

*Meeting of the Ad Hoc Liaison Committee (AHLC)
VTC, 2 June 2020
Chair: Foreign Minister of Norway Ms. Ine Eriksen Sørreide*

CHAIR'S SUMMARY

The AHLC met at ministerial level via videoconference on 2 June 2020.

In the meeting today, the Chair has noted several clear warnings against political developments, which may trigger an imminent crisis in the cooperation between the parties in the midst of the Covid-19 pandemic and the most serious economic and fiscal crisis for the PA in many years.

The donors reiterated that the AHLC was established with the aim of creating a framework of cooperation between the parties and the donor community in support of a negotiated two-state solution, Palestinian economic development and institution building for the Palestinian state. This remains the objective of the donors and the work of the AHLC.

For decades, donors have been committed to improving the conditions for a negotiated two-state solution, and building the institutions for the Palestinian state, including by providing financial support for Palestinian economic development and capacity to deliver public services to the Palestinian people. However, our work and commitment alone cannot bring a negotiated two-state solution or be a substitute for it. Political progress is dependent on the commitment of both parties towards this end.

During the Chair's preparations for today's meeting, the growing differences between the parties have become evident.

The Chair welcomes the commitment of both parties to continue to engage within the framework of the AHLC. Donors have today clearly expressed their willingness to continue their efforts. For their support to be effective, the current threats and impediments to economic and political progress must be reversed.

The Chair takes note from today's meeting of the clear warning against Israeli annexation of parts of the West Bank. Any such move, if implemented, would run counter to the efforts to realize a viable two-state solution and be detrimental to peace and security, and would constitute a violation of international law. The Chair also takes note of numerous questions regarding the declaration by the Palestinian leadership, stated to be in response to potential Israeli annexation, to discontinue cooperation with Israel and the US at all levels and to suspend agreements.

For the donor community such political statements and measures call into question the very foundation and logic for state-building upon which donors base their assistance.

The AHLC Chair welcomed the swift response from the parties and members of the donor group to address the Covid-19 pandemic, and recommended that all parties do their utmost to continue these promising efforts. Such successful combined efforts of the parties and the donors as well as the important role of the UN system, proves that significant achievements are possible through practical cooperation.

Palestinian economic and institutional development continue to be restrained by a combination of factors that limit the PA's fiscal autonomy and stability.

These factors and the Covid-19 crisis are having serious negative repercussions for the Palestinian economy over the short and medium terms, and will lead to a substantial reduction in PA revenues in 2020. This situation will require increased expenditures on health, social assistance, and support for the private sector. Even with a significant reallocation of expenditures, the World Bank estimates that the PA could face a financing gap in 2020 of over \$1.4 billion. According to the World Bank, the pandemic has highlighted several unsustainable aspects of the fiscal relationship, the trade regime, and the labor markets, as well as the fragile situation in Gaza.

In light of this, the donors will welcome and support the implementation of any sort of arrangement between the PA and Israel that lead to regular and predictable monthly transfers to the PA.

In line with the statement of the AHLC Chair of 3 April 2020, the meeting called on the donors:

- to increase and re-focus without delay their budget support and other support to the PA in line with Palestinian priorities.
- to continue financing and supporting the Palestinian response to the Covid-19 crisis and UN response plans, in particular assistance to the public health sector and economic recovery.
- to disburse their announced contributions to UNRWA without delay, and consider further support to the programme budget and emergency appeals, e.g. at the upcoming UNRWA donors conference scheduled for 23 June.
- to continue their financing of the Gaza Reconstruction Mechanism/ Project Management Unit to ensure timely implementation of critical internationally funded projects aimed at improving Gaza's health, energy, water and economic situations, including the Gaza Central Desalination Plant, Gas for Gaza and Cash4work programmes.

Furthermore, donor members of the AHLC called on:

- the parties to continue resolving outstanding fiscal issues, which are key to the PA's longer-term capacity to respond to the humanitarian and development needs of the Palestinian people.
- the parties to further develop agreements and arrangements, including their trading, and labor relationships. The parties to implement without further delay a mechanism to ensure continued correspondent banking relations.
- the PA to continue to reorient its expenditures around emergency health services and direct support to affected households, workers, and private sector firms while continuing to provide basic services to the Palestinian population, and also to prioritise funds to the education and health sectors, including medical supplies, in both the West Bank, including East Jerusalem, and Gaza
- the PA to continue to prioritise implementation of programmes in Gaza both directly and through organizations such as the UN who already have presence and capacity there, while fully recognising the importance of the PA monthly transfers to Gaza.
- Israel to continue to facilitate access and movement, including access for Palestinian workers to the Israeli labor market and supply lines of medical goods, relevant equipment, materials, humanitarian workers etc, especially to Gaza.

Donors today expressed their deep concerns that with the growing tension between the parties, there is a significant risk that a dramatic shift in local dynamics will trigger conflict, radicalization and instability in the West Bank, including East Jerusalem, and Gaza Strip. Effective donor support during such conditions is demanding and has significant limits. Nevertheless, donors today also reiterated their commitment to continue their support.

Donors urged the parties to restart, without delay, negotiations on a comprehensive political settlement for a two-state solution.