

Meeting of the Ad Hoc Liaison Committee
New York, 22 September 2014
Chair's Summary

AHLC members and other major donor countries met in New York today, at a meeting hosted by UN Secretary-General Ban Ki-moon. The chair, Norwegian Foreign Minister Børge Brende, commended the parties for their constructive participation, and the UN, the World Bank, the IMF and the Quartet Representative for their reports and analyses.

The AHLC reaffirmed its strong commitment to the vision of an independent, democratic and sovereign state of Palestine, living side by side with Israel in peace and security. Since the suspension of the peace talks in April 2014, there has been an increase in tension and violence in the West Bank including in East Jerusalem, and a 51-day war has taken place in Gaza with devastating consequences. A political horizon for ending the occupation and the conflict is needed now more than ever.

The reports from the UN, the World Bank and the IMF described how the marked change in the political and security environment over the past months has led to a sharp deterioration in the Palestinians' economic outlook. Growth, already decelerating since 2012, slowed further to less than 2 % in 2013. One in six people in the West Bank and nearly every second person in Gaza is unemployed. The Gaza war has taken a heavy toll on an already struggling Palestinian economy.

The Palestinian Government formed in June 2014 faces massive challenges. The reports to the AHLC outline three immediate steps that need to be taken to facilitate the Palestinian economy's return to sustainable growth. First, access must be provided for imports and exports into, out of and between the West Bank and Gaza. Second, the governance framework for the West Bank and Gaza must be reintegrated under a single legitimate authority. Third, additional funding must be provided by the international community to facilitate continued reforms and the reconstruction of Gaza.

Reaffirming their assessment of 2011 of the Palestinian Authority's readiness for statehood, the donors welcomed the further progress that has been made in spite of ongoing pressures and fiscal difficulties, including in national planning, budget management and service

delivery. The donors noted that the PA had managed to increase its domestic revenues and keep its fiscal deficit below targets in the first half of 2014.

Budget support from donors fell this year in comparison to last year, however, and the PA will face a serious financing gap by the end of 2014. The AHLC noted signs of donor fatigue. It concluded, nevertheless, that the PA will need high levels of budget assistance in the short and medium terms, even in the most positive scenario of rapid economic recovery. Without a resumption of the political process to end the occupation, the PA's financial situation will become unmanageable.

The impact of the political instability on the Palestinian investment climate has been severe, and has resulted in uncertainty and increased costs for businesses and investors. There are, however, a number of positive aspects to the investment climate, such as a stable financial sector, low incidence of corruption, and good firm performance. This suggests that the Palestinian private sector could respond effectively once restrictions on movement and access are lifted. Greater economic potential can be unleashed when access is assured for Palestinian activity in Area C.

The AHLC emphasised that assistance for the reconstruction of Gaza must come in addition to sustained levels of budget support to the PA and development assistance to the West Bank. It called for assistance to Gaza to be channelled through the PA. Unimpeded access to the Gaza Strip for materials, financing and persons is a necessary condition for the reconstruction of Gaza. It is a necessary condition, also, that the PA is able to function as the legitimate and responsible authority and recipient of assistance in Gaza. Protection of the lives and security of all civilian populations must be assured.

For this reason, the AHLC welcomed the UN-led preparations for a robust and efficient monitoring mechanism in Gaza, accepted by Israel and the PA. The AHLC also welcomed the declaration by the Israeli representatives that Israel will take determined measures to ease restrictions on movement and access both in the West Bank and Gaza, and will lend its full cooperation to efforts to facilitate rapid recovery and reconstruction in Gaza led by the PA.

On this basis the AHLC:

- Calls on the parties to resume negotiations to end the conflict and to refrain from all unilateral acts that undermine such talks, and reaffirms its readiness to support the political process by continuing to provide assistance to build the institutions needed for the establishment of a Palestinian state;
- Reiterates the need for substantial and sustained removal of obstacles to the movement of people and goods, as well as obstacles to development, trade and exports in the West Bank and Gaza, including in Area C and East Jerusalem; and welcomes the announcement by Israel of important steps in this direction;
- Calls on the Palestinian Authority to maintain its commitment to fiscal restraint and reforms, and to further enhance the business environment in line with the recommendations of the World Bank and the IMF;
- Calls on all Palestinian factions to facilitate the resumption of governance over Gaza by the Palestinian Authority, and reaffirms its readiness to assist in making this happen;
- Calls on donors to increase their assistance to cover the financing gap this year, and to provide timely and predictable assistance to meet the budget needs of the Palestinian Authority for 2015 – with due regard to burden sharing;
- Calls on the parties to further identify and implement measures to enhance the collection and transfer of taxes and clearance revenues;
- Calls for a resumption of local coordination efforts in order to maximise the combined effectiveness of public aid and private initiatives to strengthen growth in the Palestinian economy and the recovery of Gaza;
- Welcomes the convening of the Cairo Conference on Palestine and Reconstructing Gaza on 12 October, to be hosted jointly by Egypt, Norway and President Abbas
- Agrees to reconvene in Brussels in the spring of 2015 on invitation by the EU.