

**Israel's Address at the AHLC Senior Officials meeting,
Deputy Director General for Economic Affairs, Ambassador Yaffa Ben-Ari
19 April, 2016 16:00–18:30, Walter Hallstein, Berlaymont bldg,
European Commission, Brussels**

Mr. Chairman, Minister of Foreign Affairs of Norway, **Mr. Børge Brende**

High Representative of the EU for Foreign Affairs and Security Policy,

Ms. Federica Mogherini

Minister of Finance of the Palestinian Authority, **Mr. Shukri Bishara**

Distinguished Delegates, Members of the Ad Hoc Liaison Committee,

Good afternoon,

As we gathered here in Brussels, the heart of Europe, I would like to open with a message of condolences, to the "Family of Europe", and to all the families of the victims who were murdered here, by the horrendous terror attacks, merely a month ago. On behalf of all of us, who are facing the terror of those who seek a total defeat of our being and of our values, I wish to proclaim a united, strong and clear message, of our joint fight against terrorism.

Over the last six months, we in Israel, too, have been experiencing a wave of terror attacks against our citizens, by Palestinian terrorists, hitting us on a daily basis, killing 35 and injuring 413 innocent civilians, in 338 separate incidents. This wave of terror has been encouraged and wind-tailed, by inciting messages on Palestinian Authority official media platforms, as well as on social media. Additionally, there have been 284 rockets fired from Gaza at the reported period.

In spite of this daily violence, Palestinian workers were permitted to keep coming to work in Israel, due to the facilitating policy of the Government of Israel. As a matter of fact they are coming in growing numbers. While the daily Palestinian attacks of stabbing and ramming are being carried on, there was hardly any closure imposed. And even on the contrary – Israel is conducting staff work regarding diversifying the employment of competent Palestinians.

Israel continues its enabling policy towards the Palestinian population, in spite of the ongoing Palestinian violence. This policy is based on the perception that developing economic growth and good governance capabilities, not only gives support to the sustainability of the Palestinian Authority, but it can boost the hope for a better future for both parties as well as encourage the security and stability of all countries in the region.

In a way of endorsing this vision, I wish to reiterate Israel's commitment to the two states solution, while waiting eagerly for President Abbas to finally respond to Prime Minister Netanyahu's call to come to the negotiation table without preconditions.

Ladies and Gentlemen,

Once again, Israel is grateful to the donor countries for your ongoing contributions to the Palestinian economy. Israel is aware of the multiple challenges that the European countries are currently facing – some are stretching thin the financial burden to be carried. Yet, Israel wishes to encourage you to live up to the monetary commitments you've made towards the so needed backing of the Palestinian economy.

We attach great importance to the continuation of your support, and we trust that the necessary regulatory and supervisory mechanisms are imposed so to ensure these funds are spent for the sole purpose it was meant for.

Israel as well, is constantly working towards the improvement of the Palestinian economy. Our efforts are ongoing and continuous. The AHLC meeting is an appropriate opportunity for stocktaking and updating you about them.

During the past year, since the formation of the current Israeli Government (May 2015), the Ministry of Finance has dramatically increased its efforts to promote economic cooperation and development with the Palestinian Authority. Those efforts include high level meetings between ministers and high ranking officials, intensive promotion of new plans for economic development and the forwarding of substantial funds: an amount of 500 million shekels that was transferred to the PA in order to build trust and help it achieve fiscal stability.

Israel is quite satisfied with the series of four direct meetings that took place between Finance Minister Bishara and Finance Minister Kahlon and the fruits they are bearing. Thank you, Minister Bishara, for the kind appreciation letter you sent Minister Kahlon. These meetings, which are being held in a pragmatic atmosphere, are tackling some of the issues that were raised in the latest World Bank and IMF's reports.

These dialogs are the evidence that direct talks, in good faith, with no preconditions, without international intervention, is the principal way to advance and achieve tangible results.

Each of the two sides still has additional issues of concern, yet to be taken by the Finance Ministers in the future. Among these issues is the standing substantial 1.7 billion shekel, and growing, debt of the PA to the Israeli Electric Company. This debt is bearing negative influence on the Israeli market, but its settlement is a key to any future long term sustainable solution for the Palestinian energy market.

Acknowledging the fact that steady power supply is a catalyst to economic development, and in spite of the PA's enormous debt to the Israeli Electric Company, the Prime Minister of Israel has just authorized the connection of a first power station to be established in Jenin, to Israeli gas infrastructure.

Another worrisome issue, in need to be resolved urgently, is the high risk exposure of Israeli Banks, while making financial transactions to and from Palestinian financial bodies. Such high risk exposure, regarding possible violations of Anti-money laundering laws and counter terrorism funding regime (AML-CTF), creates a real risk for the stability of financial relations between the sides.

Israel would also like to see the PA fulfilling its Paris protocol commitment of establishing an independent relevant authority to handle social and pension rights of Palestinian workers. The establishment and professional operation of such an agency will enable the transfer of the Palestinian worker's (working in Israel), social security and health insurance payments, without fearing of having these funds swallowed into the general Palestinian budget deficit. In the absence of such efficient agency,

Israel would be exposed to future claims, and thus unable to facilitate the transfer of said funds.

Israel continues to fulfill its commitment to the Paris agreement and transfer the clearance revenues on a monthly basis, now reaching almost 700 million shekel a month. It should be noted that this month's revenues have been already cleared, earlier than due, because of the upcoming Jewish holyday of Passover.

As the number of Palestinian workers working in Israel was recently increased by additional 7,800 workers, now standing close to 100,000 legal workers, it is due time for the PA to do its part for the benefits of its people.

Israel is following the implementation of the 3G frequencies allocation agreement, signed with the PA last November, which is now at the commercial negotiations stage. We are hopeful that the companies on both sides will be able to reach a satisfactory agreement.

The year of 2015, was a year of increased numbers of movement of people and merchandise from the West Bank in to Israel, to Jordan and the rest of the world. 2015 registered an increase of 27% of trucks crossings on the Allenby Bridge – over 43,000 trucks have crossed from the West bank into Jordan and beyond, exporting and importing. The movement of people on the bridge has surpassed the 2 million crossings and registered an increase of 4.3%.

Additionally, 15 million entries of Palestinians residents from the West bank into Israel were registered last year – a number which indicates an increase of 30%. In the first two months of 2016, over 2.6 million Palestinians have entered Israel. These are definitely impressive numbers!

Once the installment of the scanner donated by the Dutch government will be completed, hopefully before the end of the year, we are to see further improvement in efficiency of commercial movements through Allenby Crossing. We invite you to hear more about future planned projects – such as aggregates conveyor and others, and learn how you can partner in their realization

Mr. Chairman,

Israel has been making tremendous efforts, while taking tremendous risks, towards the reconstruction of Gaza, and the improvement of the humanitarian situation of its civilian population, putting emphasis on infrastructure issues such as water and energy – as well as employment issues.

Due to the centrality of water and energy issues, Israel has expressed its support for the establishment of desalination plant in Gaza Strip, and has issued two letters to that effect, both to the Palestinian Authority, as well as to the international community. We call upon the donor countries to put together the rest of the funds needed for the project.

In parallel, Israel is cooperating with the Office of the Quartet's task-force on the connection of Gaza to Israeli gas, aiming at having these two projects, of desalination plant and connection to gas, ripe together so that one can provide for the other.

Until the long term solution of a desalination plant will be operational, for the medium term, Israel supports the establishment of small scale desalination units. As for Gaza's reconstruction, a great progress had been made. Over 4.6 million tons of construction materials have entered Gaza through the GRM, out of them 3.55 million tons of aggregates, 751 thousand tons of cement and 133 tons of iron. 130 thousand homes that were partially damaged were approved for repair, over 80 thousands of them completed repair already, and more than 20 thousands are under way.

The second stage of Gaza's reconstruction has begun, with almost 11 thousand residential units authorized for complete reconstruction, and over 4,000 of them already purchased all necessary building material to start work. Additionally, 695 public projects such as roads, schools, clinics, mosques have been approved – 97 of them already completed.

All this has been possible through the resources transferred by the donor countries. Israel greatly appreciates your cooperation. Nevertheless, according to the World

Bank report, only 39% of the pledges made in the Cairo conference have been disbursed. We wish to encourage the donor countries to make good on their commitment.

Israel is investing 40 million shekel in the expansion of the Kerem Shalom commercial crossing, towards increasing its capacity so that it can reach 1,000 trucks crossing each day. Furthermore, such enlarged capacity will enable the expansion of export from Gaza, beyond the one existing today, which includes agricultural products both to Israel and to the West Bank, fish, textile, metal scraps and furniture. A second scanner, donated by the Dutch government is being installed in Gaza these days, and expected to be operational by the end of this month.

In line with the intention to increase exports from Gaza, for the first time in a decade, Israel has extended the fishing zone in the south of Gaza to 9 miles, so that Gazan fishermen will be able to exhaust the fishing season which will boost Gaza's economy with an additional estimated income of 400,000 shekel.

Recently, the construction of a second commercial crossing between Israel and the Gaza strip was approved, and a staff work has embarked upon planning the establishment of such a crossing, as part of the Erez crossing. We invite the international community to support this project that will significantly improve the efficiency of good's movements, to and from Gaza.

Israel is taking all these measures, and making the Gaza Reconstruction Mechanism more efficient and enabling mechanism - for the benefit and welfare of the people of the Gaza Strip.

Yet, Israel will not tolerate the abuse of the GRM by Hamas terror organization stealing and confiscating building materials meant for the reconstruction of Gaza. Those stolen materials are being diverted for the construction of attack tunnels against Israel, rearmament and rockets experiments – preparing their next assault on Israel. We demand that the 7,000 tons of cement stolen by Hamas, will be returned so that it can be used for its original purpose.

As part of the humanitarian effort, and parallel to the increase of the crossing of commercial goods, there was an increase of people crossings in Erez crossing in 2015. Over 360,000 movements, including of patients going for treatment in Israel, students, worshipers going for Friday prayers on Temple Mount, family members of prisoners going for visits, and increased number of 5,000 businessmen with daily permits - entered Israel. And all this is taking place while the Egyptian Rafah crossing is closed, during most of the year, due to PA's refusal to assume its responsibilities.

Ladies and gentlemen,

Before concluding please allow me an additional humanitarian thought. Time and again we have discussed, among others, the humanitarian situation in Gaza. I wish to share with you Israel's concern about two Israeli citizens, both mentally ill, one Muslim and one Jewish, who are kept in Hamas captivity, after mistakenly crossing the border into the Gaza strip in 2014.

Hamas does not supply any details about their fate and whereabouts and has refused the Red Cross's (ICRC) request to see them or receive any information about them. It is not surprising that a terror organization like Hamas is ignoring a basic humanitarian value and code of conduct. But the world should not ignore them.

I urge you to take back to your governments our call for the immediate and unconditional release of these two citizens.

Thank you!