European Commission - Speech

Remarks by Commissioner Olivér Várhelyi at the World Bank event 'The Fallout of War: the regional consequences of the conflict in Syria' in the framework of Brussels IV Conference

24 June 2020

Friends, colleagues,

I am delighted to speak to you at today's event. It remains key to raise awareness of the impact of the Syrian crisis on its neighbours and refugee host countries Jordan, Lebanon and Iraq.

The World Bank's report on The Fallout of War provides an important contribution to our discussion. I fully subscribe to its main finding. We need this region to be closely interconnected in order to create a positive agenda for the region. It is not only logical from an economical perspective, but it also underpins good neighbourly relations. The history of European integration proves these important lessons learned.

As you know, the EU's main objective remains unchanged in Syria. We support the emergence of a Syrian-led and Syrian-owned lasting political solution, in line with UN Security Council Resolution 2254. We believe that this is the only sustainable solution to the conflict and the only way to ensure stability for the region.

As long as the conflict inside Syria continues, the international community must continue to support Syria's neighbours to host refugees. The massive displacement of people from Syria continues to pose a challenge to the infrastructure, service provision, social cohesion and the local economies of host countries. The strain has intensified this year by additional challenges, such as the financial crisis in Lebanon, the impact of the collapse in oil prices and the economic and social fallout of the COVID-19 pandemic. At the same time, we should not forget about structural weaknesses of the region's economies long before the Syrian conflict.

The EU and its Member States have provided more than 20 billion euros in response to the Syrian crisis since 2011. Overall, the EU has reached nearly 7 million refugees from Syria and vulnerable people in host communities.

Next week, the EU will announce a substantial funding pledge for this and next year. We expect other international partners to do the same. International assistance has made and is making a difference. In parallel, we must promote solutions that will endure.

This is why the EU follows a two-track approach to the region. First, we provide short-term humanitarian assistance and contribute to strengthening resilience. We pay particular attention to those affected by the Syrian conflict, both refugees and hosting communities. Second, we also work with our partner countries to assist them in their long-term reform efforts to provide sustainable public services, including to the most vulnerable.

We are determined to work in this direction, in close partnership with the host countries. Deep reforms are vital in order to secure sustainable economic development, to ensure adequate living standards for all, to allow the host countries to continue to provide services to refugees, with our support or by opening up their labour markets to refugees.

Host countries need to address structural weaknesses to ensure their countries are resilient to future shocks. Without such reforms, the impact of external financial assistance will continue to be limited. Even worse, if support comes in the form of loans, as it may simply add to their debt unsustainability.

Ensuring inclusive reforms while pursuing economic development is not simple. We need to work together to unlock the growth potential. This must include fostering a business-enabling environment, improving governance, fighting corruption and reforming key sectors like energy, digital and the environment.

Jordan, Lebanon and Iraq will need coordinated international support to successfully carry out these reforms. The EU stands ready to lead efforts among international partners. Our co-chairmanship with

France and Lebanon on the 2018 CEDRE conference [Conférence économique pour le développement, par les réformes et avec les entreprises] follow-up process already demonstrates this commitment. Furthermore, the Commission led a high-level mission of nine institutions to Jordan last year. We teamed up with the World Bank, IMF, the European Investment Bank, the European Bank for Reconstruction and Development, and the German and French development banks. We are also closely engaging in the follow-up to Jordan's five-year matrix for reforms, by financing the World Bank in this effort.

The EU remains ready to anticipate difficulties and respond in real-time. This includes providing macro-economic assistance to Syria's neighbours, where possible, in order to preserve economic stability. In May, the EU approved an additional 200 million euros in macro-economic assistance for Jordan, on top of the 500 million euros already approved in January. As was the case with the previous programmes, this assistance is conditional on a set of structural reform measures to enhance the resilience and growth potential of the country.

As you all know, an IMF financial assistance programme is a pre-requisite for benefitting from EU macro-financial assistance. In this respect, I welcome the ongoing negotiations between Lebanon and the IMF and hope Lebanon will swiftly conclude an agreement with the Fund. This would be an important signal of political will to tackle overdue reforms.

Looking ahead, beyond 2020, the European Commission has proposed an increase in our budget for development cooperation. In the future, we intend to make a better use of innovative instruments in order to unlock and leverage private sector financing. Additional private sector investment could be a game-changer for the region, but this will only happen in a business-friendly environment, which requires structural and sectoral reforms.

Let me end by commending the efforts of the World Bank to put a focus on promoting recovery and resilience. Even as the war continues in Syria, we must discuss how we can reboot regional economies and promote sustainable stability.

Thank you.

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