

Meeting of the Ad Hoc Liaison Committee (AHLC)

New York, 20 September 2023

Chair: Ms Anniken Huitfeldt, Minister of Foreign Affairs, Norway

CHAIR'S SUMMARY

The Ad Hoc Liaison Committee (AHLC) met in New York on 20 September 2023. The Chair commends the Palestinian and Israeli delegations for their participation. The Chair also thanks the International Monetary Fund, the Office of the Quartet, the United Nations, and the World Bank for their valuable reports to the meeting.

The meeting took place at a critical juncture for the Palestinian state building project, 30 years after the Declaration of Principles on Interim Self-Government Arrangements (Oslo I Accord) was signed and the AHLC established. During these three decades, the Palestinians have made significant achievements in building public institutions, with support from AHLC members. Donors have invested considerable political and financial capital in line with the shared objective of realizing an independent and functioning Palestinian state, in the context of a two-state solution. However, the “permanent status” issues in the Oslo Accords remain unresolved. Prospects for resolving the Israeli-Palestinian conflict remain elusive. Palestinian state building cannot be finalized until there is a political solution to the conflict, and an end to the occupation.

The AHLC expressed serious alarm for the fragile and deteriorating situation on the ground. Among key issues raised by participants in that regard were the high level of violence and the increased settlement activity. The Palestinian economy is under tremendous pressure. Persistent low growth and significant fiscal constraints on the Palestinian Authority (PA) reinforce each other, reducing the PA's ability to provide essential public services to the population. Israeli deductions in clearance revenues add substantially to the PA's fiscal challenges. Israeli restrictions on access and movement and economic activity in the West Bank, particularly in Area C, and the closure regime around Gaza remain the most important obstacles to economic growth, private-sector development, and job creation in Palestine. Moreover, the internal Palestinian divide, and limited momentum on the PA reform programme although some progress has been made, remain key challenges. Several AHLC members also encouraged elections to be held in Palestine, including in East Jerusalem.

Developments on the ground challenge the viability of the internationally agreed principles for ending the conflict. The AHLC discussed how to rethink our efforts in order to address immediate challenges and to ensure that our actions contribute to the long-term objective of peace between Israelis and Palestinians and a two-state solution. A renewal of our shared commitment to the purpose of the AHLC requires stronger engagement by all sides.

AHLC members welcomed the UN's efforts to promote a coordinated package of short-term support and investments focused on restoring basic services for Palestinians – in health, education, and social support, creating employment opportunities for youth and women, repairing basic infrastructure, and strengthening fiscal stability of the PA. The World Bank's multi donor trust fund PURSE and the European Union's PEGASE mechanism were emphasized as channels for support to Palestinian state building and reform and the strengthening of Palestinian institutions.

Despite positive developments on some fronts, the AHLC expressed regret for the lack of progress on several outstanding issues that have been on the AHLC's agenda for many years. These have been detailed in previous Chair's Summaries and thoroughly described in the reports by the OQ, IMF, UN and World Bank to the AHLC, including this year.

The AHLC welcomed steps to improve relationships among countries in the region. It was raised that it is essential that the Palestinians are involved, and the two-state solution advanced, for such processes to become genuine vehicles for peace between Israelis and Palestinians.

A thematic session was held in preparation for the Ministerial Meeting. Participants engaged in a detailed discussion on the various challenges, particularly in the economic field, and how Palestine, Israel and international partners can develop a more structured approach to addressing the critical situation. Enhanced strategic coordination of the two parties and with the international community is needed to maximize the impact and effectiveness of assistance to the Palestinians. Returning to the structures envisioned in signed agreements would be a step toward resetting the relationship between Israel and the PA.

* * *

The AHLC called on:

- *Both parties* to respect signed agreements and restore mechanisms for more regular and sustained contact between them, including the Joint Economic Committee (JEC); to consider agreed adjustments to the provisions of the Paris Protocol; to fully implement the e-VAT clearance system, transfer customs responsibilities from Israel to Palestine and establish Palestinian bonded warehouses, to renegotiate the fee charged by Israel for handling Palestinian imports; to collaboratively determine the exit fee collected and accumulated at the Allenby Bridge and allocate the resulting revenue according to the shares specified in the Paris Protocol; to take joint action to improve access to health care for Palestinians; to develop an agreed-upon approach that will enable Palestinian-led development in Area C including of renewable energy and to move forward on other key infrastructure measures, including in energy, telecom, water and trade; and to hold AHLC working group meetings ahead of the next AHLC meeting in 2024.
- *The Palestinian Authority* to continue, with the support of the donors, reform efforts across different sectors, in particular on the wage bill, health sector and net lending as well as passing the hydrocarbon law, establishing the natural gas company, and finalizing the Gas Sales and Purchasing Agreement; to ensure fiscal transparency; to agree to resume meetings in the JEC; and to facilitate coordination of international assistance, including through the Aid Information Management System (AIMS) and the Local Aid Coordination Secretariat (LACS).
- *Israel* to lift restrictions on access and movement, in particular in and out of Gaza and in Area C; to stop unilateral developments of infrastructure in the West Bank; to stop measures that weaken the Palestinian Authority; to provide greater transparency regarding deductions from clearance revenues; to remit all VAT on Israel-Gaza trade to the PA; to exempt the PA's fuel imports from taxes; to approve PWA Water and Wastewater packages in the West Bank, the construction of infrastructure and entry of materials for the associated works to the Gaza Central Desalination Plant; and to advance the implementation of the 4G and 5G-Non Stand Alone Principles Agreement.
- *The international community* to increase financial and other kinds of assistance to the Palestinians, including budget support to strengthen the Palestinian Authority and its reform efforts, as well as to UNRWA and short-term investments to cover urgent needs on the ground; to follow up the discussion on a more strategic and structured coordination between donors, the PA and Israel and on a common effort; to provide transparent information about their contributions; and for the IMF, OQ, UN and WB to continue to provide factual and relevant analyses and recommendations in their respective reports to the AHLC.
- *All actors* to renew their efforts for Palestinian state building and for charting a path toward an end to the conflict.