

## AD-HOC LIAISON COMMITTEE (AHLC), LONDON, 2 MAY 2008

### OPENING STATEMENT OF BENITA FERRERO – WALDNER, COMMISSIONER FOR EXTERNAL RELATIONS AND EUROPEAN NEIGHBOURHOOD POLICY

#### Political

- After our discussion in the Quartet meeting today, I see a need to instil trust into the ongoing **bilateral negotiations**, which should lead to an agreement **before the end of the year**. A well prepared **Moscow Conference** could also provide a useful milestone to energise the process.
- Immediate tangible improvement of the **situation on the ground** and full implementation of **roadmap obligations** are essential to accompany the political process. Roadblocks, checkpoints and other **restrictions of movement** continue to hinder economic growth. The **rocket** attacks from Gaza have continued.
- Finally, we are concerned about the **increase in settlement activities** since Annapolis, in violation of Roadmap obligations and international law.

#### Security

- I believe that there can be mutual reinforcement between Palestinian security efforts and increased Israeli trust. **PA security measures**, starting with PM Fayyad's **security plan**, can have an immediate and visible impact. Israeli security cooperation is essential for PA success.
- We also see merit in the **Jenin approach**, which integrates security and economic development. However, one should take into account the **lessons learnt in Nablus**. Israeli security cooperation is essential for PA success. We should remind ourselves that our objective remains to build a state on the **whole** of the occupied Palestinian territory.
- We look forward to the **Berlin Conference**, in support of civil security and the rule of law, which will stimulate international efforts to improve Palestinian capacity building in the area of

justice and police. In this context, the European Commission is ready to step up its support to the **judiciary** and the **Palestinian Civil Police**. We will also contribute to the reconstruction of **security infrastructure**, including Muqatas buildings.

- We welcome recent **measures** announced by Israel to ease Palestinian life. However, we fear that, even when they are full implemented, they will only have a **limited impact** on the economy. We urge Israel to commit to **additional, more significant confidence building**.

### **Economic Development and Institution Building**

- World Bank analysis shows that the '**virtuous cycle**' of economic growth arising from parallel actions by the PA, Israel and the donor community has not been realized. It is now estimated that there has been **no economic growth** in 2007. In view of the rapidly growing population, this indicates falling per capita income. The effect of the closures and movement restrictions cannot be overestimated.
- The European Commission is supporting the Palestinian Reform and Development Plan, both for **recurrent expenditure** and **development projects**. **Infrastructure projects** deserve special attention for their visibility and contribution to economic growth: the European Commission is ready to contribute to infrastructure building in the area of electricity, school refurbishment and solid waste.
- We welcome the upcoming **Palestine Investment Conference** (in Bethlehem) which will help convince international operators to invest in the occupied Palestinian territory, after investment has fallen to an all-time low.

## Gaza

- We are still gravely concerned about the **humanitarian situation** in Gaza, which we discussed this morning in the Quartet meeting. We strongly supported the negotiations led by Egypt for the opening of the crossing. This has shown that Gaza requires a somewhat more open-minded approach.
- We encourage Egypt, Israel, and the PA towards the formulation of a **new approach** that could result in the reopening of the crossings for both humanitarian and commercial passage.

## Donors

- Finally, let me highlight how the European Commission has accompanied the process. Since the last AHLC, we have established the PEGASE mechanism to channel assistance to the Palestinian Reform and Development Plan. The European Commission has already **delivered** on its **pledge in Paris**. Following PA requests, we've frontloaded our assistance. As of today, we have committed more than €440 million, thereby exceeding our pledge. In the first four months of the year, PEGASE has disbursed a considerable share of these funds for recurrent expenditure.
- We welcome the PA's consistent focus on **fiscal stabilisation**. However, we remain concerned about the PA **fiscal outlook** in the second half 2008. It is urgent that all donors ensure that their pledges are **fully implemented**. Given that over half of the pledges in Paris came from Europe, I believe that other donors, in particular Arab states, should consider whether they can **increase their assistance, matching** the effort made by Europe. Only this will ensure adequate burden sharing amongst all of us.