

*Meeting of the Ad Hoc Liaison Committee (AHLC)
UN Headquarters, New York, 22 September 2022
Chair: Ms Anniken Huitfeldt, Minister of Foreign Affairs of Norway*

CHAIR'S SUMMARY

The AHLC met at ministerial level at the UN Headquarters in New York on 22 September 2022, in support of Palestinian state-building and the two-state solution.

The objective of the meeting was to take stock of progress made since the last meeting and to identify and support steps that the Palestinian and Israeli governments can do – separately, bilaterally and with the international community – to improve the situation on the ground and strengthen the Palestinian economy and institutions. Members focused on how to preserve what has been achieved and the viability of the two-state solution, and move the state-building process forward.

The chair commends the parties for their constructive participation and the rapporteurs (the International Monetary Fund, the Office of the Quartet, the UN Special Coordinator's Office, and the World Bank) for their substantial contributions in identifying strategic and practical steps to be taken by the parties and by the international community, to make the conditions on the ground as conducive as possible for the two-state solution and lasting peace.

The AHLC meeting took place in the context of a difficult and deteriorating situation on the ground. Both the rapporteurs and other AHLC members highlighted the increased violence and continued settlement expansion, as well as the internal Palestinian division, as main hindrances for progress towards a two-state solution. The meeting also noted how the lack of a political horizon affects the current situation. AHLC members noted that developments in the region can create new opportunities.

The AHLC welcomed Prime Minister Yair Lapid's statement in support of the two-state solution at the UN General Assembly the same day. Prime Minister Mohammad Shtayyeh also confirmed the Palestinian Authority's continued commitment to the two-state solution.

In preparation for the ministerial meeting, a thematic session was held on 21 September in a hybrid format. It included an update from the Palestinian Authority on the reform agenda, updates from Israel on their efforts, and substantial contributions from the thematic working groups, led by Germany, the UK, and the Netherlands.

The AHLC meeting took note of progress since the last meeting in Brussels in May 2022. The meeting welcomed the Palestinian Authority's update on progress in the reform agenda. The efforts in extending the tax base and temporarily reducing public deficit have shown some initial success. Broader implementation of the reform agenda is necessary- with particular priority on public financial reforms. Recent developments such as the introduction

of electronic payment of Palestinian workers in Israel, the implementation of the e-VAT pilot, growing exports from Gaza, the increasing trade between Jordan and the West Bank, the expansion of the door-to-door programme and increased work permits for Palestinians from Gaza and the West Bank in Israel, have had some immediate impact, and show promise going forward. Progress has also been made in the Palestinian-Israeli Joint Water Committee, both on transboundary wastewater, water supply through connection points and water supply from groundwater. The parties were commended for progress in the discussions on 4G development and were encouraged to reach a swift agreement.

The meeting also took note of commitments from previous meetings that have not been implemented, including the convening of the Joint Economic Committee, reviewing of fuel handling fees, updating of the A1/A2 lists that no longer reflect the economic realities on the ground and discussions on the Allenby crossing fees.

The AHLC discussed a variety of concrete measures which should be taken now, in parallel with efforts to return to a political horizon. In particular, the AHLC called on:

- *The Palestinian Authority* to strengthen its economy, institutions, governance, and democratic legitimacy by carrying out reforms across different sectors, develop a sustainable, medium-term macro-fiscal adjustment framework, and improve fiscal transparency.
- *Israel* to continue taking steps to improve the situation on the ground; encourage Palestinian trade; improve access and movement and take transformative steps to enable Palestinian economic activity, thereby unlocking the potential of the Palestinian economy, in particular in Gaza and in Area C.
- *Both parties* to work together to modernize their economic and trade relationship, including by considering agreed adjustments to the provisions of the Paris Protocol and reducing fiscal leakages. The Joint Economic Committee should meet. Further progress on Gas for Gaza and developing parameters for bulk solar energy development are needed in the West Bank. The parties should also make progress on the development of groundwater and discussions on water and waste-water pricing.
- *The international community* to increase economic assistance to the Palestinians, including contributions to the strengthening of the Palestinian Authority and its reform efforts, as well as to UNRWA, other development and humanitarian partners and Palestinian civil society.
- *All actors* to contribute to reducing tensions and to developing a political horizon for an end to the conflict.

Outcome papers from the different working groups constitute a basis for the work on technical level during the upcoming period. The AHLC strongly encourages the parties to implement their commitments and recommended measures without delay.

The AHLC looks forward to continuing its engagement and monitoring progress on the different files leading up to the next AHLC meeting.