

RELEASE IN FULL

From: Abedin, Huma <AbedinH@state.gov>
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To: H
Subject: Fw: Palestinians say Israel to release tax funds (Reuters)

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Sent: Sunday, May 15, 2011 04:10 PM
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Subject: Palestinians say Israel to release tax funds (Reuters)

RAMALLAH (Reuters) - Israel has agreed to release millions of dollars in suspended tax transfers to the Palestinian Authority (PA), a Palestinian official said on Sunday.

Earlier this month Israel had blocked the routine handover of about 300 million shekels (\$88 million) in customs and other levies it collects on behalf of the Palestinians after Western-backed President Mahmoud Abbas struck a unity deal with Hamas, his Islamist rivals.

Israeli Finance Minister Yuval Steinitz said at the time he would only allow the transfer after receiving guarantees the money would not reach Hamas, an Islamist militant group who runs the Gaza Strip and whose charter calls for Israel's destruction.

An official in Palestinian Prime Minister Salam Fayyad's office said they had been informed by U.S. Secretary of State Hillary Clinton and Middle East envoy Tony Blair that Israeli Prime Minister Benjamin Netanyahu had approved the transfer.

An aide to Steinitz, who as finance minister oversees the funds, said he had "received some clarifications" in recent days, but that the money had not been transferred.

Fayyad had sought international intervention to prevent the Israeli measure. The PA is also heavily dependent on aid from donors including the United States, which has said its future assistance will depend on the shape of a new Palestinian government, expected to be formed under the unity agreement.

Netanyahu said the Palestinian unity deal was a blow to peace efforts.

The tax transfers provide the PA, which exercises limited self-rule in the West Bank, with \$1 billion to \$1.4 billion annually. Palestinian officials said they would not be able to meet their commitments, including paying salaries, without the funds.

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