

*Ministerial Meeting of the Ad-Hoc Liaison Committee (AHLC)
Oslo, 17 November 2021
Chair: Minister of Foreign Affairs of Norway Ms Anniken Huitfeldt*

CHAIR'S SUMMARY

The AHLC met in Oslo at ministerial level on 17 November 2021, with physical and virtual participation. To prepare for the meeting, all AHLC delegations met at senior-official level for consultations in Oslo. We commend the Parties and key international partners for their invaluable leadership in contributing to the meeting.

The AHLC was established to promote cooperation between the parties and the donor community in support of the two-state solution, development of the Palestinian economy, and institution-building for a Palestinian state.

This AHLC meeting comes at a critical point. The guarded optimism expressed in the February 2021 meeting of the AHLC has given way to deep concern. Destabilization may be caused by either lack of access to financial resources for the Palestinian government, the financial crisis in the UNRWA, the continuing high levels of friction in the West Bank and in East Jerusalem, or a breakdown of the ceasefire understanding between Israel and the militant groups in Gaza – or a combination of these and other factors. Neither the West Bank nor Gaza are stable, and measures should be taken to calm down tensions.

Statements to this meeting stressed that urgent steps are still necessary, but not enough. Therefore, the AHLC welcomed that both parties came to the meeting with constructive measures and a practical attitude to address the entrenched Palestinian financial deficit. The meeting urged the parties to translate this attitude into real changes; the Palestinians by implementing reforms and Israel by delivering on their stated commitments.

The Palestinian government was commended for managing its finances under exceptional circumstances. The AHLC expressed its appreciation for the recent steps by the Israeli government to strengthen the Palestinian economy.

Structural constraints for a sustainable development of the Palestinian economy remain and must be removed. Resolving the fiscal issues under discussion is vital to increasing revenues and help stabilize the economy.

Against this backdrop, the meeting expressed support for a set of recommendations that the AHLC will follow up on at its next meeting:

- For the parties to avoid all unilateral actions that could further aggravate tensions and undermine the prospects for resuming negotiations and the two-state solution, and for both parties to respect signed agreements.
- For the parties to continue progress on the outstanding fiscal files with particular focus on the E-VAT mechanism, handling fees, the Allenby exit fees, exemption of excise tax on Palestinian fuel purchased from Israel, and improved customs processes.
- For the parties to work on minimizing risks to the corresponding banking relations, including the alarming excess cash shekel surplus accumulating in Palestinian banks.
- For the parties to resume meeting in technical committees relevant for making progress on projects, including updating A1 and A2 lists.
- For the parties to follow up on their agreement to meet in the Joint Economic Committee.
- For the parties to expand trade between Jordan and Palestine, and between Gaza and the West Bank, Israel and other countries, and to expand the door-to-door facility.
- For the PA to implement reforms to the wage bill, limit net lending, enhance control in the health system referrals and strengthen its cost recovery for services.
- For Israel to expand access and movement, including access for Palestinian workers to the Israeli labor market and supply lines of medical goods, relevant equipment, materials, humanitarian workers especially to Gaza, while taking security concerns into account.
- For the parties to agree on outstanding telecommunication issues and the allocation of adequate frequencies for Palestinian operators.

For the donor community and development partners:

- to increase the financial support, commensurate with Palestinian fiscal reforms, and to increase multiyear financial support.
- to continue humanitarian and development support to both the West Bank and Gaza, including cash for work programmes, to support the UN package of critical interventions in Gaza aimed at maintaining calm, and to increase support to UNRWA.
- to finance the Gaza Reconstruction Mechanism for entry of critical materials for projects and private sector development.
- to continue strengthening the Palestinian public health system and provision of adequate medical supplies and medicines.

- to provide expert support to increase the PA's institutional capacity for implementing its reforms, and for the IMF to resume preparing reports to the AHLC and help design a medium-term macroeconomic and fiscal framework.
- to cover outstanding funding gaps for ongoing, critical infrastructure project, including within the energy, water and wastewater sectors, with particular focus on the four projects presented at the AHLC, and the parties to proceed with all necessary agreements.

The AHLC welcomed the promise to receive a full report from the IMF for the next meeting, which will promote transparency and increase our understanding of the financial situation.

The Palestinian economy cannot reach its full potential before the Palestinians get full access to their land and resources, and they can move and trade inside and outside their own territory. The donors urged Israelis and Palestinians to reach understandings on crucial economic projects and initiatives that will benefit the Palestinian population. Therefore, the international donor community urges the parties to demonstrate, through policies and actions, a genuine commitment to create a path back to meaningful negotiations on a comprehensive political settlement.