

Short Term Improvements for Trade Facilitation and Passages: Improvements to the Karni Border Crossing, Gaza--West Bank Link and Internal Closures

This note proposes a number of short-term improvements to enhance movement and trade. The note looks at three critical choke-points for the Palestinian economy: (i) Karni, (ii) the Gaza—West Bank connection, and (iii) internal movement restrictions in the West Bank.

A. Karni

Introduction

1. Permanent improvements at Karni will require substantive changes in infrastructure, design and technology, with 18-24 months likely needed for the necessary procurement, construction and installation of new equipment. In the meantime, immediate steps are needed to improve the functioning of this passage. As described in other Bank papers, many of today's problems at Karni are the result of poor management and procedures incompatible with commercial efficiency. Substantial improvements can be realized through well-targeted changes in the operating environment.

2. The Bank understands that GOI intends to replace Karni's current management with a competitively selected private operator reporting to the Ministry of Defence. This is a very welcome move and should, provided that the contract is correctly structured, lead to significant positive change. The contract and any associated subcontracts for other service providers at the terminal should include rewards for efficient behavior, and penalties for inefficiency and malfeasance. Inefficiency and corruption plague the Palestinian side of the crossing as well, but different solutions are needed because the operators are not bound by contract. Improvements on the Palestinian side of the border should be addressed at the same time as those recommended below on the Israeli side.

3. The basic objectives of a short-term improvement program should be to

- Reduce the time and the damage, and thereby the costs associated with moving goods through the crossing
- Increase the reliability and predictability of the crossing process
- Improve---or at the least maintain---current levels of security

4. There are seven areas in which immediate or near-term steps can be taken; these are summarized below.

1) Monitoring Performance

5. The simplest way to bring about change is to **monitor performance**. Recent improvements in clearance time for imports at Karni appear to demonstrate the value of introducing monitoring reports. Such monitoring provides a strong message to terminal personnel that efficiency is a priority, and that “business as usual” is no longer acceptable. This positive initiative should continue, and should be extended immediately to exports from Gaza (these receive considerably less attention from the Israeli authorities controlling the crossing). Reports on daily performance at specific gates and on worker productivity levels can be used to identify sources of delay and to reward workers’ efforts to improve efficiency. Information on the status, utilization and maintenance of equipment can be used to improve performance as well as to develop an effective schedule of preventative maintenance.

6. In response to a request from the PA and the World Bank, Paltrade intends to institute a system of private sector monitoring of cargo waiting times on the Palestinian side of the border. It is important that this effort be complemented by similar independent monitoring on the Israeli side, and that information collected on the processing of both exports and imports be widely disseminated. Paltrade is actively seeking an Israeli private sector partner, and the Bank recommends that both GOI and the PA immediately support this initiative.

7. Consistent with this, terminal management should prepare and publicize **performance targets** for the facility. Some initial targets have already been identified by Israel’s National Security Council in a November 2004 presentation to the World Bank, as described in Table 1.

Table 1: Proposed Israeli Border/Gateway Service Standards for Karni¹

Description of Activity	Duration	Remarks
Waiting time for approval to enter the passage	Up to 24 hours	Depends on establishment of a unified ordering center for coordinating and synchronizing
Waiting time for entry to the passage Fresh products Other cargoes	Up to 2 hours 3-4 hours	
Service time for import/export truck at passage including loading/off-loading and scanning	2-3 hours	

8. In addition to this, more detailed targets should be prepared for different types of cargoes (agricultural produce, for example), and for handling procedures. These targets should be agreed with the PA and with the shippers and producers using the terminal. Service standards at Karni today are currently very far indeed from international norms and cannot support competitive trade without radical improvement.

¹ “*Economic Aspects of the Israeli Disengagement Plan*”, INSC, November 14, 2004, PowerPoint.

2) Initial Steps to Limit Corruption

9. Stamping out malfeasance at border crossings takes sustained effort. There are, however, some relatively **simple steps that can begin the process of reducing corruption on both sides of the crossing**. Opportunities for corruption are inevitable in a facility in which operating rules lack transparency, and random closures and procedural changes place shippers in the position of supplicants to border personnel.

10. To start with, efforts should be made to limit the interaction between shippers and terminal personnel, particularly in queue management where the opportunities for payment of “speed money” are rife. Instead, procedures for scheduling services and managing the queue need to be rationalized, published and automated. Furthermore, it is a common practice at borders to rotate inspection personnel between gates using automated systems---thereby breaking patterns of familiarity as well as the ability of inspection personnel to control access to a particular gate. Periodic surveys of the frequency and level of informal payments should be undertaken to track the effectiveness of anti-corruption efforts.

3) Publication and Standardization

11. Karni management currently varies, at random intervals, the size of loads and the size and type of packaging that can pass through the scanners. This policy was established for security purposes², but in fact acts as a significant non-tariff barrier to trade, increasing costs, delays and damage to Palestinian goods. Moreover, it is directly contradictory to modern approaches to improving the security of the supply chain, since it is very difficult for legitimate traders to comply with requirements and thereby creates additional opportunities for corruption.

12. Karni management should instead move immediately to introduce **standardization of pallets and load size**³. This will facilitate trade---and improve security. Standardization improves the speed and efficiency of scanning, since pallets and packaging can be properly prepared by the shippers prior to reaching the border. Detection is also improved when the scanning technician can expect a more consistent profile in the goods being inspected. The standard cargo configuration should be agreed with commercial shippers so that it meets both detection and commercial requirements. In the case of agricultural products, this development should be part of a broader effort to introduce better packaging and thereby reduce damage in transit. To encourage standardization, incentives such as priority clearance or reduced charges can be offered to shippers who comply with the new requirements. The standardization of cargo units revolutionized global transport in the 20th century, and would have a major impact in Karni, given today’s inefficient handling processes.

4) Building a Partnership with the Private Sector

13. One of the critical issues at Karni is the adversarial relationship between management and users that developed during the intifada. As soon as possible, **a terminal management**

² The security rationale has been that by constantly changing what is allowed through the scanner, terrorists effort to hid weapons will be thwarted.

³ For example, ISO pallets and standard small containers.

committee should be formed as a first step in promoting a more cooperative approach, and should include representatives of the major shippers and consignees as well as other stakeholders.

14. The formation of a Palestinian Shipper's Council, funded by the EC, as well as the role of Paltrade in monitoring terminal performance, are good starting points for the constructive involvement of the private sector in border management. Both the Shipper's Council and Paltrade, together with their Israeli equivalents, should be called on to help form the Karni management committee.

15. Increasingly, problems of malfeasance and discrimination should be addressed through contract enforcement and through formal dispute resolution mechanisms. The Management Committee can play an interim role in establishing a dispute resolution mechanism while the foundations for more formal systems are laid. Options for dispute resolution include the commercial arbitration system used under the TOR Convention, or a modified approach involving the parties and independents in a panel system (as in NAFTA).

5) Scheduling and Pre-Notification

16. On-going efforts to introduce **formal scheduling of truck arrivals** should be actively pursued. This is a necessary step to ensure reliable service and enhanced security. This system should be used not only at Karni but at all border crossings⁴. Initially, appointments can be arranged by telephone, but this should evolve quite rapidly into a secure web-based system. Legitimate users would be given a password and provided access to the scheduling database. They would enter data on the truck, its cargo, vehicle operator and desired time of crossing, and would receive confirmation of a time and gate as well as a reference number to be used when checking in at the terminal. The system would allow terminal operators to perform preliminary screening and to project levels of demand for different types of cargo (so that a sufficient number of gates can be allocated). Trucks that have not pre-registered would enter a first-come-first-serve queue on a lower priority.

17. This simple system can be introduced at once. Industry organizations in Gaza, in particular the furniture trade, have introduced such a system on the Palestinian side of Karni, working with the PA Ministry of National Economy and the Border Security Service⁵.

6) Security Coordination

18. **Coordination between the Israeli and Palestinian security forces at the borders** is essential to attaining the correct balance between protection and commercial viability. Coordination is gradually re-emerging in expectation of disengagement. For Karni to operate

⁴ The crossing at Jalame currently requires pre-notification of truck arrivals, but this is currently managed through the District Coordination Office.

⁵ Because the system at Karni is now so cumbersome, it is only possible to move certain goods across the border on specific days. As the demand to use Karni exceeds what is currently permitted, industry organizations have begun to manage these de facto quotas through their own advance booking system. To ensure that there is limited cause for additional delays at the Karni wall, packaging of goods takes place in the presence of an industry representative and officials from the Ministry of National Economy.

safely and efficiently, the security envelope needs to be expanded to encompass both sides of the border, thereby ensuring that unauthorized goods, trucks and people intending to exit Gaza do not enter the perimeter of the border crossing. At the same time, it is necessary to limit the involvement of these security forces in the supervision of cargo handling operations----both to increase efficiency and to minimize opportunities for corruption. On the Palestinian side, this means that border security should not be involved in either queue management or cargo handling.⁶

7) Channelization

19. As discussed in other Bank papers (most recently “*An Assessment of Progress in Improving Passages and Trade Facilitation*”, World Bank Technical Team, June 19), additional terminals will be necessary if the problems associated with Karni are to be resolved. Separate facilities built without the enormous drawbacks associated with Karni’s barrier wall design are needed to handle increased volumes of trade, to provide alternatives when Karni is closed, and to handle specialized trade (e.g. a separate container terminal near Erez, or one with purpose-built features for agricultural goods at S’ufa).

20. In the short term, however, **a substantial reorganization of gates at Karni** will improve operations and help lessen cargo contamination. Some of this can be handled using the existing infrastructure, but a degree of redesign will also be needed---meaning that some of the recommendations proposed below will take some time to introduce.

- Agricultural and food products need be protected from contamination and need dedicated gates separated from dirty products. In the short-term, these gates would be equipped with palette scanners, but the size of the palette should from now on be fixed. The practice of placing agricultural and food products on the ground for later inspection should be stopped. Major improvements will require the introduction of a properly designed terminal and of trailer exchange, but these short-term measures will still add value.
- Imports and exports of consumer goods, including garments, should be processed using another set of palette scanners, and should be kept away from dirty cargoes.
- Green channels (i.e. no inspection) should be established for inbound cargo that has already been inspected, and for other cargoes that are considered to be of minimum risk. Green channels would require separate access/document processing points.
- Empty containers should use dedicated channels. These could adjoin the green channels in an area separated from other activities, preferably at one end of the crossing (the use of scanners to inspect empty containers is not the best use of this technology, and simpler and faster-use laser technology can instead be introduced in time).
- Pseudo-bulk commodities should be handled at the other end of the crossing in an open surfaced area equipped with cargo handling equipment, in order to move goods quickly from one truck to another.

⁶ To date, the developments on the Palestinian side of Karni have been ad hoc. This is primarily a result of the limited role that Karni management has been willing to give to the PA. It is also, however, a result of PA failures to act on its own to improve the crossing and take all necessary steps to protect security.

21. The allocation of these specialized gates should be fixed, though some multi-purpose gates should also be provided to serve ‘overflows’ when they occur, and clear information on gate allocation should be posted at the entry to the terminal.

22. Inbound cargoes from Ashdod, Haifa and Ben Gurion, which have already been cleared and sealed by Israeli security, should be processed through the new green channels, with the only applicable checks being the integrity of the seal and the correctness of the paperwork. This facility should then be extended to goods that have already been checked and have exited the West Bank (these goods pose no special threat on entering Gaza as they have already been subject to GOI security clearance and placed in Israeli trucks which are free to travel anywhere in Israel), as well as to large Israeli exporters who have been security-vetted. Palestinian exporters operating from within the Gaza Industrial Estate and other secure areas should be able to take advantage of the green lane system as well.

Table 2: Karni---Proposed Management Improvements and Their Impacts

	Increase Efficiency	Increase Reliability	Enhance Security	Remarks
1. Monitoring Performance	X	X		Stakeholder participation on both sides of the border
2. Initial Steps to Reduce Corruption	X	X	X	Difficult in the absence of legal oversight or effective contracts and contract enforcement
3. Publication and Standardization	X		X	Requires commitment by terminal management to honor standards
4. Scheduling and Pre-Notification	X	X	X	A quick rollout should be possible but system must be non-discriminatory
5. Building a Partnership with the Private Sector	X		X	Stakeholder participation on both sides of the border
6. Security Coordination			X	Accelerate process
7. Channelization	X	X	X	Can be introduced rapidly and improved as additional equipment is obtained
Introduce Green Channel and Seal-Check Policy for Previously Inspected Cargo	X		X	Should be done immediately

B. Gaza-West Bank Convoys

23. Until such time as a fixed passage is created between Gaza and West Bank, a means needs to be found to ensure reliable, safe and low-cost movement of Palestinian trucks and passenger transport between the West Bank and Gaza. An escorted convoy system offers the most suitable immediate solution. The freight convoys operating prior to the intifada, however, relied on a back to back transfer procedure at each border (from Palestinian trucks to special-purpose Israeli trucks), thereby limiting capacity and reducing Palestinian competitiveness with

Israeli cargoes⁷. Given Minister Mofaz' willingness, as expressed in his trilateral meeting of June 19 with Minister Dahlan and Quartet Special Envoy James Wolfensohn, to see door to door movement replace today's back to back system over time, the opportunity for piloting door to door transport between Gaza and the West Bank should be taken up.

24. The case for a door to door pilot between Gaza and the West Bank is strong. Convoy movements can be routed away from built-up and heavily-trafficked area, and/or scheduled at hours of low traffic flow such that the main residual security risk remains to other vehicles and drivers in the convoy itself--- counterintuitive targets under almost any calculation. A system of pre-cleared drivers, vehicles and trucking companies can be introduced, along with appropriate bonding mechanisms, to further reduce risk. The PA, for its part, should take responsibility for security screening and the sharing of intelligence on these movements with GOI. This in turn would permit inspection times to be limited to agreed norms.

25. It is proposed that a private contractor, acceptable to the Palestinian private sector, the PA and GOI, should be hired to escort the convoys. Convoy security can be further enhanced with modern communications, and with global positioning and sealing technologies. By engaging the private sector, performance standards will be enhanced and the opportunities for capricious behavior by officials at either end or along the way minimized. Documented, transparent sets of procedures should be established and monitored in order to pre-empt opportunities for corruption.

26. Once intelligence-sharing gathers pace and new scanners are available, the gradual introduction of door to door movement proposed in "*The Door to Door Movement of Goods*", World Bank Technical Team, July 5, can be more rapidly introduced.

27. For passenger traffic, it is possible to initiate convoys using dedicated buses. Either specially designated Israeli buses, or designated and pre-checked Palestinian buses parked inside Israel could be used, thereby minimizing the need for security checks. Since passengers would not be allowed to leave the buses en route, the security procedures applicable to them should also be quite straightforward.

C. Movement Within the West Bank

28. Internal closures in the West Bank is arguably the most damaging facet of today's movement restrictions, and was estimated by the Bank as likely to reduce Palestinian GDP by some 3.6% in 2005 (its impact in combination with other forms of closure is much more severe).⁸ It is clear, moreover, that improving border terminal management and access between

⁷ A back to back convoy link *might* reduce waiting times compared to today---though these are already diminishing and should be further reduced if the measures proposed in Part A. of this paper are introduced. An important advantage of a door to door convoy system is that it would free up capacity both at Karni and the West Bank crossings, since goods traveling directly to other Palestinian cities in the convoys would not need to be subjected to back to back clearances. One group that would not benefit from such arrangements would be Israeli truckers, who would lose their exclusive ability to carry Palestinian cargo between Gaza and the West Bank.

⁸ "*Stagnation or Recovery? Israeli Disengagement and Palestinian Economic Prospects*", World Bank, December 2004.

Gaza and the West Bank will have only limited impact if the restrictions on movement inside the West Bank remain as they are today.

29. The Bank understands that Israel's disengagement from the northern West Bank will result in the removal of all fixed obstacles in the Jenin/Tularem/Nablu's "triangle", and that GOI intends to dismantle many other checkpoints as and when the Separation Barrier is completed. The Barrier itself, though, has imposed serious movement restrictions, and a late-2004 calculation suggests that the loss of land and movement associated with its presence will reduce Palestinian GDP in 2005 by a further 2%.⁹ The imposition of internal movement restrictions in the West Bank during the intifada bore a clear relationship to deteriorating security, but their *maintenance* is associated with the protection of access routes used by Israeli settlers in the West Bank¹⁰---thereby complicating discussion of the issue. To this point, discourse on West Bank movement has been limited to reviewing and debating the number of fixed obstacles and "flying checkpoints" in the West Bank, a somewhat nugatory discussion considering the huge numbers of obstacles involved¹¹. GOI has proposed that donors refurbish/construct a coordinated package of roads and junctions to restore "continuous movement", but this proposal was rejected by the PA and the donor community, who have insisted that movement along *existing* routes be restored in response to improving security conditions.

29. One way forward would be for the parties to begin the process of dismantling the system of internal movement restrictions by identifying and opening up the main north-south and east-west trunk routes in the West Bank. If unimpeded transport between the major manufacturing and population centers of the West Bank is restored, the reintegration of the West Bank's disarticulated economy can begin. Unimpeded access would imply that the links between population centers have sufficient capacity to meet demand, are in good condition (so as to permit a reasonable average traveling speed) and provide a relatively direct routing (rather than the circuitous routes that are the norm in many areas today). It is proposed that the UN and the Bank identify a set of essential movement corridors, based on traffic flow, production and market analysis, and that the parties be presented with this analysis to use in the discussions that they have agreed to hold on security and closure in the West Bank.

D. A Time Frame for Improvements

30. With good will between the parties, many of these improvements can be implemented quickly. Most of the changes proposed only require adjustments to management norms and processes. Those improvements requiring private contracts or reconfiguration will take longer, but an agreement on a program of measures can be sought immediately.

⁹ Ibid.

¹⁰ "The donor team was...informed (by the Israeli National Security Council) that internal closures in the West Bank are intended in part to protect the access of Israelis to (the) settlements", Ibid.

¹¹ Prior to the intifada, there were about a dozen fixed checkpoints around Jerusalem. Even if the number of obstacles is reduced from 500 to 400, for example, the gap between this and the status quo ante remains enormous.