

Meeting of the Ad Hoc Liaison Committee (AHLC)

New York, 26 September 2019

Chair: Foreign Minister of Norway Ms. Ine Eriksen Søreide

CHAIR'S SUMMARY

The AHLC met in New York on 26 September 2019 on ministerial level.

The meeting focused on what the donors, the international community and the Israeli and Palestinian governments should do at this critical juncture, to make progress on statebuilding and economic development, and encourage resumption of a political process.

An overall majority of the AHLC members emphasized the international consensus on a two-state solution, relevant UN resolutions and bilateral agreements as the basis for resolving the Israeli-Palestinian conflict. They stressed that the successful establishment of the Palestinian Authority should be further consolidated, and obstacles limiting its further development removed. The parties should restart political talks to resolve all outstanding final status issues. Statebuilding and economic development can underpin, but never replace a political solution.

The current severe liquidity crisis of the PA, stemming from the standoff over clearance revenues and the shortfall of donor contributions, strongly affects the Palestinian economy. In 2019, the PA has relied on increased borrowing. Improving the prospects for the Palestinian people requires increased access and movement, including to Area C, and opening up for internal trade within the Palestinian territories, between Palestine and Israel as well as with regional and international markets.

The meeting called for immediate steps to redress the fiscal situation for the PA, resume transfers of clearance revenues, and increase donor support including to Gaza.

1. The meeting welcomed the willingness of the parties to continue the dialogue on outstanding fiscal issues with the objective to agree on long-term solutions. The parties will report on progress and results to the AHLC meeting in Brussels.
2. The meeting expressed support for the continued reform efforts of the PA, including judicial, economic and social reform, and strengthening institution building and rule of law. The meeting welcomed president Abbas' announcement on Palestinian elections.
3. The meeting encouraged improved movement and access, and facilitation of trade. There is an urgent need for increased Palestinian access to Area C. Donors called for further improving of through-flow at the international crossings, in particular Allenby Bridge/ King

Hussein, and for relaxing restrictions on items considered “dual-use”. An electronic VAT system should be established and made operational without delay.

4. The Chair urged donors to reverse the recent decline in donor support. Increased donor support is critical, also in order to upgrade basic infrastructure, both in the West Bank, East Jerusalem and Gaza.
5. There is a need to ensure long term and stable supply of energy, including by concluding the Power Purchase Agreement (PPA), upgrading necessary feeder lines and investing in solar power. Talks should start on how to deal with payments for energy and electrification of the substations at the West Bank.
6. The Gaza package, which was presented at the AHLC in September 2018, has had positive effects, particularly in the continued funding of fuel to Gaza and cash for work. The meeting urged donors to step up support for the following:
 - a. Additional funding for fuel to the Gaza Power Plant.
 - b. Extend cash for work programs.
 - c. Measures in support of the economy and industrial sectors, including improving access for external markets for Gaza, Gaza Industrial Zone, upgrades to the Kerem Shalom Crossing. The AHLC welcomed the progress made on broadening the scope of products allowed out of Gaza if such products meet international standards, and called upon both sides to continue their constructive dialogue to further ease restrictions on trade.
 - d. Ensure and fully finance the Gaza Reconstruction Mechanism (GRM).
7. The meeting took note of the Palestinian government’s efforts to review education and health sectors for more reforms, including the distribution of health equipment and medicines. The meeting welcomed the decision by the Palestinian government to undertake a broad review of the health sector focusing on the delivery of medicine and medical equipment as well as cost of health referrals and the economic situation for major hospitals. Furthermore, the PA will improve the supply chain for medicine, medical disposals and medical equipment to Gaza. The PA calls on the international community to support investments into the health care sector in Gaza, the West Bank and East Jerusalem.
8. The AHLC welcomed that the financing of the Gaza Central desalination plan and associated works is now fully secured, that Israel has given all necessary permits up front, that tendering is now proceeding for the plant, and that construction of water pipes in Gaza south has started. This will provide for larger quantities of water delivered to Gaza within a year. The meeting also welcomed progress made related to the operation and maintenance at NGEST.

9. The meeting took note of the constructive discussions between the PA and IMF on the issue of representation. The relationship is particularly critical during the current fiscal crisis. The meeting is looking forward to the IMF's report to the Brussels meeting.
10. The meeting urged the parties to agree on and implement without any further delay a mechanism to ensure continued correspondent banking relations.
11. The work of the AHLC will be monitored and followed up in meetings between the parties and the donors at local level.