



PRESENTATION OF THE FAYYAD PLAN

Ending the Occupation, Establishing the State

Prime Minister Salam Fayyad

With Stanley Fischer, Governor, Bank of Israel



American and Israeli participants of the Saban Forum visited Ramallah for a luncheon hosted by Prime Minister Salam Fayyad. The trip was notable because it was a rare instance in which an official Israeli delegation travelled to Ramallah since the outbreak of the Intifada in 2000. Participants discussed Prime Minister Fayyad's plan to strengthen political and economic institutions in the West Bank so that the conditions for an independent Palestinian state will be in place by 2011.

Prime Minister Fayyad's plan calls for the Palestinian Authority to lay the groundwork for statehood, while leaving it to the Palestine Liberation Organization to negotiate, or declare, the creation of a Palestinian state. A critical component of Fayyad's plan is for the Palestinian Authority to focus on the critical, institutional details of establishing a Palestinian state, like building sewer systems, bolstering schools and cities, and providing access to affordable housing. The reason for this is that Fayyad is focused on establishing corruption-free and effective institutions that can gain the confidence of the Palestinian people. However, one challenge to Fayyad's plan is the fact that Israel has objected to his desire to strengthen governance in "Area C"—land that the Oslo Accords intended to be under Israeli security jurisdiction.

Despite the challenges, there has been progress in the Palestinian territories. On the economic front, the Palestinian Authority has started a monetary authority similar to a central bank, which has been recognized by its own people as well as foreign countries, such as the United States (which transferred \$200 million directly to the treasury). The West Bank's economy has grown by seven percent this past year, which many credit to both Fayyad's efforts and the decision of the Israeli government to loosen restrictions on movement and access.



Prime Minister Fayyad has overseen successes on the security front. Most notably, 2,200 members of the Jordanian-trained Palestinian Authority's security forces have grown strong enough, and gained legitimacy among the Palestinian public, to patrol areas that were previously too dangerous for them to enter. Because the forces have been working closely with Israel and have had success in bringing order to Palestinian cities, Fayyad has requested that Israel decrease its military presence in the Palestinian territories. The success of the PA's security forces has convinced the United States to almost double its economic assistance to Palestinian security; the United States has given approximately \$161 million to Palestinian security forces and is in the process of giving another \$131 million.

Fayyad's efforts have been critical to the Palestinian Authority's support within the international community. Many see Fayyad's efforts as one of the last chances for having Israelis and Palestinians agree to a peaceful two-state solution.