

Meeting of the Ad Hoc Liaison Committee (AHLC)

Chair's summary

Brussels, 19 April 2016

Members of the AHLC met today in Brussels, to evaluate the Palestinian economy and to discuss ways to make it more sustainable and independent.

The meeting was hosted by EU High Representative Ms. Federica Mogherini, and chaired by Norway's Foreign Minister Mr. Børge Brende. Both commended the parties for their cooperative spirit and thanked the UN, the World Bank, IMF and the Office of the Quartet for preparing reports.

The AHLC expressed serious concerns over the damaging consequences of the current political impasse between the parties. It emphasized the responsibility of the parties to resolve the conflict and called for concrete initiatives and actions, consistent with the transition contemplated by prior agreements that both sides can take to demonstrate their genuine commitment to realizing a negotiated two-state solution. With ongoing conflicts in the region, the importance of preserving the foundations of the two-state solution is even greater.

The AHLC underlined that economic development cannot be a substitute for a political solution, but stressed the importance of taking significant steps between now and the next AHLC meeting in September to provide a stronger basis for growing the Palestinian economy in order to maintain the viability of the two-state solution.

With respect to economic policy, the AHLC emphasized the need to continue to improve the fiscal position of the Palestinian Authority by resolving outstanding economic issues between the parties, through a more effective mechanism of tax refunds to the PA and through the continuation of the dialogue between the two Finance Ministries.

Stressing that improving the fiscal position is not sufficient for economic viability, the AHLC called for continued reforms to support increasing long-term economic growth and job creation through private sector investment and trade. The AHLC also expressed concerns over the sharp decline in donor aid to the Palestinian Authority.

The AHLC voiced concerns about risks to trade and economic activity from potential disruptions to Israeli-Palestinian correspondent banking relations.

The AHLC committed to develop a two-year strategy to address fiscal sustainability and issues related to long-term economic sustainability. The AHLC will continue to monitor state-building investments that have been made since the Oslo Accords, to ensure gains are preserved.

On this basis the AHLC:

1. Urges the parties to overcome the current impasse and to demonstrate leadership to resolve the conflict on the basis of the two-state solution;
2. While stressing that economic development cannot be a substitute for a political resolution to the conflict, reaffirms its support to developing a sustainable Palestinian economy as a crucial step for becoming a viable, independent, contiguous and sovereign state;
3. Stresses the importance of prioritizing fiscal consolidation of the Palestinian budget by reducing the deficit significantly, while emphasizing the importance of economic growth, private sector investment and job creation for long term sustainability;
4. Emphasizes the great potential in resolving outstanding fiscal issues between the parties by closing fiscal leakages from both sides, and in addressing revenue losses under the current arrangements through a more effective implementation of the Paris Protocol and the Interim Agreement, stressing in particular the importance of resolving the outstanding issue of electricity payments;
5. Commends the parties, particularly the two Finance Ministers, for making serious progress during the past months towards strengthened economic cooperation and closing of some of the fiscal gaps, and urges the parties to deepen their dialogue;
6. Commends the Palestinian Authority for its determined effort to close the fiscal deficit and calls for further implementation of public finance management reforms, in line with the recommendations of the World Bank and the IMF;
7. Welcomes the measures taken by Israel for improving movement of people and goods, and underlines the need to expand them significantly, including improved access for donors, and improve access to markets, resources and

materials in order to sustain substantial economic development, particularly in Area C of the West Bank and in Gaza. Stressing in particular that these are vital steps towards economic sustainability while taking into consideration the security for the Israeli and Palestinian civilians.

8. Welcomes the new “Anti-Money Laundering and Terrorism Financing” law and supports plans for its effective implementation, and calls on the international community to support cooperation between the Israeli and Palestinian monetary authorities to address concerns about strained correspondent banking relations.
9. Calls for increased efforts to accelerate reconstruction in Gaza, particularly with respect to infrastructure, energy, water and housing while urging all donors to translate their pledges from the Cairo Conference in 2014; and calls for a restoration of unity between the West Bank and Gaza under a single, legitimate governing authority;
10. Calls on the parties to take concrete steps to expand the availability of power and water to the Palestinian population of both the West Bank and Gaza;
11. Encourages the co-chairs of the Local Aid Coordination Secretariat (LACS) to continue the ongoing efforts to revise and update the local aid coordination structures, with the aim of making them more effective and efficient, and to ensure ownership of the Palestinian Authority.