

The Agreement on Movement and Access of November 15, 2005 **The Passages - Technical Elaboration**

1. Preamble

1.1 The section of the *Agreement on Movement and Access* (the *Agreement*) on the Passages derived from a year and a half of technical analysis, parallel discussions by the World Bank with the parties (July--November 2004) and bi-trilateral negotiations brokered by Quartet Special Envoy James D. Wolfensohn (July--November 2005).

1.2 This Technical Elaboration serves to clarify the text of the *Agreement*, and references the understandings reached between the parties in the lead-up to the *Agreement*. In cases where no full understanding was reached, it aims to provide an interpretation of the text of the *Agreement* in the spirit of what was concluded on November 15, 2005.

1.3 Attached to this paper for background information are **Table 1** and four Annexes. Table I, *Elements of a Viable Crossing Management System*, is part of this Technical Elaboration. Except where clearly indicated, however, the content of the Annexes should *not* be considered a material part of the Technical Elaboration:

- **Annex 1**--- The World Bank/Quartet Special Envoys' Office (QSEO) *Proposed Solutions to Unresolved Issues* (a briefing paper for both parties entering the final stage of technical negotiations on the passages)
- **Annex 2**---The PA's *Comments* on the Proposed Solutions paper (via interpolations in the text)
- **Annex 3**---*Proposal of the Government of Israel on the Coordinated Operation of the Karni Terminal*---*Non-paper* (GOI's Response to the Proposed Solutions paper)
- **Annex 4**---The World Bank/QSEO's *Record of the Negotiations of November 9, 2005*.

2. The Text of the Agreement

"The Passages

The parties have agreed that:

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

The new and additional scanner will be installed and fully operational by December 31. At that time, the number of export trucks per day to be processed

through Karni will reach 150, and 400 by end-2006. A common management system will be adopted by both parties.

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

To enhance operation, the parties agree that:

- When a new generation of x-ray equipment able to scan trailers as well as containers becomes available it will be used. Once it arrives in the country, testing will also be carried out with the assistance of the Quartet Special Envoy.
- The USSC will ensure continuing consultation, with unresolved implementation issues to be discussed as needed with the parties.
- The PA will ensure that the passages will be protected on the Palestinian side of the border and will train and upgrade the management of all crossings to ensure efficiency and effectiveness. The PA will establish, without delay, a unified system of border management.
- The management system that has been developed for Karni should, with suitable local variations, be adapted to the passages at Erez and Kerem Shalom. Israel also undertakes to put in place similar arrangements as appropriate that will make West Bank passages fully operational as soon as possible. A bilateral committee, with participation as needed of the Quartet Special Envoy and/or the USSC, will develop operational procedures for those passages.”

3. Technical Elaboration of the Agreement

Continuous Operations

The passages will operate continuously.

3.1. The parties have agreed to three important principles: continuous operation, passage redundancy and lane redundancy.

- *Continuous Operation*---GOI has clarified that it will not close a passage due to a security incident unconnected with the passage itself. Because the security procedures in force at a passage will detect any illicit persons/materials intended to pass through the passage, information that the passage may be used as a conduit for threats to Israel need not result in closure of the passage. Thus a passage will only be closed if there is a clear and direct threat to that specific passage.
- *Passage Redundancy*---If a passage needs to be closed entirely, traffic should be switched at once to a designated alternate in order to minimize any disruption to the flow of goods and people.
 - *Passage Redundancy in Gaza*---The parties have agreed to use Erez as the primary Gaza passage for people and as a back-up for goods, with Karni as the primary for goods and back-up for people. For this system to work,

the necessary terminal infrastructure and logistical/staffing/budgetary arrangements need to be made by both parties. To initiate passage redundancy, the parties should agree on initial interim arrangements for Karni and Erez that will come into force by December 15, 2005.

- *Passage Redundancy in the West Bank*---Similar redundancy arrangements should be put in place in the West Bank for Jalame, Shar Efraim/Tulkarem (SET) and Tarkumiya. The *Agreement* states that for the West Bank passages a **bilateral committee, with participation as needed of the Quartet Special Envoy and/or the USSC will develop operational procedures**. This committee should agree a workable interim approach on West Bank passage redundancy by December 15, 2005.
- *Lane Redundancy*--- Lane redundancy arrangements aim to avoid closing an entire passage if a security threat is identified during inspection. Lane redundancy requires the protection of specific inspection areas on the Israeli side of a passage, and the institution of coordinated queue management to help ensure smooth internal traffic switching. Lane protection measures for all terminals---Karni, Erez, Jalame, SET and Tarkumiya---should be put in place by GOI by December 31, 2005.

3.2 The passages would be closed each Shabbat, as well as on a very limited number of Jewish and Muslim holy days. These should be agreed bilaterally by December 15, 2005 and should not exceed a total of about 10 days in all.

3.3 The PA has clarified that it is willing to develop and use the new Erez Terminal provided Israel recognizes that this does not constitute PA agreement to the current demarcation of the border between northern Gaza and Israel. This Technical Elaboration notes the PA's position.

The Management of the Passages

A common management system will be adopted by both parties....The management system that has been developed for Karni should, with suitable local variations, be adapted to the passages at Erez and Kerem Shalom....Israel also undertakes to put in place similar arrangements as appropriate that will make West Bank passages fully operational as soon as possible....A bilateral committee, with participation as needed of the Quartet Special Envoy and/or the USSC, will develop operational procedures for those passages.

3.4 **Table 1** has been negotiated between the parties and constitutes the common management system referred to in the *Agreement*. Issues not yet agreed or not fully detailed out are marked with an **xx**.

3.5 Issue #7 and Issue #8 of the common management system require further consideration.

- *7. Dispute Resolution*---GOI's proposal is detailed in para. 8 of its *Non-paper* (Annex 3); the PA's proposal is detailed in its interpolated *Comments* on the

World Bank's suggestions on this subject detailed in the *Proposed Solutions* paper (Annex 2). Key differences are as follows. GOI proposes a bilateral administrative mechanism without third party involvement and without specific remedies. The PA proposes third party technical involvement, with the third party's advice to be given "substantial weight" by GOI and the PA, and believes that decisions reached should be binding. **The bilateral committee, with participation as needed of the Quartet Special Envoy and/or the USSC** should resolve this issue with the parties by December 31. The following is proposed as a practical and fair approach.

- As agreed, each party will appoint a Terminal Facilitator (TF) for each passage. The task of these TFs, who will work closely together, will be to ensure smooth coordination of operations on each side of the passage.
 - As agreed, day-to-day disputes will be dealt with at the level of each passage by a bilateral Terminal Managers' Liaison Committee. Each terminal manager can request commercial users to appear before the Committee if their presence is deemed relevant to a dispute.
 - Issues that are not resolved to the satisfaction of either party at the individual passage level can then be brought to the attention of a bilateral Program Technical Coordination Committee (PTCC, described in paragraph 3.19 below). The PTCC, which would be convened under the sponsorship of the **Quartet Special Envoy**, would call on third party technical expertise at the request of either side. Issues would be settled on the basis of their technical merits, balancing Israeli security concerns and Palestinian commercial requirements.
- **8. Combating Corruption**---The importance of this problem merits a special effort by both parties. The most important element in any anti-corruption effort will be the development and publication of clear procedures, charges and service standards for each passage. In addition, and by December 31, 2005 it is proposed that the parties, **with participation as needed of the Quartet Special Envoy and/or the USSC**, agree a *Protocol on Combating Corruption at the Passages*. This Protocol should address such issues as the establishment of anti-corruption hotlines, the involvement of law enforcement authorities and the training, rotation and sanctioning of staff. In addition, each party should By January 31, 2006 appoint a Passages Ombudsman to take complaints from any interested party. The Ombudsmen should report regularly to the public on their activities.

3.6 The common management system now needs to be turned into specific operational procedures for each of the Gaza and West Bank passages (Karni, Erez, Kerem Shalom, Tarkumiya, Jalame and SET). **A bilateral committee, with participation as needed of the Quartet Special Envoy and/or the USSC** should by January 31, 2006 finalize the following, for each passage:

- Operational procedures and tariffs.
- Import and export service standards (trucks per day, paragraph 3.7).
- Perimeter protection/security plans, management systems and infrastructure/equipment plans.
- Ways in which information on operational procedures, tariffs and service standards will be made available to terminal users and the general public.

Service Standards

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

3.7 GOI's *Non-paper* indicates that "both sides shall strive to meet each other's market demand." It has also been agreed that no commercial preference will be given to goods coming from Israel into Gaza or the West Bank (as opposed to goods coming from the other part of the Palestinian Territory). In pursuit of these objectives, the parties have agreed to adopt a set of service standards for each passage, to be reviewed and updated regularly on the basis of market demand. At this initial stage, two standards will be agreed for each passage---a target number of truckloads of exports per day, and a target number of truckloads if imports per day. It has also been agreed that these service standards will be monitored and the results of the monitoring process made public---in order to enhance transparency and accountability on both sides of each passage.

3.8 Regarding *exports to Israel through Karni*, the truck numbers in the *Agreement* reflect the negotiations between the parties on November 9, 2005:

- GOI indicated that it had lifted recent pallet height restrictions, and that this would permit export truck numbers to increase to *50 trucks per day (TPD) at once*.
- The institution of a second full shift and the opening of all unused cells would add at least another 30 TPD; for this to happen, the border dividing wall needed to be strengthened/shielded, and lighting added. It was understood that this could be done by the end of November, thereby raising numbers to at least *80 TPD by November 30, 2005*.
- USAID is leasing a 6 MeV scanner, with a view to having it in operation by December 31. This will enable processing of another 80 TPD, thereby raising numbers to at least *160 TPD by December 31, 2005*.
- GOI would introduce a third full shift by end-January 2006; with additional efficiency gains on the Israeli side, this would raise numbers by another 40 TPD, for a total of at least *200 TPD by January 21, 2006*.
- GOI indicated that with the arrival and instillation of additional modern scanning equipment, it would be able to meet the needs currently projected by the Bank for Karni---*220+ TPD by mid-2006 and 400 TPD by end 2006/mid-2007*.

3.9 Regarding *imports from Israel through Karni*, GOI on agreed on November 9, 2005 to add 1.5 additional days to the 4 days per week of current openings at the container area at Karni within 4 months. It was also agreed that the PA would estimate market demand in Gaza as a basis for the import service standards for Karni.

3.10 In earlier negotiations it was agreed that the service standards would in time change from *trucks per day* to a *time per truck* standard (this is a more appropriate measure since it embodies the notion that commercial demand should drive operations at a passage). It was also agreed that this should take place once the new generation of

scanners has been installed and become operational. GOI's *Non-paper* indicates that "upon the arrival, installation and proper functioning of the new scanners (expected by the end of 2006), the parties may decide to begin discussions for coordinating service standards on the basis of handling time per truck". With the early arrival of USAID-procured scanning equipment, conversion of the service standards can take place earlier than previously anticipated. It is therefore proposed that **with participation as needed of the Quartet Special Envoy and/or the USSC**, time per truck standards should be introduced on a pilot basis at Karni by February 28, 2006.

Scanner Technology

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

3.11 This paragraph requires careful interpretation. GOI has indicated it will use the new technology which USAID is procuring to scan containers, supplemented as needed by manual inspection. Most Palestinian cargo, however, is carried in palletized form. USAID, Bank and QSEO experts all agree that existing 6/9 MeV technology is able to scan trailers (once again, supplemented as needed by manual inspection). USAID plans to install a 6 MeV scanner at Karni by December 31, 2005, with three other new scanners expected to become operational at other passages by February 28, 2006. The testing to be carried out **with the assistance of the Quartet Special Envoy** is expected to confirm that trailers can be satisfactorily scanned by at least some of these new scanners. Subject to this testing, therefore, it is understood that GOI will use the new equipment to facilitate 'trailer exchange', i.e. swapping cabs at the border, as soon as testing has been completed.

3.12 The USAID, Bank and QSEO experts also agree that existing 6/9 MeV technology can scan engine truck cabs/engine blocks, once again supplemented as needed by manual inspection. It is understood that Minister Mofaz indicated to Minister Dahlan in June/July that GOI was in principle supportive of the 'door to door' passage of Palestinian trucks to destinations in Israel. The Bank has pointed out that this is not only a technology issue, but involves Palestinian drivers and legal/commercial transit issues. Nonetheless, given the major commercial advantages that door to door truck traffic would offer, a pilot scheme should be formulated within one month of the completion of testing under the sponsorship of **the Quartet Special Envoy and/or the USSC**.

Agricultural Exports

On an urgent basis, Israel will permit the export of all agricultural products from Gaza during this 2005 harvest season....In addition to the number of trucks above, Israel will permit export of agricultural produce from Gaza and will facilitate its speedy exit and onward movement so that quality and freshness can be maintained. Israel will ensure the continued opportunity to export.

3.13 As a working estimate, some 75 TPD of agricultural exports need to be processed, without delays, during the 2005/6 Gaza agricultural season. The *Agreement* indicates that

this will be accomplished without prejudice to other exports from Gaza, which could rise to 150 TPD by December 31, 2005.

3.14 GOI has indicated that it will put in place two new cells at Karni forthwith; this should be completed by December 5, 2005. In addition, GOI has committed to using the existing 2.5 MeV scanner at Karni to inspect certain agricultural produce (inc. bell peppers, cherry tomatoes, cut flowers); this should be fully operational by December 5, 2005. As soon as a new cell is available, USAID will put in place cold chain capacity; this should be completed by January 31, 2006. Taken together, these improvements should ensure that Karni can handle all Gaza agricultural exports in 2005/6.

3.15. A new, dedicated agricultural passage should be in place before the 2006/7 season, i.e. by end-October 2006. This is needed both for redundancy purposes and in order to create a cleaner, superior working environment than is possible at Karni—one more appropriate to meeting increasingly exacting ISO/EuropGap standards.

Palestinian Passage Development

The PA will ensure that the passages will be protected on the Palestinian side of the border and will train and upgrade the management of all crossings to ensure efficiency and effectiveness....The PA will establish, without delay, a unified system of border management.

3.16 The PA's *Comments* indicate progress in these areas.

- On the *protection of the Palestinian side of Karni*, the PA has declared that it will
 - Use international experts and Israeli recommendations to develop a comprehensive security plan for Karni.
 - Establish a secure perimeter to include security fencing, cameras, and motion detectors.
 - Establish a central security control room.
 - Procure appropriate cargo scanning equipment, and
 - Develop and document security procedures and instructions, including those for coordination with Israeli personnel, and for the training of security personnel.

- In relation to *the management system for Karni*, the PA intends to
 - Develop systems and procedures for scheduling, logistics, and coordination, including creating an online pre-registration and pre-scheduling system with direct access to Palestinian exporters.
 - Document and publish procedures for users, including instructions for standard loading and packaging.
 - Establish a performance monitoring and reporting system, to include the independent reporting by Paltrade already underway.
 - Coordinate actively with the private sector, appointing a client relationship manager for the purpose.

- With respect to *infrastructure and equipment for Karni*, the PA plans to

- Develop the terminal in accordance with draft plans currently under review. These provide for an expansion of the terminal area, an increase in the number of cells/bays, including temperature controlled bays, instituting areas for the through movement of trucks, an expanded covered area for loading/unloading, building waiting and service areas, and improving access roads.
- Install lighting at the loading/unloading area, as well as inventory all equipment to identify additional procurement needs, and establish a maintenance and cleaning program.

3.17 In decisions of October 20 and November 29, 2005, the PA Cabinet approved the establishment of a *Palestinian Border Terminals and Ports Authority (PBTPA)*. A Ministerial Committee has been charged with overseeing the development of appropriate legislation to establish the PBTPA as an independent authority and with making initial staff appointments and mobilizing donor assistance to help establish the new entity.

3.18 Time-bound action is needed to advance this ambitious Palestinian agenda. It is therefore proposed that

- The PA should by December 15, 2005 appoint a Passages Development Team at the senior technical level to work with a counterpart donor team of experts from the World Bank, USAID and Canada/USSC; the TOR for this exercise would be to produce a series of Passage Development Plans (PDPs), beginning with Karni, with a completion date of January 15, 2006. These PDPs would embody a PA donor financing request in each instance.
- The PA should by December 31, 2005 appoint a PBTPA Development Team to work with a counterpart donor team led by Canada/USSC.

Consultation and Tracking Implementation

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

3.19 It is recommended that a bilateral Program Technical Coordination Committee (PTCC) be established under the sponsorship of the **Quartet Special Envoy or the USSC** by January 31, 2006 to assess progress and resolve implementation issues. A number of donors are involved in helping GOI and the PA to develop the passages, and bring to bear a variety of inputs---analytical skills, on-site technical assistance and capacity building, and capital finance, and they would be invited as needed to participate in the PTCC's deliberations.

3.20 Adherence to service standards will be monitored on a regular basis by both parties at each passage. Ideally this would result in joint reports to terminal users and the public.

4. Matrix of Actions, Responsibilities and Dates

Action	Para. ref.	Date by	Responsibility
Continuous Operations			
Agree interim redundancy arrangements, Karni/Erez	3.1	December 15	GOI, PA w. QSE and/or USSC as needed
Agree West Bank redundancy arrangements	3.1	December 15	GOI, PA w. QSE and/or USSC as needed
Lane protection measures in place, all terminals	3.1	December 31	GOI
Agree holy day passages closures	3.2	December 15	GOI, PA
GOI acknowledges PA Erez reservation	3.3		GOI
The Management of the Passages			
Agree on a dispute resolution mechanism	3.5	December 31	GOI, PA w. QSE and/or USSC as needed
Agree a <i>Protocol on Combating Corruption at the Passages</i>	3.5	December 31	GOI, PA w. QSE and/or USSC as needed
Appoint Passages Ombudsmen	3.5	January 31	GOI, PA
Develop for Karni, Erez, Kerem Shalom, Tarkumiya, Jalame and SET ➤ Operational procedures and tariffs ➤ Service standards ➤ Perimeter protection, management systems and infrastructure/equipment plans ➤ Publicity for new developments	3.6	January 31	GOI, PA w. QSE and/or USSC as needed
Service Standards			
Karni export truck targets: ➤ 50 TPD ➤ 80 TPD ➤ 150 TPD	3.8	Immediate November 30 December 31	GOI, assistance from USAID (scanner)
Institute time per truck pilot at Karni	3.10	February 28	GOI, PA w. QSE and/or USSC as needed
Scanner Technology			
Procure, install and make operational 6 MeV scanner at Karni	3.11	December 31	USAID, GOI
Procure, install and make operational 3 additional scanners at other passages	3.11	February 28	USAID, GOI
Institute 'door to door' truck pilot	3.12	Within one month of completion of testing	GOI, PA w. QSE and/or USSC as needed
Agricultural Exports			
Add two cells at Karni	3.13	December 5	GOI
Regular use of 2.5 MeV scanner for agricultural produce	3.14	December 5	GOI
Cold chain operative	3.14	January 31	USAID, GOI, PA

Palestinian Passage Development			
Appoint Passages Development Team ➤ Finalize Karni Passage Development Plan	3.18	December 15 January 15	PA w. Bank, USAID, Canada
Appoint a Palestinian Border Terminals and Ports Authority Development Team	3.18	December 31	PA
PBTPA Development Team meet with donors	3.18	January 15	PA w. Bank, USAID, Canada
Consultation and Tracking Implementation			
Create a bilateral Program Technical Coordination Committee	3.19	January 31	Quartet Special Envoy or USSC

TABLE 1
The Common Management System

Managing Transit and Trade across Israeli/Palestinian Borders: Technical Negotiations
November 12, 2005
Elements of a Viable Crossing Management System

The Eight Elements	Agreed Between the Parties
<p>1. Coordination. Security envelopes need to encompass both sides of the border; security services should not be involved in queue management or cargo handling. Systemic coordination and information-sharing should be established at each passage.</p>	<p>Both parties agree that tight security perimeters will be maintained on each side of the border. Inside these perimeters, security will come under the respective management of the terminal. The PA agrees to the deployment of security inspectors full-time at each lane, and to ensuring that adequate handling equipment is available at each operating lane. The respective heads of security will exchange security information on a continuous basis. Each passage will be managed by a Terminal Managers Liaison Committee. These committees will meet frequently to review security and operational coordination. Terminal hours will be synchronized, hotlines established and joint internet access created for information-sharing purposes. Pre-scheduling and prior notification will be closely coordinated, as will traffic management, packaging and packing protocols, the manning and maintenance of equipment, the handling of hazardous materials, sewerage and draining, pest extermination and fire protection.</p>
<p>2. Closure and Terminal Redundancy. Terminals should not be closed in response to security incidents that are not related to the terminal itself. Internal (lane) redundancy arrangements should be made to avoid the need to close an entire terminal when security threats are localized. More than one terminal alternative should be available to ensure against any terminal closure, as well as to promote competition.</p>	<p>Both parties agree to the closure and redundancy principles.</p> <p>Internal (lane) redundancy will be assisted by protecting specific inspection areas, thereby helping to avoid closing nearby lane operations if a localized threat is suspected. Careful queue management will also help ensure smooth internal traffic switching.</p> <p>In the case of Gaza, the primary passage for goods is Karni, with Erez as the secondary. The primary passage for people is Erez, with Karni as the alternate. Subject to the necessary terminal infrastructure being in place, the parties will activate the alternate immediately in cases of closure of the primary passage. The same principles will apply in the West Bank, with the redundancy arrangements to be agreed by xxx.</p>

<p>3. Service Standards. Performance standards should be agreed by passage, and published.</p>	<p>The service standards agreed by the Government of Israel (GOI) with the Bank in November 2004 were rendered obsolete by the attack on the Karni passage in January 2005. Initial service standards will be defined in terms of <i>truckloads of imports per day</i>, and <i>truckloads pf exports per day</i>; this will change to <i>time per truck</i> once new 6 MeV scanners are brought into operation.</p> <p>Service standards will be displayed at both sides of each terminal, and published in the media. It is understood that service standards are applicable in normal times (i.e. presuming stable security conditions, and the absence of non-security interruptions such as gross equipment failure, industrial action, etc).</p> <p>Service standards will be reviewed and if necessary revised every xx months.</p>
<p>4. Operational Procedures. These should include:</p> <p>A Layered Approach to Security Inspection. Cargoes should be subject to different levels of inspection based on perceived risk, to include Green Channels (no inspection) for cargoes entering Palestinian territory which have already been inspected. Scanning equipment is integral to the inspection cycle.</p> <p>Cargo Separation. By type, using dedicated lanes and terminals.</p> <p>Standardization. Size of palletes and loads, types of packaging should be standardized.</p> <p>Pre-Scheduling and Pre-Notification. To help ensure reliability and improve security.</p>	<p>Both parties agree to develop a set of operational procedures and terminal charges for each passage by xx, and to publish these at each terminal and in the electronic media.</p> <p>Both parties will implement a layered approach, though the methods used to assess risk will remain confidential in each case.</p> <p>Both parties will use dedicated lanes, while agreeing to preserve flexibility where common sense dictates this.</p> <p>Agreed in principle.</p> <p>Both parties agree to employ systems of pre-scheduling and pre-notification at every passage. In cases where demand exceeds supply, the exporting party will determine priorities.</p>
<p>5. Terminal Operation by Private Contractors, Private Involvement in Terminal Management. Accountability is greatly increased provided performance is properly monitored and accountabilities are enforced.</p>	<p>GOI will contract terminal management to a private operator at all crossings except Karni, where the Israeli Airports Authority will continue to manage the terminal.</p>
<p>6. Independent Performance Monitoring. The</p>	<p>Service standards, both output and process, will be</p>

<p>Bank recommends that this be handled by private sector on each side.</p>	<p>monitored on a daily basis. On the Palestinian side, this will be done by Paltrade, in close cooperation with Palestinian terminal management. On the Israeli side, the performance of the contractor at each terminal will be monitored by the Crossing Points Administration. The results of these monitoring efforts will be shared openly across the border in each terminal. Both the PA and GOI will compile data from all terminals for periodic analysis and review.</p>
<p>7. Dispute Resolution. The Bank initially recommended the use of a “commercial dispute resolution mechanism”, guided by international example (the WTO Agreements, the TIR Convention and GATT’s 1994 integrated dispute resolution procedures as revised by the Uruguay Round Understanding on Rules and procedures Governing the Settlement of Disputes being examples).</p>	<p>xx</p>
<p>8. Combating Corruption. Anti-corruption will rely above all on the new transparency in and publication of service standards, procedures and fees; other tools include limiting opportunities for shippers and terminal personnel to interact, esp. in queue management, regular rotation of personnel (in-terminal and from terminal to terminal), hotlines and surveys of the level of informal payments.</p>	<p>xx</p>

The World Bank/QSEO's Pre-Final Negotiations Guidelines

World Bank and Quartet Special Envoy's Office, October 30, 2005

Managing Transit and Trade across the Israeli/Palestinian Borders: Technical Negotiations***Proposed Solutions to Unresolved Issues***

Secure and efficient Palestinian trade is essential to both the PA and Israel. The World Bank/Quartet Special Envoy Office Team (the Team) is convinced that sound approaches exist that will protect the legitimate interests of the two parties. Israel's commitment to more efficient Palestinian trade is manifest in its ambitious and costly program of border terminal reconstruction. If this program is accompanied by terminal management system reform, the Palestinian economy stands to benefit significantly. New infrastructure and equipment alone, however, will not guarantee this result.

Intense and sometimes fruitful negotiations were held between August 4th and September 5th, at which point they ceased. This delay is hard to understand, and has been costly. If satisfactory technical solutions are to be agreed and implemented with the necessary speed, greater flexibility is now needed from both parties than has been shown up to now in these negotiations.

In order to bring the negotiations to a rapid conclusion, the Quartet Special Envoy (QSE) has asked the Team to propose answers to the more controversial remaining issues. He is in agreement with the contents of this note. The QSE and the Team believe that these and other less controversial issues can be wrapped up in 2-3 days of intense discussion, providing there is a will to coalesce around sensible solutions.

The situation at the Gaza passages has deteriorated dramatically since Disengagement. Erez was processing c. 6,500 workers per day in the months prior to September; that number has fallen to 100. Karni was processing an average of 35 export trucks per day; after Disengagement, the daily average has dropped to around a dozen.

The key contentious issues, and the Team's proposed solutions to them, are as follows:

- **Closure and Redundancy**---Cargo must flow at all times if Gaza and the West Bank are to compete in international and Israeli markets. This has two implications. First, GOI should no longer close border passages as part of a broad response to Palestinian violence, but should do so only when a passage is specifically endangered. Redundancy---or the ability to switch cargo operations from one passage to another---will provide a second level of assurance that trade will continue. Thus, if one passage has to be closed, an alternate needs to be opened at once. A specific GOI statement on closure and redundancy would do a great deal to build confidence.

- **Truck Targets/Service Standards**---Both parties have agreed that each passage should establish daily targets for the number of truckloads to be processed (import, export); that these targets will be monitored; and that the results of the monitoring process should be made public. Initial discussion has focused on an export service standard for Karni, where throughput had declined to an historic low of 35 trucks per day this year prior to disengagement. Export demand is estimated by the Bank at 150 trucks per day were movement unconstrained. The Team is satisfied that this figure can be achieved rapidly at Karni under today's security strictures, through a combination of extended hours, better capacity utilization and the adoption of standardized pallet sizes; it is therefore recommended that 150 trucks per day be established as the initial Karni Export Service Standard, effective January 1st. Thereafter, this standard should be subject to regular review to ensure that market demand is being met (this is projected by the Bank at 220 trucks per day from Gaza by mid-2006, and 400 per day by mid-2007 under optimistic economic growth assumptions).
- **The Use of the New Generation of Scanners**---USAID has agreed in principle to supply a mix of relocatable, mobile and pallet scanners to equip Karni, Erez, Tarkumiya, Shar Efraim/Tulkarem (and potentially several other West Bank Green Line crossings); a final decision will be made following agreement on the border management system, and additional clarity by GOI on how the new technology will be used. GOI has already indicated it will use the new relocatables/mobiles to scan containers, supplemented when needed by manual inspection. Most Palestinian cargo, however, is carried in palletized form. USAID, Bank and QSEO experts all agree that the new 6/9 MeV technology is able to scan trailers (once again, supplemented as needed by manual inspection). GOI should commit to using the new equipment to facilitate 'trailer exchange', i.e. swapping cabs at the border, as soon as it has been installed. The PA has advocated the through passage of trucks and drivers; this involves additional security and transit issues, however. It should be piloted initially in the context of truck convoys between Gaza and the West Bank.
- **Agricultural Exports**---it is vital that this season's agricultural products, including those crops being grown in the greenhouses in the former Gaza settlements, reach market in a condition that meets ISO and EuropGap standards. This requires immediate action on two fronts. First, additional cells and cold chain continuity need to be added at Karni; USAID is currently working on this. Due to Karni's cramped and dirty conditions, this solution is not optimal, and a fall-back is also needed. A new passage dedicated to agriculture should be opened as soon as possible in the southern part of Gaza.
- **Dispute Resolution**---a reference and recourse system is needed, but neither party's proposal is acceptable to the other. The Team suggests that an acceptable compromise can be reached by using the bilateral Terminal Management Committees that will be created at each passage, along with the appointment of a "terminal facilitator" by each side (whose job it is to deal with day-to-day blockages on the shop floor). Serious issues that cannot be resolved locally can be surfaced to the proposed Program Technical Coordination Committee (see below).

- **The Palestinian Border System**---up to now, the PA has placed nothing on the table to indicate how, in specific terms, it intends to provide security, organize its own cargo operations, develop its infrastructure and coordinate operations with GOI. In this context, the PA Cabinet decision of October 20th to create an independent, unifying Palestinian Border Management Agency (PBMA) is an important development. It needs to lead rapidly to decisions about the governance of the PBMA and to clear proposals about how the passages will operate and what is needed from the international community. It is recommended that these proposals be shared with GOI and the donors by November 15th at the latest.

Following this next round, the Quartet Special Envoy plans to issue a note which will summarize agreements reached and any residual areas of disagreement, and to invite both parties to countersign it as representing an accurate record.

Further detailed discussions will then be needed on each passage in order to agree appropriate service standards and operational procedures. These discussions should be concluded for Karni, Rafah, Erez, Shar Efraim/Tulkarem, Jalame, Tarkumiya and Hasam Ta'ove/Bisan by December 31st, 2005.

The implementation of the program of passage management should be facilitated by a bilateral Program Technical Coordination Committee at the central level. This committee should meet regularly and should include as technical consultants the donors who are contributing to the passages program (at this stage, USAID, the World Bank and the European Commission).

Immediately following this round of negotiations, or in parallel to it, negotiations on convoys need to take place. It is proposed that the initial target be to establish bus convoys for passengers between Gaza and the West Bank by November 30. A paper on Convoys is available (*Convoy Operations for Buses, Personal Vehicles and Trucks*, World Bank Technical Team and Quartet Special Envoy's Office, September 30, 2005).

World Bank and Quartet Special Envoy's Office, October 30, 2005

Managing Transit and Trade across the Israeli/Palestinian Borders: Technical Negotiations

Proposed Solutions to Unresolved Issues

Secure and efficient Palestinian trade is essential to both the PA and Israel. The World Bank/Quartet Special Envoy Office Team (the Team) is convinced that sound approaches exist that will protect the legitimate interests of the two parties. Israel's commitment to more efficient Palestinian trade is manifest in its ambitious and costly program of border terminal reconstruction. If this program is accompanied by terminal management system reform, the Palestinian economy stands to benefit significantly. New infrastructure and equipment alone, however, will not guarantee this result.

Intense and sometimes fruitful negotiations were held between August 4th and September 5th, at which point they ceased. This delay is hard to understand, and has been costly. If satisfactory technical solutions are to be agreed and implemented with the necessary speed, greater flexibility is now needed from both parties than has been shown up to now in these negotiations.

In order to bring the negotiations to a rapid conclusion, the Quartet Special Envoy (QSE) has asked the Team to propose answers to the more controversial remaining issues. He is in agreement with the contents of this note. The QSE and the Team believe that these and other less controversial issues can be wrapped up in 2-3 days of intense discussion, providing there is a will to coalesce around sensible solutions.

The situation at the Gaza passages has deteriorated dramatically since Disengagement. Erez was processing c. 6,500 workers per day in the months prior to September; that number has fallen to 100. Karni was processing an average of 35 export trucks per day; after Disengagement, the daily average has dropped to around a dozen.

The key contentious issues, and the Team's proposed solutions to them, are as follows:

- **Closure and Redundancy**---Cargo must flow at all times if Gaza and the West Bank are to compete in international and Israeli markets. This has two implications. First, GOI should no longer close border passages as part of a broad response to Palestinian violence, but should do so only when a passage is specifically endangered. Redundancy---or the ability to switch cargo operations from one passage to another---will provide a second level of assurance that trade will continue. Thus, if one passage has to be closed, an alternate needs to be opened at once. A specific GOI statement on closure and redundancy would do a great deal to build confidence.

Comments:

- Redundancy should happen at two levels – both lane redundancy and terminal redundancy.
- Terminal redundancy should allow for alternative arrangements for additional capacity at another terminal. For example, if Karni is closed for an immediate and uncontainable threat, and Sufa has been opened for movement of agriculture, Sufa would open with an extra shift, process non-agricultural produce or other such temporary additional capacity to handle the cargo ready to export, regardless of the alternative crossing's normal capacity.

- **Truck Targets/Service Standards**---Both parties have agreed that each passage should establish daily targets for the number of truckloads to be processed (import, export); that these targets will be monitored; and that the results of the monitoring process should be made public. Initial discussion has focused on an export service standard for Karni, where throughput had declined to an historic low of 35 trucks per day this year prior to disengagement. Export demand is estimated by the Bank at 150 trucks per day were movement unconstrained. The Team is satisfied that this figure can be achieved rapidly at Karni under today's security strictures, through a combination of extended hours, better capacity utilization and the adoption of standardized pallet sizes; it is therefore recommended that 150 trucks per day be established as the initial Karni Export Service Standard, effective January 1st. Thereafter, this standard should be subject to regular review to ensure that market demand is being met (this is projected by the Bank at 220 trucks per day from Gaza by mid-2006, and 400 per day by mid-2007 under optimistic economic growth assumptions).

Comments:

- We welcome the use of these projections of needed demand to establish the necessary capacity at Karni, however, we stress that these are only projections. While useful immediately, per truck minute standards must be developed.
- Capacity should follow demand, and not vice versa. The numbers noted above may be useful for capacity planning, but should not serve as a quota. For example, once solutions are found for the export of produce, the immediate truck per day number should be increased as these improvements are implemented. *The GOI should accept in principle that it will expand capacity as necessary so as not to put a quantitative restriction on economic development of Palestine.*
- The mechanism and timetable for developing and switching to per truck standards/times must be developed. We suggest that a per truck minute standard be developed together by a joint team of industrial engineers, through monitoring, by December 2005. The per truck minute standard, once implemented, should also be monitored.
- The details of the monitoring mechanism mentioned here (who? how? etc.) remain outstanding.

- **The Use of the New Generation of Scanners**---USAID has agreed in principle to supply a mix of relocatable, mobile and pallet scanners to equip Karni, Erez, Tarkumiya, Shar Efraim/Tulkarem (and potentially several other West Bank Green Line crossings); a final decision will be made following agreement on the border management system, and additional clarity by GOI on how the new technology will be used. GOI has already indicated it will use the new relocatables/mobiles to scan containers, supplemented when needed by manual inspection. Most Palestinian cargo, however, is carried in palletized form. USAID, Bank and QSEO experts all agree that the new 6/9 MeV technology is able to scan trailers (once again, supplemented as needed by manual inspection). GOI should commit to using the new equipment to facilitate ‘trailer exchange’, i.e. swapping cabs at the border, as soon as it has been installed. The PA has advocated the through passage of trucks and drivers; this involves additional security and transit issues, however. It should be piloted initially in the context of truck convoys between Gaza and the West Bank.

Comments:

- Palestinians are still waiting for an acknowledgment by the GOI that the Palestinians do not consider the current or planned location of the Erez Crossing Point to be on the 1967 border.
- Palestinians have not agreed to the purchase of pallet scanners.
- Our understanding is that the experts have agreed that the 6 or 9 MEV scanners could scan containers, trailers, loaded trailers, and engines, with a minimal manual check if necessary. In the future, large trucks should also be able to be scanned.
- A pilot is needed for door to door movement, and not convoys to the West Bank.
- A pilot program would be inappropriate for a convoy system between the West Bank/Gaza Strip. Movement of goods between the WBGS should not be subject to scanning when traveling in a convoy. Free-driving trucks (i.e. without a convoy), however, could be subject to a pilot program for door to door movement. A convoy system for the movement of goods should be discussed and implemented immediately.

- **Agricultural Exports**---it is vital that this season’s agricultural products, including those crops being grown in the greenhouses in the former Gaza settlements, reach market in a condition that meets ISO and EuropGap standards. This requires immediate action on two fronts. First, additional cells and cold chain continuity need to be added at Karni; USAID is currently working on this. Due to Karni’s cramped and dirty conditions, this solution is not optimal, and a fall-back is also needed. A new passage dedicated to agriculture should be opened as soon as possible in the southern part of Gaza.

Comments:

- A new terminal should be created for movement of agricultural produce as soon as possible.
- In the meantime, immediate improvements must be made at Karni. Israel must commit to two new temperature controlled cells/rooms for the movement of agricultural produce immediately. In addition, the 2.5MEV scanner currently at Karni should be used for scanning agricultural produce (at least for peppers, cherry tomatoes and cut flowers). Palestinians have an immediate need to export about 15 trucks a day for the Gaza agricultural project in addition to the already existing needs for the rest of Gaza (together around 60 trucks per day). If these improvements are not implemented by December 1st, much of the agricultural produce will be wasted.
- Israel has yet to agree to improvements re: movement of agriculture. USAID's support is contingent on both sides agreeing to any improvements.
- A dedicated cell should be designated at Karni for the movement of agricultural produce immediately.
- The X-ray scanner (4MeV) to be brought on lease in a month should be dedicated to those exports of agricultural that can not be scanned using the 2.5MeV.

- **Dispute Resolution**---a reference and recourse system is needed, but neither party's proposal is acceptable to the other. The Team suggests that an acceptable compromise can be reached by using the bilateral Terminal Management Committees that will be created at each passage, along with the appointment of a "terminal facilitator" by each side (whose job it is to deal with day-to-day blockages on the shop floor). Serious issues that cannot be resolved locally can be surfaced to the proposed Program Technical Coordination Committee (see below).

Comments:

- This does not suggest a concrete dispute resolution mechanism. Nothing in this suggests who would make decisions, if there is a binding mechanism or binding decisions, and what the remedies are for breaches or in order to resolve disputes.
- Disputes between the two sides regarding the performance or implementation of the procedures or standards should involve a third party and provide practical solutions to the problem. A technical expert shall be agreed (from those currently working with the border crossing team, such as Alan Rutan or Denis Lefebvre) and specified by both parties to provide advice in the in the event of dispute, and such advice will be given substantial weight in the decision made by the parties.
- Also, the Bilateral Terminal Management Committee should meet once a month with "interested" representatives from the private sector from both sides to hear their concerns and try to address them.

- **The Palestinian Border System**---up to now, the PA has placed nothing on the table to indicate how, in specific terms, it intends to provide security, organize its own cargo operations, develop its infrastructure and coordinate operations with GOI. In this context, the PA Cabinet decision of October 20th to create an independent, unifying Palestinian Border Management Agency (PBMA) is an important development. It needs to lead rapidly to decisions about the governance of the PBMA and to clear proposals about how the passages will operate and what is needed from the international community. It is recommended that these proposals be shared with GOI and the donors by November 15th at the latest.

Comments:

Palestinians are currently working on two tracks to remedy these issues:

1. Establishment of the Palestinian Border Terminals and Ports Authority
2. Immediate improvements at Karni (Rafah is already well underway)

1. Establishment of the Palestinian Border Terminals and Ports Authority

On October 20, 2005, the Cabinet approved the establishment of a Palestinian border authority. The decision of Cabinet reads as follows:

“Confirming in principle the establishment of a Palestinian Border Services Agency and creating a Ministerial Committee for this purpose made up of Ministry of Planning (as the committee coordinator), Ministry of Interior and National Security, Ministry of National Economy, Ministry of Civil Affairs, Ministry of Agriculture, Ministry of Transportation, Ministry of Health, Ministry of Tourism and Antiquities to determine the mandate and systems and establishment of the agency”.

Accordingly, a Ministerial Committee has been established and is currently reviewing the adoption of recommendations on the following issues towards the implementation of this decision:

1. Defining the mandate of the Palestinian Border Terminals and Ports Authority (PBTPA).
2. Proposal of legislation and an institutional framework to establish the PBTPA as an independent authority governed by a board of directors comprised of relevant ministries and institutions.
3. Appoint a Director for the PBTPA at a ministerial level as soon as possible in addition to 2-3 members of a core team.
4. Develop an implementation plan within two months.
5. Mobilize the offers of assistance from various donor organizations for establishing the PBTPA.

2. Immediate Improvements at Karni

Immediate improvements at Karni are currently in various stages of preparation in

three areas:

1. Security

- Use of international experts as well as Israeli recommendations to develop a comprehensive security plan for the Palestinian side of the terminal including securing the perimeter, entrance and exits, cargo, personnel, and users.
- Establish a secure perimeter for the terminal including the use of security fencing, cameras, and motion detectors. Karni security personnel have begun reviewing available equipment in Israel.
- Establish a central security control room at the terminal for monitoring all security systems.
- Procure cargo scanning equipment for use at the Palestinian side of the terminal. Evaluation of gamma x-ray equipment has begun for consideration of use at Karni.
- Develop and document security procedures and instructions, including those for coordination with Israeli personnel, and training of security personnel.

2. Infrastructure and Equipment

- Development of new plans for the terminal. Draft plans have been prepared after being commissioned by the PA and are under review.
- Expansion of the border terminal area on the Palestinian side, including the purchase/ lease of the private lot adjacent to the terminal.
- Increase the number of cells/ bays used for transfer of goods, including temperature controlled bays for transfer of perishables, and instituting areas of through movement of trucks in coordination and agreement with the Israeli side.
- Expansion of covered area at the terminal for loading/ unloading.
- Install lighting at the loading/ unloading area to allow for secure operations during evening hours.
- Building of waiting and services area for terminal users.
- Expanding the entry and exit roads to the terminal.
- Inventory of available material handling and other equipment and procurement of necessary equipment.
- Establishment of a maintenance and cleaning program to minimize downtime and dust at the terminal.

3. Systems and Procedures

- Develop procedures and instructions for scheduling, logistics, and coordination at the terminal. Preliminary proposed flowcharts are under discussion.
- Create an online pre-registration and pre-scheduling system with direct access to Palestinian exporters.
- Documentation and publication of procedures for users, including instructions for standard loading and packaging to ensure smooth flow of

goods through the terminal.

- Establishing a performance monitoring and reporting system including the issuance of regular reports, independent reporting by the private sector, coordination with the private sector on their needs, and a client relationship manager. Independent reporting has already begun.

Other issues yet to be agreed:

- In principle the procedures and coordination have been agreed, as have that the procedures should be published. However, the details and practicalities of these have yet to be agreed.
- We therefore propose that both sides, with the assistance of the third party, meet and draft an initial draft of the procedures that would incorporate all the agreements reached today. From our side Saleem Abu Safieh and Nabila Assaf are ready to meet at any time.
- As noted above, the process and extent of monitoring has yet to be agreed, as is whom is to do the monitoring. We propose to use the good offices of the EU (now the third party at Rafah) to carry out the monitoring of what is agreed, including the procedures and standards.

Following this next round, the Quartet Special Envoy plans to issue a note which will summarize agreements reached and any residual areas of disagreement, and to invite both parties to countersign it as representing an accurate record.

Further detailed discussions will then be needed on each passage in order to agree appropriate service standards, [PA addition--coordination (for security, functional and economic concerns] and operational procedures. These discussions should be concluded for Karni, Erez, Shar Efraim/Tulkarem, and Tarkumiya by December 31st, 2005 [PA deletion---Jalame and Hasam Ta'ove/Bisan].

- Service standards should not be agreed for Rafah with the Israelis. It is an Egyptian Palestinian border.
- Inclusion of Erez in this list remains problematic as Palestinians have yet to receive the requested acknowledgement from Israel regarding its location, as noted above.
- Jalame has not been agreed as a crossing point to be discussed.
- Palestinians have not agreed to discuss Bisan. The current location of the Bisan terminal is not on the 1967 border.

The implementation of the program of passage management should be facilitated by a bilateral Program Technical Coordination Committee at the central level. This committee should meet regularly and should include as technical consultants the donors who are contributing to the passages program (at this stage, USAID, the World Bank and the European Commission).

- Will the role of the technical consultants be binding or purely consultative?

Immediately following this round of negotiations, or in parallel to it, negotiations on convoys need to take place. It is proposed that the initial target be to establish bus convoys for passengers between Gaza and the West Bank by November 30. A paper on Convoys is available (*Convoy Operations for Buses, Personal Vehicles and Trucks*, World Bank Technical Team and Quartet Special Envoy's Office, September 30, 2005).

- Convoys should also be operational immediately for movement of goods between the West Bank and Gaza Strip, in parallel to bus convoys.

Crossing Points Administration

November 9th 2005

NON PAPER

Proposal of the Government of Israel on the Coordinated Operation of Karni Terminal

**UNDERSTANDINGS ON COORDINATED
OPERATION OF KARNI TERMINAL**

Between July and November 2005 Israeli and Palestinian teams conducted a dialogue on ways to improve the flow of trade between the Gaza Strip and Israel, particularly with the objective of reaching a better system of coordination between the Palestinian and Israeli sides of the Karni crossing point (herein after - the "Karni Terminal" or the "Terminal").

The dialogue resulted with some constructive agreed suggestions as laid down below, which both sides would like to implement.

1. General

- 1.1. Each party shall be responsible for maintaining security and inspections at its side of the crossing point, under its own established standards and requirements, and shall be responsible for preventing any security threats.
- 1.2. Both parties recognize that security is critical for the maintenance of trade relations, and realize that the following suggestions for improvement will be contingent to the security situation at any given time.
- 1.3. The understandings and suggestions for improvement included in this document are subject to the existence and practice of the current trade, and customs arrangements between Israel and the Palestinians, in the Gaza Strip.

2. Operational Coordination

- 2.1. The parties shall each establish a permanent management team for its side of the Karni Crossing. Each separate team will include the terminal manager, operations manager and security manager of that side.
- 2.2. The management teams from both sides shall cooperate with each other on a regular basis, and shall establish mechanisms to ensure such coordination on an ongoing basis.
- 2.3. Among other things, the teams shall coordinate the following:
 - a. Periodical working programs.

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b. Ongoing information exchange including with respect to information on orders, daily reports and other operational issues. For that purpose, the parties shall establish a computerized station to exchange information (via intranet) on an immediate and regular basis.

c. Opening hours and days of operation of the terminals.

d. Methods and ways of dealing with mutual difficulties in management of the terminals, including, if necessary, prioritization of transferring of goods.

2.4 Each member of the managing team and each operation manager shall be equipped with a cellular telephone. The teams shall determine their communication arrangements, and discuss any needed improvements on an ongoing basis.

3. Redundancy

3.1. The crossing shall operate in an uninterrupted manner in order to facilitate the transit of cargo and goods. The crossing will not be shut down completely unless situations arise which pose a security threat to the crossing, to people in its area, or when it is suspected it may be used as a passage for security threats.„

3.2. Both sides agree on the importance of redundancy for insuring the flow of goods.

3.3. Redundancy between the crossing points and inside the crossing points should, if possible, be allowed for transfer of goods.

3.4. The *Erez* crossing point shall be upgraded to facilitate redundancy with respect to the Karni Terminal and vice versa. Such redundancy is subject, among other things, to further coordination between both sides.

3.5. Internal redundancy, when required, shall be facilitated through possible re- shifting of the queues through queues management, by each side separately. Each Kami terminal manager will develop his own management system to facilitate such internal redundancy for his respective crossing, based on the abilities of the crossing point.

3.6. In cases of heavy workload in the Terminal, the terminal managers shall communicate in order to decide on a coordinated prioritization of the management of the flow of goods.

3.7. The Palestinian side shall provide the Israeli side with a multi-annual macro-economic projection of Palestinian exports from Gaza Strip in order to facilitate the planning of the movement of these goods through the crossing points.

4. Service Standards

4.1. Both sides shall strive to meet each other's market demand.

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4.2. Accordingly, the sides have agreed upon target service standards of daily capacities (full trucks) both inbound (meaning from the Gaza strip into Israel) and outbound (meaning from Israel into the Gaza strip) which would cross through the Kami Terminal are based on the objectives as specified in Appendix A (inbound trucks) and B (outbound trucks).

4.3. These objectives are subject to constraints that may arise due to security-related situation or threats at a given time.

4.4. Reaching the objective for increase in the output in the medium and long term is also subject to the installation of technological and infrastructural upgrades (currently conditional upon external funding).

4.5. The increase in the flow of goods is contingent on the security situation at any given time and on the management of the Palestinian side of the Terminal, including the compliance with the operational requirements as stipulated in this document.

4.6. Upon the arrival, installation and proper functioning of the new scanners (expected by the end of 2006), the parties may decide to begin discussions *for* coordinating service standards on the basis of handling time per truck.

5. Operational Procedures

5.1. Cargo separation

a. A dedicated lane *for* agricultural products will be designated, based on seasonal necessities.

b. A dedicated track *for* hazardous materials will be designated. The transfer and packaging of hazardous materials will be subject, on both sides of the crossings, to the respective laws and regulations applying to such materials, which, in any event, shall be in compliance with standards (including with respect to safety and environmental protection) as required or applied by Israel.

c. The Israeli side will establish a gravel conveyor and a special channel through which cement will be compressed to a cement silo. These measures will facilitate their movement in separated dedicated lanes.

d. If necessary, and based on real needs, the option *for* an additional cargo separation or cargo grouping will be examined and shall be coordinated between the Parties.

5.2. Standardization

a. Israel will inform the Palestinian manager of Kami the relevant information with regard to procedures *for* packaging and required documentation.

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5.3. Pre-Scheduling

- a. A system for the management of orders shall be established separately in each side of the terminal and will be managed under each side's own responsibility.
- b. The parties shall exchange pre-scheduling information through the computerized station on an immediate and regular basis.
- c. The managers of Kami terminal shall establish a joint working-group to design the information system and to determine procedures for the transfer of information as well as the type of information that will be transferred.
- d. The parties shall exchange information regarding the management of the terminal and the coordination of the queues on a daily or periodical basis.
- e. The commercial activity of the terminal shall be based, as much as possible, on the working program determined by both Kami managers. Changes in the working program, including the passage of irregular humanitarian supplies, will be coordinated, as much as possible, between both sides.
- f. The parties shall coordinate in advance the flow of perishable goods, particularly during agricultural seasons.

5.4. Pre-Notification

Each party shall inform the other party as soon as possible of any changes or irregular events that might affect the operation of the terminal.

5.5. Safety Guidelines and Sanitary Standards

The parties shall facilitate the operation of the Terminal and the flow of goods through the establishment of appropriate infrastructure for health, safety and sanitation, including through the setting-up of:

- a. A modern and effective system of fire extinguishing.
- b. A system for the handling of hazardous materials. The system will be in accordance with the respective laws applying which, in any event, shall not fall short of requirements and standards concerning, among other things, safety and environmental protection as applied by Israel.
- c. A lighting system to illuminate the entire area of the Terminal.
- d. Sewage and drain Infrastructure.
- e. Periodical extermination of pests.

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6. Operation Hours, Equipment and Human Resources

- 6.1. The parties shall endeavor to maintain the agreed schedules of the opening hours and days.
- 6.2. The parties shall provide and maintain sufficient transportation facilities and equipment.
- 6.3. Each party shall maintain the constant presence of security officers in the working posts.

7. Monitoring of Service Standards

- 7.1. Each party is responsible for the monitoring of the agreed standards in its own side.
- 7.2. If deemed necessary, the parties will discuss the updating of service standards according to the findings of their respective monitoring systems.
- 7.3. Both sides will share information regarding the monitoring of the agreed service standards.

8. Handling of Disagreements related to the Management of Karni

Terminal Facilitator

- 8.1. Each party shall appoint a Terminal Facilitator that will operate on its own side of the terminal, respectively. The Terminal Facilitator shall work to facilitate the proper operation of Karni, and will attend, *inter alia*, to day-to day matters relating to users of Karni Terminal.

Terminal Managers Liaison Committee

- 8.2. A Terminal Managers Liaison Committee (“TMLC”) consisting of the manager of the Israeli side of Karni and the manager of the Palestinian side of Karni will be established.
- 8.3. The TMLC will serve for discussing questions that may arise. All questions regarding the Israeli and Palestinian Karni Terminal may be discussed in this committee. If a decision is required, decisions will be reached by agreement of both parties. The Committee shall determine, by agreement of both parties, its mode of procedure. The Committee shall be entitled, by agreement of both parties, to invite any person or body it may deem of relevance to appear before it.
- 8.4. Issues that cannot be resolved in the TMLC by agreement of both parties, shall be passed on to a bilateral crossing sub-committee to be established within the existing Joint Civil Affairs Coordination and Cooperation Committee (the “CAC”). If a decision is required in the bilateral crossing sub-committee, it will be reached by agreement of both parties.

8.5. Issues that cannot be resolved in the bilateral crossing sub-committee by agreement of both parties and matters of principle and policy shall be passed on to the CAC whose mode of operation has already been established in previous agreements between Israel and the Palestinians.

9. Combating Corruption

9.1. Both sides pledge to continue fighting corruption and do not accept corruption of any form.

9.2. Both sides shall ensure that they do their utmost so that any information relating to the possibility of corruption in the crossing point will be submitted to the law enforcement authorities of the relevant side.

APPENDIX A
(To be detailed)

**Service standards of daily capacities (full trucks) for inbound cargo
(from the Gaza strip into Israel)**

Specific service standards shall be determined according to the following variables:

1. Existing security situation;
2. Infrastructure improvements to be implemented in the crossing
3. Extended operation hours
4. Technological upgrades.

APPENDIX B
(To be detailed)

**Service standards of daily capacities (full trucks) for outbound cargo
(from Israel into the Gaza strip)**

The Israeli/Palestinian Passages--Record of Negotiations

November 9 2005, Jerusalem

1. The parties met on November 9 under the chairmanship of Mr. James Wolfensohn, Quartet Special Envoy for Disengagement. Following his departure, the negotiations were moderated on his and the Quartet's behalf by Nigel Roberts of the World Bank. The Israeli delegation was headed by Major-General Amos Gilad, Head of the Political-Military Bureau at the Ministry of Defense, Government of Israel (GOI). The Palestinian delegation was headed by H.E. the Minister of Planning Ghassan Khatib, Palestinian Authority (PA). The Quartet delegation included staff and experts from the Quartet Special Envoy's Office (QSEO), the US Government and the World Bank.

2. The meeting followed the order of the World Bank/QSEO paper entitled *Managing Transit and Trade across Israeli/Palestinian Borders: Technical Negotiations ---Proposed Solutions to Unresolved Issues*, October 30, 2005. This paper, plus GOI's non-paper entitled *Proposal of the Government of Israel on the Coordinated Operation of Karni Terminal*, Crossing Point Administration, November 9, 2005 and the PA's interpolated comments on the World Bank/QSEO paper, should all be considered part of the negotiations package, with this **Record of Negotiations** taking precedence in cases of ambiguity or apparent contradiction (the Record includes the attached paper entitled *Managing Transit and Trade across Israeli/Palestinian Borders: Technical Negotiations-- Elements of a Viable Crossing Management System*, November 12, 2005).

4. **This Record of Negotiations is acknowledged by the parties to be a true record of the agreements reached between them, and they have accordingly signed below.**

5. The following issues were discussed.

I. Continuous Operation and Redundancy

6. GOI's non-paper states, in relation to Karni, that "the crossing shall operate in an uninterrupted manner in order to facilitate the transit of cargo and goods. The crossing will not be shut down completely unless situations arise which pose a security threat to the crossing, to people in its area, or when it is suspected it may be used as a passage for security threats.....redundancy between the crossing points and inside the crossing points should, if possible, be allowed for transfer of goods.....the Erez crossing point shall be upgraded to facilitate redundancy with respect to the Karni Terminal and vice versa."

7. GOI clarified that the use of the word "completely" was intended to provide for cases where technical upgrades of a passage were required from time to time. GOI also indicated that Israel will not (and does not) close a passage due to a security incident

unconnected with the passage itself, and that the only instance in which both Karni and Erez would be closed would be if there was a simultaneous threat to both, or clear reason to believe that both passages were being considered as conduits for threats to Israel. It was pointed out by GOI that the extent to which the PA is active in protecting the perimeter of the terminals and in communicating information on possible threats to GOI would have a material bearing on Israel's ability to ensure uninterrupted operation. [Quartet suggestion---is it possible to agree that a crossing will be closed *only when there is reason to believe that there is a direct threat to the passage itself?* If information points to the possible use of the passage to smuggle ordnance for use against Israel, for example, security procedures in force will uncover the contraband at the passage itself].

8. The parties agreed that they would use Erez as the primary passage for people and as a back-up for goods, Karni as the primary for goods and back-up for people. Subject to the necessary terminal infrastructure being in place, the parties intend to activate the alternate immediately in cases of closure of the primary passage.

9. [Quartet suggestion---The same principles of continuous operation and redundancy (between passages and between lanes in the passages) should apply in the West Bank as between Jalame, Shar Efraim/Tulkarem and Tarkimiya, with details to be worked out by December 31 in later technical discussion (see below)].

10. The PA clarified that it is willing to develop and use the new Erez Terminal, but that this does not constitute PA agreement to the current demarcation of the border between northern Gaza and Israel. The Quartet understands that this is an issue that would be revived at Final Status negotiations. The PA has written to GOI (letter from Minister Mohammed Dahlan to Minister Haim Ramon of June 15, 2005) on this issue, and stated that said willingness is conditional on GOI confirming that the development and use of the new Erez terminal will not be construed as Palestinian acceptance of the current border as a final border.

11. Both parties agreed to develop and exchange a list of holidays on which terminals would be closed. The Quartet understands that on the Israeli side this would consist of each *Shabbat* and approximately 6 days of additional full holidays each year, and suggests that this exchange be completed by November 20.

II. Truck Targets/Service Standards

12. GOI's non-paper indicates that "both sides shall strive to meet each other's market demand."

13. The discussion focused on exports from Gaza, and imports from Israel.

14. Exports from Gaza. Numbers of trucks per day (tpd) averaged 43 in the 6 months preceding disengagement¹, and fell to an average of 18 tpd in October. All parties are seized by the urgency of accommodating the coming harvest, with the first crops

¹ Truck flow data is from UNSCO and Paltrade.

expected by about November 20 and with estimated daily export requirements for agriculture alone rising to some 60-70 tpd in the 2005/6 season.

15. GOI indicated that it had lifted recent pallet height restrictions and that this would enable the volume of export trucks to increase at once to 50 tpd. The institution of a second full shift would add another 30 tpd; for this to happen, the border dividing wall needs to be strengthened/shielded, and lighting added. The Quartet understands that with application and with cooperation from the PA, this can be done by end-November. A third full shift would then be introduced by end-January 2006; with additional efficiency gains on the Israeli side, this would add a further 40 tpd.

16. USAID then indicated that it would be able to lease a 4 MeV scanner and have it delivered to Ashdod within 30 days (i.e. by December 10); it should be possible from a technical perspective to have this scanner operating 15 days after that, i.e. by December 25. GOI committed to making best efforts (to include securing the necessary environmental clearances and putting supporting infrastructure in place) to enable operations to begin at that point. GOI indicated that once the scanner became operational it would be possible to process an additional 80 tpd.

17. Thus the increase in tpd (to be used as the export service standard for Karni) would evolve as follows:

- Immediately 50 tpd
- By end-November 2005 80 tpd
- By December 25 (with 4 MeV scanner) 160 tpd
- By end-January 2006 200 tpd

18. Furthermore, GOI stated that it would, given the arrival and instillation of the new scanning equipment on order, be able to meet the needs currently projected by the Bank for Karni---220+ tpd by mid-2006 and 400 tpd by end 2006/mid-2007.

19. Imports from Israel. Numbers of trucks per day (tpd) has averaged 305 in the past 8 months. GOI agreed to add 1.5 additional days to the 4 days per week of current openings at the container area at Karni within 4 months. It was also agreed that the PA would estimate market demand in Gaza as a basis for a joint exercise to develop the import service standard for Karni. [Quartet suggestion: import service standards for January 1, 2006, mid-2006 and mid-2007 should be agreed by the parties by November 30].

20. It was also agreed that no commercial preference would be given to goods coming from Israel, as opposed to goods coming from the West Bank.

21. [Quartet suggestion: In previous discussion it has been agreed that the service standard would in time change from *trucks per day* to a *time per truck* standard (this is a more appropriate measure since it embodies the notion that commercial demand should drive operations at a passage). It was also agreed that this should take place once the new generation of scanners has been installed and become operational. GOI's non-paper indicates that "upon the arrival, instillation and proper functioning of the new scanners

(expected by the end of 2006), the parties may decide to begin discussions for coordinating service standards on the basis of handling time per truck”. With the arrival and instillation of a 4 MeV scanner at Karni now anticipated in December 2005, it is proposed that these discussions begin in the New Year with a view to converting to a time per truck standard at Karni by end-March 2006].

22. [Quartet suggestion: Agreement is needed on import and export service standards for all passages. As previously discussed, discussions need to follow on Erez, Kerem Shalom, Tarkumiya, Jalame and Shar Ephraim/Tulkarem. These discussions should cover three topics, and should be completed for all passages by December 31:

- Import and export service standards
- Operational procedures for each passage
- Palestinian perimeter protection/security, organizational adjustments and infrastructure/equipment plans]

III. The Use of the New Generation of Scanners

23. The Proposed Solutions to Unresolved Issues paper indicates that “USAID, Bank and QSEO experts all agree that the new 6/9 MeV technology is able to scan trailers (...supplemented as needed by manual inspection). GOI should commit to using the new equipment to facilitate ‘trailer exchange’, i.e. swapping cabs at the border, as soon as it has been installed. The PA has advocated the through passage of trucks and drivers; this involves additional security and transit issues, however. It should be piloted initially in the context of truck convoys between Gaza and the West Bank”.

24. Both parties maintained their positions and no agreement was reached. The Quartet asked that each side refer this issue back to higher authority with a view to seeing what could be done to move towards a common position. The Bank/QSEO position on this, which is based on technical considerations, remains unchanged.

IV. Agricultural Exports from Gaza

25. GOI indicated that it would make its very best efforts to ensure that all agricultural products sent for export to Karni would be processed in a timely fashion during the coming season.

26. GOI also indicated that it is adding two new cells at Karni, and that these could be used for whatever the PA wished. The estimated date for the completion of construction is two weeks from the November 9th meeting, i.e. by November 23rd 2005. USAID indicated that it is willing to put in place a cold chain arrangement in Karni, but that this is conditional on the creation of a new cell. Once the cell is complete USAID will proceed with equipment instillation.

27. GOI committed to using the 2.5 MeV scanner at Karni for scanning certain agricultural produce.

28. It was also agreed that a separate agricultural passage is not needed this season, though the Bank/QSEO team maintains that this should be in place by the time of the 2006/7 season, both for redundancy purposes and in order to create a cleaner, superior working environment than is possible at Karni—i.e. one more appropriate to meeting increasingly exacting ISO/EuropGap standards. The Quartet raised the possibility of using Kerem Shalom as this passage *ad interim*. The two parties agreed to consider this.

V. Dispute Resolution

To Be Discussed

VI. The Palestinian Border System

To Be Discussed

Other Items to be discussed in order to complete negotiations

- *Combating Corruption at the Passages*
- *Reconfirmation by both parties that Service Standards and Operational Procedures for each passage will be published regularly, along with the results of the monitoring process*
- *The type of donor/Quartet involvement in program monitoring*
- *Confirmation by both parties of the contents of the Elements of a Viable Crossing Management System chart, updated on November 12*
- *Bus and Truck Convoys: when and in what format to discuss implementation*