

Meeting of the Ad Hoc Liaison Committee (AHLC)

Brussels, 3-4 May 2023

Chair: Ms Hilde Haraldstad, Special Representative for the Middle East Peace Process, Norway

Host: High Representative of the European Union for Foreign Affairs and Security Policy/Vice-President of the Commission, Mr Josep Borrell Fontelles

CHAIR'S SUMMARY

The AHLC met in Brussels on 3-4 May 2023. The Chair commends the Israeli and Palestinian delegations for their constructive participation and thanks the International Monetary Fund, the Office of the Quartet, the United Nations Special Coordinator for the Middle East Peace Process, and the World Bank for their important reports and contributions to the meeting.

The goal of the AHLC is the realization of an independent and functioning Palestinian state, in the context of a two-state solution. AHLC members reaffirmed their commitment to providing political and financial support toward this end, including through support of Palestinian institution-building and measures to strengthen the Palestinian economy.

The AHLC meeting took place during a difficult time, with significant tensions and violence on the ground, with a negative impact on the security situation. A key concern was the critical Palestinian financial situation. With deductions in clearance revenues, and reduction in international aid, the Palestinian Authority (PA) is struggling to maintain its public finances. Its ability to provide quality services to its people is under tremendous pressure. Various fiscal files between the parties and PA public expenditure reform are still outstanding. Structural restrictions, including on access and movement for Palestinians posed by the occupation, limit economic growth. These challenges are particularly relevant in Area C of the West Bank and in Gaza.

In this context, it is crucial for the parties to improve the situation, strengthen the Palestinian economy and restart a political process. The AHLC commended the Israelis and Palestinians, as well as Egypt, Jordan, and the USA for their joint statements in Aqaba and Sharm el-Sheikh. The AHLC called on the parties to implement commitments from these meetings as well as previous AHLC meetings, and to continue the dialogue. The importance of maintaining the status quo around the holy sites in Jerusalem was emphasized.

The AHLC took note of progress made since the last meeting in September 2022:

- The increase in number of permits for Palestinian workers in Israel, and the electronic transferring of their salaries that could also increase tax revenues.
- Improvements in the infrastructure and movement at the Karm Abu Salem/Kerem Shalom crossing.
- Steps being taken to improve water and wastewater management.
- Increased tax revenues following the successful implementation of the e-Vat system pilot; the commitment to include all Israeli vendors in the system, as well as the commitment of both parties to ensure the sustainability of the system.

The AHLC also noted progress made on the PA reform agenda. In particular, the adoption of an attrition target for net public employment and continuous progress and growth made in the public revenue system.

Positive as these steps are, the meeting expressed deep concern about the lack of implementation on a range of matters that have been on the AHLC agenda for many years.

Delegates to the AHLC meeting made a series of recommendations of short- and long-term measures. In particular, the AHLC called on:

Both parties to:

- Implement previous agreements between them, commit to de-escalation and refrain from steps that undermine Palestinian institutions and the two-state solution.
- Consider agreed adjustments to the provisions of the Paris Protocol, address outstanding fiscal files and resume Joint Economic Committee (JEC) meetings.
- Accelerate progress on key infrastructure developments, including the PWA's Water and Wastewater infrastructure package; the deployment of 4G and 5G services, and renewable energy development, including in Area C.
- Continue the dialogue with a view to holding AHLC working group meetings ahead of the next AHLC meeting in September 2023.

The Palestinian Authority to:

- Carry out fiscal reforms to improve the financial situation and the ability to deliver quality services to the people, such as on the wage bill, net lending and health referrals, and develop a medium-term macro-fiscal adjustment framework.
- Strengthen the legitimacy of Palestinian institutions, including by continuing reforms.

Israel to:

- Reaffirm its commitment to the strengthening of Palestinian institutions and economy, including by transferring withheld Palestinian funds collected through clearance revenues and increasing transparency on transfers.
- Improve access and movement for Palestinians, including to promote investments and economic growth.

The international community to:

- Increase economic assistance to the Palestinians, including budget support to strengthen the PA, and also to align support to PA reform efforts.
- Increase support to UNRWA, civil society and other partners.
- Provide more accessible and transparent information about their aid contributions to Palestinians (including the PA) including through the Aid Information Management System (AIMS) and the Local Aid Coordination Secretariat (LACS).

All actors to contribute to coordinating efforts to improve the situation, to de-escalation, trust-building, and a resumption of a political process toward peace.