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מדינת ישראל

משרד הממשלה

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פסיכית כלכלת הפגדה המצוינות
ויכוחים עם מילגאל.

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מחלקה



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מס' תיק מקורי

כ"א/8083/12

מסמך חקירה
26/12/91 :פס
INTERIM RESEARCH REPORT
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Subject of Research:

ASSESSING OPTIMAL CONDITIONS FOR ECONOMIC SEPARATION OF THE
===== .
WEST BANK AND THE GAZA STRIP FROM ISRAEL
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2/18
A. Introductory Remarks: Reasons for the Choice of the Subject

(i) The Intifada, the crisis and war in the Persian Gulf, caused a deterioration of the inter-communal relationship between Israelis and Palestinians. Acts of violence committed by both, Palestinians and Israelis created increasing mutual fear and hostility. During the Gulf War, of January and February 1991, matters turned from bad to worse. Fearing Palestinian rioting, Israeli authorities enforced prolonged curfews that produced most harmful economic consequences. In reaction to these developments, grass root demand for a separation of the Israeli and Palestinian societies and economies became a strong political force.

(ii) The Palestinian leadership publicly supported the concept of separation, assuming that economic separation will set a more general process of administrative and political separation in motion. Similarly, leaders of the Israeli peace camp supported the same idea, due to identical reasoning.

It was also assumed that economic separation, would out of necessity, lead to the creation of over 100 000 new employment opportunities for Palestinians in the West Bank and Gaza and would thus offer a strong impetus for economic development.

(iii) On the other hand, Israelis and Palestinians alike feared that a total and abrupt separation will cause tremendous hardship, particularly to the families of those 120 000 Palestinians working within Israel. Palestinian farmers and industrialists feared that their production capabilities may be heavily impaired, others feared the loss of existing markets.

On a more theoretical level, many Israeli economists most vividly opposed the idea of separation, arguing that such a development would cause longlasting damage to both the Israeli and the Palestinian economies and societies.

(iv) The fear that the process of separation will happen under totally uncontrolled conditions, due to a renewed escalation of hostilities, the hope that economic separation will generate economic development and the assumption that political benefits may accrue, have made, in our view, a study on optimal conditions for a controlled process of economic separation, imperative.

B. Other Studies and Research

- 2 -

(i) During the 1980's and early 1990's much academic attention has been dedicated to the study of the economy and economic development problems of the Palestinian community in the West Bank and the Gaza Strip. Various institutions such as UNIDO in Vienna, UNCTAD in Geneva, the EEC in Brussels have taken a leading role in promoting respective solution-oriented research. UNIDO dedicated funds for the preparation of studies on specific development projects. UNCTAD, as well as the Welfare Society in Geneva commissioned studies for the preparation of Five Years Development Plans.

C. Content of Study

(i) This study intends to take research work one step further and investigate political options, obstacles and opportunities.

(ii) This study will be divided in three parts; in the first part after discussing the long- and short-term aims of Palestinians and Israelis in regard to economic development in the territories, the political problematics, the costs and benefits of various models of economic separation will be discussed; in the second part the administrative and legal conditions of Israeli control over the Palestinian economy and possibilities for change will be elaborated, while in the third part two alternative one year working programs will be described.

C. Research Activities

(i) So far research work has been directed at studying optimal conditions for a negotiated separation process. The interim research report includes two chapters of the first part of this study:

chapter no. one: "Achieving Economic Separation
by Negotiations" and

chapter no. two: "A Strategy for Negotiations".

The chapters in their present form are drafts, various changes in reaction to comments will be incorporated in the final version.

ii. Our research work has been based on an extensive study of written source material in English, Arabic, Hebrew, French and German. Israeli and Palestinian university libraries have been consulted; the information networks of ABI and Dialogue have been checked; publications from the Israeli Central Bureau of Statistics in Jerusalem and of UNCTAD, Geneva have been studied.

iii. Extensive and repeated interviews have been held with leading Palestinian personalities, including Faisal el-Husseini, Dr. Hanan Mikhail-Ashrawi, Dr. Ghassan el-Khatib,

Samir Hleileh, Dr. Samir Abdallah Saleh, Samir Chasbun, Charles Shammass and Rami Abdulhadi.

Industrial and business enterprises in Ramallah and Bethlehem have been visited and interviews were held with the owners and managers.

D. Additional Extraordinary Activities

i. In order to obtain additional research information and shorten interviews, the head of this research project, Dr. Yair Hirschfeld organized a one day symposium at the University of Haifa on the subject: Economic Development in the West Bank and Gaza.

The symposium was held on June 17, 1991 and attended by: Efraim Rainer (former Chairman of Board of Directors of Bank HaPoalim);

Ing. Josef Duriel (Director of the Israeli Institute for Work Productivity)

Yoram Nimrod (Historian, Seminar Oranim);

Dan Sakkaï (Research at the Central Bank of Israel);

Hisham Awartani (Professor of Economics at Najah-University Nablus);

Efraim Kleimann (Professor of Economics at the Hebrew University, Jerusalem);

Samir Hleileh (Economist and businessman, Ramallah);

Yair Hirschfeld (Historian, University of Haifa)

It is the intention of the University of Haifa to publish the proceedings of this symposium.

ii. The ECF (Economic Cooperation Foundation) which has taken responsibility for this study, has been instrumental in encouraging and convincing the Austrian Government to donate a cold storage center to the Palestinians. Papers (resulting from this study) were submitted to the Austrian Trade Delegation in Tel Aviv and necessary contacts established.

In return the research team obtained from discussions with the Palestinians important insights into questions related to the research topic.

iii. During the research work it became more and more evident that detailed material on questions related to regional cooperation was needed. Accordingly, the ECF presented a related research proposal to the Ebert Foundation and obtained the necessary funding. The findings of various papers written by Israel's outstanding experts in their field will be incorporated in this study too.

1. ACHIEVING ECONOMIC SEPARATION BY NEGOTIATIONS

- 4 -

A. Palestinian and Israeli Long-Term Aims

1. The Palestinian Concept

2. The overriding Palestinian aim is the achievement of self-determination and the establishment of an independent Palestinian State. The viability of such a state has to be built on a strong and flourishing economy. Palestinian estimates and planning indicate that a period of ten to fifteen years will be needed herefore. (1) The necessary total public and private investment envisaged will amount to US \$ 23 billion. (in 1990 prices) The idea is to build a viable and modern infrastructure, invest in housing (over 200 000 units) and create a wide and effective basis for manpower training. The infrastructure components of the program, roads, e.g. airport, port, electrical generation capacity, irrigation, will require one to three years of planning and design, other elements as housing, agricultural development, extension of trade and industrial projects and promotion of tourism could, according to Palestinian thinking and planning, start immediately. (2)

3. The break down of necessary public investment for a Palestinian Reconstruction and Development Program will be:

A. Physical Infrastructure	US \$ millions	9,500
1. Housing (200 000 units)		4,500
2. Roads (5,000 km)		1,250
3. Irrigation, land reclamation, and rural infrastructure		1,200
4. Power/electricity capacity and networks		750
5. Water and sewage facilities		600
6. Communications		400
7. Air and seaport facilities		350
8. Public buildings		300
9. Other facilities		150
B. Social Infrastructure		2,450
1. Hospitals and other health facilities		1,200
2. Educational facilities		600
3. Social institutions		300
4. Public facilities (parks, etc.)		150
5. Tourism facilities (public share)		100
6. Other facilities		100
Sub- Total (A + B)		11,950
C. Contingency (10 %)		1,200
D. Total (A + B + C)		13,150(3)

George Abed indicates that the needed US \$ 13 billion should be raised in the following ways: \$ 6 billion should come from the Arab countries, another \$ 4 billion from official bilateral assistance, and \$ 2 billion from international financial and development institutions.

4. The private sector investment should come largely from

Palestinian, Arab and international businessmen and entrepreneurs. Taking into account that Arab private enterprise alone has \$ 320 billion in assets in European and American capital markets, (4) Palestinian economic planners assume that the raising of necessary investment should not be difficult, in case necessary political and economic conditions will prevail. For an envisaged twelve year development plan investment in the industrial sector for US \$ 7,5 billion is expected.

US \$ 1,5 billion of private investment are earmarked for increasing agricultural production facilities, whereas only US \$ 0,75 billion are envisaged for investment in tourism and other services.

5. The restructuring of the West Bank and Gazan economy will according to the Palestinian view, require "a considerable increase in agricultural and industrial output and a great expansion and modernization of the services sector. Development in this sector would focus especially on tourism and financial services, in both of which areas the Palestinian economy could rapidly develop a comparative advantage". (5)

6. The largest share of the resources will be earmarked for the development of a strong and viable economic infrastructure. "The bulky components of the program (roads, airport, electrical generation capacity) will require one to three years of planning and design, whereas other elements (e.g. housing) could start immediately". (6)

7. From a political point of view the aims of building a strong Palestinian economy will be fourfold: First, providing a firm basis for Palestinian independence; second, creating necessary conditions to enable the return, the social and economic absorption and integration of Palestinian refugees; third, providing economic prosperity to the citizens of the envisaged independent Palestine, contributing herewith to social, economic and political stability; fourth, create "a just, open, democratic, pluralistic society..." (7)

These political aims influence the Palestinian attitude towards the three economic models of separation, as will be discussed further on in this study. (see below)

8. The Israeli Concept

9. The overriding Israeli aim is to achieve peace, which is to be built on four pillars: the pillar of legitimacy (direct negotiations, the signing of peace treaties and the legally effective normalisation of relations between Israel and the Arab states); the pillar of security; the pillar of creating a state of economic interdependence between Israel and the Arab States of the Middle East and the fourth pillar of creating a lasting alliance between Israel, the United States and Europe.

Promoting economic separation between Israel on one side, the West Bank and the Gaza Strip on the other, makes sense, in case such a process may be used as a lever for creating regional economic cooperation.

10. The long-term concept of building regional economic cooperation and creating hereby a state of economic interdependence between Israel and the Arab world envisages the following:

- a. the creation of a Common Market of the Middle East with its administrative center in Jerusalem (8);
 - b. the creation of other organisational frameworks for regional cooperation; (9)
 - c. the creation of regional industrial cooperation in various areas and particularly the establishment of a multi-national petro-chemical industrial complex;
 - d. the development of a Middle Eastern transport net work of roads, railroads, air and sea connections and the promotion of a modern communication system between all states of the region;
 - e. the promotion of institutionalized regional cooperation in the areas of
 - Ellath, Agaba and Taba (between Israel, Jordan, Egypt and Saudi Arabia),
 - the Dead Sea (between Israel, Jordan and the Palestinian entity),
 - the Gaza Strip (between Israel, the Palestinian entity, Egypt and Jordan),
 - the Jordan Valley (between Israel, Syria, Jordan and the Palestinian entity),
 - the Hermon mountain range (between Israel, Syria and Lebanon)
 - Nahariya and Ras Nakura (between Israel and Lebanon);
 - f. the coordinated management of labour mobility and absorption of immigrant populations;
 - g. the creation of regional cooperation in agriculture; including joint research, production and marketing agreements;
 - h. the establishment of a regional health organisation to coordinate measures against the spread of diseases, against pollution and environmental damage; to be in charge of campaigning against regional drug-traffic and creating regional medical centers;
 - i. the establishment of a regional educational organisation and the development of joint and coordinated educational and cultural programs; and
 - j. measures for the promotion of regional trade and tourism and free passage for people and goods along the guidelines laid down by the member-states of the CSCE. (10)
11. From a political and a practical point of view, Israel will have a vested interest to support the creation of a variety of models for regional cooperation; evidently the emergence of a Middle Eastern Common Market with its

headquarters in Jerusalem will be the ulterior aim. Yet, other more modest regional organisations on both, local and professional levels will be similarly most useful. (see below)

12. Public Investment needs for regional cooperation will have to be planned in two different categories: First, budgeting the costs of creating a structure of regional cooperation, to include economic planning, establishment of regional centers, promoting various working programs etc. Second, budgeting the costs of regional projects that will benefit specific countries.

For both categories this paper proposes to establish the MEDF to provide necessary economic planning, financing, and technical assistance. (see below...)

13. Private Investment: The success of a policy promoting regional cooperation will in the final account depend on the availability of private investment for regional cooperation projects. It is therefore important that already in the initial stages measures for the encouragement of private investment will be taken. In the early stages the MEDF shall provide investment guarantees and risk insurance mainly for undertakings in trade and tourism. At the next stage steps should be taken to encourage private investment also in infrastructure projects.

14. Israel's main political aim in pursuing regional cooperation is to create a wide and deep rooted basis for its legitimisation in the perception of the Arab peoples of the Middle East, create deep-rooted and widespread vested interests for the maintenance of peace and introduce an irreversible process of normalisation of relations between all states and peoples in the entire region.

(1) George T. Abed "The Economic Viability of a Palestinian State" in: Journal of Palestine Studies, vol. 19, no.2 (winter 1990) pp. 3-28.

(2) ibid. p. 17

(3) ibid. p. 18

(4) Nabeel Sha'ath "The Future Perspective on the Economic Relations Between Israel and the Palestinians" in: Erik Denters and Jacqueline Kilijn (eds.) Economic Aspects of a Political Settlement in the Middle East VU University Press, Amsterdam 1991; pp.131-132.

(5) Abed op.cit. pp. 14-15

(6) ibid. p. 17

(7) Sha'ath op.cit. pp. 131-132

(8) The idea has been proposed by Faisal el-Husseini in an interview with the author on June 28, 1991.

(9) A variety of models heretofore exist, as e.g. cooperation between countries in the Tennessee Valley, or cooperation between the riparian powers of the Danube.

(10) see: "Document of the Bonn Conference on Economic Cooperation in Europe convened in Accordance with the

Relevant Provisions of the Concluding Document of the Vienna Meeting of the Conference on Security and Cooperation in Europe" Bonn, 11 April 1990.

B. Palestinian and Israeli Short-Term Aims

1. Palestinian Short-Term Aims

2. The overriding Palestinian short-term aim is to end or at least diminish Israeli domination over Palestinian economic affairs and obtain an optimal degree of control over the Palestinian economy of the West Bank and Gaza, preparing hereby the ground for both political and economic separation from Israel.

3. In more detailed terms Palestinian endeavours may be identified under five headings or categories. First, aiming to establish an effective internal economic power structure; second, endeavouring to create the necessary conditions and facilities for encouraging investment and economic growth; third, diminishing or possibly even eliminating the prevailing Israeli restriction system in regard to permits, taxation, etc.; fourth, aiming to obtain control of water, land, local and regional planning; fifth, aiming to obtain control over legislation (in regard to economic activities).

4. The need for an internal Palestinian economic power structure:

i. The Palestinian community of the West Bank and Gaza lacks the necessary institutions for economic planning. To carry out even primitive applied economic research no independent statistical data center exists. Economic research on the macro- and micro- level is still very primitive and lacks funding and coordination. A variety of semi-public and semi-private institutions are engaged in economic research (the Arab Thought Forum, the Economic Department at Bir Zeit University, etc.) Yet, the great degree of diversity causes rather confusion than constructive competition.

ii. Financing facilities are almost completely lacking. The Cairo-Amman Bank, the Bank of Palestine, local money changers and several credit societies (EDG, AAS, TDC), Israeli and Jordanian banks (1) provide only limited services. Political unrest, the unwillingness of the indigenous population to employ the services of the Israeli Civil Administration or police forces for enforcing debt payments, changing regulations and the lacking necessity to compete for customers, render existing banking services ineffective. (2) Particularly under these conditions a central financial institution is needed to monitor and guide the mobilisation and distribution of credit, to supervise existing banking activities and introduce measures for encouraging increased investment, production and employment.

iii. The export-marketing of Palestinian goods has been totally dependent on Israel and Jordan. The export figures

of 1987 demonstrate this: Out of a total of US \$ 228 million of exports, US \$ 160,5 million (70,33 %) went to Israel, \$ 66,4 million (29,1 %) to Jordan and only \$ 1,3 million (0,57 %) to other countries. (3) To promote exports to other countries than Israel and Jordan an intense coordinated and centralized Palestinian effort is necessary.

iv. Both, in industry and agriculture for optimizing the benefits of competitive trade and consolidating the production process an institutionalized process of coordination is needed. Hereby planning to avoid the over- or underproduction of goods, misallocation of resources and damaging competition is asked for. Local industrialists and farmers need professional guidance in modern management, advice where and how to invest, how to develop company strategies for production and marketing. Efforts to maintain and raise quality standards and introduce effective quality control, as well as funding for new enterprises, for modernization of equipment and investment in R&D is needed.

5. Thus, a five-level economic power structure is aimed at.
(4) :

Level One: the HPCED (High Palestinian Council for Economic Development)

Level Two: a. the EPU (Economic Planning Unit);
b. the PTPB (Palestinian Trade Promotion Board)
c. the PBI (Palestinian Board of Industry)
d. the PBA (Palestinian Board of Agriculture)
e. the PBT (Palestinian Board of Tourism)

Level Three: a. specific economic research units, competing one with the other;
b. local Chambers of Commerce;
c. local Chambers of Industry;
d. Agricultural Cooperatives;
e. local Boards of Tourism;

Level Four: a. data collection centers
b. quality control centers
c. annual industrial fairs;
Industrial parks;
vocational training centers;
d. agricultural research stations;
animal husbandry's
regional slaughter houses;
regional cold storage centers;

Level Five: agricultural, industrial, commercial and other enterprises.

6. Create Necessary Conditions for Investment

In the long run, as we have seen above, the Palestinians plan to build in the territories a financial center of the Middle

East and encourage also Palestinians living abroad to invest in housing, commercial, industrial and agricultural enterprises. (5) Evidently optimal conditions herefore may only be created, when a peace treaty with Israel will have been signed. Nevertheless, also in the short term, improvement of conditions for investment may be achieved.

Herefore, the Palestinians argue four major changes are necessary:

- i. the economic policies of the Civil Administration in regard to taxation (6), issuing permits (7) and regulating the transfer of monies (8) have to be liberalized;
- ii. Israeli security measures, as curfews, checkpoints, arresting, withholding travel permits and the like (9) have to be limited, if not fully stopped;
- iii. certain infrastructure facilities, particularly in regard to transport, communication and the availability of energy, have to be provided; (10)
- iv. legislation providing a sense of stability and practical enticements for investment is needed (11).

7. Eliminate the Israeli Restriction and Permit System

The negative effects of the Israeli tax system in the territories (12), restrictions on trade, other services, agriculture and industry (13) and inhibitions and difficulties created by a bureaucratic permit system have been described in length elsewhere. (14)

Suffice it to say, that political and economic separation from Israel is intended, in the Palestinian view, to eliminate Israeli intervention.

8. Obtain control over land, water, local and regional planning

The worst aspect of occupation, seen from the Palestinian point of view, is the fact that Israel has brought more than 52 % of the total area of the territories under its control and a steady erosion of Palestinian control over land and water resources is continueing. (15)

Similarly aggravating is Israel's control of all water sources and the control of local and regional planning, which has a direct impact on the provision of housing permits and offers the Israeli authority also a legal basis for carrying out house demolitions. (16)

9. Obtain control over legislation

Gains made by the Palestinians or any unilateral Israeli concession may become reversible, in case no sufficient legal foundation is being created. Hence, the Palestinians demand that right of legislation will be given to them.

10. The need for a transfer of authority

The various Palestinian political groups have concluded that the major precondition for establishing an economic power structure of their own, will be to obtain a transfer of

authority from the Israeli administration. Discussion within the Palestinian camp centers around the question, whether the aimed at transfer of authority may be obtained unilaterally by means of the intifada, or will have to be the result of Israeli-Palestinian negotiations within an accepted international framework.

11. Israeli Thinking

12. The overriding Israeli short-term aim is to keep as many assets as possible for future peace negotiations and maintain tranquility and stability in the West Bank and Gaza. Other major aims are to take care of Israeli economic interests and strengthen the authority of the Israeli Civil Administration in the territories.

13. Israel's autonomy proposals that have been included in the Camp David Agreements of September 17, 1978 (17) relate to most of the issues raised. An information sheet of Israel's Ministry of Foreign Affairs describes the content of Israel's proposals in the following terms:

"Following elections and the establishment of a self-governing authority the military government and its civilian administration will be withdrawn,

- the powers granted to the self-governing authority are proposed (by the Government of Israel) to be in the following domains:

- a. Administration of Justice: Supervision of the administrative system of the courts in the areas: dealing with matters connected with the prosecution system and with the registration of companies, partnerships, patents, trademarks, etc.
- b. Agriculture: All branches of agriculture and fisheries, nature reserves and parks.
- c. Finance: Budget of the administrative council and allocations among its various divisions; taxation.
- d. Civil Service: Appointment and working conditions of the Council's employees.
- e. Education and Culture: Operation of the network of schools in the areas, from kindergarten to higher education; supervision of cultural, artistic and sporting activities.
- f. Health: Supervision of hospitals and clinics; operation of sanitary and other services related to public health.
- g. Housing and Public Works: Construction, housing for the inhabitants and public works projects.
- h. Transportation and Communications: Maintenance and coordination of transport, road traffic, meteorology; local postal and communications services.
- i. Labour and Social Welfare: Welfare, labour and employment services, including the operation of labour exchanges.
- j. Municipal Affairs: Matters concerning municipalities and their effective operation.

- k. Local Police: Operation of a strong local police force, as provided for in the Camp David agreement, and maintenance of prisons for criminal offenders sentenced by the courts in the area.
- l. Religious Affairs: Provision and maintenance of religious facilities for all religious communities, among the Arab inhabitants of Judea-Samaria and the Gaza district.
- m. Industry, Commerce and Tourism: Development of industry, commerce, workshops and tourist services.

The council (Palestinian self-governing body) will have full powers in its spheres of competence to determine its budget, to enter into contractual obligations, to sue and be sued and to engage manpower. It will, moreover, have wide powers to promulgate regulations, as required by a body of this kind. In the nature of things, in view of the free movement that will prevail between Judea-Samaria and the Gaza district and Israel and for the general welfare of the inhabitants, arrangements will be agreed upon in the negotiations, in a number of domains, for cooperation and coordination with Israel. The administrative council (Palestinian self-governing body) will, hence, have full scope to exercise its wide-ranging powers under the terms of the autonomy agreement." (18)

14. Viewing the transfer of control over economic affairs from Israeli authority to a Palestinian self-governing authority, as a major component of peace negotiations, indicates that any Israeli government will oppose and resist granting such concessions unilaterally. Hence, the Israeli government has resisted in the past to bestow any rights of legislation to a Palestinian body. Demands for changing the economic authorities of the Civil Administration have been refuted and attempts to create a Palestinian economic power structure have been undermined or at times destroyed even by the use of threats and force. (19)

15. This notwithstanding Israeli political and military authorities have not opposed the creation of local Palestinian power structures. On the contrary, in the past - during the early and mid 1970's a Labour government endeavoured to strengthen the municipalities. Endeavours to establish an Arab Civil Administration controlled by the leading mayors was even undertaken. (20) A Likud government made during the early 1980's an attempt to transfer powers to the "village leagues". (21) Whereas the present government is endeavouring to encourage the establishment of strong and viable Chambers of Commerce and Chambers of Industry. (22)

16. In Israeli ideological, political and military thinking full support is given to the encouragement and promotion of economic development among the Palestinians. Ideologically, the Zionist movement, from its very beginning, viewed itself as a generator of economic welfare, not only to the Jewish community in Erez Yisrael, but similarly to all peoples of the region. (23) Politically, the Zionist movement and later

the Israeli Government always understood that support for economic development was an effective instrument for decreasing hostility and gaining political allies. (24) Militarily, economic development and prosperity among the Palestinians was always viewed as a stabilizing factor. (25) Experience gained in the West Bank and Gaza, during the years of economic prosperity - from 1967 to 1980 - underlined and sustained this positive view of the IDF in regard to economic development among the Palestinians. (26)

17. In regard to the politics and the administration of economic development in the West Bank and the Gaza Strip, Israeli military thinking was somehow split between two contradictory aims: On one hand, the desire to create an optimal degree of dependence of Palestinian individuals and groups upon the Israeli military and civil authorities (27) and the desire and need to cooperate with existing Palestinian power structures, on the other hand. (28)

The Intifada has clearly demonstrated the limits of Israeli power and has convinced the professional policy and decision makers in the Civil Administration, the need to create a dual power structure. (29)

18. The concept underlying Israeli legal thinking in regard to economic development in the territories, was - irrespectively of political developments - to view Israel, the West Bank and the Gaza Strip as one indivisible economic unit. (30)

19. Israel's economic interest in the territories cannot be ignored but may also not be overstated. At their highest, imports from the West Bank and Gaza amounted to less than 3 % of Israel's total merchandise imports. Unlike its imports, Israel's exports to the West Bank and Gaza constitutes as much as one-tenth of all its exports. But a considerable portion of this figure represents what is in effect transit trade, with negligible local value added. According to an estimate if the Bank of Israel, the decline of 40 % of Israeli exports to the West Bank and Gaza resulted in a fall of only one-half % in Israel's GDP. (31)

- (1) Paul Pasch Politik und Wirtschaft - Die wirtschaftliche Entwicklung der West Bank unter israelischer Besetzung; tuduv, Muenchen 1991; chapter III.
- (2) ibid. pp. 154-157.
- (3) Central Bureau of Statistics, Statistical Abstract of Israel 1988; Jerusalem; p. 715.
- (4) The five-level structure presented here is largely simplified. For a more detailed description see Part II and Part III of this study. The concept as developed here is based on interviews with leading Palestinian political personalities such as Faisal el-Husseini, Dr. Hanan Ashrawi and Dr. Ghassan al-Khatib; interviews with Palestinian economists and planners, such as Samir Hleileh, Rami Abdul Hadi, and Samir Abdallah Saleh.
- (5) Abed op.cit.
- (6) On the taxation system see: The System of Taxation in the West Bank and the Gaza Strip, BEZELEM, Jerusalem 1990; and Marc Stephens Taxation in the Occupied West Bank, 1967-1989 Al Haq, March 1990.
- (7) see part B of this study, written by Meir Linsen; see also: Brian van Arkadie "The Impact of Israeli Occupation on the Economies of the West Bank and the Gaza Strip" in: zamed al-iqtizadi July/August 1985; vol. 7. (Arabic)
- (8) see Pasch op.cit. chapter III and IV and Hisham Awartani, "The Palestinian Economy under Occupation" in: Denters and Kliyn op.cit. pp.24-26.
- (9) see: "The Effect of the Prolonged Curfew on the Palestinian Economy" JMCC (mimeographed).
- (10) see: Rami S. Abdulhadi "Land Use Planning in the Occupied Palestinian Territories" in: Journal of Palestine Studies, vol. 19, no. 4, summer 1990.
- (11) Interview with Samir Hleileh, Dr. Ghassan al-Khatib and Dr. Hanan Ashrawi on April 11, 1991 in Ramallah.
- (12) see above footnote 6.
- (13) UNCTAD Palestinian External Trade Under Israeli Occupation; UN New York 1989; pp. 78-90.
- (14) ibid.; see also: Bitter Harvest - Israeli Sanctions Against Palestinian Agriculture During the Uprising, December 1987- March 1989 JMCC, Jerusalem, May 1989.
- (15) Palestinian external trade op.cit. p.7.
- (16) see: Abdulhadi op.cit. For another detailed and extensive description on regional planning issues in the territories see: A.G. Coon "Development Plans in the West Bank" in: GeoJournal; 21/4 August 1990; pp.363-373; see also periodical leaflets of "Land and Water Est. for Studies and Legal Services" describing ongoing changes in regard to land. On planning for housing and house demolitions see: Rasem Khameyseh Israeli Planning and House Demolishing Policy in the West Bank; PASSIA, Jerusalem December 1989; pp. 1-82.
- (17) For the Camp David agreements see: William Quandt Camp David: Peacemaking and Politics Brookings Inst. Washington 1986; pp. 376-387.
- (18) Israel Ministry of Foreign Affairs "Briefing: Israel's Autonomy Proposals" mimeographed under the number

135/2.7.82/3.08.10.

(19) In the final version of this study a chapter will be dedicated to the description of the historical development.

(20) Municipal elections were held in 1972 and 1976. In 1976 the Israeli Ministry of Defence contemplated to transfer the powers of the envisaged Civil Administration to the Arab mayors. On the political atmosphere of the time see: Elie Rekhess and Dan Avidan "The West Bank and Gaza Strip" in: Colin Legum (ed.) Middle East Contemporary Survey, 1976-1977; Holmes and Meier, New York 1978; vol. 1; pp. 209-226.

(21) see Middle East Contemporary Survey, 1981 chapter on the West Bank and Gaza Strip.

(22) Elections to Chambers of Commerce were organized by the Civil Administration during the summer of 1991.

(23) On early Zionist attitude to the question of regional economic development see: Yosef Gorni The Arabic Question and the Jewish Problem Am Oved, Tel Aviv, 1986 (Hebrew).

(24) see: Speech of Moshe Sharett to a Seminar of the Jewish Agency, November 30, 1934 in Jerusalem", in: Zionist Archives, Jerusalem.

(25) see: e.g. Shimon Peres to Central Committee of the ILP (Israel Labour Party), December 19, 1968; in: 24/68, Beth Berl Archives.

(26) The view that economic development among the Palestinians is conducive to stability is shared by almost all political camps in Israel, including the very right-wing Tehiya-party.

(27) see Shlomo Gazit The Carrott and the Stick Tel Aviv 1984.

(28) Interview with officers of the Israeli Civil Administration.

(29) Interviews with Samir Hleileh and with Efraim Lavie.

(30) see the legal part of this study written by Meir Linsen.

(31) Efraim Kleiman "The Economic Interdependence of the West Bank, the Gaza Strip and Israel" in: Denters and Kliyn op.cit. p. 41; compare with Palestinian external trade op.cit. p. 89 claiming that Israeli exports to the territories had fallen from \$ 850 million to \$ 250 million by 70 %; compare with Pasch op.cit. p. 212.

C. Differences and Common Ground

a. Differences:

If Palestinian and Israeli short and long term aims are analyzed the differences of approach, of outlook and of viewing the beginning, the continuation and the final outcome of negotiations are enormous. In respect to economic separation, as well as to the questions related to negotiations for a first interim-agreement on Palestinian self-government, the main differences may be summed up under the following headings:

i. The issue of land:

For the Palestinians the loss of their control over land is, in their perception, one of the worst, if not the worst feature of Israeli occupation. According to Palestinian perception, they have, by accepting the existence of the State of Israel, agreed to give up control over 85 % of the former territories of historical Palestine; this, in Palestinian thinking, only would make sense, if the control over the remaining piece of land may be safeguarded.

For the Israelis the West Bank, the Gaza Strip and particularly the area of Greater Jerusalem cannot be given up in their entirety. Moreover, specific areas are of particular security and historical importance. From the Israeli point of view, not one, but a variety of compromises over the control of land are possible, and hence enable a gradual process of change that will lead from confrontation to dialogue.

ii. The issue of water:

A similar subject of contest is the question of water. Israeli control over water resources is in the Palestinian perception not only a painful result of lacking rights of sovereignty, but beyond that, a steady impediment to industrial and agricultural development and an obstacle to the pursuit of obtaining a better quality of life.

In Israeli perception the water resources in the West Bank form the natural reservoir and aquifer to the water resources of Israel. Palestinian control hereof might cause the cutting off of vitally needed watersupply, a move that could not be tolerated either in times of war, or in times of peace. It is argued that elsewhere, e.g. the riparian powers of the Nile, Sudan or Ethiopia have no full sovereign rights over the Nile waters, as the cutting off of water supply to Egypt would create a casus belli.

iii. the issue of transport and communications:

Palestinians complain about Israeli control over their right of movement. Road barriers, travel permits and restrictions have become a major impediment to any economic activity and have created most prohibitive effects on economic growth and

development.

In Israeli perception control over the road and traffic system in the West Bank and Gaza has major implications on the maintenance of security and the prevention or at least the containment of terror.

iv. the issue of jewish settlements

In the West Bank, the Gaza Strip and the Greater Jerusalem Area:

All the three issues of control over land; water, transport and communications are being reflected in the contest over jewish settlement in the West Bank, the Gaza Strip and the Greater Jerusalem Area. In Palestinian perception jewish settlement in these areas is not only illegal, but an indication of expansionist Israeli intent that undermines the individual and collective existence and livelihood of the Palestinian people in their homeland.

In Israeli perception the necessity for an intense settlement activity is disputed between supporters of different political views and movements. Nevertheless, the internal Israeli discussion of the settlement issue, relates to the geographical question - where settlement is permitted and useful and where not - but not to the issue of principle.

This is to say many Israelis will oppose jewish settlement activities in the Gaza Strip, others may oppose it in the West Bank, only very few will take a similar position in regard to jewish settlement and presence in the Greater Jerusalem area. Moreover, all of the greater political movements in Israel want to maintain the settlements, where they are today, not only after an interim- but also after a permanent peace settlement.

v. The issue of legislation:

In the Palestinian body politic and public there has been initially strong opposition against accepting the idea of autonomy. Gradually, due to changing circumstances and the need to face realities, a more positive attitude towards the establishment of a rule of "self-government", a synonym for autonomy, has been adopted. Nevertheless, the demand to obtain legislative rights for the proposed Palestinian self-governing authority, is presently seen as a conditio sine qua non.

The Israeli perception of the same problem is rather different: The right to legislation is viewed as an attribute of sovereignty that cannot be granted to the Palestinians at the interim stage. Worse, in the Israeli view, recognizing the Palestinian right to legislation would be tantamount to acknowledging the Palestinians the right to take unilateral acts, rather than coming to an understanding with Israel through means or negotiations.

vi. the issue of Jerusalem:

Of all matters of contest, emotions are most involved in the struggle over Jerusalem. For the Palestinians, Jerusalem is a city holy to Islam and Christianity; it is seen to be the future seat of the capital of an independent State of Palestine and it is at present the home of 140 000 Palestinians.

For Israelis and Jews all over the world, a united Jerusalem under undisputed Israeli sovereignty is on their part a conditio sine qua non for any agreement with the Palestinians or with any Arab state, as Jerusalem symbolizes the religion, the history and the power of survival of the Jewish people.

All those six issues of differences between the Palestinian and the Israeli positions will be of major importance in a negotiating process. Each of these issues will have to be addressed one way or the other already in interim negotiations for the establishment of a self-governing regime for the Palestinians. Consequently, negotiations may all too easily fall, when the prevailing gap of positions on each single item will surface.

Common Ground:

If negotiations are to succeed common ground will be necessary. Within certain limitations the existence of some common ground may already be identified; in other spheres, as a precondition for success, common ground will have to be created:

i. transfer of authority:

This undoubtedly is the single most important issue on which common ground prevails. The Government of Israel has in the Camp David Accords of September 1978, accepted the principle of transfer of authority to a Palestinian self-governing body. In case negotiations will start, as planned, at a regional peace conference, the question of transfer of authority will be the most important issue for negotiations. Negotiations at the appropriate bilateral forum under the regional conference will have to determine the ways and means, the extent and limitations, of the envisaged transfer of authority.

ii. economic development: among the Palestinians of the West Bank and Gaza is seen by the Palestinian public as a major means for maintaining the livelihood within the Palestinian homeland. Policy planners and decision makers in Israel have assumed in the past that economic development among the Palestinians may produce two positive effects for Israeli interests: it will tend to generate economic development also in Israel and it will provide for stability among the Palestinian community in the territories. Thus, potential room for common ground exists on this issue.

although existing limitations must be recognized: Israel in the upcoming negotiations will tend to verify that measures agreed upon, will actually contribute to stability in the territories and economic growth in Israel, as has been contemplated.

iii. the need for an Arab hinterland:

The Palestinian community in the West Bank and Gaza needs for its political, cultural, social and economic well-being and inner strength, to rebuild a strong connection with its Arab hinterland, i.e. with Egypt, Jordan, Syria, Lebanon and the GCC member states.

Paradoxically enough, on this issue, Israeli and Palestinian interests tend to dovetail, in case no contrary measures are taken by the Arabs. This point may be illustrated by referring to two practical examples:

For instance, the creation of a Palestinian electricity network and its interconnection with the networks of neighbouring Arab states is only physically possible, in case Israel will be fully integrated in this network, (as the connection between Egypt, the Gaza Strip, the West Bank and Jordan has to pass through Israeli territory).

Or, the creation of a harbour in Gaza to serve the Gaza Strip, the West Bank, Jordan, and the Arab states to its north, east and south, will demand the development of a transport and communications network in Israel and connecting Israel with these areas.

iv. the search for pragmatist solutions:

Both the Palestinian and Israeli body politics have throughout the last decades gone through a painful process of learning. Today the understanding has ripened that in politics and in attempts for conflict solutions, both sides have to opt to achieve, for what they can get rather than for what they want.

The Palestinians carrying out a cost-benefit analysis of negotiations may conclude that by going to negotiations they shall obtain authority over their own affairs. Although they might not obtain the right for independent legislation, they will be able to put an end to Israel's undivided control over legislation in the territories. In certain cases the regional peace conference itself will obtain legislative functions, in other cases joint Israeli-Palestinian committees and existing (e.g. municipalities) or newly created Palestinian authorities will obtain such tasks. Furthermore, the Palestinians shall be able to stop the steadily ongoing erosion over control on land and water resources; obtain the possibility to build a political, economic, social and

cultural power structure in the territories and get a process going that will lead to the creation of new realities.

The Palestinians will not, at this stage obtain Israeli withdrawal from territories, obtain the right of legislation, obtain undivided control over land and water and will not be able to stop completely Jewish settlement activities in the territories, although an understanding that new settlements will not be created, might be achievable..

On the Israeli side the cost-benefit analysis would indicate that by going to negotiations, Israel may for the first time in its history start a process of normalizing relations with most states of the Arab world, find an accepted and negotiated modus vivendi with the Palestinian people, and create a mechanism that will lead to the creation of a new order of peace and stability in the area.

The Israelis will not be able to maintain the status quo and prevent the growth of Palestinian power in the West Bank and Gaza, nor may the present opposition against a territory, for peace deal be maintained for a long period of time.

Evidently there is no certainty that pragmatist positions among the Israelis and Palestinians will obtain and maintain the upperhand and thus create common ground of mutual rationalist behaviour. There is however evidence, to show, that without achievement of common ground in this sphere, negotiations will neither start, nor continue, nor succeed.

Rising costs of security, the threat of long range missile warfare and the herefrom resulting need of all parties concerned for international arms control; a steadily rising competition over economic resources and the existential need to fight poverty, the herefrom resulting power of a united international position, formed under the leadership of the United States and supported by Europe and the Soviet Union, and the failure of past policies of extremism, - all those contribute to the strengthening of rational positions on both the Israeli and Arab sides - and thus permit the emergence of common ground for negotiations.

v. the understanding that negotiations are based on a "give and take"

An important precondition for the success of negotiations will be the understanding of both Palestinians and Israelis that at each stage of negotiations a well weighed balance of "quid pro quo's" will have to be established.

During the first stage of negotiations, in preparation of an interim-settlement providing self-government rights to the Palestinian people the "quid pro quo" will be the creation of

an instrument, that will permit the negotiated transfer of authority from Israel to the Palestinians (see below) to be counterweighed by the creation of an instrument, that will permit a negotiated process of regional integration of Israel with the Arab states of the region, to start.

At the next stage of negotiations the signing of an interim agreement on Palestinian self-government will institutionalize and determine in detail both processes; the one enabling the emergence of a Palestinian self-governing authority, the other creating a reality of regional cooperation between Israel and the Arab states.

In the following stage of negotiations the Israeli-Arab quid pro quo will be based on the joint search for creating a new and stable regional order.

II. A STRATEGY FOR NEGOTIATIONS

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A. General Remarks and Considerations

1. The analysis of Palestinian and Israeli long- and short-term aims, of prevailing differences and necessary common ground for a success of negotiations has enabled the identification of various pitfalls that all too easily may lead to the failure of the negotiating process. Hence, the evident options for failure that all too easily might pop up may be divided among four major categories:

Category No. One would be an Israeli decision to stop negotiations in order to avoid granting concessions in regard to Jerusalem, right of legislation of the self-governing authority, change of status of Jewish settlements, control over roads, water and land.

Category No. Two would be a Palestinian or more likely a decision of the Arab states attending the conference, to stop negotiations in order to avoid granting concessions that will lead to the emergence of an open economic system in the Middle East and will enhance a process leading towards the creation of mutual Israeli-Arab economic interdependence.

Category No. Three would be, if one of the major negotiating parties would sense that they have no chance to get what they want.

The fourth, last and most likely category would be, if one of the major negotiating parties would - for whatever reason - seek a subterfuge to stop negotiations and argue that one or the other item, agreed upon in the pre-negotiating phase, had not been kept or maintained.

To sum up: the volatility of the negotiating effort and the probability of failure is extremely high.

2. In order to forestall failure and give negotiations a chance to succeed four basic tactical advices are being proposed:

a. create at the beginning of the negotiating process the necessary instruments for planning and implementing

- i. transfer of authority to the Palestinians;
- ii. regional cooperation;

b. create a convincing quid pro quo mechanism based on the formula: the substance of transfer of authority to the Palestinians must be balanced by substantial progress towards regional cooperation;

c. prevent both Palestinians and Israelis to engage in theoretical questions of principle and encourage them to

adopt a pragmatic solution-finding attitude; and

d. permit the Palestinian endeavour, in favour of economic separation from Israel and the creation of a strong economic infrastructure of their own, to become a major vehicle for the promotion of regional cooperation.

Taking these considerations into account this paper proposes a strategy to be built on four elements:

- 1) A Proposal to Establish a PPA (Palestinian Preparatory Authority;
- 2) A Proposal to Establish a MEDF (Middle East Development Fund)
- 3) A Timetable and
- 4) A Working Programme.

PROPOSAL TO ESTABLISH A PPA (PALESTINIAN PREPARATORY
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AUTHORITY)

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INTRODUCTION

1. This paper makes proposals for the establishment of a Palestinian Preparatory AUTHORITY (PPA) to be set up at the beginning or as soon as possible after the opening of the proposed regional peace conference; for a Middle East Development Fund (MEDF) to co-ordinate financial advice and practical assistance to projects prepared by the PPAC and to regional development projects; and examines some of the structures which might be created to enable the PPA to become an accepted vehicle for the transfer of authority in the West Bank and Gaza from the Israeli government to an emerging Palestinian self-government authority.

PALESTINIAN PREPARATORY AUTHORITY (PPA)

2. This paper takes as its starting point the powers which Israel was prepared to grant to a Palestinian self-governing authority at the time of Camp David. It is accepted that there will be a need to negotiate at the appropriate bilateral meeting under the regional peace conference whether the powers eventually granted to the Palestinians under the formal interim autonomy arrangements will be more or less substantial than those given to the PPA. But given previous Israeli willingness to contemplate autonomy in these particular areas, they provide a starting point for powers which could be granted to a PPA. This PPA would be set up at the beginning, or as soon as possible after the start of, the regional peace conference while negotiations on formal interim autonomy arrangements proceed. This would ensure an immediate partial transfer of functions to the Palestinians within an overall evolutionary approach designed to avoid problems of abrupt transition.

2. The PPA's responsibilities would cover:

- a. - finance
- b. - education and culture
- c. - health
- d. - labour and social welfare
- e. - municipal affairs
- f. - housing and public works
- g. - industry, commerce and tourism
- h. - agriculture
- i. - transportation and communications
- j. - religious affairs
- k. - administration of justice
- l. - local police
- m. - civil service

3. A proposed method of operation by the PPA in these areas is set out in the final part of this paper (paras 7-32).

4. The immediate tasks of the PPA will be to take responsibility for those functions immediately transferred to it; to prepare where appropriate within a month a one-year working programme for discussion and agreement at the appropriate bilateral forum under the regional conference; and to prepare where appropriate within a month project proposals for financing from the PPA's own resources or the MEDF, where necessary in view of their regional dimension submitting proposals to the regional cooperation forum under the regional peace conference. When one-year working programmes are submitted to the appropriate bilateral forum under the regional conference, parts of the programme can be agreed and authority given to the PPA to implement them before other parts or the programme as a whole.

5. Following agreement on parts or the whole of the PPA's working programme, the Government of Israel will temporarily (until the completion of discussions on formal interim autonomy arrangements) transfer the necessary authorities to the PPA to enable it to supervise implementation. After achievement of an interim-agreement the authorities of the PPA will be taken over by a Palestinian self-governing Council and the PPA will cease to exist. In case, no interim-agreement will be obtained, final status negotiations will start four years after the establishment and official recognition of the PPA by the Regional Peace Conference.

MIDDLE EAST DEVELOPMENT FUND (MEDF)

6. The co-sponsors of the peace conference, together with the EC and the GCC, Israel, a representative of the PPA and the Arab states bordering Israel, will establish the MEDF to coordinate financial advice and practical assistance to regional development projects as agreed in the regional co-operation forum under the regional conference, and project proposals submitted by the PPA.

PPA: STRUCTURE AND PROPOSED METHOD OF OPERATION

7. The Palestinian-Jordanian delegation to the regional conference will appoint 13 members to a PPA. Members of the Palestinian-Jordanian delegation may themselves be members of the PPA. The PPA will itself decide on frequency of meetings and on detailed method of operation. The PPA will elect a Chairman from among its members.

FINANCE

8. Scope: The PPA will be responsible for its own budget and for allocations to its areas of responsibility. It will have to work out a coordination plan with the Israeli authorities and will need to liaise closely with the MEDF.

9. Means:

a. Budget:

i. The PPA, having obtained recognition of the Regional Peace Conference will have immediate authority to administer its own budget. Aid monies from Arab and non-Arab governments, agencies and international organisations to the West Bank and Gaza will be transferred to and administered by the PPA. The PPA and its finance subcommittee will have the authority to obtain development budgets from the MEDF.

ii. The PPA will have the legal power to levy payments from among the Palestinian population of the West Bank and Gaza.

iii. The PPA will be in direct contact with the Israeli authority. Budgets for responsibilities taken over by the PPA (see below) will be transferred from the Israeli government to the finance subcommittee of the PPA.

b. administrative rights:

i. The finance subcommittee of the PPA will have the right to establish bodies of experts who can offer necessary advice. Accordingly the PPA will establish:

- an economic planning unit;
- a statistical and data center;
- a steering committee to prepare a proposal for the foundation of a Palestinian Development Bank;

ii. To carry out these functions, avoid unnecessary expenditure and the duplicity of the administrative effort, the PPA will be given immediate authority over Arab officials working in these departments within the Civil Administration (the Israeli authority). The transfer of authority will be agreed upon at the appropriate bilateral forum under the regional conference. The PPA will have the authority to hire and dismiss civil servants and other employees.

iii. The economic planning unit and the statistical and data center will be immediately given necessary basic authorities to carry out their work. This will include obligation of the Palestinian enterprises to provide necessary statistical material.

c. preparation of further transfer of authority

i. The PPA will prepare a one-year plan determining the details of management of the taxation system among the Palestinian population of the West Bank and Gaza. This one year-plan will propose ways and means to implement the gradual further transfer of power of taxation and administration of finances from the Israeli authority to the PPA and will propose arrangements for the future

coordination of financial affairs between the PPA or its successor body (under the formal interim autonomy arrangements) and the Israeli Government. This proposal will be submitted for discussion and agreement at the appropriate bilateral forum under the regional conference.

EDUCATION AND CULTURE

10. Scope: The PPA will be responsible for the operation of universities, schools and kindergartens and of other educational institutions at all levels serving the Palestinian population in the Occupied Territories; and for the supervision of cultural, artistic and sporting activities.

11. Means:

a. General: The PPA will obtain from the bilateral forum under the regional conference immediate authority to administer these areas of responsibility. The PPA will appoint one of its members as responsible for Education and Culture.

b. Budget: Budgets allocated by the Israeli authorities for the purposes of education and culture among the Palestinians of the West Bank and Gaza will be transferred to the PPA. Allocations of governments and NGO's to purposes of education and culture will also be included in the budget. The PPA will prepare within a month a list of projects for financing either by the PPA from its own resources or by the MEDF.

c. Administrative rights:

i. Teachers and other personnel engaged in education and culture, who are being employed by the Civil Administration will become employees of the PPA. A legal document announcing the transfer of authority and guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference.

ii. The person in charge of education and culture at the PPA (see above 11.a.) may appoint a committee of experts and establish bodies subordinated to his authority. Accordingly he will appoint

- a Council for Higher Education;
- a Council for Vocational Training;
- a Council for Primary and Secondary Education;
- a Council for Pre-School Education and
- a Council for Informal Educational Activities.

These councils will advise him in determining his policies in each of the described spheres of responsibility and may be given administrative power.

d. Preparation of Further Activities

The subcommittee for education and culture of the PPA will prepare a programme for promoting regional cooperation in the fields of education and culture, to be submitted for discussion and agreement at the appropriate forum (level three) under the regional conference.

HEALTH

12. Scope: The PPA will be responsible for the supervision and administration of the public health system for the Palestinian people in the Occupied Territories, including administration of hospitals and clinics.

13. Means:

a. General: The PPA will have immediate authority to administer these areas of responsibility. The PPA will appoint one of its members as responsible for Health.

b. Budgets: allocated by the Israeli authorities for the purpose of health among the Palestinians of the West Bank and Gaza will be transferred to the PPA. Allocations of governments and NGO's for purposes of health will also be included in the budget. The PPA will prepare within a month a list of activities and projects for financing either by the PPA from its own resources or by the MEDF.

Proposals requiring co-ordination with the Israeli authorities would be submitted for discussion and agreement at the appropriate bilateral forum under the regional conference.

c. administrative rights:

i. Doctors and nurses, other para-medical and service employees engaged in health, who are being employed by the Civil Administration, will become employees of the PPA. A legal document announcing the transfer of authority and guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference.

ii. Efforts will be made to create a united health structure and coordinate the activities of various private and voluntary organisations. A plan for an agreed upon unification of the Palestinian health administration will be prepared and submitted to the PPA.

iii. The person in charge of health at the PPA (see above 11.a.) may appoint a committee of experts and establish bodies subordinated to his authority. Accordingly he will appoint

- a Council for Hospital Administration;
- a Council for Primary Health Care;
- a Council for Medical and Paramedical Education; and
- a Council for Health Insurance.

These councils will advise him in determining his policies in each of the described spheres of responsibility and may be given administrative power.

d. Preparation of Further Activities

The subcommittee for health of the PPA will prepare a programme for promoting regional cooperation to be submitted for discussion and agreement at the appropriate forum (level three) under the regional conference.

LABOUR AND SOCIAL WELFARE

14. Scope: The PPA will be responsible for the supervision and administration of welfare, labour and employment services, including the operation of labour exchanges.

15. Means:

a. General: The PPA will have immediate authority to administer these areas of responsibility. The PPA will appoint one of its members as responsible for Labour and Social Welfare.

b. Budgets: allocated by the Israeli authorities for the purpose of labour and social welfare among the Palestinians of the West Bank and Gaza will be transferred to the PPA.

Current social security payments of Palestinian workers in Israel should immediately be transferred to the PPA. Negotiations on the allocation of past payments will be held at the appropriate bilateral forum under the regional conference.

Allocations of governments and NGO's for purposes of labour and social welfare will also be included in the budget. The PPA will prepare within a month a list of activities and projects for financing either by the PPA from its own resources or by the MEDF.

Proposals requiring co-ordination with the Israeli authorities would be submitted for discussion and agreement at the appropriate bilateral forum under the regional conference.

c. administrative rights:

i. Civil servants and social workers engaged in labour and social welfare affairs, who are being employed by the Civil Administration, will become employees of the PPA. A legal document announcing the transfer of authority and

guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference. The PPA will have the legal right to employ and dismiss civil servants and other employees.

ii. Efforts will be made to create a united labour and social welfare structure and coordinate the activities of various private and voluntary organisations. A plan for an agreed upon unification of the Palestinian labour and social welfare administration will be prepared and submitted to the PPA.

iii. The person in charge of labour and social welfare at the PPA (see above ii.a.) may appoint a committee of experts, who will advise him as how to establish bodies subordinated to his authority. Accordingly he will establish

- a Palestinian Social Security Agency;
- an Obligatory Old Age Pension Fund;
- Employment Agencies;

Proposals for necessary legislation will be brought before the appropriate bi-lateral forum under the regional conference in order to coordinate necessary measures and steps with the Israeli authority and secure a smooth transfer of authority and responsibility.

iv. A Palestinian Labour Exchange Council will be established and will be responsible to monitor and regulate in full cooperation with the appropriate Israeli authorities Palestinian labour migration to and from Israel. A proposal determining the rules of control and management of labour migration will be submitted to the appropriate bilateral forum under the regional conference. A joint Israeli-Palestinian labour committee will be established with the task of preparing principle guidelines for a free movement of labour. The joint proposal will be submitted to the regional level (level three) under the regional conference.

v. The person in charge of labour and social welfare at the PPA will nominate a committee responsible for preparing plans for refugee rehabilitation. This committee will also form part of the Refugee Rehabilitation Council formed under the auspices of Housing and Public Works. (see below para)

d. Preparation of Further Activities

The subcommittee for labour and social welfare of the PPA will prepare a programme for promoting regional cooperation and related legislation in labour affairs to be submitted for discussion and agreement at the appropriate forum (level three) under the regional conference.

MUNICIPAL AFFAIRS

16. Scope: The PPA will be responsible for the supervision

of Municipalities and their effective operation.

17. Means:

a. General: The PPA will have immediate authority to supervise the Palestinian Municipalities in the Occupied Territories and to ensure their effective operation. The PPA will appoint one of its members as responsible for Municipal Affairs. Moreover, in municipalities administered by Israeli officers, Arab mayors will be temporarily (until municipal elections will be held) appointed by the PPA.

b. Budgets:

i. Municipal taxes and payments collected by the Civil Administration will be transferred to the municipalities and the municipalities will be empowered to levy taxes directly.

ii. The PPA will allocate from its own sources or obtain outside assistance for a budget to be spent on the coordination of town planning activities.

c. administrative rights:

i. The person in charge of municipal affairs at the PPA (see above 11.a.) may appoint a committee of experts, who will advise him as how to establish bodies subordinated to his authority. Accordingly he will establish

- a Municipal Planning Unit, whose task it will be to adapt existing and prepare new town-, village- and regional plans, and
- a study group on municipal water and sewage problems.

The municipal planning unit will submit schemes for local development of housing, industrial, commercial and tourist areas to the PPA, which will have the authority to legislate a new zoning plan within the city and village limits. Proposals for changes in areas inhabited by Jewish settlers, and proposals for changes of existing town and village limits will be brought before the appropriate bilateral forum under the regional peace conference.

The study group on municipal water and sewage recycling problems will determine prevailing urban and rural water needs, local and regional projects for the effective use of water resources and the treatment of sewage problems will be submitted for financing to the PPA and the MEDF.

The question of a fair water distribution plan will be addressed to the appropriate bilateral forum under the regional conference.

d. preparation of further transfer of authority

The department responsible for municipal affairs at the PPA

will prepare a multi-annual plan for the extension of municipal city limits to be discussed at the appropriate bilateral forum under the regional conference. A gradual extension of control over necessary land and water resources will be negotiated and agreed upon.

HOUSING AND PUBLIC WORKS

18. Scope: The PPA will be responsible for construction, housing, and public works projects for the Palestinian inhabitants of the Occupied Territories.

19. Means:

a. General: The PPA will have immediate authority to administer these areas of responsibility. The PPA will appoint one of its members as responsible for Housing and Public works.

b. Budgets: allocated by the Israeli authorities for the purpose of housing and public works among the Palestinians of the West Bank and Gaza will be transferred to the PPA.

Allocations of the European Economic Community, of governments and NGO's for purposes of housing and public works will also be included in the budget. The PPA will prepare within a month a list of activities and projects for financing either by the PPA from its own resources or by the MEDF.

Proposals requiring co-ordination with the Israeli authorities would be submitted for discussion and agreement at the appropriate bilateral forum under the regional conference.

c. administrative rights:

i. Arab officials working at the Civil Administration at departments involved in housing and public works, will become employees of the PPA. A legal document announcing the transfer of authority and guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference. The PPA will have the authority to employ and dismiss civil servants and other employees.

ii. The Housing and Public Works subcommittee of the PPA will establish a three level structure:

- a Council for Housing and Public Works will be nominated to be in charge of planning housing policies for lower and middle class income groups and supervise public housing construction and sales distribution of flats; it will determine parameters and regulations enabling lower

income groups to obtain housing at preferential conditions;

- an Engineering Unit will have the task of planning, inspection, etc.
- a Financial Unit will have the task of raising necessary monies from the private market and from public institutions, of supervising loan payments and repayments etc. The financial unit will also act as a steering committee for proposing the establishment of a Housing Bank, to take over most of the functions of the financial unit.

iii. The Housing and Public Works subcommittee will prepare a plan for restructuring the housing and construction industry to be submitted to the PPA as well as the MEDF.

iv. The Housing and Public Works subcommittee will check possibilities to import (mainly from the Arab world) construction material - particularly cement. A proposal as of how to regulate such imports will be submitted to the appropriate bilateral forum under the regional conference.

iv. A one-year working plan providing for housing and public works activities will be submitted to the appropriate bilateral forum under the regional conference.

d. Preparation of Further Activities

The subcommittee for housing and public works of the PPA will prepare a programme for promoting regional cooperation to be submitted for discussion and agreement at the appropriate forum (level three) under the regional conference.

INDUSTRY, COMMERCE AND TOURISM

20. Scope: The PPA will be responsible for industry, commerce and tourism among the Palestinian inhabitants of the Occupied Territories.

21. Means:

a. General: The PPA will have immediate authority to administer these areas of responsibility. The PPA will appoint one of its members as responsible for Industry, Commerce and Tourism.

b. Budgets: allocated by the Israeli authorities for the purpose of industry, commerce and tourism among the Palestinians of the West Bank and Gaza will be transferred to the PPA.

Allocations of governments and NGO's for promotion of industry, commerce and tourism will also be included in the budget. The PPA will prepare within a month a list of.

activities and projects for financing either by the PPA from its own resources or by the MEDF.

Proposals requiring co-ordination with the Israeli authorities would be submitted for discussion and agreement at the appropriate bilateral forum under the regional conference.

c. administrative rights:

i. Arab officials working at the Civil Administration at departments involved in industry, commerce and tourism, will become employees of the PPA. A legal document announcing the transfer of authority and guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference. The PPA will have the right to employ and dismiss civil servants and other employees.

ii. Efforts will be made to create a well-organised administrative structure for building a modern, effective and competitive industry, commerce and tourism in the West Bank and Gaza. A plan for industrial development and for the revival of commerce and tourism will be prepared and submitted to the PPA. Proposals for necessary legislation and regulations will be submitted to the appropriate bilateral forum under the regional conference.

iii. The person in charge of industry, commerce and tourism at the PPA (see above 11.a.) may appoint a committee of experts and establish bodies subordinated to his authority. Accordingly, for the promotion of industry he will appoint

- experts who will coordinate activities with the economic planning unit (see above para 9.b.1.) and recommend policies for encouraging investment in industry, trade and tourism; within the limits of a one-year working programme to be agreed upon in the appropriate bilateral forum under the regional conference (see below) the PPA will have the authority to grant necessary permits for industrial, commercial and tourist activities among the Palestinian population of the West Bank and Gaza;
- a Chief Scientist, who will be in charge of drawing up regulations and providing funds for industrial research and the modernisation of industrial equipment;
- a Palestinian Electricity Corporation, in charge of maintenance of the existing electricity distribution network will have the authority to buy and sell electricity from the Egyptian, the Israeli and the Jordanian electricity networks and will be responsible to draw up plans for the interconnection of electricity networks and for the construction of a power station in the Gaza Strip;
- a Palestinian Board of Industry, in charge of establishing

Chambers of Industry in different towns of the West Bank and Gaza and responsible for organizing units for the various branches of the local industry, and representing the interests of the indigenous industry before the PPA, and foreign private and public bodies, that may either invest, or provide technical and marketing facilities to the indigenous Palestinian industry;

- a planning group in charge of promoting the establishment of industrial parks and raising necessary investments herefore from within and from outside of the territories;
- an expert in charge of organizing an annual Palestinian Industrial Fair;
- an official responsible for the establishment, supervision and control of quality control centers.

Each of these bodies or experts in charge will draw up a one year working programme and a budget to be submitted to the PPA. Proposals for necessary legislation and the one year working programme will be submitted to the appropriate bilateral forum under the regional conference.

The PPA will also have the authority to supervise and regulate Palestinian subcontracting ventures with Israeli enterprises. Proposals for the establishment of a Palestinian-Israeli Joint Venture Board will be prepared and will include also guidelines to encourage and regulate Israeli subcontracting ventures by Palestinian enterprises aimed, at the beginning, at sales promotion activities on Arab markets.

For the promotion of commerce, the person in charge of this portfolio of the PPA will appoint

- a Palestinian Trade Promotion Board in charge of coordinating the work of existing Chambers of Commerce, and responsible for representing the interests of the indigenous commercial community before the PPAC, foreign private and public bodies, that may either invest, or provide marketing facilities to the indigenous Palestinian industry;
- marketing experts who will prepare recommendations, as of how to improve Palestinian marketing capabilities in the Arab world, in Israel and in Europe.

Working programmes and budgets will be submitted to the PPA, proposals for necessary legislation and issues demanding coordination with Israeli authorities will be submitted to the appropriate bilateral forum under the regional conference.

For the promotion of tourism, the person in charge of this portfolio at the PPA will appoint

- a Palestinian Tourism Promotion Board in charge

of establishing local Chambers of Tourism and responsible

for preparing a tourism promotion programme;

- a Palestinian Tourism Investment Council, in charge of preparing investment plans and raising the necessary capital in the Arab world, in Europe, the USA and Japan; and a
- a Council for the Promotion of Regional Tourism, in charge of coordinating with the states of the region and particularly Israel, Jordan, Egypt, Saudi Arabia and Syria regional tourist and travel programmes.

Working programmes will be submitted to the PPA, the MEDF and issues of common interest with Israel will be discussed at the appropriate bilateral, and the appropriate regional forum under the regional conference.

d. Preparation of Further Activities

The subcommittee for industry, commerce and tourism of the PPA will prepare a programme for promoting regional cooperation to be submitted for discussion and agreement at the appropriate forum (level three) under the regional conference.

AGRICULTURE

22. Scope: The PPA will be responsible for all branches of agriculture and fisheries, nature reserves and parks.

23. Means:

a. General: The PPA will have immediate authority to administer these areas of responsibility. The PPA will appoint one of its members as responsible for Agriculture.

Budgets: allocated by the Israeli authorities for the purpose

of promoting the agriculture of the Palestinians of the West Bank and Gaza will be transferred to the PPA.

Allocations of governments and NGO's for promotion of agriculture will also be included in the budget. The PPA will prepare within a month a list of activities and projects for financing either by the PPA from its own resources or by the MEDF.

Proposals requiring co-ordination with the Israeli authorities would be submitted for discussion and agreement at the appropriate bilateral forum under the regional conference.

c. administrative rights:

i. Agab officials working at the Civil Administration at the department of agriculture will become employees of the PPA. A legal document announcing the transfer of authority and guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference. The PPA will have the authority to employ and dismiss civil servants and other employees.

ii. Efforts will be made to create a well-organised administrative structure for building a modern and market-oriented agriculture. A plan for agricultural development in the West Bank and Gaza will be prepared and submitted to the PPA. Proposals for necessary legislation and regulations will be submitted to the appropriate bilateral forum under the regional conference. Negotiations there will determine control and authority over specified resources of land and water. An approach allowing for gradual extension of Palestinian control over land and water resources according to needs of agricultural performance and related plans of expansion will be adopted.

iii. The person in charge of agriculture at the PPA (see above ii.a.) may appoint a committee of experts and establish bodies subordinated to his authority. Accordingly, he will

appoint

- experts who will coordinate activities with the economic planning unit (see above para 9, b.i.) and recommend policies for encouraging investment in agriculture;
- a Chief Scientist, who will be in charge of drawing up regulations, providing funds for agricultural research and the modernisation of agricultural equipment and will supervise the work of existing agricultural research stations;
- a Palestinian Land Reclamation Authority, that will prepare a one-year and a multi-annual plan for proposed agricultural land reclamation activities;
- a Palestinian Citrus Board to unite all citrus growing enterprises to advice and assist in production and marketing.

iv. The PPA will encourage regional agricultural cooperations, agricultural engineer societies, representatives of the Chambers of Commerce, private farmers and sales organisation to unite in establishing regional agricultural centers that will plan, invest and establish

- cold storage centers
- grain and animal fodder distribution centers
- agricultural industries.

v. A group of experts will prepare a proposal for the establishment of an Agricultural Development Bank.

Working programmes will be submitted to the PPA, the MEDF and issues of common interest with Israel will be discussed at the appropriate bilateral, and the appropriate regional forum under the regional conference.

d. Preparation of Further Activities

The subcommittee for agriculture of the PPA will prepare a programme for promoting regional cooperation to be submitted for discussion and agreement at the appropriate forum (level three) under the regional conference.

TRANSPORTATION AND COMMUNICATIONS

24. SCOPE: The PPA will be responsible in full coordination with the Israeli authorities for the administration of transport, road traffic, meteorology, local postal and communications services, in the Occupied Territories.

25. Means:

a. General: The PPA will appoint one of its members as responsible for Transportation and Communications.

b. Budgets:

Allocations of governments, NGO's and the MEDF for road construction and the preparation of establishing a central telecommunications company will be included in the budget. The subcommittee for Transportation and Communications of the PPA, being in charge of granting a concession for the establishment of a telecommunications company to serve the Palestinian population of the West Bank and Gaza, will obtain royalty payments herefore.

The subcommittee of transportation and communications will prepare within a month a list of activities and projects for financing either by the PPA from its own resources or by the MEDF.

c. administrative rights:

i. The subcommittee of transportation and communications will have the right to hire road construction workers and services of firms engaged in road construction for carrying out road construction works that have been agreed upon in the appropriate bilateral forum under the regional conference.

ii. The subcommittee will be in charge - in full cooperation with Israeli authorities - of constructing a road connection between the Gaza Strip and the West Bank. Similarly it will be in charge of constructing a road, that bypassing Jerusalem, will connect between the northern and the southern parts of the West Bank.

iii. The subcommittee will prepare a road construction plan that will be submitted for discussion to the appropriate bilateral and regional forum under the regional conference.

iv. The subcommittee for transport and communications will have the immediate right to establish a Gazan Port Authority, to be in charge of planning the establishment of a Port in Gaza and a free trade zone there. After plans will have been submitted and agreed upon at the appropriate bilateral level under the regional conference, the Gazan Port Authority under the supervision of the PPA's subcommittee for transport and communications will be in charge of carrying out necessary construction works.

v. The subcommittee for transport and communications will have the immediate right to establish a Palestinian Airport Authority. Possibilities of achieving an Israeli-Palestinian joint management agreement of the Jerusalem Airport, or the construction of a separate Palestinian airport near Jericho will be discussed and negotiated at the appropriate bilateral forum under the regional conference.

vi. The PPA will have the right to establish a telecommunication company, (with a monopoly status) that will

provide telephone, faximilla and other telecommunication services to the Palestinian population of the West Bank and the Gaza Strip, as well as to Jewish settlers, if desired so by them.

Proposals for necessary legislation and regulations will be submitted to the appropriate bilateral forum under the regional conference.

d. Preparation for further transfer of authority

As transport and communications have both a direct bearing on security matters, and hence create strong Israeli opposition to any dramatic changes, no immediate transfer of authority (beyond proposals made under c. iv. v. and vi.) may be contemplated here. Nevertheless, with the establishment of a local police force (see below para) a joint Israeli-Palestinian control system will be negotiated at the appropriate bilateral forum under the regional conference.

In addition agreement in the appropriate bilateral forum on a Palestinian road construction plan (see above para 25.c.iii) will enable the PPA to take full control over land resources necessary for the implementation of the agreed upon road construction plan.

e. Preparation of Further Activities

The subcommittee for transport and communications of the PPA will prepare a programme for creating a close transportation and communications network between the Occupied Territories and their Arab hinterland. Such a link will have immediate bearing on the creation of strong transport and communications links between Israel and the Arab world as a whole, and hence the implementation of the above mentioned programme prepared by the PPA shall be discussed and negotiated at the regional forum (level three) under the regional peace conference.

RELIGIOUS AFFAIRS

26. Scope: The PPA will be responsible for the provision and administration of religious facilities for all religious communities among the Palestinian inhabitants of the Occupied Territories. It is assumed for this paper that the PPA will generally be responsible for the Palestinian inhabitants of the West Bank and Gaza Strip, but in this specific area it is proposed that the powers of the PPA should include responsibility for the administration of Muslim and Christian Holy Sites in East Jerusalem.

27. Means: The PPA will have immediate authority for the provision and administration of these facilities. If necessary, this immediate authority could cover the West Bank and Gaza, with a decision on the PPA's responsibility for East Jerusalem subject to discussion at the appropriate bilateral forum under the regional conference. The PPA will appoint one of its members as responsible for Religious Affairs. He may appoint a Committee of Experts to assist him.

ADMINISTRATION OF JUSTICE

28. Scope: The PPA will be responsible for supervision of the administrative system of the courts in the Occupied Territories, dealing with matters connected with the prosecution system and with the registration of companies, partnerships, patents, trademarks, etc.

29. Means: The PPA will appoint one of its members as responsible for the Administration of Justice. He may appoint a committee of experts to assist him.

Budgets allocated by the Israeli authorities for the purpose of administering the court system among the Palestinians of the West Bank and Gaza will be transferred to the PPA.

Issues that demand legislation will be brought before the appropriate bilateral forum under the regional conference.

LOCAL POLICE

30. Scope: The PPA will be responsible for the establishment and operation of a strong local police force, as provided for in the Camp David Agreements, and for the maintenance of prisons for criminal offenders sentenced by the courts in the Occupied Territories.

31. Means: The PPA will appoint one of its members as responsible for the local police. He may appoint a committee of experts to assist him. The PPA will prepare within a month proposals for a one-year programme towards the full transfer of authority in this area of responsibility, and for the creation of a strong local police force. These proposals will be submitted by the PPA for discussion and agreement at the appropriate bilateral forum under the regional conference.

CIVIL SERVICE

32. Scope: The PPA will be responsible for the appointment and working conditions of the Civil Service of the Palestinian inhabitants of the Occupied Territories.

33. Means: The Civil Administration will, in spheres agreed upon in the appropriate bilateral forum under the regional conference, transfer responsibility for the Civil Service of the Palestinian inhabitants of the Occupied Territories to the PPA.

In accordance herewith and as pointed out above, Arab officials working at the Civil Administration at various departments will become employees of the PPA. A legal document announcing the transfer of authority and guaranteeing the legal and social rights of these employees will be prepared and submitted to the bilateral forum under the regional conference.

The PPA will appoint one of its members as responsible for the Civil Service. He may appoint a committee of experts to assist him.

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PROPOSAL TO ESTABLISH A MEDF (MIDDLE EAST DEVELOPMENT FUND)
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INTRODUCTION

1. This paper makes proposals for the establishment of a Middle East Development Fund (MEDF) to be set up at the beginning or as soon as possible after the opening of the proposed regional peace conference. The main tasks of the MEDF at the early stages of negotiations will be three. First, to provide substantial international backing (of the OECD countries) for the idea of promoting regional cooperation in the Middle East; second, to co-ordinate technical and financial advice and practical assistance to projects prepared by the PPA (see above) and third, to offer practical technical and financial advice and support to regional development projects.

FUNCTIONS

2. In the early stages after its establishment the MEDF will be mainly engaged in taking upon itself or promoting and supporting in other institutions economic planning activities for the Middle East.

3. The MEDF will finance economic planning and will hereafter contribute to the financing of projects significant to the economic well-being of the peoples of the region.

4. The MEDF will provide insurance against political risks to private investors involved in approved priority projects and will encourage the formation of one or several international investment corporations owned by private and public financial institutions from various countries.

5. The MEDF will use its resources:

- a) to finance economically feasible projects and programs in countries of the area. Due attention should be given to projects beneficial to more than one country;
- b) to undertake or participate in the study and preparation of public and private projects;
- c) to promote investment in development projects in the countries of the areas;
- d) to mobilize public and private capital resources for the financing of development programs;
- e) to provide or help mobilize technical assistance necessary in the implementation of projects or programmes;
- f) to provide insurance to private foreign investors engaged in such projects, against risks such as expropriation, inconvertibility of currencies, war and civil insurrection.

TIMETABLE

a) Submittal of Proposal

At the first meeting of the appropriate bilateral forum under the regional conference submittal of proposal to establish PPA. (approximately November 15, 1991)

b) Appointment of PPA

by Jordanian-Palestinian delegation
(approximately December 1, 1991)
PPA starts work with small staff;
throughout December verification of various organisational and political issues.

c) Simultaneous Appointment of MEDF

by interested governments represented at the regional peace conference
(approximately December 1, 1991)
MEDF starts work with small staff;
throughout December verification of various organisational and political issues.

d) Official Recognition of PPA and MEDF

(January 1, 1992)
Israel officially recognizes PPA,
the Civil Administration transfers authority, budgets and responsibility over civil servants in areas as agreed upon to PPA.
Member states of the Regional Conference recognize PPA;
Simultaneous official international recognition of MEDF;

e) Presentation of Budget Proposals

On January 1, 1992, the PPA and the MEDF will submit official provisional budget proposals and working programmes to the Regional Conference.

The provisional budgets of both the PPA and the MEDF shall be approved as soon as possible. A first preliminary working budget shall be approved on January 12, 1992.

f) Further Negotiations

at the appropriate bilateral forum will be held to sort out issues of controversy, the transfer of authority shall be implemented by August 1, 1992. Preparations for elections to the envisaged Palestinian self-governing authority will start.

g) Elections

for the Palestinian self-governing authority shall be held early in September 1992. Immediately thereafter the PPA will be replaced by the elected Palestinian self-governing authority. Between September 15 and October 30, final round negotiations on an interim-agreement defining Palestinian self-government will be held.

h) Signing of Two Interim-Agreements

On October 30, 1992 the Israeli-Palestinian interim-agreement on Palestinian self-government shall be signed. On the same day a parallel interim-agreement on regional cooperation shall be signed by the powers participating at the regional forum negotiations under the regional peace conference.

WORKING PROGRAMME AT THE APPROPRIATE BI-LATERAL FORUM

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FIRST ROUND NEGOTIATIONS:

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|------------------|--|
| January 5, 1992 | PPA submits budget and proposal for transfer of authority from Israeli authorities to Finance Department under the PPA; |
| January 12, 1992 | PPA budget approval is given and transfer of authority as agreed upon is being legislated by bi-lateral forum; issues where no agreement has been reached are referred to second round of negotiations (see below); PPA submits proposal for establishing EPU (Economic Planning Unit) and providing it with necessary powers and authority; |
| January 19, 1992 | EPU authorities and powers as agreed upon are legislated by bi-lateral forum; issues where no agreement has been reached are referred to second round; PPA submits proposal for transfer of authority to Educational Department under the PPA; |
| January 26, 1992 | transfer of authority to Educational Department is legislated by appropriate bi-lateral forum; issues where no agreement has been reached are referred to second round; PPA submits proposal for transfer of authority to Health Department under the PPA; |
| February 2, 1992 | transfer of authority to Health Department is legislated by appropriate bi-lateral forum; issues where no agreement has been reached are referred to second round; PPA submits proposal for transfer of authority to Labour and Social Affairs Department under the PPA; |

a proposal for the establishment of a joint Israeli-Palestinian Labour Exchange Council to be responsible for questions related to labour migration is submitted;

February 9, 1992

transfer of authority to Labour and Social Welfare Department is legislated by appropriate bi-lateral forum; issues where no agreement has been reached are referred to second round;
a joint Israeli-Palestinian Labour Exchange Council is established;
PPA submits proposal for transfer of authority to Municipal Affairs Department under the PPA; submits similarly proposal for transfer of necessary authority to MPU (Municipal Planning Unit);
a proposal for the establishment of a joint Israeli-Palestinian study group on municipal sewage and water affairs is submitted;

February 16, 1992

transfer of authority to Municipal Affairs Department is legislated by appropriate bi-lateral forum; MPU (Municipal Planning Unit) is established; issues, where no agreement is being reached are referred to second round;
PPA submits proposal for transfer of authority to Housing and Public Works Department;
a proposal for regulating import of cement and other material and equipment needed for construction purposes is submitted;
a proposal for establishing a Housing Bank is submitted;

February 23, 1992

transfer of authority to Department of Housing and Public Works;
liberalization of import of cement, other material for equipment and construction is agreed upon;
PPA submits proposal for transfer of authority to Department of Industry, Commerce and Tourism;
proposal to establish Palestinian Electricity Corporation with concession including all of the West Bank and Gaza Strip;

March 1, 1992

transfer of authority to Department of Industry, Commerce and Tourism is being legislated by appropriate bi-lateral forum; issues where no agreement has been reached are referred to second

round;
extended concession is given to
PEC (Palestinian Electricity Corporation);
PPA submits proposal for transfer of
authority to Department of Agriculture;
(including right to establish Palestinian
Authority for Land Reclamation,
Palestinian Citrus Board, etc.)

March 8, 1992

transfer of authority to Department of
Agriculture is being legislated by
appropriate bi-lateral forum; issues where
no agreement has been reached are referred
to second round;
PPA submits proposal for transfer of
authority to Department of Transport and
Communications to include agreed upon
authorities for Gazan Port Authority,
for Palestinian Airport Authority and for
Palestinian Telecommunications Company;

March 15, 1992

transfer of authority to Department of
Transport and Communications is being
legislated by appropriate bi-lateral
forum; issues where no agreement has been
achieved are referred to second round;
PPA submits proposal for transfer of
authority to Department of Religious
Affairs;

March 22, 1992

transfer of authority to Department of
Religious Affairs is being legislated
by appropriate bi-lateral forum;
issues where no agreement has been
achieved are referred to second round;
PPA submits proposal for transfer of
authority to Department for Administration
of Justice;

March 29, 1992

transfer of authority to Department for
Administration of Justice is being
legislated by appropriate bi-lateral
forum; issues where no agreement has been
achieved are referred to second round;
PPA submits proposal for transfer of
authority to Local Police Force;

April 5, 1992

transfer of authority to Local Police
Force is being legislated by appropriate
bi-lateral forum; issues where no agree-
ment has been achieved are referred to
second round; PPA submits proposal for
transfer of authority to Department for
Civil Service;

April 12, 1992

transfer of authority to Department for Civil Service is being legislated by appropriate bi-lateral forum; issues where no agreement has been achieved are referred to second round. End of first round of transfer of authority to PPA is being celebrated.

The Second Round:

May 10, 1992

The Department of Finance under the PPA submits proposal for tax collection and for adjustment of its legal rights; Proposals for improving Israeli-Palestinian cooperation are submitted;

May 17, 1992

Departments of Education and Health submit proposals for adjustment; proposals for improving Israeli-Palestinian cooperation are submitted;

May 24, 1992

Department for Labour and Social Welfare submits proposal for extension of its legal rights; Israeli-Palestinian Committee to regulate transfer of social security payments is established; the Department for Municipality Affairs submits a new zoning plan and a proposal for changing village and city limits for legislation; a water distribution plan will be submitted and establishment of Israeli-Palestinian working group on water issues;

May 31, 1992

Department of Housing and Public Works will submit one-year working plan, including necessary legislative rights for its implementation and specified demands for land allocation to appropriate bi-lateral forum; Agreements reached on issues discussed so far at second round will be ratified by appropriate bi-lateral forum; issues where no agreement has been reached to be referred to final round discussions before interim-agreement on Palestinian self-government;

June 8, 1992

Department of Industry, Commerce and Tourism will submit one-year working plan including necessary legislative rights for its implementation;

- June 14, 1992 Department of Agriculture will submit one-year working programme including necessary legislative rights for its implementation and specified demands for land and water allocation;
- June 21, 1992 Department of Transport and Communications will submit one-year working programme including necessary legislative rights for its implementation and specified demands for land allocation;
- June 28, 1992 Department of Administration of Justice and Local Police Force will submit proposal defining necessary legislative rights for their work;
- July 5, 1992 Department of Civil Administration will submit proposal defining necessary legislative rights for their work;
- July 5-31, 1992 Agreements reached on issues discussed so far at second round will be ratified by appropriate bi-lateral forum; issues where no agreement has been reached to be referred to final round discussions.

Elections for Palestinian Self Governing Authority:

- August 1, 1992 until September 13 preparation of elections;
- September 14, 1992 elections for Palestinian Self-Governing Authority.

Third Round Negotiations:

September 15 to October 30, 1992;

October 30, 1992 signing of Interim-Agreement.

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WORKING PROGRAMME AT THE APPROPRIATE REGIONAL FORUM

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First Round Negotiations:

January 5, 1992	transfer of first authorities to MEDF;
January 12, 1992	approval of provisional budget of MEDF; EPU (Economic Planning Unit) submits provisional working plan;
January 19, 1992	Provisional working plan of EPU of MEDF is agreed upon; proposal to establish Regional Educational Center is submitted;
January 26, 1992	proposal to establish Regional Health Center is submitted;
February 2, 1992	proposal for Regional Vocational Training programme is submitted;
February, 9, 1992	establishment of regional study group on water recycling problems;
February 16, 1992	proposal for regional trade regulations is submitted;
February 23, 1992	first regulations permitting the beginning of Israeli-Palestinian-Arab trade are ratified by the regional forum; proposal for interconnection of electricity networks is submitted to regional forum and working groups to submit plans and prepare international tenders are established;
March 1, 1992	proposals for regional cooperation in agricultural affairs are submitted to regional forum; working groups are established;
March 8, 1992	proposals for regional cooperation in transport and communications are submitted; working groups are established; first ship and air-traffic regulations permitting Muslim pilgrimage to Jerusalem are issued;

March 15, 1992

proposals for regional cooperation
in tourism are submitted; working
groups are established;

March 22 to April 15, 1992 working groups start their
deliberations.

Second Round:

May 10 to July 5, 1992 regional working groups prepare
agreed upon programmes;

July 5, to 31, 1992 Regional Centers for Education,
Research, Health and Vocational
Training are established
first working programs are ratified;
issues where no agreement achieved
referred to final round negotiations.

August 1 to September 15, 1992 Working groups prepare rules and
regulations for regional cooperation.

Third Round:

September 16 to October 30, 1992 Regional forum negotiations on
first interim-agreement for regional
cooperation.

October 30, 1992 Interim-Agreement for regional
cooperation is signed.

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