ISRAEL last night declared a unilateral ceasefire starting early today, ending a fierce 22-day war that has devastated the Gaza Strip and killed more than 1,200 Palestinians.

Ehud Olmert, the prime minister, said Israel would halt offensive operations against Hamas, the extremist Islamic organisation that controls Gaza, because “our aims have been fully realised and beyond”.

Addressing the nation on television after a security cabinet meeting, Olmert said the ceasefire would begin at 2am but Israel’s forces would remain in Gaza, withdrawing only at “a timetable reasonable to us”.

He warned Hamas that Israel would retaliate if its militant forces attacked Israeli troops or fired rockets into southern Israel. Hamas responded defiantly, vowing to continue resistance as long as Israeli troops remained.

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The ceasefire could easily break down; any confrontation might reignite the violence that began on December 27, when Israel launched Operation Cast Lead to stop Hamas rockets being fired into southern Israel and weapons being smuggled through tunnels on the Egypt-Gaza border.

Every hour of delay before the ceasefire seemed to bring further anguish for the 1.5m Palestinians trapped in the strip under bombardment from air, sea, tanks and artillery.

Early yesterday two Israeli shells slammed into a United Nations Relief and Works Agency (UNRWA) school in the northern town of Beit Lahiya, killing two children aged five and seven. UNRWA, angered by attacks on its schools and compounds that Israel said were accidents, called for a war crimes investigation.

The Palestinian health ministry said 1,206 Palestinians had been killed and more than 5,300 had been wounded. Thirteen Israelis have died, 10 of them soldiers.

Families were caught in dangerous no-go zones.

The al-Wahidi family were trapped in their home by artillery. Supplies were running so low that their children had been drinking contaminated water. They begged for rescue in calls to the Red Cross.

The Wahidis’ ordeal began when Israeli troops herded 33 family members, including a one-year-old child, into a single room of their house in Mugahraqi, about four miles south of Gaza City. According to Salem al-Wahidi, they searched them all and hit his mother-in-law with a rifle butt when she shouted at them to stay away from the children. For days, soldiers manned a position on their roof.

“The Israelis left our house threatening that they would kill anyone who came out,” Wahidi said. As he spoke, the sound of a massive explosion drowned out his voice on the phone, followed by the screams of children and his shouts of “Get down! Hide!” A shell had landed next to the house, setting off a fire. The top floor had been hit earlier in the week.

The Israeli onslaught has destroyed every government building and 4,000 homes, and smashed Gaza’s water, sewerage and electricity infrastructure. More than 100,000 people have left their homes.

The most ferocious attack came on Thursday, when tanks rolled into the wealthy Tel al-Hawa district of Gaza City.

Tank shells blasted apartment blocks and villas. Israeli forces fired what appeared to be phosphorous shells into the main UNRWA compound in Gaza, setting alight a hundred of tons of food, medicines, blankets and fuel.

John Ging, director of the UNRWA in Gaza, said the UN would investigate the use of phosphorous, which is banned under international law for use against human targets.

The Irish diplomat was back at work yesterday trying to get food to 45,000 displaced Gazans sheltering in UNRWA’s 23 schools and 1m others dependent on humanitarian aid.

“The death, injury and devastation is unbearable,” he said. “The Israelis are saying that Hamas is using the population as human shields. But you don’t kill the hostage to get to the hostage takers.”

Worst hit was the al-Quds hospital in Tel al-Hawa. Hospital staff had to remove 500 patients in the middle of the night as fire raged.

“I was sitting on the ground floor when suddenly there was a huge explosion,” said Mohammed al-Helou, an ambulance worker.

“I rushed to help carry some of the patients down to the lower floor, and I heard another explosion. That was when I realised the hospital itself was under fire.”

According to Palestinian and Israeli sources, an Egyptian ceasefire proposal to be discussed at a summit today provides for negotiations on several issues. These include Hamas’s insistence that crossings into Israel and Egypt be reopened and that Israel withdraw from Gaza within a week; and Israel’s demand for a mechanism to monitor the border and prevent Hamas from rearming.

Gordon Brown, who has offered Royal Navy assistance in interdicting weapons imports, will attend the summit.

Gaza has been under a virtual Israeli lockdown since Hamas seized control from the moderate Mahmoud Abbas, president of the Palestinian Authority, 18 months ago.

A memorandum of understanding signed on Friday in Washington by Tzipi Livni, the Israeli foreign minister, and Condoleezza Rice, the outgoing US secretary of state, seems to have assuaged some of Israel’s concerns. It provides for American technical support in stopping Hamas from smuggling weapons into Gaza.

Israel’s fear that Hamas would reopen the hundreds of tunnels under the Gaza-Egypt border appeared well founded. “I’ll rebuild my tunnels as soon as they stop bombing,” said Abu Mohammed, a tunnel “businessman” in Rafah, the border town. “It doesn’t matter what they do to block us. We’ll dig deep even if it means we have to use oxygen tanks.”

As both sides counted the cost of the war, Israeli military sources were delighted that their army had emerged almost unscathed from the operation.

They believe the success of the mission, which contrasts with heavy Israeli casualties in fighting in southern Lebanon in 2006, is attributable to two years of meticulous planning.

In Gaza, Israel stuck to a three-stage strategy drawn up by Major-General Yoav Galant, commander of the IDF’s southern region. It relied on the overpowering use of force against about 15,000 Hamas militants.

Hamas has survived, but it is battered and has lost most of its weapons stocks. The Israelis succeeded in killing Said Siam, its third in command.

The organisation will declare victory simply for surviving the might of Israel’s military machine. Anger in Gaza and across the Arab world at the horrific human cost has increased its support, at least for now.

However, its leaders face a backlash for provoking Israel with rocket launches and boasting that it would slaughter any Israelis who entered Gaza. The threats proved largely empty.

Abbas has also been weakened. “Palestinians saw Abbas as a president who was helpless to stop the killing,” said Wafa Abdel-Hamid, a Palestinian political analyst.

In Israel, polls showed overwhelming support for the invasion of Gaza. Campaigning for national elections on February 10 will resume.

Ehud Barak, the defence minister and Labor candidate for prime minister, appeared to have been the biggest winner because he was seen as tough but cautious. Labor was expected to win 16 seats in the 120-member Knesset, Israel’s parliament.

Livni, the candidate of the Kadima party, appeared to have gained less despite her hawkish statements. Polls showed Kadima would win about 26 seats.

Binyamin Netanyahu, the right-wing Likud candidate, remained ahead in the polls, with up to 29 seats.

On the eve of the ceasefire, the anguish of Gaza finally intruded into Israeli homes. Live on the popular Channel 10 news, the presenter Shlomi Eldar made his nightly call to Izzedine Aboul Aish, a Palestinian doctor, who had been giving interviews from the territory.

This time, Aboul Aish could be heard on Eldar’s mobile phone weeping: “My God, my girls, Shlomi. Can’t anybody get to us, please?”

His three young daughters and a niece had just been killed by an Israeli tank shell fired into their home; others were injured and the IDF was blocking any ambulances.