

Follow-up to the International Donors' Conference for the Palestinian State (July 7, 2008)

At the invitation of the minister of foreign and European affairs, the co-chairs of the Paris conference (Tony Blair, Quartet special envoy for the Middle East, Benita Ferrero-Waldner, European commissioner for external relations and European neighborhood policy, and a representative of Norwegian Foreign Minister Jonas Stoere) met again on July 7 evening at the Quai d'Orsay to assess the follow-up to the International Donors' Conference for the Palestinian State, which was held in Paris on December 17.

Statement by the Chair and the Co-chairs of the International Donors' conference for the Palestinian State (July 7, 2008)

1. In accordance with the commitment they made at the International Donors' Conference for the Palestinian state (Paris, December 17 2007), the Chair and co-chairs met tonight in Paris to review to what extent the donors who attended the Paris conference have delivered on their pledges, assess the implementation of the Palestinian Reform and Development Plan (PRDP) and review the current environment in which all parties are working to promote Palestinian economic recovery and institution building. They welcomed the recent developments in the region, which favor further progress on the peace process.
2. They reaffirmed their support for the policies currently pursued by President Abbas and Prime Minister Fayyad, welcomed the implementation of the PRDP in particular in the security sector, and they voiced their support for the work done at the Berlin conference in support of Palestinian security and the rule of law on 24 June.
3. They strongly welcomed the fact that, of the total amount of aid pledged in Paris of US \$7,7 billion over 3 years, the international community has already disbursed more than US\$ 920 million in six months in direct budgetary support and signed for US\$ 1 billion of bilateral agreements with the Palestinian Authority (PA) for development projects. Beside direct transfers to the central treasury account of the PA, two financing mechanisms, the PEGASE (EU) and the PRDP Trust Fund (World Bank), have been instrumental in channelling budget assistance to the PA. This unprecedented level and rapid disbursement of contributions demonstrates the strong support of the international community to the Palestinian government. The priority over the coming months will be to secure contributions of Arab League members. These will be crucial to finance the budgetary gap and to support the Palestinian institutions.
4. The chair and the co-chairs welcome the efforts of the Palestinian government to improve the financial and fiscal situation of the PA in a challenging and constrained environment, including external economic factors. They welcomed in particular the efforts being made to control the public sector wage bill. Nevertheless, it is essential that the Palestinian government maintains a rigorous fiscal policy in relation with the future disposable revenues and contributions: in that respect, the critical issues are clearly the management of civil servants pay roll, the reimbursement of arrears to the public and private sectors and the reduction of subsidies of the utilities bill.
5. The success of the Palestinian Investment Conference of Bethlehem in May is very encouraging and sent strong positive signals to the Palestinian private sector. The

massive attendance of foreign investors and the positive business climate generated, thanks in part to a close cooperation with the government of Israel, should be maintained in the coming months to ensure the implementation of actual business deals and development projects struck in Bethlehem. The Chair and co-chairs underlined that the economic impact of the Conference will be muted in the absence of an enabling environment for economic recovery.

Restrictions by the Government of Israel on Palestinian movement and access continue to weigh heavily on the economic outlook. Without a significant lifting of such barriers in the West Bank, and a relaxation of the restrictions on humanitarian and commercial flows to the Gaza Strip, there is a much-reduced prospect for private sector recovery, public and private investment programmes will continue to be delayed, and consequently any economic recovery will continue to be inhibited.

6. While there has been some progress on the package of measures (economic and social development, lifting access and movement restrictions, developing currently restricted areas of the West Bank, proper Palestinian security capability and performance) agreed with Israel and launched by Quartet Representative Tony Blair on May 13th to boost the Palestinian economy and aid preparations for statehood, Israel should make the full and rapid implementation of the package it agreed to a high priority.

7. The Chair and co-chairs welcome recent political developments and notably the truce in Gaza. A lasting solution to the situation in Gaza can only be achieved through peaceful means. They urged that the calm be respected in full and expressed the hope that it would endure, and lead to a return to normal civilian life and the rule of the PA in Gaza. They called on all parties to sustain the controlled re-opening of the crossings in and out of Gaza for both humanitarian reasons and commercial flows, and stand ready to assist in the economic rehabilitation of Gaza.

8. The Chair and co-chairs agreed to continue their efforts to ensure that the Paris Conference outcome is successful in order to change the situation on the ground. They agreed to meet again in September and took note of the forthcoming AHLC meeting in New York on September the 22nd.