Movement and Access.
89. A six-month assessment by the World Bank of movement, access and trade in the West Bank and Gaza since the AMA came into operation found that restrictions remained severe and that several earlier improvements had been reversed.\textsuperscript{149} The update noted that:

“Today all cargo flows between Israel and Gaza must be channelled through the Karni crossing point. From a low base of only 43 export trucks per day in the six months prior to the Israeli disengagement from Gaza, actual daily export numbers through mid-June 2006 have fallen to less than 25 trucks a day. GOI has cited security concerns as the cause of the frequent closures. Without challenging this assertion, much of Karni’s inadequacy derives from poor management when it is open---cells and scanners are not used efficiently, operating hours are inconsistent and unpredictable and export volumes are low when the facility is operating. Israel has worked to keep the crossing open for the importation of foods and medicines for the Gazan population which has been essential in avoiding a humanitarian crisis. However, this is not sufficient for any type of economic recovery. With the ability to guarantee delivery dates a vital part of securing export markets, speed and reliability are mandatory, particularly for agricultural products. As things stand, today’s regime represents an overwhelming obstacle to investment and growth in Gaza.”\textsuperscript{150}

90. Evidence we received from NGOs presents conflicting data on the extent to which the various crossings are open.\textsuperscript{151} Overwhelmingly, however, the picture is one of reduced openings in terms of the number of days, or hours, or the amount of goods allowed through. A one-year assessment of the AMA by UN OCHA indicates that:

“One year after the signing of the Agreement on Movement and Access (AMA) on 15 November 2005 between the Government of Israel (GoI) and Palestinian Authority (PA) the ability of Palestinian residents of the Gaza Strip to access either the West Bank or the outside world remains extremely limited and the flow of commercial trade is negligible. Movement within the West Bank is also more restricted. There has been no peaceful economic development as envisaged by the AMA but rather a deterioration in the humanitarian situation and an increase in violence overall. The increased closure of Gaza’s crossing points has contributed to the worsening of the economic situation over the last 12 months.”\textsuperscript{152}

91. In short the AMA is failing. Initial increases in the opening of border crossings in and out of Gaza were cut back dramatically in June. There has been no progress on linkages between the West Bank and Gaza. Movement within the West Bank, and between the West Bank and Jerusalem has become more difficult. Specifically the Rafah crossing into Egypt has not opened as planned, convoys have not been allowed to transport goods between Gaza and the West Bank, the number of physical obstacles has increased, less than 4% of the Gazan harvest was exported, and Karni crossing, the most significant one for Gaza’s

\textsuperscript{149} World Bank Technical Team Report, An update on Palestinian movement, access and trade in the West Bank and Gaza, 15 August 2006.

\textsuperscript{150} World Bank, Technical Team Report, p 1.

\textsuperscript{151} Ev 89 [Board of Deputies] and Palestinian Centre for Human Rights background paper, Impact of the Hermetic Blockade on the Gaza Strip. Copy placed in Library.

\textsuperscript{152} OCHA, The Agreement on Movement and Access one year on, November 2006.
trade, has operated at well below the proposed level of 400 trucks per day.\textsuperscript{153} The losses from Karni’s closure during the 2005 harvest season are estimated at $600,000 per day.\textsuperscript{154}

**The Rafah Crossing**

92. As part of the AMA an arrangement was made with the EU to allow EU observers—the EU Border Assistance Mission (EUBAM)—to monitor the Rafah crossing which links Gaza to Egypt. However, after the kidnapping of an Israeli soldier, Corporal Shalit, in June 2006 on the Israel/Gaza/Egypt border by Palestinians using a tunnel near the crossing, Rafah was closed by the Israelis. The border is now only open for two days a week for specific purposes—for example during our visit Rafah was opened after the Beit Hanoun incident to allow casualties to be taken to hospitals in Egypt.

93. We were told by EUBAM that the security concerns of Israel could be met by procedures which allowed suspects to be held for up to six hours and by the use of 32 video cameras. Individuals using Rafah travel in special buses so their progress through the crossing can be easily monitored. EUBAM reports that, to date, there have been no breaches of security through the Rafah crossing. There does not seem to us to be a legitimate reason for keeping the opening of the Rafah to such restricted periods.

94. We accept that the security situation deteriorated significantly in 2006 and we acknowledge the legitimate security concerns of Israel. Decisions by the Government of Israel not to put into practice procedures acceded to in the Agreement on Movement and Access are, however, causing severe damage to the Palestinian economy and in particular to Gaza. Disengagement from Gaza has no chance of success under these conditions. Putting into practice measures agreed to in the Agreement on Movement and Access would provide a significant boost to the Palestinian economy. This is an area in which progress can be made prior to the achievement of a political solution. We recommend that the UK Government accelerate its efforts to prevent the Agreement from failing.

95. Assurances and procedures put in place by the EU Border Assistance Mission, in cooperation with Palestinian border police and customs officers, on the Rafah crossing should enable the crossing to be opened as envisaged under the Agreement on Movement and Access. The decision not to do so leads us to question the extent to which Israel is motivated by legitimate security considerations.

**The back-to-back system**

96. The system for transporting goods in and out of the Palestinian Territories relies on the back-to-back system which the previous International Development Committee’s report described.\textsuperscript{155} This requires goods to be unloaded from one truck and loaded on to another at various checkpoints normally located at border crossings—between Gaza and Israel as well as between the West Bank and Israel. However, one back-to-back checkpoint we
visited, Awarta, is located in the middle of the West Bank, where there can be little justification for suggesting it contributes to Israeli security. It effectively slows down commerce within the West Bank. The IDF is charged with supervising this checkpoint and monitoring the transfer of goods. On the day we visited there was no evidence of the IDF carrying out inspections, even though goods were being transferred from one truck to another. We were told by the IDF that they were carrying out spot-checks that day rather than systematically examining each vehicle. The conclusions the previous International Development Committee made in 2004 remain relevant. The back-to-back system is outdated, slow, unpredictable and costly. What we observed at the Awarta checkpoint in the middle of the West Bank leads us to question the contribution it makes to enhancing security, while it is quite clear that it is one of the measures strangling the Palestinian economy.

As we were unable to visit Gaza, we did not see the back-to-back system in operation there. The US Security Coordinator, General Dayton, explained to us his efforts to update the equipment being used on the Karni crossing which would significantly speed up the process. The Secretary of State for International Development visited the Karni crossing: his view was that it would be beneficial if Karni could be opened as intended.156

The Gaza greenhouse project.

On our visit we were told about a Palestinian greenhouse project in Gaza which made use of 4,000 square kilometres of greenhouses left by the departing settlers, after Israeli disengagement in September 2005, to grow fruit and vegetables for export. We were told that it was the largest greenhouse project of its kind in the world which attracted investment from Palestinians and foreign investors, including James Wolfensohn, former President of the World Bank and the Quartet’s special envoy for the Gaza disengagement. It was intended to generate 120 tons of produce per day in season157 with potential revenue of many millions of dollars. The project had employed about 4,000 workers.158

Despite the AMA being in place, tightening of the crossing openings, coinciding with the peak harvest time in March and April, meant that only 4% of the greenhouse project produce could be exported in 2006. The rest was dumped or given away in local markets. The workers were laid off without compensation, contributing further to the already very high levels of unemployment in Gaza. The Gaza greenhouse project demonstrates the fragility of the Palestinian economy under the current restrictions on movement and access.

We believe there is a fundamental relationship between Palestinian economic viability and Israeli security. The benefits from the achievement of both would be mutual. The efforts of the US Security Coordinator to improve the security of the Karni crossing are a step in the right direction. The effective operation of Karni would help to ensure a predictable and efficient passage of goods between Israel and Gaza. Without this the Palestinian economy cannot grow. A viable Palestinian economy would serve

156 Q 289 [Hilary Benn]
157 ‘Crushed dreams of a good life’, The Independent, 8 December 2006.
158 Q 249 [Mr Shearer]
the interests of Palestinians and Israelis and both have responsibilities to ensure the
safe, predictable and secure passage of goods and people as set out in the Agreement on
Movement and Access. Making the Agreement work should be a priority for both
dparties and for the international community.
4 The EU response to the Hamas election victory

The decision to create a Temporary International Mechanism

101. The decision not to fund a Hamas-led government after it was established in March 2006 led international donors to find alternative means of channelling aid directly to Palestinians, bypassing the government. Giving evidence to us, Alan Seatter explained how the European Commission had foreseen a potential crisis if Hamas won the elections and had started to consider the best way to assist under such circumstances. The Temporary International Mechanism (TIM) was proposed by the External Relations Commissioner on 9 May, approved by the Council, and subsequently by the Quartet on 16 and 17 June respectively, and began operations on 26 June.\(^{159}\)

102. The key objectives of the TIM are:

- To relieve the current socio-economic crisis in the OPTs;
- To have a quick impact on the lives of Palestinians by ensuring that essential services continue; and,
- To facilitate the maximum level of support from the donor community as well as the resumption of Palestinian revenue transfers by Israel.\(^{161}\)

103. Evidence from Oxfam suggests that some governments sought to limit the scope of the mechanism, against the wishes of other donors. According to diplomatic sources in the region, the United States did not wish any direct payments to be made to government workers while the UK wanted to focus only on the health sector.\(^{162}\) Mr Seatter confirmed that there had been discussions among the member states and the Quartet about the scope and breadth of the proposed mechanism.\(^{163}\) However it seems that EU member states were sufficiently satisfied with the outcomes of these discussions to put bilateral funding through the TIM.

104. The TIM is based on three windows:

- Window I supports the provision of essential supplies and running costs for hospitals mainly through the World Bank’s Emergency Services Support Programme;
- Window II supports the supply of utilities—mainly fuel and primarily in Gaza;
- Window III supports vulnerable Palestinians through the payment of social allowances to the poorest and to key workers in the essential services—mainly health care workers.

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159 Composed of the EU, US, Russia and the UN.
160 Qs 172-174 [Mr Seatter]
162 Ev 101 [Oxfam]
163 Q 174 [Mr Seatter]
105. At the July 2006 G8 meeting in St Petersburg the request was made to expand assistance through the TIM as a means to address the humanitarian situation in Gaza. On 20 September the TIM mandate was expanded and extended until the end of 2006 although the TIM Management Unit told us that it would probably be needed well into 2007. The total European Commission contribution to the TIM was €104 million up to October 2006.\textsuperscript{164} The major part of this was equally split between Windows II and III. DFID has allocated £12 million to the TIM, £6 million of which is allocated to essential health supplies and water, sanitation and power services.\textsuperscript{165} Other member states have also made contributions. The total non-EC contribution was €87.5 million in October 2006.\textsuperscript{166} This was the first time member states had joined such a structure established by the Commission.

**The operation of the TIM**

106. On our visit we met with the European Commission Office and the TIM Management Unit. We were told that Window I for emergency services—including medical supplies—had been slow to get going and by the time of our visit had only disbursed small amounts of funds. The Director of the World Bank office in Jerusalem explained that the delay in getting Window I operational was due to the need to ensure that procurement of drugs followed proper procedures: irregularities were known to have occurred under the previous Fatah government, so extra care was now being taken. Mr Seatter assured us that US$23 million, or about half the total funds for Window I, had been made available to the World Bank in August and that he expected this to be disbursed by the end of November.\textsuperscript{167} However, in November OCHA informed us that about 100 of the basic essential drugs out of 400 were still not always available.\textsuperscript{168} The shortage of drugs means that, even if all other aspects of the health service were functioning properly, the full range of treatments cannot be carried out. Chapter 5 explores in more detail the current situation in the health sector.

107. It is clear that there have been delays in getting Window I of the Temporary International Mechanism fully operational. We understand the need for caution in the procurement of supplies of drugs and accept that the European Commission would have faced the same problems as the World Bank if it had administered Window I. However these problems could have been anticipated and alternatives considered to ensure the continued supply of medicines. We believe that the TIM’s objective of ensuring that essential services continue has not thus far been met in relation to the supply of essential drugs.

108. Window II for public utilities focuses mainly on the delivery of fuel for hospital generators, water pumps and water treatment plants in Gaza. This Window has delivered regular supplies of fuel to hospitals and public health centres since the bombing of the Gaza power plant by Israel. The fuel supplied under Window II has been purchased from Israel.

\textsuperscript{164} Ev 79 [DFID]  
\textsuperscript{165} Ev 75 [DFID]  
\textsuperscript{166} TIM Management Unit, *Information Documents on TIM*, 8 November 2006.  
\textsuperscript{167} Q 180 [Mr Seatter]  
\textsuperscript{168} Q 234 [Mr Shearer]
Israel would normally supply about 60% of Gaza’s fuel requirements. Repairs to the
generator have now been made and it is hoped that it will be working at 50% capacity by
the end of 2006 and full capacity by mid-January 2007.\textsuperscript{169} Despite continued power
shortages, the demand for Window II will decrease in 2007 with more power being
generated in Gaza. \textbf{Window II was a timely response to the bombing of the Gaza power
plant. It is working well in difficult circumstances and fulfilling its objectives.}

109. The TIM Management Unit reported that the first phase of Window III for payments
to low income workers, essential services and social hardship cases, had been entirely
funded by the EC. The second phase would be funded by contributions from member
states as well. Payments under Window III were made on the basis of a list of proposed
recipients provided by the Office of the President and verified by auditors. The money was
being cleared through HSBC and paid out through local banks directly to the recipient’s
bank account or in person. The idea was to create a simple and easy to administer system.
The TIM Management Unit assured us there were systems in place to ensure there were no
leakages of funds to the wrong hands.\textsuperscript{170}

110. By the end of October the TIM had made four payments to all 12,000 employees in
the public health sector totalling €360; 50,000 low-income cases and 5,500 pensioners had
received €270; and 40,000 social hardship cases had received an allowance of €270.\textsuperscript{171} In
total about 100,000 Palestinians had received some payment through the TIM. The average
size of Palestinian families is six so the estimate is that about 600,000 Palestinians will have
benefited through the TIM Window III.

111. Window III has focused on making allowances to health care workers. Other groups
of civil servants are not receiving any form of income. As a result, most of the civil service
has been on strike because they have not received a salary since March. In particular the
public hospitals in the West Bank have been closed,\textsuperscript{172} and in September police officers in
Gaza protested against the non-payment of their salaries.\textsuperscript{173}

112. \textbf{Window III is making a useful, if limited, contribution to health care workers,
social hardship cases, low income cases and pensioners. It is not a substitute for, or
equal in value to, salaries or normal welfare arrangements. In the current
circumstances, it is helping to meet the basic needs of some groups of people. There are
many public sector workers who do not receive anything through the TIM and who are
worse off as a result of the fiscal crisis facing the PA. The strikes throughout the civil
service demonstrate their dissatisfaction.}

\textbf{The possibility of including civil police in the TIM}

113. There are approximately 80,000 security sector staff in the OPTs\textsuperscript{174} of whom about
19,000 are in the civil police.\textsuperscript{175} We were impressed by the work being undertaken by the

\textsuperscript{169} TIM MU, TIM Window II Progress Report, November 2006.
\textsuperscript{170} Full details of the system can be found in TIM MU, Implementing donor contributions to the TIM.
\textsuperscript{171} TIM MU, TIM – Key Facts, 18 October 2006.
\textsuperscript{172} Qs 234 – 235 [Mr Shearer]
\textsuperscript{174} Reuters, EU considers paying Palestinian police, 13 December 2006.
EU Co-ordinating Office for Palestinian Police Support (EUCOPPS) in helping to develop a civilian police service not allied to any faction in areas administered by the PA and we were disappointed that important facilities and capacity had been destroyed by Israeli military action.

114. On our visit we raised the possibility of paying allowances to the civil police through the TIM. We were told that the feasibility of this was being discussed but, at the time, there were insufficient funds to extend the TIM although further discussions would be held at the end of 2006. Rafiq Husseni, Chief of Staff to the President, expressed concerns that there were many different groups in the security sector including those who reported to the President and that these would not be eligible for TIM funds which might cause some tension between forces loyal to the President and those reporting to the PA. More recently the US and the UK have declared their intention to bolster the Office of the President and his security forces. This ‘pragmatic’ intervention carries with it the danger of further inflaming Hamas-Fatah rivalries.

115. We recommend greater donor co-ordination to facilitate the work of the EU Co-ordinating Office for Palestinian Police Support (EU COPPS) which we believe can play an important role in developing policing skills and a non-factional approach to promoting law and order. We are also pleased that discussions are taking place between the EU and the Office of the President about the possibility of the security services being paid an allowance through the TIM. In highly inflammatory situations it is important that the civil police feel they are in a position to carry out their duties effectively and do not abuse their position because of economic hardship. However, any decision to fund the civil police, or the security forces of the Office of the President, will need to take account of the rivalry between Hamas and Fatah security forces and potential misdirection of funds to international terrorism.

Revenues withheld by the Government of Israel

116. The EU has recommended that the Government of Israel consider putting the revenues it is withholding through the TIM. The Secretary of State told us that he had suggested this on his recent visit to the OPTs. We have been told that the GoI is reluctant to do so because it does not believe there are sufficient guarantees that the funds will not be used for terrorist purposes. At the time of our visit, the Chief of Staff to the Palestinian President did not consider this a good idea either because the funds would be needed in future for back payments of salaries. Any decision to pay the withheld revenue through the TIM would have to be taken with the agreement of the Palestinians because it is their money. Recent talks between President Abbas and Prime Minister Olmert have raised the possibility of this happening. As we have said, a way must be found to repay the revenues withheld by the Government of Israel. The Temporary International Mechanism offers one possible mechanism.

175 Q 189 [Mr Seatter]
176 The Times, 19 December 2006.
177 Q 193 [Mr Seatter]
178 Q 303 [Hilary Benn]
179 It has been reported that $100 million of the withheld revenues was released by the Government of Israel to the Palestinian President, without any involvement of the TIM mechanism, on 18 January (Associated Press).
Extending the TIM

117. Discussing the future of the TIM, Alan Seatter of the European Commission told us there were funds up to the end of 2006. More resources became available in January and the EU plans to propose to the Quartet that it be extended. The European Commission recognises that the Temporary International Mechanism is, and can only be, an inadequate response to the present financial crisis in the OPTs. We agree that it is a means of helping the poorest and alleviating the suffering of the Palestinian people in the short run. The problems we have identified, including the delays in getting Window I off the ground, as well as the limited number of civil servants who receive payments, will need to be addressed when the TIM is extended. In the absence of a solution to the current fiscal crisis we support the continuation of the TIM. However, we insist that it must be temporary and if it persists beyond the current year there is a very real risk that the Palestinian Authority may be fatally undermined. This would set back not only the realisation of Palestinian rights to govern themselves in the West Bank and Gaza but also the prospects for peace.
5 Crisis in the health sector

118. In situations of conflict and crisis the continued operation of the health sector is vital. Demand for health services tends to increase as a result of increased casualties and deterioration in socio-economic conditions. The basic humanitarian requirement of keeping the health sector operating is thus of utmost importance. For this reason the EU’s TIM has focused on payments to health sector employees and essential supplies and running costs for hospitals. Unfortunately the TIM is limited in its funds and its coverage, and, as we have noted, Window I has been slow to start. Payments to healthcare workers were insufficient to prevent them going on strike in August for non-payment of salaries.181 PA employees make up 57% of the Palestinian health care workforce and supply 64% of needs.182 The PA depends on aid donations and the revenues collected on its behalf by the Government of Israel for nearly 100% of the non-salary operating costs of the health sector.183 With only a fraction of its normal budget available, the health sector in the OPTs is facing a crisis.184

The West Bank and East Jerusalem

119. In the West Bank there is a shortage of drugs and supplies, some medical equipment is not being maintained, and during our visit the public hospitals were shut because of the civil service strike. Continuing problems with movement and access exacerbate the situation.

120. There are private hospitals still operating which can absorb some of the case-load. The costs of many of these make them unaffordable to most Palestinians. We are not clear how many private hospitals have been waiving or deferring fees in the current crisis. We do know that health services run by the Red Crescent and other Palestinian NGOs are providing what services they can free of charge.185 David Shearer reported on the impact of the closure of PA hospitals on maternity services:

“...I think it was August, 600 babies were delivered in Hebron in the public hospitals. In September it was 100 and they [the WHO] were trying to find out where the other 500 had been delivered. 200 went private or to NGO hospitals that they could track and they do not quite know where 300 went. So possibly private deliveries, possibly midwives at home, but the situation is pretty critical.”186

The International Committee of the Red Cross noted that in mid-September 2006 the West Bank maternity services stopped for all but those in late stages (5-6 centimetres dilated). From 15 October only top-level emergencies were admitted and on 7 November the Strikes

184 Q 235 [David Shearer]
185 Qs 236–237 [David Shearer]
186 Q 234 [David Shearer]
Syndicate instructed hospital emergency rooms to close and to stop admitting maternity patients.  

121. On our visit we met Dr Tawfiq Nasser, Chief Executive Officer of the Augusta Victoria Hospital in East Jerusalem. He recounted to us the difficulties he faced in simply trying to get to work in East Jerusalem since he lived in the West Bank. Many staff are not getting their permits, and even with permits they may not always get through. Dr Nasser also told us how the closures were preventing patients from getting to hospitals. The movement of ambulances is also erratic and often dependent on the attitude of the soldier at the checkpoint. The current political situation means that there are no lines of coordination or communication between Israeli and Palestinian liaison officers to facilitate the speedy movement of patients through checkpoints.

122. In December, staff at PA hospitals and Ministry of Health clinics in the West Bank suspended their strike after they received their salaries. This became possible when Qatar agreed to pay the salaries of health and education employees for a period. This should help to improve the situation temporarily.

The situation in Gaza

123. Gaza has been under siege-like conditions since the kidnap of Corporal Shalit on 26 June 2006. The majority of injuries and fatalities amongst the Palestinian population, from Israeli military activity and more recently conflict between Hamas and Fatah, have occurred in Gaza. We have been told that health services continue to function although capacity is stretched due to difficulties in getting to work, non-payment of salaries and a higher surgical case-load resulting from the conflict. In addition shortages of electricity and water after the bombing of the Gaza power station have limited the services which are available.

124. The non-payment of salaries coupled with the lack of medications and perishable supplies means that all elective surgery has been postponed. Many cancer patients have not received their drugs and referrals to Israel are greatly reduced. The Israeli organisation Physicians for Human Rights reports that hospitals have been forced to deal with large numbers of injured with decreased resources. Kamal Adwan hospital, for example, has only two operating rooms and they often have up to 20 patients requiring immediate surgical procedures at the same time. Ongoing medical treatment for chronic health conditions such as hypertension, diabetes and respiratory infections has become increasingly difficult with the shortage of drugs. Médecins du Monde UK report that there

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188 Q 236 [David Shearer]
189 Q 236 [David Shearer]
190 OCHA, Protection of Civilians weekly report, 6-12 December.
193 Q 234 [David Shearer]
194 Ev 155 [Médecins du Monde]
125. Physicians for Human Rights also reports that the IDF has delayed ambulance access to the injured for up to two hours, and that medical staff have been the target of IDF fire. We were told by the Government of Israel that ambulances are allowed to use the VIP lane at checkpoints and should not have to wait for long periods, but delays still frequently occur. This was an issue when the previous International Development Committee reported in 2004. The situation has not improved. A report by Physicians for Human Rights suggests that within the Israeli Government there is a level of indifference regarding the ability of essential civil systems, such as health care, to function. If this is true, it is unacceptable.

126. When we asked the Secretary of State about the possibility of excluding the health sector from the financial boycott of the PA, his view was that the Quartet principles would not allow this but that the TIM was focused on health precisely because there was a recognition that health care was crucial.

127. We were told by a number of people that when the state health services failed them, people turned to clinics run by NGOs associated with Hamas itself rather than the PA and other groups. These appear to have received support directly from sources outside the Occupied Palestinian Territories and they play an increasingly important part in maintaining vital health and social welfare services to some of the poorest people in the West Bank and Gaza. This reinforces the positive attitude of many Palestinians towards Hamas compared with perceptions of the international community.

128. We consider a health sector which can meet the needs of the whole population in a time of conflict to be of fundamental importance. If the government is unable to provide such a service humanitarian assistance should be provided to meet these needs. The situation in the OPTs is one where the health sector is struggling to meet the increased demand for its services. Reports by credible international agencies attest to this. Staff who are at work have received a fraction of their normal salaries. Some staff cannot get to work. The demand for emergency services has increased in Gaza at a time when the hospitals do not have all their supplies and are operating with reduced power supplies. Services in the West Bank have been severely curtailed over a prolonged period and the end of the strike was only brought about after a third party, Qatar, agreed to pay PA salaries.

129. If people cannot get access to basic health services they will become discontented and angry. If emergency services are stretched, avoidable casualties result. Such outcomes may contribute to an escalation of violence. The TIM cannot, and does not, meet the needs of the health sector. The UK Government and other donors in the international community have indicated that if a PA led by or including Hamas agreed to accept the

196 Ev 155 [Médecins du Monde]
197 International Development Committee, Occupied Palestinian Territories, HC 230-1, paras 48-50.
199 Q 316 [Hilary Benn]
Quartet principles, normal funding mechanisms would be resumed. We hope the Government of Israel would take a similar view. In the meantime, however, we believe there are humanitarian reasons to exempt the health sector from the financial boycott of the Palestinian Authority, especially given the difficulties which restrictions on movement and access continue to cause for this sector. We recommend that the UK Government investigate the possibility of achieving such an exemption. Using existing health provision structures would be more effective and efficient than the creation of alternative funding mechanisms such as the Temporary International Mechanism.
6 Development assistance under conditions of occupation

The role of donors

130. The previous International Development Committee’s report on the OPTs commented on the difficult and limited role which international development assistance can play under conditions of occupation. The case made then, which remains valid today, is that while increasing levels of international assistance helps to stave off humanitarian catastrophe, donors are effectively subsidising Israel’s occupation and relieving Israel of its duty to maintain basic services for the occupied population. Most donors are acutely aware of this but are understandably unwilling to disengage, believing that Israel would not in fact step in and fill the gap left by donors. We agree that under the current circumstances donors should not disengage from the OPTs.

131. However, it is worrying that three years after the previous International Development Committee reported the same conclusions can be made. As DFID notes in its evidence, “decades of occupation and conflict with Israel have severely constrained Palestinian development.” Looking back to the evidence they submitted in 2003, Christian Aid told us:

“under tighter Israeli occupation, aid has become a lifeline—but it is a lifeline that does not provide a long-term solution….. No amount of aid will resolve the political conflict over the Israeli occupation or bring about the peace which Israelis and Palestinians so desperately need. The solution to Palestinian poverty is an end to occupation and an agreement which recognises the right of Israelis and Palestinians alike to live in peace and security. The situation today is far worse, so we need to repeat these comments again today with even greater urgency.”

Indeed much of the evidence we received points towards the need for an end to occupation—for a political solution, as a precondition for development. The question of what can be done in the absence of a political solution or how leverage can be exerted, is often avoided.

132. The DFID programme seeks to enhance the prospects for peace, to make Palestinian institutions more effective and accountable, and to deliver humanitarian and development assistance more effectively. These are important objectives but the current situation makes the first two in particular largely unachievable. We agree that there is an urgent need for a political solution, and an end to occupation, but consider that there are interim actions which can and should be taken by the international community to work

200 International Development Committee, Occupied Palestinian Territories, HC 230-1, (Session 2003-04), para 153.
201 Q 28 [DFID]
202 Ev 74 [DFID]
203 Ev 93 [Christian Aid]
204 See also Qs 260, 286 [Hilary Benn]
205 DFID, Country Assistance Plan.
towards one. For example DFID has contributed to the building up of the Palestinian Authority and other institutions, and has supported the Negotiations Support Unit, with a view to eventual self-government. Such initiatives provide opportunities for increased levels of independence and Palestinian-led development. These are welcome initiatives. Unfortunately, as we have noted, the current policy of not funding PA institutions threatens to undo much of the progress which DFID has helped achieve and increases the risk of collapse of the PA as anticipated by DFID in their Country Assistance Plan of 2004.

133. The Quartet conditions and the withdrawal of direct funding have placed the Hamas-led PA under severe pressure. We heard different views as to whether the withholding of revenues and the effect this had on public servants, as well as the services they deliver, was likely to undermine Hamas or to entrench them. The GoI has adopted similar measures by withholding tax revenues and has also increased military pressure and ‘closure’. It has been reported that the Government of Israel has released $100 million of the withheld revenues to the Palestinian president.\textsuperscript{206} This is a welcome development. However there is no legitimacy to the withholding of any of the revenues and the decision to release only a small part of these will have limited effect on the crisis facing the Palestinian economy. Pressure must be placed on the GoI by the UK and the Quartet to release the full amount due as soon as possible.

134. We have said that we do not think that donors should disengage from the OPTs under the current circumstances, but this does not mean that donors should not place pressure on Israel to abide by those international laws which govern military occupation. Again, this was an issue which was raised by the previous International Development Committee. The UK Government response at the time was that it agreed that Israel should respect the Geneva Conventions and that it raised specific breaches with the Israeli Government at the highest levels.\textsuperscript{207} The Government also said it regularly urges the Israelis (and the Palestinians) to do more to fulfil their Roadmap obligations. The UK Government position then was that ‘constructive engagement with Israel is the best approach to exert influence on it to take the steps called for by the EU and in the Roadmap.’\textsuperscript{208}

135. The effect of this constructive engagement has thus far been very limited. Many of the obstacles identified in 2004 continue to cause problems for the Palestinians and 2006 has seen a worsening socio-economic and humanitarian situation. Christian Aid evidence states:

“Occupation is the main obstacle that Palestinians face on a daily basis and that undermines the viability of a Palestinian state. The apparatus that supports and perpetuates occupation—the settlements, the separation barrier and the closures—prevent Palestinians from going about their daily business and denies them their rights and access to their cultural and historical legacies.”\textsuperscript{209}

\textsuperscript{206} Associated Press Report Israel unfreezes $100 m before summit, 19 January 2007.
\textsuperscript{207} Government response, HC 487, p 2.
\textsuperscript{208} Government response, HC 487, p 10.
\textsuperscript{209} Ev 97 [Christian Aid]
136. The way in which donors engage with Israel is as important as development assistance to the OPTs. David Shearer discussed with us the probability that the international community was allowing a failed state to be constructed on Israel’s borders at the very moment it was trying to prevent such states emerging elsewhere.210 Our report highlights the lack of progress in development since the previous Committee’s report on the OPTs in 2004. This lack of progress sits uneasily with the large amount of donor funding going into the OPTs and raises questions about donors’ policy towards Israel.

137. The existence of the settlements and the requirement to protect and secure them has created a complex system of separation under which Palestinians must live. The current system of closure if taken to its logical conclusion will make a future Palestinian state unviable. This must not be allowed to happen. The future of the West Bank and East Jerusalem settlements should be a matter of priority for the international community. The constructive engagement approach has not placed it sufficiently high on the agenda. The UK and the international community need to reconsider their approach towards the Government of Israel.

Looking forward: the current ceasefire

138. One effect of the ceasefire between Israel and the Palestinians has been to reduce significantly the number of fatalities in Gaza resulting from IDF actions.211 The ceasefire has also opened up the possibility of talks between the GoI and the Office of the President. Discussions between Prime Minister Ehud Olmert and President Abbas on 24 December 2006 offered the promise of some revenues being released and future peace talks. However these discussions took place amidst growing unrest between supporters of Fatah and those of Hamas in the West Bank and Gaza. There have been accusations of outside interference by both factions. What is clear is that if internal Palestinian violence continues, or if any party feels it is being pushed out of office illegitimately, the prospects for peace in the region could be seriously undermined.212

139. As the elected government, Hamas should be consulted in any negotiations, but Hamas has not demonstrated willingness to engage in talks under the current circumstances. The Office of the President should be working alongside the Hamas-led government to help them adjust to the realities of government and to create a climate in which negotiations and engagement with the international community are possible. Efforts in this regard have not yet yielded results.213

140. The international community must also consider whether isolation is the best way of effecting change. International Crisis Group argues that, whilst international isolation may cause the Hamas government to fall, the chaos and violence which would result would undermine any benefits.214 There are many examples of conflicts where extreme positions have only been modified after dialogue, initially rejected by one or both sides, is eventually

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210 Q 258 [Mr Shearer]
211 OCHA Situation Report Gaza, December 2006.
212 International Crisis Group, Palestinians, Israel and the Quartet: Pulling back from the brink, June 2006.
213 Qs 283, 288, 291 [Hilary Benn]
214 International Crisis Group, Pulling back from the brink, p 2.
entered into. At present there is a stand-off between a Palestinian government that will not recognise Israel and the international community which insists on this as a precondition for even exploratory dialogue on humanitarian affairs, let alone formal peace talks. Ways must be found to foster a dialogue—incentives should be offered as well as penalties threatened or imposed if progress is to be made on the peace settlement.

141. Even if, as many hope, a government of national unity is formed in the OPTs, the international community will probably continue to play a significant role in providing humanitarian assistance to the territories for some time to come. The increase in humanitarian assistance has come about as Israel has tightened its closure policy with severe socio-economic consequences for the Palestinian economy. But humanitarian assistance is not an instrument for ending conflict, nor does it offer prospects for poverty alleviation and long-term development. **Humanitarian assistance must be integrated with long-term development planning which seeks to relieve developmental constraints.** To this end the UK must work with the Palestinian Authority and other relevant bodies to consider how to rebuild Palestinian institutions and how to restore lost livelihoods which have resulted from events in 2006 and, importantly, how to re-establish confidence in the democratic process out of which Hamas was elected.

142. The way Palestinian political parties conduct themselves is vital to achieving this and there needs to be change in the approaches of both Hamas and Fatah. Vital too is the extent to which the international community demonstrates consistency and even-handedness. The international community must show more clearly that it respects the democratic decisions of the Palestinians, just as much as that of any other people, to elect the government of their choice. **In other situations, ways have been found of UK representatives talking to those with whom we have profound and justifiable disagreements because we talk to them in their capacity as elected representatives, not in their capacity as representatives of a particular party or faction.** Finding ways of achieving this in this case need not mean a dilution of the international community’s insistence that Israel has the unqualified right to recognition and security within legitimate borders any more than our talking to the Government of Israel means endorsing its continued occupation of East Jerusalem, the West Bank and Gaza.

143. Although we are clear that practical action needs to be taken now to relieve the immediate crisis in the Occupied Territories, we are also clear that the Palestinians have as equal a right to self-determination in a viable and contiguous state as the Israelis have to peace and security in their own internationally recognised state. Neither the international community nor the Government of Israel should underestimate the strength of commitment amongst Palestinians to such a state. That message came out strongly during our visit.

144. Palestinian resistance to occupation has taken many forms over the years. Whilst rejecting violence as a means of achieving their aims we support the creation of an independent Palestinian state alongside Israel. The commitment to a two-state solution is set out in UN Resolutions and in the performance-based Roadmap drawn up in 2003. The Roadmap was endorsed by the Quartet and the partners in the Quartet should work more proactively to achieve it, through talks between the parties involved and through measurable and internationally monitored steps to achieve it.
Conclusions and recommendations

Introduction

1. We do not in any way condone the firing of qassam rockets from Gaza into Israel. Such actions need to stop. The question of a proportionate response nevertheless arises. The Israeli Defence Force’s response has killed and injured many more people than the actions of the Palestinian militants. Many civilians, including women and children, have been killed in Gaza. We accept that in situations of conflict there will be mistakes and even excesses but proportionate response must be an integral part of any state’s security policy. The actions of neither the Palestinian militants nor the IDF in and around Gaza enhance the prospects for a peaceful settlement. (Paragraph 10)

2. We believe that the international community is right to place pressure on Hamas to change those policies which militate against a peace process. However this would best be achieved through dialogue and engagement rather than isolation. The danger of the current approach is that it might push Hamas into a corner which encourages violence rather than negotiation. The international community must also ensure it is not bolstering one faction against the other and thereby increasing the risk of internal strife. (Paragraph 17)

3. We agree with the British Prime Minister that until the Israeli-Palestinian conflict is solved there will be no peace in the region. 2006 has been a year of crisis for the OPTs; much of the progress made in the past has been eroded. We hope the Prime Minister’s comments will revive interest in a peaceful settlement for the Israeli-Palestinian conflict which has continued for several decades. (Paragraph 21)

Economic growth and private sector development

4. The environment in the Occupied Palestinian Territories is not conducive to the growth of the private sector. On the contrary current measures imposed by the Government of Israel, on security grounds, provide significant disincentives for local and foreign investment in the OPTs. This is a worrying trend which threatens the viability of a future Palestinian state. Donors can play a role in encouraging the creation of an enabling investment climate but a reliable and predictable environment requires a peace settlement. Nevertheless more pro-active steps can be taken, even prior to the attainment of a peace settlement. The easing of occupation could dramatically improve the prospects for business development and this in turn could improve the prospects for a durable peace. There is particular potential to encourage the development of small business and the third sector. We recommended in our report on private sector development that DFID should develop a strategy for private sector development in conflict-prone and conflict-affected states. The OPTs are an obvious example of where this would be valuable. (Paragraph 35)
Trade

5. Current restrictions, including those on movement and access, make Palestinian trade uncompetitive and the interim Association Agreement with the EU inoperable. The viability of a future Palestinian economy will depend significantly on its trading opportunities. The EU must ensure that Palestinian products are not being unfairly treated by Israel and measures need to be put in place to make the Association Agreement effective. (Paragraph 37)

6. There is an incongruity in allowing Israel to continue to benefit from a type of agreement from which Israel prevents Palestinians benefiting. Continued dialogue with Israel is certainly necessary but the Association Agreement appears to give tacit assent to the restrictions on movement and access which Israel imposes on the Palestinians. The UK should urge the EU to use the Association Agreement with Israel as a lever for change and to consider suspending the Agreement until there are further improvements in access arrangements. (Paragraph 38)

7. The regulation requiring detailed postcodes for settlement products is a recent and welcome development. It is important that the EU is not indirectly supporting and giving benefit to unlawful settlements on Palestinian land. However, to be effective, information about the postcodes needs to be widely understood in the EU and member states should ensure that robust, cost-effective arrangements are put in place to monitor goods being imported from Israel. The UK Government should press for the EU to take practical action to achieve these things. (Paragraph 39)

8. It has been reported that the Government of Israel is compensating Israeli manufacturers beyond the Green Line who export to the EU for the loss of their preference. This matter should be fully investigated by the EU to determine whether such practices undermine the basis of the Agreement. (Paragraph 39)

Poverty

9. Although the West Bank and Gaza were suffering from the impact of occupation well before 2000, developments since the outbreak of the intifada in that year took the socio-economic situation in the OPTs to crisis level. That crisis has intensified in 2006. In its current phase it is largely triggered by the withholding of Palestinian Authority revenues by the Government of Israel and the withdrawal of budgetary assistance by the major donors. These actions have made a bad situation worse. The PA is operating with a fraction of its normal budget and its contribution to household income has declined. The Government of Israel has been urged by the EU General Affairs Council to stop withholding the revenues, or to pay the revenues through the EU’s own Temporary International Mechanism. There have been recent reports of an agreement between the Government of Israel and the Palestinian President on the repayment of some of the withheld funds. This is a matter of the highest priority. Current measures taken by the GoI and the international community are harming ordinary people. We recommend that the UK Government make specific representations to the Government of Israel to pay the remainder of the revenues due to the recognised institutions of the PA. If negotiations take place to channel the revenues through the Temporary International Mechanism or the Office
of the President, it is important that these recognize that the revenues belong to the Palestinians, not the Government of Israel, and that any such discussions expedite, rather than delay, the revenues being put to use in the OPTs. (Paragraph 49)

**Humanitarian assistance**

10. We agree with DFID that, while the UN can provide short-term humanitarian assistance, it cannot replace the services normally offered by the Palestinian Authority. Current high levels of humanitarian assistance may be necessary but they far exceed per capita levels provided in many poorer countries, for example in sub-Saharan Africa, and are not sustainable in the long term. (Paragraph 52)

**The role of the UN Relief and Works Agency**

11. The UN Relief and Works Agency’s capacity is stretched by the current crisis which has created an increased demand for its services. Even before the current crisis, UNRWA had requested more financial resources and increased management capacity to ensure a high standard of service delivery. We urge donors to bring greater predictability to UNRWA funding so that appropriate planning can take place to ensure proper provision of services for Palestinian refugees. DFID’s additional funding over a four-year period is a welcome contribution and will also benefit non-refugees in the current crisis. If the UNRWA mandate is extended in 2008 it must be made clear to donors that the current level of funding is insufficient to provide high quality services for Palestinian refugees. (Paragraph 57)

**The responsibilities of the Government of Israel**

12. While severe pressure has been placed on the Hamas-led Palestinian Authority to change its policies and accept Quartet principles, no comparable initiative has been taken with the Government of Israel to encourage it to put into practice agreements it has signed up to or to end clearly identified practices which are causing poverty and suffering in Gaza. We recommend that the UK Government urgently initiate a dialogue with the Government of Israel about those actions which are creating a humanitarian crisis in Gaza. (Paragraph 60)

13. The conflict between Palestinians and Israel is resulting in a high civilian death toll. There has been a marked increase in the number of Palestinian casualties in 2006. Greater pressure must be exerted on both sides to prioritise physical protection of civilians. (Paragraph 64)

**The infrastructure of occupation**

14. The proposed E1 settlement will severely impact on Palestinian territorial contiguity. The current explosive nature of the relationship between Israel and the Palestinians, and the significance which Palestinians attach to the city of Jerusalem, should be sufficient incentive to shelve plans for E1. We recommend that the UK Government initiate talks with the Government of Israel about the unacceptable nature and likely
impact of E1 and identify what measures could be applied by the international community if Israel persists with the implementation of its E1 plan. (Paragraph 71)

15. Israel is entitled to defend its citizens. Attacks against civilians violate international humanitarian law. However any such defence must be proportionate to the threat. The system of separate roads and road blocks is discriminatory and much of the need for such infrastructure arises from the presence of settlements. Palestinians are being treated as second-class citizens in their own country. The checkpoints are slow and the access roads are poor. The operation of the checkpoints is haphazard and arbitrary. Where humanitarian needs exist, these must, as a matter of priority, be met without delay. We are extremely disappointed that no progress has been made in this area since the previous International Development Committee’s report in 2004. (Paragraph 78)

The separation barrier

16. Israel has the right to construct a barrier inside its own territories or along the Green Line. However, the barrier, as it is currently constructed and according to its projected route, destroys the viability of a Palestinian state. It divides Palestinian communities and families and it separates Palestinian farmers from their land. The barrier has been declared contrary to international law by the International Court of Justice. The UK Government shares the view that the building of the wall on Palestinian land is illegal. Building up the Palestinian economy and business environment is not possible under these conditions. The Government of Israel bears primary responsibility for ensuring public order and humanitarian conditions in the Palestinian territories. We accept that Israel’s security concerns are legitimate, but it should not unlawfully seize Palestinian land or place unnecessary obstacles in the way of Palestinian economic development. The rulings against the separation barrier are clear—the barrier must be removed from Palestinian land and the UK Government should make renewed representations to the GoI about this and consider what further responses would be appropriate from the international community should Israel continue to ignore these rulings. (Paragraph 87)

The Agreement on Movement and Access

17. We accept that the security situation deteriorated significantly in 2006 and we acknowledge the legitimate security concerns of Israel. Decisions by the Government of Israel not to put into practice procedures acceded to in the Agreement on Movement and Access are, however, causing severe damage to the Palestinian economy and in particular to Gaza. Disengagement from Gaza has no chance of success under these conditions. Putting into practice measures agreed to in the Agreement on Movement and Access would provide a significant boost to the Palestinian economy. This is an area in which progress can be made prior to the achievement of a political solution. We recommend that the UK Government accelerate its efforts to prevent the Agreement from failing. (Paragraph 94)

18. Assurances and procedures put in place by the EU Border Assistance Mission, in co-operation with Palestinian border police and customs officers, on the Rafah crossing should enable the crossing to be opened as envisaged under the Agreement on
Movement and Access. The decision not to do so leads us to question the extent to which Israel is motivated by legitimate security considerations. (Paragraph 95)

19. The back-to-back system is outdated, slow, unpredictable and costly. What we observed at the Awarta checkpoint in the middle of the West Bank leads us to question the contribution it makes to enhancing security, while it is quite clear that it is one of the measures strangling the Palestinian economy. (Paragraph 96)

20. We believe there is a fundamental relationship between Palestinian economic viability and Israeli security. The benefits from the achievement of both would be mutual. The efforts of the US Security Coordinator to improve the security of the Karni crossing are a step in the right direction. The effective operation of Karni would help to ensure a predictable and efficient passage of goods between Israel and Gaza. Without this the Palestinian economy cannot grow. A viable Palestinian economy would serve the interests of Palestinians and Israelis and both have responsibilities to ensure the safe, predictable and secure passage of goods and people as set out in the Agreement on Movement and Access. Making the Agreement work should be a priority for both parties and for the international community. (Paragraph 100)

The Temporary International Mechanism

21. It is clear that there have been delays in getting Window I of the Temporary International Mechanism fully operational. We understand the need for caution in the procurement of supplies of drugs and accept that the European Commission would have faced the same problems as the World Bank if it had administered Window I. However these problems could have been anticipated and alternatives considered to ensure the continued supply of medicines. We believe that the TIM’s objective of ensuring that essential services continue has not thus far been met in relation to the supply of essential drugs. (Paragraph 107)

22. Window II was a timely response to the bombing of the Gaza power plant. It is working well in difficult circumstances and fulfilling its objectives. (Paragraph 108)

23. Window III is making a useful, if limited, contribution to health care workers, social hardship cases, low income cases and pensioners. It is not a substitute for, or equal in value to, salaries or normal welfare arrangements. In the current circumstances, it is helping to meet the basic needs of some groups of people. There are many public sector workers who do not receive anything through the TIM and who are worse off as a result of the fiscal crisis facing the PA. The strikes throughout the civil service demonstrate their dissatisfaction. (Paragraph 112)

24. We recommend greater donor co-ordination to facilitate the work of the EU Co-ordinating Office for Palestinian Police Support (EU COPPS) which we believe can play an important role in developing policing skills and a non-factional approach to promoting law and order. We are also pleased that discussions are taking place between the EU and the Office of the President about the possibility of the security services being paid an allowance through the TIM. In highly inflammatory situations it is important that the civil police feel they are in a position to carry out their duties
effectively and do not abuse their position because of economic hardship. However
any decision to fund the civil police, or the security forces of the Office of the
President, will need to take account of the rivalry between Hamas and Fatah security
forces and potential misdirection of funds to international terrorism. (Paragraph
115)

25. A way must be found to repay the remaining revenues withheld by the Government
of Israel. The TIM offers one possible mechanism. (Paragraph 116)

26. The European Commission recognises that the TIM is, and can only be, an
inadequate response to the present financial crisis in the OPTs. We agree that it is a
means of helping the poorest and alleviating the suffering of the Palestinian people in
the short run. The problems we have identified, including the delays in getting
Window I off the ground, as well as the limited number of civil servants who receive
payments, will need to be addressed when the TIM is extended. In the absence of a
solution to the current fiscal crisis we support the continuation of the TIM. However
we insist that it must be temporary and if it persists beyond the current year there is a
very real risk that the Palestinian Authority may be fatally undermined. This would
set back not only the realisation of Palestinian rights to govern themselves in the
West Bank and Gaza but also the prospects for peace. (Paragraph 117)

The health sector

27. The UK Government and other donors in the international community have
indicated that if a Palestinian Authority, led by or including Hamas, agreed to accept
the Quartet principles, normal funding mechanisms would be resumed. We hope the
Government of Israel would take a similar view. In the meantime, however, we
believe there are humanitarian reasons to exempt the health sector from the financial
boycott of the Palestinian Authority, especially given the difficulties which
restrictions on movement and access continue to cause for this sector. We
recommend that the UK Government investigate the possibility of achieving such an
exemption. Using existing health provision structures would be more effective and
efficient than the creation of alternative funding mechanisms such as the Temporary
International Mechanism. (Paragraph 129)

Development assistance under conditions of occupation

28. We agree that under the current circumstances donors should not disengage from
the OPTs. (Paragraph 130)

29. We agree that there is an urgent need for a political solution, and an end to
occupation, but consider that there are interim actions which can and should be
taken by the international community to work towards one. For example DFID has
contributed to the building up of the Palestinian Authority and other institutions,
and has supported the Negotiations Support Unit, with a view to eventual self-
government. Such initiatives provide opportunities for increased levels of
independence and Palestinian-led development. These are welcome initiatives.
Unfortunately, as we have noted, the current policy of not funding PA institutions
threatens to undo much of the progress which DFID has helped achieve and
increases the risk of collapse of the PA as anticipated by DFID in its Country Assistance Plan of 2004. (Paragraph 132)

30. It has been reported that the Government of Israel has released $100 million of the withheld revenues to the Palestinian President. This is a welcome development. However there is no legitimacy to the withholding of any of the revenues and the decision to release only a small part of these will have limited effect on the crisis facing the Palestinian economy. Pressure must be placed on the GoI by the UK and the Quartet to release the full amount due as soon as possible. (Paragraph 133)

31. The existence of the settlements and the requirement to protect and secure them has created a complex system of separation under which Palestinians must live. The current system of closure if taken to its logical conclusion will make a future Palestinian state unviable. This must not be allowed to happen. The future of the West Bank and East Jerusalem settlements should be a matter of priority for the international community. The constructive engagement approach has not placed it sufficiently high on the agenda. The UK and the international community need to reconsider their approach towards the Government of Israel. (Paragraph 137)

Looking forward: the current ceasefire

32. At present there is a stand-off between a Palestinian government that will not recognise Israel and the international community which insists on this as a precondition for even exploratory dialogue on humanitarian affairs, let alone formal peace talks. Ways must be found to foster a dialogue—incentives should be offered as well as penalties threatened or imposed if progress is to be made on the peace settlement. (Paragraph 140)

33. Humanitarian assistance must be integrated with long-term development planning which seeks to relieve developmental constraints. To this end the UK must work with the Palestinian Authority and other relevant bodies to consider how to rebuild Palestinian institutions and how to restore lost livelihoods which have resulted from events in 2006 and, importantly, how to re-establish confidence in the democratic process out of which Hamas was elected. (Paragraph 141)

34. In other situations, ways have been found of UK representatives talking to those with whom we have profound and justifiable disagreements because we talk to them in their capacity as elected representatives, not in their capacity as representatives of a particular party or faction. Finding ways of achieving this in this case need not mean a dilution of the international community’s insistence that Israel has the unqualified right to recognition and security within legitimate borders any more than our talking to the Government of Israel means endorsing its continued occupation of East Jerusalem, the West Bank and Gaza. (Paragraph 142)

35. Although we are clear that practical action needs to be taken now to relieve the immediate crisis in the Occupied Territories, we are also clear that the Palestinians have as equal a right to self-determination in a viable and contiguous state as the Israelis have to peace and security in their own internationally recognised state. Neither the international community nor the Government of Israel should
underestimate the strength of commitment amongst Palestinians to such a state. That message came out strongly during our visit. (Paragraph 143)

36. Palestinian resistance to occupation has taken many forms over the years. Whilst rejecting violence as a means of achieving their aims we support the creation of an independent Palestinian state alongside Israel. The commitment to a two-state solution is set out in UN Resolutions and in the performance-based Roadmap drawn up in 2003. The Roadmap was endorsed by the Quartet and the partners in the Quartet should work more proactively to achieve it, through talks between the parties involved and through measurable and internationally monitored steps to achieve it. (Paragraph 144)
Annex: The Committee’s visit programme in the Occupied Palestinian Territories and Israel

The group consisted of:
Malcolm Bruce (Chairman)    Quentin Davies
John Barrett    James Duddridge
John Battle    Ann McKechin
John Bercow    Joan Ruddock
Richard Burden

Accompanied by: Carol Oxborough (Clerk), Anna Dickson (Committee Specialist)

MONDAY 6 NOVEMBER 2006

Jerusalem

Briefing from Department for International Development and Foreign & Commonwealth officials

Meeting with David Shearer, Head, UN Office for Co-ordination of Humanitarian Affairs (OCHA), OPTs

Ramallah

Meeting with Rafiq Husseini, Chief of Staff to the Palestinian President

Roundtable with Palestinian businessmen:
- Mr Mazen Sinokrot (Chairman, Sinokrot Global Group)
- Mr Jihad al Wazir (Deputy Governor, Palestinian Monetary Authority)
- Mr Talal Nasser Eddin (Chairman and CEO Birzeit Pharmaceutical Group)
- Mr Mazen Jadallah (Director General, Palestinian Ministry of Finance)

Meeting with Negotiations Affairs Department and Negotiations Support Unit

Group 1: Meeting with Salaam Fayyad, Member of the Palestinian Parliament and former Minister of Finance
Group 2: Meeting with Mahdi Abdul Hadi, Palestinian Academic Society for the Study of International Affairs (PASSIA)

Meeting with Hanan Ashwari, Secretary General, Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH); Janet Michael, Mayor of Ramallah; and Lanis Alami, Director of the Palestinian Independent Commission for Human Rights
TUESDAY 7 NOVEMBER 2006

Northern West Bank (organised by UN Relief and Works Agency (UNRWA))

Visits to Za’atara, Huwwarra and Beit Iba Checkpoints.
Visit to Balata Refugee Camp. Meetings with UNRWA officials, school staff and pupils and the Balata Camp Popular Committee
Visit to Awarta Checkpoint
Visit to Deir al Hatab and meeting with village Women’s Association

Jerusalem

Meeting with David Craig, Country Director, West Bank and Gaza, World Bank
Meeting with John Kjaer, Head of Mission, European Commission, Jerusalem
Meeting with British journalists based in the OPTs

WEDNESDAY 8 NOVEMBER 2006

Jerusalem

Meeting with Amos Gill, Executive Director, Ir Amin

Bethlehem

Meeting with Jaad Isaac, Director, Applied Research Institute
Meeting with Zahi Khoury, Palestinian businessman and Chairman of the National Beverage Company

Jerusalem

Meeting with Terry Boulata, lobbyist and advocate

Group 1 — Meeting with the EU Co-ordinating Office for Palestinian Police Support (EUCOPPS) and the EU Border Assistance Mission (EUBAM)
Group 2 — Meeting with the EU Temporary International Mechanism Team

Civil Society Roundtable
- Andre Batarseh, East Jerusalem YMCA
- Rula Nesnas, Palestinian Agricultural Relief Committee (PARC)
- Iman Hammouri, Palestinian Non-Governmental Organisations
- Rania Kuttench, Palestinian Non-Governmental Organisations
- Mazen Hashweh, Director of Resource Development, Welfare Association
- Dr Tawfiq Nasser, East Jerusalem Hospitals Network
- Abed Al Qader Husseini, Faisal Husseini Foundation

Meeting with General Keith Dayton, US Security Co-ordinator
THURSDAY 9 NOVEMBER 2006

Shilo Settlement

Meeting with Yisrael Medad, Settler representative

Jerusalem

Meeting with officials from the Centre for International Development Co-operation of the Israeli Ministry of Foreign Affairs (MASHAV)
Meeting with Nimrod Barkan, Head of Political Research Department and Daniel Taub, Deputy Legal Adviser, Israeli Ministry of Foreign Affairs

Tel Aviv

Meeting with Ephraim Sneh, Deputy Defence Minister
Meeting with Shalom Turgeman, Foreign Policy Adviser and Yoram Turbowicz, Chief of Staff, Prime Minister’s Office
Meeting with General Speigle, Chief Policy Adviser to the Defence Minister and Hagai Alon, Adviser on Palestinian Issues, Ministry of Defence

Meeting with human rights and civil society organisations:
Economic Cooperation Foundation
B’Tselem
International Women’s Commission
Peace Now
## List of acronyms

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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<td>AMA</td>
<td>Agreement on Movement and Access</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>EU</td>
<td>European Union</td>
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<td>EU BAM</td>
<td>European Union Border Assistance Mission</td>
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<td>EU COPPS</td>
<td>European Union Coordinating Office for Palestinian Police Support</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross</td>
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<td>IDF</td>
<td>Israeli Defence Force</td>
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<td>GoI</td>
<td>Government of Israel</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>OCHA</td>
<td>Office for the Coordination of Humanitarian Affairs</td>
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<td>OPTs</td>
<td>Occupied Palestinian Territories</td>
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<td>PA</td>
<td>Palestinian Authority</td>
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<td>PCBS</td>
<td>Palestinian Central Bureau of Statistics</td>
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<td>TIM</td>
<td>Temporary International Mechanism</td>
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<td>TIM MU</td>
<td>Temporary International Mechanism Management Unit</td>
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<td>UN</td>
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<td>United Nations Conference on Trade and Development</td>
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<td>United Nations Security Council Resolution</td>
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<td>United Nations Children’s Fund</td>
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<td>UNRWA</td>
<td>United Nations Relief and Works Agency</td>
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<td>WFP</td>
<td>World Food Programme</td>
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Formal minutes

Wednesday 24 January 2007

Members present:

Malcolm Bruce, in the Chair

John Barrett
John Battle
John Bercow
Richard Burden

James Duddridge
Ann McKechin
Joan Ruddock
Mr Marsha Singh

Draft Report (Development Assistance and the Occupied Palestinian Territories), proposed by the Chairman, brought up and read.

Ordered, That the Chairman’s draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 144 read and agreed to

Summary agreed to.

Annex agreed to.

Ordered, That the Agreement on Movement and Access be appended to the Report.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No 134.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Several papers were ordered to be reported to the House.

[Adjourned till Tuesday 20 February at 10.00 am.]
Appendix: The Agreement on Movement and Access, 15 November 2005

To promote peaceful economic development and improve the humanitarian situation on the ground, the following agreement has been reached. It represents the commitments of the Government of Israel (GoI) and the Palestinian Authority (PA). Its implementation and further elaboration will be assisted by the Quartet Special Envoy for Disengagement and his staff and/or the United States Security Coordinator (USSC) and his staff.

1. Rafah

The parties have agreed to the attached statement of principles. Rafah will be opened as soon as it is ready to operate at an international standard in accordance with the specifications of this agreement and as soon as the 3rd party is on site, with a target date of November 25.

2. Crossing Points

The parties have agreed that:

The passages will operate continuously. On an urgent basis, Israel will permit the export of all agricultural products from Gaza during this 2005 harvest season.

The new and additional scanner will be installed and fully operational by December 31. At that time, the number of export trucks per day to be processed through Karni will reach 150, and 400 by end-2006. A common management system will be adopted by both parties.

In addition to the number of trucks above, Israel will permit export of agricultural produce from Gaza and will facilitate its speedy exit and onward movement so that quality and freshness can be maintained. Israel will ensure the continued opportunity to export.

To enhance operation, the parties agree that:

When a new generation of x-ray equipment able to scan trailers as well as containers becomes available it will be used. Once it arrives in the country, testing will also be carried out with the assistance of the Quartet Special Envoy.

The USSC will ensure continuing consultation, with unresolved implementation issues to be discussed as needed with the parties.

The PA will ensure that the passages will be protected on the Palestinian side of the border and will train and upgrade the management of all crossings to ensure efficiency and effectiveness. The PA will establish, without delay, a unified system of border management. The management system that has been developed for Karni should, with suitable local variations, be adapted to the passages at Erez and Kerem Shalom. Israel also undertakes to put in place similar arrangements as appropriate that will make West Bank passages fully operational as soon as possible. A bilateral committee, with participation as needed of the
Quartet Special Envoy and/or the USSC, will develop operational procedures for those passages.

3. Link between Gaza and the West Bank

Israel will allow the passage of convoys to facilitate the movements of goods and persons. Specifically:

- Establish bus convoys by December 15.
- Establish truck convoys by January 15.
- Work out detailed implementation arrangements in a bilateral committee of the GoI and PA with participation as needed from the Quartet team and the USSC.

It is understood that security is a prime and continuing concern for Israel and that appropriate arrangements to ensure security will be adopted.

4. Movement within the West Bank

Consistent with Israel’s security needs, to facilitate movement of people and goods within the West Bank and to minimize disruption to Palestinian lives, the ongoing work between Israel and the U.S. to establish an agreed list of obstacles to movement and develop a plan to reduce them to the maximum extent possible will be accelerated so that the work can be completed by December 31.

5. Gaza Seaport

Construction of a seaport can commence. The GoI will undertake to assure donors that it will not interfere with operation of the port. The parties will establish a U.S.-led tripartite committee to develop security and other relevant arrangements for the port prior to its opening. The 3rd party model to be used at Rafah will provide the basis for this work.

6. Airport

The parties agree on the importance of the airport. Discussions will continue on the issues of security arrangements, construction, and operation.
Witnesses (page numbers refer to Volume II)

Tuesday 24 October 2006

Martin Dinham, Director, Europe, Middle East and Americas and East Asia Division, Department for International Development, David Hallam, Head, DFID Palestinian Programme, Michael Anderson, Head, Middle East and North Africa Department, DFID and Peter Gooderham, Director, Middle East and North Africa, Foreign and Commonwealth Office

Tuesday 31 October 2006

William Bell, Advocacy Officer, Christian Aid, Dr Floresca Karanasou, Middle East Programme Manager, Quaker Peace and Social Witness, Henry Grunwald QC, President, Board of Deputies of British Jews, and Adam Leach, Regional Director, Middle East, Eastern Europe, Commonwealth and Independent States, Oxfam

Tuesday 28 November 2006

Alan Seatter, Head of Near East Division, Directorate-General for External Relations, European Commission

David Shearer, Head of the UN Office for the Co-ordination of Humanitarian Affairs in the Occupied Palestinian Territories

Thursday 14 December 2006

Rt Hon Hilary Benn MP, Secretary of State for International Development, Martin Dinham, Director, Europe, Middle East and the Americas and East Asia Division, DFID, David Hallam, Head, DFID Palestinian Programme, and Peter Gooderham, Director, Middle East and North Africa, Foreign and Commonwealth Office

Written evidence (page numbers refer to Volume II)

Written evidence submitted by witnesses who also gave oral evidence:

1. Department for International Development Ev 73; Ev 87
2. Board of Deputies of British Jews Ev 87; Ev 90
3. Christian Aid Ev 92
4. Oxfam Ev 99
5. Religious Society of Friends in Britain/Ecumenical Accompaniment Programme in Palestine and Israel  Ev 109
6. Alan Seatter, European Commission  Ev 208

Other written evidence:

7. BADIL Resource Center for Palestinian Residency and Refugee Rights  Ev 114
8. Britain Israel Communications and Research Centre  Ev 117
9. Camden Abu Dis Friendship Association  Ev 119
10. CARE International UK  Ev 121
11. Christian Peacemaker Teams  Ev 124
12. Discovery Analytical Resourcing  Ev 125
13. Funding for Peace Coalition  Ev 130
15. Médecins du Monde  Ev 151
16. NGO Monitor  Ev 157
17. Palestinian Grassroots Anti-Apartheid Wall Campaign  Ev 167
18. Palestine Platform  Ev 173
19. Palestine Solidarity Campaign  Ev 174
20. Save the Children  Ev 176
21. Together for Peace  Ev 180
22. UNICEF  Ev 188
23. UN World Food Programme  Ev 193
24. War on Want  Ev 196
25. Welfare Association  Ev 199
26. Women’s International League for Peace and Freedom  Ev 203

List of unprinted written evidence and papers

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons Library where they may be inspected by Members. Other copies are in the Parliamentary Archives and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Unprinted memoranda:
- Al-Haq
- Mrs Jennifer Bell
- Ross Campbell
- Alan I. Davis
- Rev Michael Fryer
- Holly Gordon
Jews for Justice for Palestine
Dennis Moir
Maurice Ostroff
Welfare Association

*Other papers:*

*Reports submitted by the Camden Abu Dis Friendship Association:*
- Reports of the death of Shehadeh Mohsen and about the difficult situation of other patients from Abu Dis
- Letter about the situation of Abdul Wahab Sabbah from Abu Dis
- Excerpts from monthly reports on Israeli violations in Abu Dis – July 2006, August and September 2006

*Declining Governmental Health Service Provision in the West Bank,* International Committee of the Red Cross, 15 November 2006

*Letter to the Chairman of the Committee from Labour Friends of Israel,* 6 October 2006

*Israeli assistance steps and humanitarian measures towards the Palestinians following the Palestinian elections and the Sharm el-Sheikh Summit,* Division for the United Nations and International Organisations, Ministry of Foreign Affairs, Israel, May 2005


*Breaking the Law in the West Bank — One Violation Leads to Another: Israeli Settlement Building on Private Palestinian Property,* Peace Now’s Settlement Watch Team, October 2006


*The Agreement on Movement and Access: The Costs of Non-Implementation,* PLO Negotiations Affairs Department, October 2006

Reports submitted by Alan Seatter, External Relations Directorate-General, European Commission on the operation of the arrangement agreed with Israel on the levying of duties on products from settlements entering the EU market

*Implementing donor contributions to TIM, Temporary International Mechanism (TIM),* European Commission Management Unit, Jerusalem, 14 August 2006

UNCTAD’s Assistance to the Palestinian People, United Nations Conference on Trade and Development (UNCTAD), 19 July 2006

The Agreement on Movement and Access: One Year On, United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA), November 2006

Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-economic Impacts, United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), November 2006

Update on Palestinian Movement, Access and Trade in the West Bank and Gaza, World Bank Technical Team Report, 15 August 2006
Reports from the International Development Committee since July 2005

The Government Responses to International Development Committee reports are listed here in brackets by the HC (or Cm) No. after the report they relate to.

**Session 2006-07**

First Report | DFID Departmental Report 2006 | HC 71
Second Report | HIV/AIDS: Marginalised groups and emerging epidemics | HC 46-I & II
Third Report | Work of the Committee in 2005-06 | HC 228

**Session 2005–06**

First Report | Delivering the Goods: HIV/AIDS and the Provision of Anti-Retrovirals | HC 708-I&II (HC 922)
Second Report | Darfur: The killing continues | HC 657 (HC 1017)
Third Report | The WTO Hong Kong Ministerial and the Doha Development Agenda | HC 730-I&II (HC 1425)
Fourth Report | Private Sector Development | HC 921-I&II (HC 1629)
Sixth Report | Conflict and Development: Peacebuilding and post-conflict reconstruction | HC 923 (HC 172)
Seventh Report | Humanitarian response to natural disasters | HC 1188 (HC 229)