

**Meeting of the Ad Hoc Liaison Committee**  
**New York, 21 September 2010**  
**Chair's summary**

AHLC members and other major donor countries met in New York today. The UN hosted the meeting. The Chair, Norwegian Foreign Minister Jonas Gahr Støre, commended the participants, in particular the Palestinians and the Israelis, for their spirit of cooperation and their positive contributions to the deliberations.

The AHLC welcomed the relaunch earlier this month of direct, bilateral negotiations to end the Israeli-Palestinian conflict and the intensive discussions that are now taking place between Prime Minister Netanyahu and President Abbas. The donors reaffirmed their strong commitment to the two-state solution, and to supporting the negotiations by ensuring full compliance with Road Map obligations and maintaining their assistance to the Palestinian state-building effort.

In its previous meetings, the AHLC called for assistance to the Palestinian Authority (PA) in implementing the Programme for the Thirteenth Government for completing the task of building a viable Palestinian state, with regard to institution building and the development of a sustainable Palestinian economy. In New York, the AHLC reviewed progress based on reports and recommendations from the parties, the UN, the World Bank, the IMF and the Quartet Representative, and agreed on priorities and the way forward.

Prime Minister Salam Fayyad presented the achievements of the first year of the programme, and the remaining challenges for the second year. The AHLC was encouraged by the report that the implementation of the reform agenda had accelerated significantly in the first half of 2010: spending remained within budget targets; domestic revenue had increased as a result of improved collection rates; and important milestones were achieved in several sectors, including social security, public finance reform and infrastructure. The World Bank stated that if the PA maintains its current performance, it is well-positioned for the establishment of a state at any point in the near future.

According to reports, economic growth has picked up in the West Bank and Gaza, and is projected to reach 8% in 2010. The West Bank continues to benefit from progress in the PA's institution-building and reforms supported by donor aid. The donor community welcomes the significant steps taken by the Government of Israel in removing roadblocks and other obstacles to the internal movement of goods and people. Donor-funded PA government spending appears to be driving GDP growth for the fourth consecutive year, raising per capita GDP in the West Bank to 1999 levels, while the situation in Gaza is beginning to show signs of improvement.

The Palestinian Authority faces a shortfall in projected donor financing, possibly as much as USD 300-400 million by the end of the year, and this is causing serious liquidity problems. The obstacles facing private investment are many. Significant changes in the policy environment, particularly as regards expanding the access to internal and external markets, are still required for a sustained and private sector-led revitalization of the Palestinian economy and to further reduce dependence on foreign aid.

The AHLC welcomed the easing by the Government of Israel of restrictions on imports to Gaza, which culminated in June 2010 in the lifting of import controls on consumer goods and certain inputs for internationally supervised investment and reconstruction activities. The AHLC Chair reported on conclusions from its visit to Gaza on 16 August this year. Israel has taken significant steps that will yield tangible results for the people of Gaza. To ensure a genuine revival of Gaza's legitimate economy and improvement of the welfare of the people, the Chair recommended concerted action to allow for the additional lifting of restrictions, including for exports, trade, and the legitimate passage of people, in accordance with UN Security Council resolution 1860 and taking the security concerns of all the civilian populations into account. The donors reiterated that assistance intended for the people of Gaza should be channelled through established land crossings and that measures should be taken to ensure that it does not end up in wrong hands.

The AHLC welcomed the continued work of the Quartet Representative, Tony Blair, regarding the essential goals of Palestinian institution-building and private-sector-led development. The AHLC also took positive note of the work of the Joint Liaison Committee in facilitating local tripartite cooperation between Palestinians, Israelis and international donors, including with regard to the implementation of the June 2010 decision of the Government of Israel.

On this basis the AHLC:

- calls on donors to make available without delay sufficient assistance to meet the 2010 recurrent financing requirements, with due regard to equitable burden sharing, and urges the PA to continue reform efforts and fiscal discipline;
- reaffirms its pledge to assist in implementing the second year of the PA's programme for building a viable Palestinian state, with a focus on decreasing dependence on aid, and continuing to strengthen public safety, security and respect for citizens' rights, as well as improve the accountability and efficiency of the public sector and the legal framework for business;
- recommends facilitating a more enabling environment for robust private sector-led growth and for enhanced sustainability of the Palestinian economy, and calls on the Government of Israel to take further steps to dismantle restrictions and measures impeding development and trade including in area C, facilitate growth of agricultural services, and allow for broader public and private investment;
- calls on all parties to continue to take steps to facilitate a genuine revival of the Palestinian economy, including by further removing restrictions on the entry and exit of goods and services to and from Gaza, in accordance with UN Security resolution 1860;
- calls on donors to release funds allocated in Sharm el-Sheikh in March 2009 for the PA's priority projects in Gaza under international supervision within the areas of water, sanitation, energy, education and health services, and urges the Government of Israel to redouble its efforts to facilitate effective delivery of materials;
- calls on the Joint Liaison Committee to meet regularly to help facilitate tripartite cooperation locally with a view to ensuring effective progress on the ground;
- welcomes the Chair's initiative to call for a donor conference in support of the Palestinian Development Plan for 2011-2013 at an appropriate time.