

Meeting of the Ad Hoc Liaison Committee
New York, 25 September 2013
Chair's Summary

AHLC members and other major donor countries met in New York today. The meeting was hosted by UN Secretary-General Ban Ki-moon. The Chair, Norwegian Foreign Minister Espen Barth Eide, commended Secretary of State John Kerry's successful initiative to bring the parties back to the negotiating table, and praised the courage shown by President Abbas and Prime Minister Netanyahu. Twenty years after the Oslo Agreement, it is urgent to reach a negotiated settlement of the two-state solution, as this may be the last chance to succeed within the "Oslo paradigm".

The AHLC reaffirmed its long-standing commitment to the vision of an independent, democratic and sovereign State of Palestine living side by side with Israel in peace and security. Encouraged by the briefings by the parties and by Secretary of State John Kerry on the resumption of talks, the AHLC expressed its full support for these negotiations, as they give renewed hope for a political solution. The AHLC appeals for creating a positive climate for these talks.

The donors reaffirmed their assessment of the state readiness of the Palestinian Authority and expressed their willingness to support the parties and assist where they can with a view to bringing the dividends of peace to Palestinians and Israelis alike.

They realize that time is not on their side. The reports from the PA, the World Bank, the IMF, and the UN show that in spite of all efforts, the Palestinian economy is slowing down and providing lower income to the PA than budgeted.

The AHLC welcomed the PA's measures to curb expenses and increase revenues. Indeed, in view of the difficult fiscal situation in 2013, the IMF and World Bank recommend that the PA take measures to bring spending closer into line with expected available resources in order to reduce the USD 350 million financing gap projected for this year. Donor assistance will also be needed to help close the gap, to avoid distortionary budget financing such as arrears accumulation. Over time, to support economic growth, the budget should shift from consumption to productive investment spending, and donors should assist in this transition with multiyear aid commitments.

To help stimulate private sector development, the PA should take measures to develop a business-friendly economic environment. Only a vibrant and self-sustaining Palestinian economy can secure the long-term viability of Palestinian institutions. The reports emphasised the significance of progress in the peace process for economic growth.

For the economy to grow, a broad-based and sustained easing of Israeli restrictions is crucial. This means further removal of road blocks, easing of restrictions on the movement of people, capital and goods, as well as facilitation of Palestinian exports. Greater economic potential can be achieved when access is assured for Palestinian activity in area C. A significant reform of the current trade regime is essential.

Quartet Representative Tony Blair briefed the AHLC on the Economic Initiative for Palestine which aims at transforming the Palestinian economy by stimulating private investments. The AHLC welcomed the initiative and called for cooperation to maximise the combined effectiveness of public aid and private initiatives. A revival of the Palestinian economy is important for buttressing the political process and further preparing the way for statehood.

The AHLC welcomed the prior announcement by the Government of Israel of economic gestures to stimulate the Palestinian economy, and commended its efforts to implement these measures. It recalled that the World Bank, the IMF and the UN emphasised that a significant easing of restrictions is a key to redressing the fiscal difficulties of the PA.

The AHLC welcomed the resumption of direct meetings between the finance ministries to improve their collaboration in collecting Palestinian tax and clearance revenue, and suggested they also discuss how to remove trade obstacles.

The AHLC expressed concern over the deteriorating humanitarian situation in the Gaza Strip and reiterated its full commitment to UN Security Council resolution 1860 in all its elements, including the need for security for all civilian populations.

On this basis the AHLC:

- Welcomes the resumption of the negotiations and reaffirms its readiness to support the political process by continuing its mobilization of necessary assistance to fund the Palestinian Authority through the current transition to independence;
- Welcomes the Economic Initiative developed by the Quartet Representative and calls on the parties to enable its success;
- Calls on donors to increase their assistance above the level of their current commitments this year to help cover the financing gap, and to provide timely and predictable assistance to meet the budget needs of the PA for 2014 – with due regard to burden sharing;
- Calls on the PA to further strengthen its fiscal restraint and reforms, and to align expenses with the revenues, as well as to further enhance the business environment in line with the recommendations given by the World Bank and the IMF;
- Calls on the parties to continue direct meetings between the finance ministries, and to further identify and implement measures to enhance collection and transfer of taxes and clearance revenues;
- Calls on the Government of Israel to facilitate sustainable growth of the Palestinian economy through the further removal of obstacles on the movement of people and goods, as well as obstacles on development, trade and exports in the West Bank and Gaza, including in Area C and East Jerusalem; and
- Calls on the Local Development Forum to resume local coordination efforts in cooperation with the Quartet Representative, and to revive the Joint Liaison Committee, in order to maximise the combined effectiveness of public aid and private initiatives to strengthening growth of the Palestinian economy.