
The Wirth Chair in Environmental and Community Development Policy



UNIVERSITY OF COLORADO AT DENVER & HEALTH SCIENCES CENTER

The Graduate School of Public Affairs

**Planning For Peace: A Summary Report of the
Leadership Forum Between Israeli, Palestinian
and U.S. Leaders**

July 2003

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Dear Colleague:

Everyday brings another tragedy to the Middle East. Suicide bombings on the part of Palestinians and retaliatory assassinations on the part of Israel have seemed to wrack havoc on the “peace process.” It was in this context that over 40 respected and courageous Israeli and Palestinian leaders met with U.S. leaders at the Aspen Institute in Aspen, Colorado. The two and one half day session began the evening of July 19, 2003. The Forum was convened by Dr. Rachele Alterman, holder of the David Azrieli Professorial Chair in Town Planning at Technion University, Israel, and senior researcher with its Neaman Institute for Advanced Research; Walid Najjab and Kamel Hussein, leaders of the Palestinian Economic Forum; and, me. I was privileged to facilitate the dialogue.

Participants agreed to focus their discussions on “what happens after peace?” They were placing their bet that taking the “road less traveled”—one beginning with peace and two independent states—Israel and Palestine—living side by side—would help build trust. The Aspen agenda would permit development of realistic strategies to illustrate that peace was more than about boundaries, settlements, Jerusalem. “It was about better housing, better jobs, a better environment. The Forum, if successful, could create stake holders in peace.”

The Forum’s discussions were outstanding. Participants stayed at the table and achieved first time consensus concerning several significant post peace economic, housing and environmental policies and programs.

Because of the progress made in Aspen, Israeli, Palestinian and U.S. leaders agreed to continue meeting over a three year period. The Forum will partner with the Aspen Institute and its President, Walter Isaacson. Forum sessions will be integrated with both Summit meetings of Middle East, EU, and U.S. leaders and working sessions with international financial leaders. The Summit and Finance meetings will be used to evaluate Forum recommendations and to develop funding alternatives.

An outstanding International Advisory Board is in the process of creation. Dr. Henry Kissinger, former Secretary of State and Ambassador Dennis Ross have agreed to be on the Board. The Board will provide guidance to the three year initiative.

I wish to thank my colleague Dr. Rachele Alterman of the Technion and its Neaman Institute for her willingness to join with me in initiating the Aspen Forum. Her incisive intellect and insights as well as her organizing skills were key variables in converting the Forums from idea to reality. Boaz Karni and his colleagues at the Economic Cooperation Foundation were critical to the

success of the Forum. Their ability to build and sustain valued links to Palestinian leaders proved invaluable in identifying an outstanding Palestinian partner, the Palestinian Economic Forum. Walid Najjab and Kamel Hussein, leaders of the Palestinian Economic Forum, provided sustained courageous leadership in assuring the participation of a diverse, prominent Palestinian delegation.

My colleagues at the University of Colorado—Tom McCoy, Christine Velez Badar, and Sue Green—managed the logistics and managed them well. They made it easy for all the participants to focus on the agenda and the dialogue. Debbie Schlueter’s ability to highlight and incorporate key commentary in a summary document made my role as final author of the report much easier. The attached report summarizes the proceedings of the dialogue in Aspen. As its editor and writer, I take responsibility for errors of omission and errors of commission. Credit for the insights in the text and its hopeful tone as well as substance belongs to the Israeli, Palestinian and U.S. leaders at the table.

All the participants would welcome your reaction to the document.

Sincerely yours,

Marshall Kaplan
Executive Director
University of Colorado’s Wirth Chair and Institute for Public Policy

Planning For Peace

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Aspen, Colorado

July 2003

Prepared by

**Wirth Chair
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Table of Contents

Introduction..... 6

Economic Recovery and Growth:..... 7

Expanding Housing and Infrastructure Opportunities:12

**Improving the Region’s Environment, Clean Energy Resources and
Availability of Water.....17**

**Next Steps: Developing a Post Peace Vision and Developing Strategies To
Achieve It.....21**

Appendix

Planning For Peace-A Unique Forum between Israeli, Palestinian and U.S. Leaders

Introduction

Despite the tragic recurring cycles of violence and killing,¹ or perhaps because of both, nearly 40 respected and courageous non governmental leaders from Israel and Palestine joined in a Forum with top U.S. and international leaders at the Aspen Institute in Aspen, Colorado. The Aspen Forum occurred from July 19th through July 21st, 2003. It provided the opportunity for a unique first time dialogue concerning economic development, housing and infrastructure, and environment and water strategies subsequent to peace between Israel and Palestine.² Participants were carefully chosen based on their leadership experience as well as their knowledge about and working involvement on key issues relevant to the Forum. They included senior CEOs from business firms and non profit organizations, investment bankers, economists, environmental scholars and practitioners, and housing and infrastructure experts. The U.S. participants, according to agreement with the Israelis and Palestinian leaders of the Forum, included senior U.S. government officials.³

1 Relatively soon after the conclusion of the Aspen Forum, there were several suicide bombings in Israel and a series of military responses by Israel. While dismayed at the tragic turn of events, the Israeli, Palestinian and U.S. participants in Aspen indicated through e mails, faxes and phone calls their commitment to sustain the Forums and the agreed upon work program concerning next steps. “We began something very important in Aspen. We hope the violence that has begun again will soon end and progress toward peace will continue.” “The success of the Forums and the work program associated with the Forums will encourage citizens and political leaders to support returning to the peace table.” “The Forums will create hope that with peace will come a better quality of life for citizens of Palestine and Israel.” (The quotations are from emails, phone calls and faxes from Israeli and Palestinian leaders to Marshall Kaplan, Executive Director of the Institute for Public Policy and Wirth Chair at the University of Colorado. Marshall Kaplan facilitated the Forum sessions.)

2 The participants, prior to coming to Aspen, endorsed the Road Map developed by the U.S., the European Union, the United Nations and Russia and agreed to by both Israel and the PLO. It specifies the steps for Israelis and Palestinians to take to reach a peace settlement. It also defines the time lines. As indicated by the State Department, the third phase of the Road Map (2004-2005), if successful, will lead to “A settlement, negotiated between the parties, will result in the emergence of an independent, democratic and viable Palestinian state living side by side in peace and security with Israel and its other neighbors.”

The agenda in Aspen purposely focused on beginning the development of post peace economic, housing, environmental and infrastructure objectives, policies, strategies, plans and projects. Participants “wanted to grant priority to the future not the past or current situation.” They wanted to avoid the bitterness often associated with claims and counter claims concerning who is at fault for current and past tensions in the area. “We wanted to see if we could build trust. We wanted to generate a positive and strategic discussion concerning how best to convert a needed vision concerning what peace could bring to the area to reality.”

Participants agreed to assume the ultimate success of the Road Map or, if the Road Map faltered, subsequent peace initiatives. Since peace would result in a Palestinian state, the term Palestine, based on agreement by Israeli, Palestinian and U.S. participants in the Aspen Forum, generally, is used in place of the West Bank and Gaza in the text of this report.

3 The conveners of the Forum were Dr. Rachele Alterman, holder of The David Azrieli Professorial Chair in Town Planning at the Technion – Israel Institute of Technology and Technion’s Neaman Institute for Advanced Research; Mr. Walid Najjab, Chairman of Palestine Economic Forum; Kamal Husseini, Corrdinator of Palestinian Economic Forum; and Marshall Kaplan, Executive Director of the University of Colorado’s Wirth Chair and Institute for Public Policy. Marshall Kaplan facilitated the interactive discussions. The Economic Cooperation Foundation (ECF), an Israeli non governmental organization, helped build bridges to Palestinian business, professional and civic leaders. They also provided advice concerning the content of the Forum and facilitated the logistics associated with securing visas for

The Forum's discussions were always substantive and at times very intense. Participants agreed on discussion objectives and ground rules before coming to Aspen. "We will not duplicate peace negotiations. Instead, we will assume that they are successful and that two nations, Israel and Palestine, will exist and will live in peace. What we want to do in Aspen is to see if we can begin to define principles and strategies to foster economic recovery and economic growth....expand housing opportunities....develop needed infrastructure....enhance the environment and assure access to water. Succinctly, we want to begin planning for peace....to offer the citizens of the area hope for a better life.⁴"

Peace negotiations have been and will continue to be about boundaries, settlements, security and Jerusalem. They are not specifically about jobs, housing, clean air, water, transportation. "If we can provide a vision concerning what peace could bring and illustrate how in real terms the vision could become reality, we will help build citizen support for peace. We can create legitimate pressure on leaders to come to or remain at the peace table. Through development of strategic recommendations, we can help jump start efforts to improve the area's quality of life."

The Forum more than met expectations. Given tensions in the Middle East, participants "would have been happy to merely meet in Aspen and sustain a two day civil dialogue. The effort would start building trust and communication. But we did more. We were able to clarify complex issues. We were able to lay out some general approaches to a post peace agenda that will provide decent living choices to our people. We were able to begin to define some initiatives Israelis and Palestinians can begin right now."

This report summarizes the proceedings in Aspen. It highlights the participants discussions concerning economic recovery, housing and infrastructure, the environment and water. In light of the success of the Forum, it defines agreements concerning next steps and it describes the new important partnership between the Aspen Institute and the Forum.

Economic Recovery and Growth:

Participants agreed that current tensions have had a significant negative impact on the economies of both Palestine and Israel. The Palestinian economy is close to complete collapse. The GDP fell by nearly 17% between 1999 and 2000. It "fell close to 22% in 2001." "If projected economic growth percentages before the second intifadah are added to the GDP before the second intifadah, the Palestinian GDP reflects an even more draconian decline."⁵ GDP per capita fell by nearly 26% in 2002. Exports were down by 35% and imports by 17%. "Total fixed annual real investment levels went down by nearly 30% between 1999-2000 and by over 80% between 2000 and 2001. The economy is a disaster."

The economic free fall is not just a statistic. It translates into human despair and tragedy.

Israeli and Palestinian participants.

⁴ The comments in quotation marks were comments made by participants at the Forum. The conveners promised non attribution by name in order to encourage a direct face to face honest discussion.

⁵ The GDP for Palestine was under 3 billion dollars in 2002. It was nearly 4.3 billion dollars in 1999. The population of Palestine was 3,231 million in 2002. It was 2,842 million in 1999. Palestine reflects one of the highest natural growth rates in the Middle East.

Unemployment rates are well over 50%, probably near 60% (higher in Gaza). The poverty rate⁶ has grown significantly and now stands at approximately 60% (higher in Gaza).⁷ Per capita income as a share of GNI has gone down. Average income now is just over 1,211 dollars.⁸ Employment has dropped from a high of 619,000 in the third quarter of 2000 to 371,000 in the third quarter of 2002.⁹

Hundreds of businesses have closed their doors or are just barely surviving. Malnutrition is increasing, particularly among children. Conventional public services are absent or provided in an unpredictable manner. Housing conditions have deteriorated. Basic infrastructure is often lacking. Clearly, “without donor assistance and the sharing that exists among Palestinian families, the situation would be even worse.”

Israel’s economy has also suffered. For the first time since the nation’s inception, its economy has illustrated real problems. GDP declined in 2001 and 2002.¹⁰ The Bank of Israel indicates that the GDP was just over 102 billion dollars in 2002.¹¹ Joblessness is up. Social welfare programs essential to sustain the poor and to support the recent immigrant population are threatened because of revenue shortfalls. Many businesses, particularly those related to the tourism industry, are suffering immensely. “Walk down any street populated by commercial establishments... walk into any hotel, particularly hotels dependent on tourists...and you will see the toll on the economy resulting from current tensions.”

Economic Integration or Separation: Israel’s economy, measured by GDP, is 25 to 30 times the size of the Palestinian economy. Employment of Palestinians in Israel reached close to 145,000 workers before the advent of the second intifadah. “Jobs in Israel provided both a safety valve and necessary income for many households.” “While the trade balance, clearly, has favored Israel, exports from Israel to Palestine and from Palestine to Israel have been an important part of both economies.”

What will happen to the “regional economy” after peace occurs between Israel and Palestine?

Advocates for close integration of both the Palestinian and Israeli economies, particularly with respect to trade and investment, suggested that “economic integration will be essential.” The locational proximity of both states, the imbalances in their respective economies and, at least the short term, the dependence of Palestine on Israel to employ “surplus” workers will require close coordination of both the Israeli and Palestinian economies. “More than the NAFTA model will be

6 The World Bank calculates the poverty line at about \$2.10 a day.

7 It was near 20% in 1999.

8 Constant 1997 prices.

9 Nearly 145 thousand Palestinians worked in Israel just before the second “*intifadah*”. Because of the decline in permits related to Israeli security concerns, only 20,000 Palestinians worked in Israel during the third quarter of 2002. In 1999, approximately 17% of GNI in Palestine came from Palestinians employed in Israel; this percentage has dropped to 10-11%.

10 From 1990 to 2000, Israel’s GDP grew annually by 5.2%. In 2001, GDP declined by .9% and in 2002 by 1.0%. Expectations are that Israel’s GDP will reflect a small increase in 2003.

11 The Bank of Israel estimated that losses to the Israeli economy as a result of the recent tension amounted to 3.1-3.9 billion dollars in 2002. Overall real fixed investment declined by 8.5% from 2001, exports fell 8.0%; tourism receipts 2.1%. Direct investment in Israel by non residents declined by 53.1%. Unemployment in 2002 approached 10.3%. The public sector deficit increased to 4.4 % in 2002 from nearly 2.0% in 2000.

necessary.”

Many participants in the Palestinian delegation did not agree that “integration” was an optimal strategy. Economically, it makes little sense given the relative size of both economies. “What does economic integration mean? A common currency? Common monetary policies?” “None of this will happen at least in the short term....maybe ten, twenty years. But still unlikely even then.”

Integration cannot be presumed, given the asymmetrical political, economic and institutional relationships between Israel and Palestine. “After we have achieved nationhood, we will define what works best for us.” “We know that when Israel changes its monetary or, indeed, its fiscal policies, it affects us.” But formal coordination of each nation’s monetary or fiscal policies is not going to occur. There are too many political, cultural and institutional obstacles. Economically, it also does not make sense. “We need to grow our own economy.” “Israel, likely, will always be a major trading partner. But integration of trading policies will not happen. Once we achieve statehood, we will need to negotiate fair and effective trade policies that maximize, to the extent possible, Israel’s and our exports and that facilitate an efficient, least cost import system.”

After an extended discussion, participants agreed that economic integration was a poor term to define what likely will occur in a post peace environment between Israel and Palestine. “Both nations will develop economic policies and practices in their own self interest.” In this context, their own respective self interest(s) may require cooperation on key issues relating to both macro and micro economic policies (e.g., trade, monetary policies, regional infrastructure investment). It will take time to overcome suspicion and build trust. But in time, strategic economic cooperation will be seen as in the best interests of both countries.

Trade: Palestine is heavily dependent on Israel for trade. “In 1999, imports of final goods, services, equipment and intermediate inputs approached 70% of GDP, while exports of goods and services approximated 20% of GDP. Israel accounts for nearly 80% of total trade with Palestine. Since the beginning of the second intifadah, exports have declined by 29% and imports by 36%.”

Currently, basic trade policies and practices between Palestine and Israel and indeed between Palestine and the rest of the world are “controlled or heavily influenced” by Israel. “What we have now reflects a modified customs union, which, as the World Bank’s recent study indicates, ends up leaving Israel in charge of external tariffs. Comparative advantages associated with Palestinian products are often not recognized in tariff setting. Further, because Israel controls the borders, all exports and imports must go through Israel increasing costs and resulting in lost tax revenues for Palestine.”

Creation of a Palestinian state will result in an increased ability of Palestinians to influence, if not set, export and import ground rules. However, there are no easy answers as to what the “best” policies should be. Participants discussed various non exclusive alternatives. They included an agreement concerning a customs union, development of a free trade regime, removal of discriminatory trade practices and general trade liberalization. “We need to know more about the benefits and costs of each policy option to Israel and Palestine. Trade policies between Israel and Palestine will be negotiated over time. They will reflect a blend of political considerations as well

as economic, equity and efficiency concerns.”

A new Palestinian state should strive to expand currently restricted trade opportunities in the Arab world. Hopefully, peace also will permit Israel increased trading opportunities in the Middle East.

Participants concurred on the need for future Forums to address the short and long term impact of different trade policies on both Israel and Palestine. “The Forum, given its diverse membership and the involvement of U.S. and international finance agency experts, should be able to help define a range of reasonable alternatives and develop consensus on the wisdom of each. The Forum can help facilitate an informed dialogue among Israeli and Palestinian citizens and provide effective recommendations to their respective leaders. ”

Employment: Unemployment and underemployment have reached “crisis proportions” in Palestine. “Over six out of ten Palestinians in the labor force are unemployed. Although disastrous, these figures are deceiving and probably lower than what really exists in Palestine. Many individuals have given up searching for a job and opted out of the labor force. Underemployment is also significant.”

“Before the second intifadah, the unemployment rate was around 20%-high but much lower than in the past.” “Nearly 145,000 Palestinians worked in Israel. As important, we had nearly 80,000 small businesses employing small numbers of people and an equal amount of family businesses.”¹²

Permit restrictions resulting from Israeli security concerns have reduced the number of Palestinians now working in Israel to record lows. “Further, many Palestinian businesses have failed or are just barely surviving the current tensions and related road closures, checkpoints and occupation. Their ability to employ workers probably has diminished considerably.” “Without employment provided by the PLO and or PLO contracts to vendors, the un and underemployment would be far worse.” “Donor contributions and revenues from taxes have kept things going, but at the margin. The PLO is now struggling to sustain services and payroll. Tax revenue is down and Israel has not provided revenues it collects on behalf of Palestinians on a predictable basis.” “The PLO is way behind on its payments to vendors which in turn results in vendor unwillingness or inability to continue employees.”

If peace negotiations, no matter in what form or shape they occur, generate progress and address Israeli security concerns, participants urged Israel to significantly increase employment permits. “Allowing larger numbers of Palestinians to work in Israel will help reduce unemployment and put a floor on the free fall of the Palestinian economy. It will provide income and create a demand for internally produced consumer products and services.” “It will also facilitate peace negotiations.”

Issues were raised by participants concerning the long term reliance by Palestinians on finding jobs in Israel. “While there are clear short term benefits, particularly to employees, the Palestinian economy overall may not receive long term net benefits.” Even though most jobs are in the

¹² World Bank data suggests that there were 80,355 private national establishments in Palestine, employing on average 4 persons. They accounted for 80% of the labor force. There were also 80,000 micro enterprises involving family businesses.

service sector and construction, Israeli wage levels are higher than in Palestine. Competition for employees will inevitably boost wage levels in Palestine without a likely corresponding boost in productivity. The net result will be higher costs for goods and services and reduced exports.

Clearly, in the short term, Palestine and Israel must develop employment strategies that accommodate both Israel's need for lower wage employees and Palestine's need to export what is now a surplus labor supply. In the long term, Palestine will be better off with less reliance on Israel for jobs for its people. It will take time. But growing the economy and expanding exports will absorb more employees and reduce reliance on Israel for jobs. This will produce a healthier economic relationship between Israel and Palestine.

Increased Foreign Investment: Foreign direct investment has fallen in both Israel and Palestine since the beginning of the second intifadah. Apart from donor investments, it is not even a statistical blip in Palestine and it has decreased visibly in Israel. Peace will likely bring a return of investors to Israel without excessive credit enhancements or significant changes in current government policies. Palestine, on the other hand, will require a considerable amount of outside support (e.g., grants, loans, concessionary loans, guarantees.) “Our public needs are great. Infrastructure is in disrepair because of the current tension. We will need to expand housing opportunities. We desperately need environmental facilities such as sewer treatment facilities. Without improvements in housing, basic infrastructure, and environmental facilities, we will not be able to revive interest among foreign investors, manufacturers and commercial establishments. We need a base upon which to build our economy. We don't have it now.”

“We will require different kinds of assistance from international finance agencies, the EU, and the U.S. We will need early help to make the market. Involvement of the World Bank, EU, U.S, etc., will help build investor confidence in the new Palestinian state and assist it to access private and available public capital.”

Aspen participants agreed that support will be required from the international community. They discussed the advantages and disadvantages of direct loans and guarantees. They agreed that “choices concerning assistance need to be subject to scrutiny as to potential benefits and costs.” They also agreed that assistance from international organizations, agencies and other countries will be conditioned on development by the Palestinian Liberation Organization (PLO) of predictable, efficient, fair, transparent decision and rule making processes concerning fiscal policies and investment strategies. Conditions will be required to assure effective, honest and open governance.

“What we really need is a Marshall Plan. However, world economic conditions combined with the economic slowdown in likely donor nations probably will not permit initiation of a massive assistance effort.” Instead, Palestinians, perhaps with the help of international institutions, will have to clearly define priorities and engage in some precise benefit cost analyses and opportunity costing concerning possible plans and projects. “Whatever funds Palestine receives must be leveraged to encourage additional investors and to secure maximum economic, environmental and social welfare impact.”

Participants agreed that future Forums should be used to help develop criteria for selection of investment projects and to match probable investment needs with funding strategies and

opportunities. The Forums, also, should facilitate development of recommendations concerning needed reforms of government decision making processes to respond to investor concerns about transparency, fairness, predictability and efficiency issues.

Expanding Housing and Infrastructure Opportunities:

One of the visible casualties, particularly in Palestine, of the second intifadah and the resulting tensions between Palestine and Israel is the reduction of housing and infrastructure opportunities.

Housing:

“While the decline in the Israeli economy has negatively affected the revitalization of existing and the production of new housing in Israel, housing deterioration combined with the lack of new housing starts have created a housing crisis in Palestine. Severe overcrowding has created health and quality of life problems, particularly in Gaza.”¹³ Population growth mostly from high birth rates and in-migration has generated a severe housing shortage.”

“We have not had the resources in Palestine to repair old units and units affected by the current conflict; neither have we had the resources to build new units-even core or threshold units.” Poverty has increased significantly. Mortgage money is not available in large quantities and when it is available it is expensive and out of reach of most of the Palestinian population.

Palestine “lacks a strong primary mortgage market. It does not have a secondary mortgage market.” Israel has a “reasonable primary mortgage market and its secondary mortgage market is evolving nicely.”

“Existing banks in Palestine are liquid. But the risks associated with increasing mortgage debt now are quite high.” Ultimately, ability to “lay off” mortgage debt, off balance sheet financing and maintaining liquidity are critical for primary mortgage market institutions. “Because of income constraints, most of the Palestinian population will not directly benefit from an increase in mortgage fund availability. But some more affluent households would.” More important, perhaps, “development of increased access to debt capital for housing would permit a clearer targeting of available housing subsidies and would increase overall investor confidence in Palestine.”

Creation of efficient and effective primary and secondary mortgage markets should be considered as two sides of the same policy coin.¹⁴ Increasing Palestinian and Israeli capacity over time to securitize mortgages will be critical to increasing access of both nations to international and

¹³ 30.5 % of families live at densities greater than three individuals per room in the refugee camps.

¹⁴ A secondary mortgage market institution buys mortgage loans, mortgage portfolios and mortgage backed securities. It provides liquidity to lenders by serving as a conduit to capital markets. A well functioning secondary mortgage market increases the amount of money available for housing and in some instances can reduce interest and other housing costs (e.g., costs of originating and servicing loans). Secondary markets can also increase amortization periods. “In the U.S., government sponsored secondary mortgage market institutions may offer guarantees and credit enhancements to convert mortgages acquired from the primary market into acceptable investments for investors.” Secondary mortgage markets facilitate off balance sheet financing. They permit lenders who have relatively little capital to provide mortgages.

domestic capital markets including pension and insurance funds.

Some participants worried that “moving toward securitization and creation of secondary mortgage market institutions now would be a mistake particularly in Palestine, because of the lack of experience, the likely learning curve of investors, the need to develop an efficient registry and titling system and the absence of a solid legal framework concerning mortgage financing.”

The U.S. secondary market took many years to develop. Its success may not be replicable easily in either Palestine or Israel. Over time, it involved creation of a federal insurance program, and several secondary mortgage market institutions such as FNMA, GNMA, Freddie Mac and FHLB.¹⁵ It helped generate standardized mortgages; reliable comprehensive credit information systems; off balance sheet financing; ease of transfer of ownership with respect to mortgage assets; and, effective pooling of mortgages linked to diverse securitization strategies and products. It was premised on a transparent legal framework concerning foreclosure and taxes. It led to an unbundling of mortgage related activities and the development of considerable expertise concerning each key activity.

The U.S. model may be too complicated and not particularly relevant for the Middle East, particularly Palestine, at the present time.

“Even if the time is not ripe now, both Israel and Palestine should keep the development of an effective secondary mortgage market as an objective and the pluses and minuses of tested securitization alternatives on the table.” Securitization, based on using mortgage pools as collateral, ultimately will be critical and will extend each nation’s ability to access housing capital. “Consensus concerning where you want to end up will help you refine policies and measure progress along the way.”

After extended discussion, Aspen participants agreed that:

· **Palestine should develop a liquidity facility.** Palestine, particularly, should consider possible creation of a liquidity facility. Liquidity facilities, in other nations, are funded by general obligation bonds purchased by pension and insurance funds or even other financial institutions (e.g., banks).

“We should begin to define the specifics of such a facility at our next Forum.” The facility could be a public entity or a partnership between the public and private sector. Its purpose would be to extend the ability of local financial institutions to originate mortgages. “The facility, probably,

¹⁵ The Government National Mortgage Association (GNMA) provides a full faith and credit U.S. government guarantee to issuer/servicers of mortgage backed securities. GNMA serves as the primary secondary market facility for FHA insured and VA guaranteed mortgages. GNMA does not purchase mortgages in order to pool and securitize them. It guarantees timely payment of principal and interest of the mortgages that back its securities. The Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (Freddie Mac) package and pool mortgages acquired from mortgage originators. Both groups issue securities on the cash flows of the pool. Both guarantee timely payment of principal and interest to investors. Basically, The Federal Home Loan Bank system serves as a secondary market facility for Savings and Loans, savings banks, credit unions, commercial banks, and insurance companies. Federal Home Loan Banks make loans to member institutions for housing lending purposes. They finance their loans by issuing bonds in the capital markets.

would require seeding or underwriting by international finance agencies like the World Bank. Support from the EU and the U.S. would be warranted given the immense housing problems in the area.” “If peace negotiations move forward, Israeli investors could be helpful and probably would be willing to participate in supporting a liquidity facility.” Indeed, “significant numbers of public and private sector investors will likely be interested if part or all of the debt of the new entity is guaranteed by international financial institutions or if international institutions provide direct support and assume first risks.” “We need to look at the benefits and costs of guarantees vs. direct loans.”

· **As soon as conditions warrant, Palestine should move to strengthen its primary mortgage market.** “Some way should be found to encourage local banks and a range of possible domestic as well as regional and international investors to consider increased investment in housing.”

Several participants proposed a housing partnership involving local Palestinian financial institutions as well as investors from other Middle East nations including investors from Israel. The World Bank, EU, and the U.S. would be asked to provide credit enhancements for housing portfolios permitting banks and other potential investors to secure funds from capital markets. Guarantees or insurance would cover credit or commercial risks and political risks. One or both would permit housing loans initially to be made based on the quality of the borrower and the ability of the borrower to repay the loan.” “Moving in this direction would permit the Palestinians to secure increased housing before or simultaneous with resolving titling, foreclosure and registration issues.”¹⁶

· **Israel should also examine options concerning secondary mortgage market institutions as well as securitization alternatives.** Housing must compete for investor interest with other investments in Israel. Opportunity costing among investors will require effective risk allocation. “Pension and insurance fund money in Israel could flow in increasing amounts to housing if risks were allocated and priced fairly and efficiently. Given their fiduciary responsibilities, pension and insurance funds would need some sort of credit enhancement.”

“While, as indicated earlier, both Israel and Palestine should be wary of merely replicating the U.S. government supported housing enterprises such as FNMA, Freddie Mac, GNMA and FHLB, Israel, given the maturity of its housing market, would benefit from an examination of their respective purposes, functions and structural characteristics.”

FNMA and Freddie Mac share many similar objectives. “Amended to fit Israeli law, institutions, and needs, similar kinds of intermediary organizations might provide mortgage lenders increased access to investment capital.” “A GNMA type of organization could allow Israel to offer more extensive housing choices to lower income Israeli households and a FHLB type organization could serve to increase the housing loan capacity of local financial institutions.” “Maybe we don’t

¹⁶ Variations on a theme were articulated by many participants from the U.S., Israel and Palestine. David Blumberg, Chair of the Board of the Bank of Jerusalem presented a paper outlining the specific principles to guide a credit enhanced housing construction loan program. He envisioned a program responding to a market of from 20,000-40,000 units over next five to ten years. The average loan would be 36,000 dollars; the domestic bank’s liability would be 4,000 dollars and external guarantees would cover 32,000 dollars. To Mr. Blumberg and several of his U.S., Palestinian and Israeli colleagues, a relatively small investment in Palestinian residential construction could improve the lives of thousands of Palestinians and encourage significant economic development in Palestine.

need more than what we have now.” “The fit may not be an easy one between the U.S. experience and our own. But before the next Forum, we should look at how U.S. institutions might provide some direction as Israel looks at ways to respond to its housing needs and its needs for housing capital.”

· **Strategies to develop expanded primary and secondary mortgage markets should be matched by strategies to assist low income households secure reasonable housing units.** The World Bank as well as the EU and the U.S. should consider provision of concessionary loans to Palestine to help low income households secure reasonable housing. Conditionality concerning future assistance will be crucial. “Criteria for housing loans or grants must be defined in a transparent manner; they must be fair.”

No matter how much money is available, funds for housing, in light of needs, will be scarce. Discussions concerning aiding the “worst off” households first or the more “affluent” low income households first should involve relevant professionals, government leaders and, if present, consumer and housing advocacy groups. Aiding the “worst off” first would require deeper housing subsidies; supporting the more affluent among the poor, would result in fewer funds spent on each participating household. “Worst first” criteria would tilt toward equity concerns. Assisting households who are better off but still considered low income households would result in spreading funds to more households.

Housing support to low income households should be linked to household willingness to provide some modest portion of the total costs and to household willingness to provide “sweat equity” (a contribution of personal/family labor).

Experimentation with use of relatively inexpensive core houses should be undertaken, particularly for the very poor. “We should consider providing loans and grants for threshold housing meeting basic requirements. Over time, occupants would be able to add to their housing.”

Extensive use of micro financing for rehabilitation of existing housing units should be considered by Palestine and Israel. “Small loans provided by specialized institutions and or existing financial institutions would help many low income households improve their present shelter.” “Micro financing related to housing is a critical need. The World Bank, particularly, could be helpful with respect to initiating a significant program. Other nations have had successful experience. But the availability of micro finance money is presently limited.”

Israel’s relatively successful experience with absorbing immigrants and finding them housing should provide valuable insights to Palestine as it thinks through its housing response to increasing numbers of low income families including immigrants.

• **A fair and efficient legal, institutional, administrative framework will be required for the initiation of an effective and equitable set of housing policies and programs.** Israel does not have a major problem with respect to land registry and titling. “Most of the land is owned by the government. Over the last forty or fifty years we have used various strategies to convert public land into leasehold. Land has become a useful asset in the financing of units. The primary mode of tenure is long term leasehold which functions almost like a freehold in terms of liquidity and security. Long

term public leaseholds are used in other countries. However, they are rare in the USA.”¹⁷

Foreclosure in Israel has not been a major problem. Generally, households have kept current with payments. The law seems to work when foreclosure proceedings are necessary because of non payment of mortgage debt. Lenders do not want to own title to units. They would prefer to find a way to keep title in the household. “Israel does need to refine its legal structure permitting easier transfer of assets from mortgage originators to trustees or investors. Unbundling of functions concerning mortgage financing is still in its early stages in Israel. Movement toward a refined and expanded secondary mortgage market will likely require a separation or division of functions—for example, originators, lenders, investors, servicing firms.”

“Palestine is another story.” Efficient permitting and effective registry and titling systems are not available. “The bureaucracy is difficult. The time consumed is extensive in trying to secure permits and reasonable title assurances.” “Lack of certainty with respect to titles and foreclosure has impeded development of mortgages.” “Indeed, lack of certainty with respect to titles and the soundness of registry procedures has also impeded economic development activity, beyond housing, particularly with respect to efforts to secure manufacturers and commercial facilities.”

Palestine will have to develop fair and transparent permitting, titling and registration systems that reflects its history, culture and politics. Assuming peace or progress with respect to peace negotiations, “Israel could provide technical assistance. Jordan might offer relevant experiences.”

“This is an area where the World Bank could provide valuable help. It could support a number of pilot programs to foster a coordinated efficient registry and titling process.” “We should look at this in depth at our next Forum and see if we can come up with a precise strategy to foster an improved title and registry system.”

Infrastructure:

Investment in infrastructure including airports, highways and trains has been a casualty of current economic problems in Israel and Palestine. “The current conflict has made it difficult for Palestine to secure outside investment capital and to find government or private sector funds to meet compelling infrastructure needs.” “Roads are decaying or have been negatively affected by the current tension. The new airport in Gaza is now an old airport. Despite being completed a short time ago, it too is in need or repair. It has never really become operational on a sustained basis.”¹⁸

Lack of available quality infrastructure clearly impedes economic development and nation building in Palestine while the need for Israel to grant security a priority has diminished funds it can devote to non defense related infrastructure needs and skewed infrastructure budget priorities.

¹⁷ Israel's land system is unique in the world. See Alterman, Rachelle, 2003. “The Land of Leaseholds: Israel’s Extensive Public Land-Ownership in an Era of Privatization.” Chapter 6 in Steven C. Burassa and Yu Hung Hong (eds.) , Leasing Public Land: Policy Debates and International Experiences, The Lincoln Institute of Land Policy, Cambridge, Mass: p. 115-150.

¹⁸ Data from recent World Bank studies provided by Forum participants reflect increasing infrastructure problems resulting from the current conflict. Damage to public infrastructure (e.g., roads, sidewalks, water and wastewater facilities, electricity stations, etc.) has been extensive. The Bank estimates that the infrastructure damage totals over 250 million dollars between third quarter 2000 and third quarter 2002.

“There are plans for development of regional infrastructure now on the shelf that could and would connect Israel, Egypt, Palestine and even Syria with a network of highways and a train system. These have obviously been put on hold. Moving ahead when conditions warrant will provide an economic boost both in terms of direct investment as well as jobs and will provide the necessary means to efficiently transport people, goods and services.” “A regional system will also help us recognize that we are bound together in one small region and that peace has major dividends.”

Future Forums should consider a Regional Infrastructure Fund. The Fund’s ability to foster development of needed regional infrastructure would help expand trade among the nations in the Middle East. “It could help strengthen any peace accord. It would help build a Middle East community. It could strengthen the economies of the region.”

“To secure a Regional Infrastructure Fund will clearly require participation of each nation in the area. It will require World Bank, EU and U.S. support in the form of loans, guarantees and grants.” “We should consider a pooled fund or a creation of a Regional Infrastructure Bank. We could leverage government monies with private sector investments, particularly if we could secure international guarantees and or direct loans.”

“We should also think through how best to secure private sector involvement in terms of management, engineering, investment and even the provision of infrastructure concessions. We know that the privatization experience in many nations of the world has not been entirely successful... We can learn from the experience of other nations.”

Improving the Region’s Environment, Clean Energy Resources and Availability of Water

Both Israel and Palestine are aware that the region and their own areas reflect many environmental and water problems. “We are aware that we must work together on these issues even before peace occurs if we are to achieve a sustainable environment for ourselves, our children and their children.” “We have not been good stewards of our environment.” “We have had some understandable excuses-tension, conflict, resource shortages-but we must do better and in a post peace context we have to do better.”

Environment:

Air and water pollution, harmful carbon emissions, pesticide and chemical contamination do not stop at the boundaries of countries in the Middle East. “Fancy phrases like negative externalities, often used by economists, blur the fact that air, water, and land pollution is increasing in Israel and is a real and visible problem in Palestine.”

No one has found a foolproof way to keep air or water pollutants at their source. “What happens in Palestine affects Israel; what happens in Israel affects Palestine.”

Lack of proper waste disposal treatment facilities have resulted in pollution of ground and surface water supplies, reducing an already scarce resource-quality water. Absence of a sewer network is a real problem in urban and rural areas in Palestine. “Nearly 55% of housing units in urban areas are not linked to a sewage disposal system; in rural areas, almost 100% of the units are not

connected to sewer systems.”

Lack of proper land use planning and related regulations as well as the inability or failure to use contemporary technology have increased the emission of varied pollutants by automobiles, industry and commercial establishments. “Both Israel and Palestine are by and large dependent on fossil fuels for energy –fuels that emit carbon as well as other pollutants.”

Both Israel and Palestine project continued population and economic growth. “Both areas will face immense development pressures.” “We have used air, water, and land in the Middle East like a “Public Commons.” We all want to graze free until the resources are exhausted.” Given the fragile nature of the environment in the Middle East, sound effective transparent land use planning must accompany the development of economic and housing policies in both Israel and Palestine. “How this will be done in each nation is best left up to both nations.”

Participants agreed that effective land use planning and the development of an effective fair and efficient incentive/enforcement regime are critical. “Subsequent to the success of peace negotiations, or hopefully earlier, we ought to be able to find a way to coordinate planning efforts between Israel and Palestine, particularly as they relate to large public or private sector investments that will significantly impact the quality of air, water, and land.”

Development of major facilities and strategies to accommodate treatment and storage of solid waste and wastewater, particularly in Palestine, and securing increased use of contemporary technology to reduce pollutants from industry and from automobiles will require significant investments. Raising funds and imposing fair and efficient regulations and incentives will pose problems, given resource constraints. Israel and Palestine have a common interest in the development of pollution control facilities and systems. “Peace or progress toward peace should permit us to engage each other and perhaps even permit Israel and other Middle East nations to support innovative financial options-loans and guarantees that show promise of providing a reasonable return and that help fund needed area wide projects.” Palestine will need international help. The infrastructure support concepts discussed earlier should be extended to environmental infrastructure.”

“We live in the same neighborhood. Cooperation between Israel and Palestine with respect to the environment will be essential.”

Ultimately, “we should go further than cooperation and informal relationships. As many participants have indicated, worsening air and water quality, land pollution resulting from pesticides and agricultural run off, lack of effective solid waste and waste water treatment are problems of the region not just the problems of one nation in the region.” Much of the untreated sewage from Palestine flows west from hills into the sea. Potable water is often contaminated resulting in reduced opportunities to recycle water. “We are not a large region. Peace should stimulate a regional initiative, perhaps a regional compact. It would define regional objectives concerning the environment. It would establish regional policies and implementing mechanisms with respect to actions that are initiated in one Middle East nation that impact negatively in another Middle East nation. Support from international institutions like the World Bank will be critical.”

Energy:

Securing predictable accessible and reasonably priced energy is a goal of both Israel and Palestine. Understandably, given present tensions, the need to improve energy efficiency, energy conservation and the reduction of emissions related to the use of different energy resources have not been a visible priority. “We have watched the debate on global warming. But we have not been able to focus our attention on it.”

Both Palestine and Israel are now dependent on carbon emitting fossil fuels for electricity. They likely will continue to be dependent on such fuels in the near and intermediate future. “They are cheaper. They are more available.”

Oil for the most part is imported. Experimentation with solar energy and wind power in Israel is occurring but is not yet producing large amounts of energy. Israel has discovered natural gas supplies and is in the process of further exploration and development.

Peace could bring joint Israeli-Arab natural gas projects. “We must address how we are using energy.” “For Palestine, our first objective has to be to secure basic energy resources for economic growth. As we build a better economy or even simultaneous with achievement of economic growth, we can marry growth and new technology to achieve energy efficiency.” “Israel needs peace to develop a comprehensive energy policy that will grant conservation, use of renewable energy sources, and climate change strategies priority. But, even now, we should be able to work together with Palestinians to consider future regional energy initiatives. The process could encourage or support the peace process.”

Water:

Water could be, but need not be, a continuing incendiary issue. Many studies have been done. “We know at least in general what the key issues are.”

“Relying on existing supplies of surface and ground water from the Jordan River System and Basin development will not meet the economic and population growth projections for Israel and Palestine as well as other countries in the area.” Further, “the present water allocation or division of water between Israel and Palestine will not be responsive to Palestinian economic and social development needs.”¹⁹

“The total surface area of the basin is 116,911 Km²; of which 77% lies east of the Jordan Rift Valley and 33% west of it. Precipitation is the principal source of replenishment and occurs largely in the winter. Only a relatively minor portion of rainfall is available because it is absorbed in the predominantly desert areas that constitute the basin. Total renewable fresh water available annually within the basin accounts for 20% of precipitation volume or 28% bcm/year.

“750 MCM/year of renewable groundwater resources generate from Palestine. The Jordan River is the major surface water in the basin. It provides nearly 90% of the overall surface water potential.”²⁰ Total water use levels in the basin are Palestinian 8.2%; Israel 57.1% and Jordan

¹⁹ According to participants, per capita water availability is not larger than 300 m³/capita/year. It should be 500 m³/c/year to provide a decent quality of life and allow for economic development.

²⁰ Participants indicated that water potential west of the Jordan River basin is almost “tapped.” Recharging is not

34.7%.”²¹ “The average Israeli annually consumes about 130 cubic meters (not including agricultural use), while the average Palestinian consumes only 35 cubic meters of water.”²²

Discussion of water rights issues consumed much time at the Forum. Some participants argued that the water rights “problem” is historical and will require the deft hands of both historians and lawyers. Others argued that water rights are not the issue. Since almost the inception of Israel in 1948 and the publication of the Johnston plan in the mid fifties,²³ it was hoped by many world and some regional leaders that water in the region would be allocated according to a regional plan and according to fairly defined country by country quotas. Proposed quotas would reflect needs and system capacity as well as the work of neutral experts. They would be negotiated through a political process by the involved parties.

Changing technology “has resulted in a sharp decline in the cost of desalination. As a result, Israel has approved a chain of desalination plants. These plants will help respond to Israel’s middle and long range water needs. They, also, are designed to provide a means to accommodate some of the demand projected by Palestine.”²⁴

Some participants indicated that cost factors may initially limit Palestinian use of water resulting from desalination unless international financing becomes available. All participants encouraged Israel to continue to pursue desalination as an option to lessen the region’s tension over water and to help supply the region’s water needs. “We may be able to find innovative financial techniques that complement technological innovations and reduce desalination costs to Palestinians and Israelis. Desalination could become a valued regional strategy.”

Access to water goes beyond availability of surface and ground water. “Distribution systems in Palestine are in need of repair and or construction. 25% of all Palestinians lack running water supplies. Even some communities that have infrastructure face intermittent shortages.”²⁵

Participants agreed that future Forums could help set principles and criteria concerning the management, storage, allocation and distribution of water; define and encourage conservation and market approaches to increasing supply and reducing demand for water (e.g., dry farming, use of technology); develop alternatives to recharge and protect the aquifers; and, develop options concerning recycling and use of wastewater.²⁶

“Future Forums should facilitate identification of fair and effective ways to allocate and distribute water. Assuming peace, sharing the same basin and aquifers suggests consideration of a regional water agreement, cooperative water policy/planning and perhaps even a single water management

resulting in narrowing deficits re. use. “Increased saline levels could become a real problem.”

²¹ From comments of participants as well as a paper prepared for the Forum by Dr. Ayman Rabi. Dr. Rabi was a participant from Palestine.

²² From comments of and a paper prepared for the Forum by Yakov Zur. Mr. Zur was a participant from Israel.

²³ The Johnston Plan was developed with the support of the United Nations.

²⁴ In August 2003 Israel signed a multi year contract with Turkey to import water on a large scale in containers. Israel’s initiative could be precedent setting and become replicable by other Middle East nations including Palestine.

²⁵ Many communities in Palestine depend on water tankers. Low income families and individuals often find it difficult to purchase water.

²⁶ In Israel, a growing proportion of the wastewater is treated and recycled. The policy is to increase that share so as to meet most irrigation needs. Currently, very little wastewater is treated in Palestine.

entity.”

Next Steps: Developing a Post Peace Vision and Developing Strategies To Achieve It

Forum participants agreed that if progress is made on peace and if tensions can be reduced, several steps should be taken by Israel to help “build” the Palestinian economy. They include: increasing the number of employee permits; amending current tax, tariff and customs provisions that impede Palestinian exports and that add “excessive” costs to imports, and reducing obstacles or barriers to internal travel in Palestine. “We should also work together to initiate needed pilot programs concerning housing financing and construction. We should strengthen the cooperative Israeli-Palestinian environmental projects now going on, despite the regrettable repetitive cycles of violence.”

Participants unanimously agreed to work on a long term post peace agenda. “The Forum has brought us far in a relatively short time. We share the same hopes for peace. We share the same desires to improve the lives of all citizens in Israel and Palestine. We want to move the ideas, principles and approaches discussed and agreed upon at the Aspen Forum to specific policy, program and project recommendations.” “We know that the peace process, whether called the Road Map or something else in the future, will not be an easy one. We believe that the Forums must continue. They will help encourage political leaders to stay or come back to the table. They will help build a constituency for peace, and they will help create stakeholders in the successful outcome of peace negotiations. We have an important agenda. We must not turn back now.”

The Aspen Institute and the conveners of the Forums will work together to develop a series of strategic Forums in Institute facilities in Aspen, Maryland and Washington as well as in Israel and Palestine. The Forums will be informed by working task forces of U.S., Israeli, and Palestinian leaders. The recommendations and analyses generated by the Forums will be presented to and discussed by top government leaders from Israel, Palestine and the international community at scheduled “Summit” meetings. Similarly, the recommendations of the Forums will be reviewed by international investment leaders at planned key meetings in Washington. “We have an important agenda. We cannot and will not fail.”

APPENDIX

Israeli/Palestinian/U.S. Leadership Forum

Planning for Peace

July 2003

**Agenda: U.S., Israeli, Palestinian Leadership Forum:
Aspen Institute**

Planning Post Peace Economy, Housing Development, and Environment

**July 19th, 20th, 21st, 2003
Aspen, Colorado**

Saturday, July 19, 2003

7:30 p.m. Informal Dinner—Meadows Restaurant, Bandar Building

Sunday, July 20, 2003

7:15-8:00 a.m. Breakfast—Meadows Restaurant, Bandar Building

8:15 a.m. Forum—Lauder Seminar Room, Koch Building

Welcome

Walter Isaacson, President, Aspen Institute
Susan Kirk, Chairperson, Regents, University of Colorado

Marshall Kaplan, Convener
Rachelle Alterman, Convener
Walid Najjab, Convener
David Brodet, ECF

**8:30 a.m. Development of Economic Recovery Strategies—Israel,
The Palestinian State²⁷: West Bank, Gaza**

- Status of Present Economy: Framing Issues; Regional Economy;
Link between Israel, West Bank and Gaza
- Macro, Micro, Sectoral Strategies
- Role of International Financial Institution
- Securing Private Investment; Building Partnerships

²⁷ The negotiations over the road map have begun and are occurring. If successful, by agreement, they will lead to a Palestinian State. Since the Forum's mission is to help design the post-peace reality, the term state is used under the assumption that when peace occurs, a Palestinian state will have evolved or will be established.

(There will a ten minute break at 10:00 a.m.)

- 12:00 p.m.** **Lunch—Koch/Lobby Patio, Koch Building**
- 12:50 p.m.** **A Briefing from Washington: Support for Economic Recovery, Housing and Environmental Assistance**
Congresswoman Diana DeGette, D-CO
- 1:00 p.m.** **Continuation of Morning Discussion**
- 2:30 p.m.** **Housing and Urban/Regional Development**
- Status of Housing and Infrastructure: Framing Issues—Needs, Investment, Capacity, Ownership
 - Encouraging New Housing Development
 - Fostering Expanded Mortgage Market Facilities and Mortgages
 - Increasing Capacity of Housing Industry
 - Encouraging Housing for Low Income Households
Subsidies and Financial Support
Employer Assisted Employee Housing
Micro Finance
 - Role of International Financial Institutions
 - Securing Private Investment; Building Partnerships.
- (There will be a ten minute break at 2:00 p.m.)*
- 4:30 p.m.** **Trip to Aspen/Sight Seeing (Shuttle from The Meadows)**
- 6:30 p.m.** **Shuttle from Little Nell to Richard Goodwin’s House in Snowmass**
- 7:00 p.m.** **Dinner**
- 9:45 p.m.** **Shuttle back to the Meadows**

Monday, July 21, 2003

- 7:15-8:15 a.m.** **Breakfast—Meadows Restaurant, Bandar Building**
- 8:30 a.m.** **Continued Discussion—Housing, etc.**
- 10:30 a.m.** **Environment and Sustainability**
- Status Report on Environment/Sustainability: Framing Issues

(Air, Water Pollution; Need for Water; Solid Waste Disposal)

- Improving and Investing in Environmental Infrastructure
- Increased Supply and Increasing Access to Water
- Improved Policies, Land Use Planning and Development

(There will a ten minute break at 10:00 a.m.)

12:00 p.m. Lunch—Koch Lobby/Patio, Koch Building

1:00 p.m. Continuation of Morning Discussion

3:00 p.m. Next Steps

- Working Committees: Economic Recovery; Housing and Urban/Regional Development; Environmental Infrastructure
- Schedule Middle East Meeting
- Distribution of Report of Aspen Meeting

(There will be a ten minute break at 2:00 p.m.)

“Communicating Hope:”

Kamel Husseini, Others from Israeli and U.S. Delegations

Marshall Kaplan, Summary of Forum’s Principles, Objectives, and Strategies re: Economic Recovery, Housing/Development, Environment

Approval of The Aspen Statement

4:30 p.m. Adjourn

5:15 p.m. Dinner—Meadows Restaurant, Bandar Building

6:30 p.m. Chamber Music Concert, Aspen Music Festival

8:30 p.m. Dessert and Informal Get Together—Meadows Restaurant

Tuesday, July 22, 2003

7-9:00 a.m. Continental Breakfast—Meadows Restaurant, Bandar Building

Departures

University of Colorado at Denver

Institute for Public Policy-Wirth Chair

May 2003

Planning Post Peace: Draft Background Statement

Encouraging Dialogue between Israeli, Palestinian and U.S. Leaders

“The Road Less Traveled” - Aspen Global Forum July 19-22

Newspaper and T.V. reports concerning body counts, suicide attacks, collateral damage and weakening economies bring home every day to Americans the problems now faced by Israelis and Palestinians. The “on-the-ground” fear resulting from death and injury combined with the deterioration in the quality of life is real for both Israelis and Palestinians. The current tragedy in the Middle East is made more severe because of the free fall resulting from the hope generated by the “near miss” two years ago with respect to a possible peace agreement. In May 2003 a new hope has been kindled for resumed negotiations towards peace, but the road is still long.

Starting Over: Building Back Hope

Steps need to be taken to “break through” the current tension and war of attrition between Israelis and Palestinians. Perhaps like Galsworthy indicated the wheels of justice will move slowly....but they should begin to move again. Israeli's and Palestinians deserve better. They, their kids, and their kids' kids deserve the opportunity to live in peace and to have the economic, environmental and social welfare choices that could result from peace.

What is needed is a new approach: one that avoids getting bogged down in arguing about who is at fault and one that begins with ideas rather than recrimination.

In this context, The University of Colorado's Institute for Public Policy and Wirth Chair through their Executive Director Marshall Kaplan, Dr. Rachelle Alterman, formally the head of the Technion's Philip Klutznick Center for Urban and Regional Studies, and Kamel Hussein, a leader in the respected Palestinian business and economic development group, the Palestinian Economic Forum, have, paraphrasing Robert Frost, committed to traveling the road now less traveled. In July, they will host a Forum purposely limited to key respected Israeli, Palestinian, and U.S. experts in economic development, housing, urban/land use development and the environment. Participants will be outstanding non-political professionals, scholars, investors and entrepreneurial leaders. An Israeli NGO, the Economic Cooperation Forum (ECF) has helped build the bridge between the teams. Despite tensions during the two years of the second *intefada*, ECF has sustained strong ties to Palestinian business and professional leaders.

Rather than focus on current and past problems, the participants will focus on the question of “what happens when peace comes?” as it will some day hopefully soon. They will use the two-day forum to **envision** what an Israel and a Palestinian state at peace could look like with: strategic economic investment, expanded housing and urban development choices for households and mitigation of environmental problems including water. Participants will begin to **design** effective strategies to rebuild the Israeli economy and to build a vibrant Palestinian economy - once peace occurs.

The Forum will not be a one shot “event.” It will produce a widely distributed report on its proceedings. Through the generous contributions of high tech experts in the business community, it will develop on-line capacity to continue the working dialogue and it will schedule future face-to-face meetings to assure implementation of the Forum's economic, infrastructure, housing development, and environmental recommendations.

The Forum's involvement of top business leaders, academic experts and senior professionals and its focus on an agenda that relates to the future not the past will facilitate positive engagement and will help renew trust among Israelis and Palestinians. Hopefully, the impact of the Forum will provide hope and courage to those Israelis and Palestinians who believe that dialogue can generate important results towards building a secure and economically, socially, and environmentally vibrant Middle East, once peace arrives.

About the project initiators

Professor Marshall Kaplan is a co-initiator of the Forum, is a key actor in the Aspen Global Forums initiated by the Institute for Public Policy and Wirth Chair at University of Colorado. He was a principal in an important national policy advisory firm, Marshall Kaplan, Gans and Kahn during the sixties and seventies. Kaplan has also served as Deputy Assistant Secretary at the U.S. Department of Housing and Urban Development in the late seventies responsible for the President's urban policy. Kaplan became Dean of the University of Colorado's Graduate School of Public Affairs in 1981. He was Dean for 16 years. He now leads the University's Wirth Chair, named after Tim Wirth, head of U.N. Foundation and the Institute for Public Policy. Through the Aspen Global Forums that he initiated, Marshall Kaplan facilitates many international, national, state and local forums on key public policy issues and conflicts. He has extensive experience in mediation of policy, land development, environmental disputes. Marshall Kaplan co teaches with ex Governor Richard Lamm a popular course to public, private and non profit sector leaders called “Hard Choices Facing America.” Marshall has written several books and numerous articles on regional development, growth and community development, social and economic welfare, urban and regional policy. Marshall will facilitate the sessions.

Professor Rachelle Alterman is the co-initiator of this Forum. She holds the David Azrieli Professor Chair in Town Planning at the Technion - Israel Institute of Technology and is Associate Dean of the Faculty of Architecture and Town Planning. With degrees in planning and law from Canadian and Israeli universities, she is an internationally respected scholar in urban and national planning, land-use law, and housing policy and a consultant to the World Bank. In Israel her publications have had direct influence on planning legislation by the Knesset and are frequently cited by the Israel Supreme Court. She is also a deputy member of the Israel National

Planning and Building Board and was a senior member of the Israel 2020 Project research team, headed by Professor Adam Mazor (who will be part of the Israeli team).

Mr. Kamel Hussein will coordinate the Palestinian team. He is a distinguished Palestinian businessman. A member of the Public Relations Society of America, Hussein is the founder and managing director of Ellam Tam, a communications and public relations company begun in early 2000. Mr. Hussein was an Economic Consultant to Arthur Anderson for three years. He was business advisory to the Bethlehem 2000 Project Authority and headed the International Relations and Private Sector Development at Orient House from 1991 to 1998. He has advised numerous corporations including Sumitomo, Marubeni, Daimler Benz, Ericsson. Mr. Hussein has coordinated the relationships between the World Economic Forum and the Palestinians. He has played a key role in organizing the Palestinian participation in Davos.

The Economic Cooperation Forum in Israel has helped build a bridge to the Palestinians. The ECF has maintained ongoing formal and informal discussions with Palestinians over the past decade, including the difficult past two and a half years.

Structure of the Forum

The structure and format associated with the proposed forum will be modeled after the highly successful Aspen Global Forums initiated by the Institute for Public Policy at University of Colorado and Marshall Kaplan, its Executive Director. The Aspen Global Forums are unique meetings between U.S. leaders and leaders of other nations. Over the last few years, Forums have been held on specific subjects concerning economic development, social welfare, and the environment with Brazil, Russia, Nicaragua, and Mexico, etc. Each has generated major policy and program reforms as well as new investment opportunities (e.g. \$60,000,000 dollars of new housing money in Nicaragua; a new law of the free press in Russia; infrastructure funds in Mexico) The Forums are facilitated by Marshall Kaplan and they are highly interactive.

Participants will include 15 outstanding U.S. business, professional and academic leaders; 15 outstanding Israeli leaders and 15 outstanding Palestinian leaders. Each participant will commit to the agenda of the Forum, and will participate for the full two days of debates and pre-Forum introductory evening event.

First Name	Last Name	Title	Organization Name	Delegation
Rachelle	Alterman	Professor	Holder of The David Azrieli Professorial Chair in Town Planning at the Technion - IIT Center and the Technion's Neaman Institute for Advanced Research	Israeli
David	Blumberg	CEO	Bank of Jerusalem	Israeli
David	Brodet	CEO	David Brodet, Ltd.	Israeli
Yoram	Gabbay	Chairman of the Board	Peilim Corporation	Israeli
Iris	Hann	Senior Planner	Society for the Protection of Nature in Israel	Israeli
Gideon	Hashimshoni	Consultant	Transportation engineering and planning	Israeli
Moshe	Hava	CEO	Makefet Pension Fund	Israeli
Boaz	Karni	Chairman of the Board	Tzora Active Systems, Ltd.	Israeli
David	Katz	Director of Operation	Clal Tourism LTD	Israeli
Richard	Laster	Environmental Law Attorney	Hebrew University/School of Environmental Sciences and Geography	Israeli
Edith	Lusky	CEO	Bank Mishkan	Israeli
Adam	Mazor	Architect - Planner	National Planning and Building Board	Israeli
Dalia	Prashker		New Dimension Software	Israeli
Yonatan	Touval	Project Director	ECF	Israeli
Zvika	Yemini	CEO	Zag Industries, Ltd.	Israeli
Yakov	Zur	Chairman of the Board	Agrexco Agricultural Export Corp.	Israeli
Samir	Abdullah Ali	General Manager	ABC (Allied Business Consultants)	Palestinian
Samih	Abid	Deputy Minister	Ministry of Planning	Palestinian
Kamel	Husseini	Coordinator and Managing Director	Palestinian Economic Forum and Ellam Tam (Public Relations Co.)	Palestinian
Jad	Issac	Director General	Applied Research Institute Jerusalem	Palestinian
Judeh	Jamal	Deputy for General Director	Palestinian Agricultural Relief Committee (PARC)	Palestinian
Iyad	Joudeh	CEO	Palestine Promotion Center (Paltrade)	Palestinian
Ghassan	Kawash	CCC Representative	Consolidated Contractors Company (CCC)	Palestinian
Jawdat	Khoudry	Chairman	Saqqa & Khoudry Co.	Palestinian
Walid	Najjab	Chairman	Palestine Economic Forum	Palestinian
Maissa	Nashashibi	Administrative Assistant	Ellam Tam	Palestinian
Attallah	Nasrallah	General Principal	Saba & Co., Deloitte & Touche	Palestinian
Ayman	Rabi	Managing Director	Palestinian Hydrology Group	Palestinian
Mohamed	Sabawi	Director	Gaza Ahlia Insurance Co. LTD	Palestinian
Omar	Sarraj	Managing Director	Triteck Inc	Palestinian
Hani	Shawa	Chairman of the Board	Bank of Palestine	Palestinian
Mahmoud	Takrori	General Manager	Palestinian Mortgage Housing Co.	Palestinian
George	Anderson	Executive Vice President	Government National Mortgage Association	USA
Claus	Astrop	Country Officer for West Bank and Gaza	World Bank	USA
Mitchell	Berns		Hargraves McConnell and Costigan, P.C.; Grosvenor Financial Partners, LLC	USA
Steven	Bernstein	Chief Economist to GNMA and Advisor to U.S. Dept. of Treasury	GNMA, U.S. Department of Housing and Urban Development	USA
Jim	Bye	Principal	Holme, Roberts and Owen	USA

Phil	Clements	Executive Vice President	Standard and Poors	USA
Lisa	Cohen	Chief of Staff for Congresswoman Diana DeGette		USA
Richard	Corrigan	Senior Associate	Overseas Private Investment Corporation (OPIC)	USA
Jeffrey	Davidow	President	Institute of the Americas	USA
Diana	DeGette	Colorado Congresswoman		USA
Shaul	Gabbay	Head of Mid East Center	University of Denver	USA
Richard	Goodwin	Owner; Founder	Goodwin Enterprises; Middle East Peace Dialogue Network, Inc.	USA
Chris	Hessler	Partner; former Deputy Director, U.S. Senate Public Works Committee	AJW Group	USA
Elliott	Husney	President	Walden Banking Partners, Ltd.	USA
Gary	Judd	President	West Star Bank	USA
Marshall	Kaplan	Executive Director	Institute for Public Policy, University of Colorado at Denver	USA
Richard	Kirk	former CEO of Wells Fargo Bank in Denver; former President of the American Banking Institute	Wells Fargo Bank in Denver; American Banking Institute	USA
Susan	Kirk	Chairperson of Board of Regents	University of Colorado	USA
Tom	Klutznick	Investor/developer	Klutznick Investments, Chicago	USA
Marvin	Levy	CEO Emeritus, Board of Directors	Miller International	USA
David	Loevinger	Deputy Assistant Secretary for Middle East	U.S. Department of Treasury	USA
Jim	Martin	Executive Director	Natural Resources Law Center/CU-Boulder	USA
Jared	Polis	Founder; Board Member	Jared Polis Foundation; Colorado State Board of Education	USA
Frank	Puzio	Regional Head	Price WaterHouse Coopers	USA
Barbara	Roberts	Senior Policy Advisor	U.S. Environmental Protection Agency (EPA)	USA
Debbie	Schlueter	Research Associate	University of Colorado at Denver	USA
Robert	Shafton	Attorney	Stroock & Stroock & Lavan LLP	USA
Harris	Sherman	Principal, Arnold and Porter; former Head of Dept. of Natural Resources	Arnold and Porter	USA
Robert	Van Order	Chief International Economist	Freddie Mac	USA
Munther	Haddadin	former Jordanian Minister		Jordanian