Opening Address to the AHLC meeting in New York
New York, 21 September 2010
Excellencies, ladies and gentlemen,
It is a privilege to welcome you all to this AHLC meeting in New York. Let me first thank Secretary-General Ban Ki-moon for kindly hosting us here at the UN. I would like to extend a special welcome to Prime Minister Fayyad and Deputy Foreign Minister Ayalon.
I welcome the relaunch earlier this month of direct, bilateral negotiations to end the Israeli-Palestinian conflict and the intensive discussions that have taken place between Prime Minister Netanyahu and President Abbas.
Our joint mission and purpose continue to be the full realisation of a two-state solution, so that one day soon an independent, democratic and viable Palestinian state will live side by side with Israel in peace and security.
I would like to take this opportunity once again to underscore that the state-building track and the political track are mutually reinforcing parts of the same process towards peace.
With this in mind, let me make three observations that all lead to the same conclusion, which I will come to at the end of my address.
First, I am heartened to see that the positive developments we took note of in Madrid five months ago have gathered pace. The World Bank reports that the implementation of the PA's reform agenda has accelerated significantly in the first half of 2010.
We can see the results on the ground: public spending remains within budget targets, thus demonstrating a strong fiscal discipline; domestic revenues have increased due to improved collection rates; important milestones have been achieved in several sectors; and there has been a substantial downscaling in public subsidies. Economic growth has picked up both in the West Bank and in Gaza, and is projected to reach 8% this year. Per capita GDP has risen to 1999 levels in the West Bank, while Gaza is now showing some signs of economic recovery – albeit from rock-bottom level.
The budget deficit as a share of GDP is continuing its steady decline. While the deficit was 28% of GDP (USD 1.8 billion) two years ago, it is estimated at 18% (1.2 billion) this year, and is expected to be further reduced to 12% (1 billion) in 2011. This is impressive by international standards, and gives hope that the Palestinian economy is gradually moving towards financial sustainability.
This is good news for donors, for Palestinians and for Israelis. In this context I would also like to commend the significant steps taken by the Government of Israel in removing roadblocks and other obstacles to internal movement of goods and people.
I note with great interest the World Bank's assessment of the current status of the Palestinian state-building process: if the Palestinian Authority maintains its current performance, it is well-positioned to establish a state at any point in the near future.
This brings me to my second point:
It is evident that the three-party cooperation between the Palestinian Authority, Israel and international donors is working. So let us today reconfirm that the Fayyad Government's plan to prepare for Palestinian statehood within 2011 remains the platform on which to centre our continued support.
However, there are serious challenges ahead, and we need to address them. The most immediate is the severe liquidity crisis faced by the Palestinian Authority due to insufficient external support for recurrent expenditures. In the final quarter of 2010, donors urgently need to mobilise another USD 600 million in budget support to cover the remaining estimated deficit. In the spirit of equitable burden-sharing, all governments must rise to this challenge.
The Palestinian Authority's need for regular and predictable financial support is all the more urgent, as the Paris pledges of 2007 will expire at the end of 2010. A new pledging conference is therefore required to shore up the next Palestinian development plan (PRDP) for 2011–2013. As the Chair of the AHLC, I stand ready to initiate preparations for a donor conference at an appropriate, agreed time.
It is imperative that AHLC partners demonstrate a high level of political will and commitment in following up on pledges and meeting the PA's budget requirements. At this critical juncture, budget support should be given the highest priority. As members of the AHLC we have a particular responsibility to contribute. I am aware of the difficulties that many donors face, but I trust that we collectively and individually make particular endeavours in this last stage.
Now to my third point, Gaza.
The Israeli decision in June to ease the blockade of Gaza was a welcome step in the right direction. I had the opportunity to visit Gaza on 16 August to see how the changes in Israel's Gaza policy are gradually being implemented. The lifting of import restrictions on consumer goods and building materials for the internationally supervised reconstruction will give tangible results for the people of Gaza.
The AHLC stands ready to follow up on the task set out in UN Security Council resolution 1860 for this purpose. Here it is important to stress that all international assistance to Gaza must be aligned with the PA's priorities. Close partnership between the PA and the UN is key to the implementation of essential projects in priority areas. We need concerted action by all parties to further ease restrictions and to implement projects by making use of funding pledged at the Sharm el-Sheikh donor conference in 2009.
Our efforts should aim to revive Gaza's legal economy, which will significantly improve the welfare of the people. I am confident that the reconstruction of Gaza and the revival of its economy can be achieved without prejudice to legitimate security concerns.
The AHLC is taking an active part in facilitating these efforts. The Palestinian Authority, Israel and international partners are engaged in ongoing discussions in the Joint Liaison Committee (JLC) to work out appropriate arrangements to ensure progress on the ground.
These three points – the PA's sound institutional and financial performance; the need to support the final stage of the state-building process; and efforts to reconstruct Gaza and facilitate the revival of its legal economy – all lead me to the same conclusion:
The Palestinian Authority cannot build a state by means of effective reforms alone.
Reports submitted to this meeting state that the Fayyad government is close to its limits in terms of what it can realistically achieve under the present circumstances through cost-cutting, effective tax collection or institutional streamlining.
I am encouraged by the World Bank's assessment of the Palestinian Authority's readiness to establish a state - if it maintains its current performance on budget discipline, institution-building and service delivery.
But if the Palestinian state-to-be is to break out of its structural donor dependence and become sustainable, it needs political and economic space to do so. The restricted access to resources and markets in Area C and East Jerusalem – as well as to foreign markets – is a major barrier to economic growth in the private sector, the potential of which must be tapped to fuel the drive towards independence.
Unless action is taken in the near future to address the remaining obstacles to private sector development, the institutions, painstakingly developed, will not be able to underpin a viable state. Thus, the viability of a future Palestinian state will not only be determined by the strength of its institutions, but also its ability to sustain economic growth.
This applies to all the constituent parts of the Palestinian Territory, but above all Gaza is a case in point. The easing of import restrictions will have little impact on economic growth so long as the ban on exports is maintained.
And let us not forget that human imperatives have economic and political implications, too.
It is just as vital to lift the restrictions on the movement of people. They cannot be fenced in indefinitely. At the end of the day, no solution is possible without the people of Gaza having the opportunity to claim their rightful place in – and make their indispensable contribution to – a Palestinian state in peace with Israel.
Thank you.