

**Meeting of the Ad Hoc Liaison Committee
London
2 May 2008**

Chair's Summary

Ministers and senior officials of the AHLC members met at Lancaster House in London today to reaffirm their strong commitment to a two-state solution to the Israeli-Palestinian conflict. For the first time ministers outside the AHLC circle participated in the meeting. Their participation demonstrates the renewed commitment of the donor community expressed at the donor conference in support of the Palestinian Authority (PA) last December in Paris. Foreign Secretary David Miliband hosted the meeting. As Chair, Norway wishes to thank the participants, in particular the Palestinians and Israelis, for their spirit of cooperation and their positive contributions during the deliberations.

- The AHLC took note of the Quartet statement issued after its meeting earlier in the day.
- The AHLC reaffirmed that the international community, the PA and Israel, must act together to make significant economic growth in the Palestinian territory possible.
- The AHLC welcomed the support provided by donors to the Palestinians in the form of the USD 7.7 billion pledged in Paris and the disbursements made since December 2007. The AHLC welcomed the two new financing mechanisms, the PEGASE and the World Bank Trust Fund.
- For 2008, the amounts disbursed or confirmed are adequate to cover financing needs for the first half of the year. However, without additional assistance, a shortfall of NIS 1.4 billion (USD 0.4 billion) is projected in the second half of 2008. Adequate and timely disbursements from donors, closely coordinated with the PA, are critical to prevent liquidity problems and payment arrears. Donors are urged to reallocate part of their development commitments to budget support.
- The AHLC commended the reform steps undertaken by the PA in difficult circumstances. A strict government employment policy has been followed, and utility subsidies are being reduced. The public financial management system has also been strengthened. These measures represent a significant step toward fiscal sustainability.
- While acknowledging Israel's security concerns, the AHLC expressed concern that access and movement restrictions have increased over the last seven months and continue to constrain economic development. The AHLC welcomed the recent

announcement by the Israeli Government that a number of obstacles in the West Bank would be removed and affirmed that there is a clear need, however, for a more substantial relaxation of restrictions on movement and access in 2008.

- The AHLC emphasised that the removal of significant restrictions was likely to stimulate private sector confidence and economic growth. In this context the AHLC looked forward to the Palestinian Investment Conference in Bethlehem later this month.
- The AHLC emphasised the importance of close cooperation and coordination between Quartet Representative Blair, the international community, Israel and the PA on promoting economic growth and institutional capacity-building.
- The Quartet Representative has also identified a set of concrete deliverables that, if adopted by the parties, could help trigger a much-needed private sector response. Easing of checkpoints and crossings are essential measures to boost private sector revival.
- The AHLC expressed deep concern over the deteriorating situation in Gaza. As aid in itself will not be an efficient remedy, the private sector should be stimulated and crossings opened. The AHLC deplored the escalation in attacks from Gaza on Gaza crossings.

In order to support the current dialogue among the parties and achieve results on the ground, AHLC members stressed the following:

- It is necessary to accelerate trilateral action to boost economic growth and create functioning institutions to serve as a solid foundation for a Palestinian state.
- Development assistance is not sufficient to create a sustainable economy and produce tangible results on the ground. The easing of Israeli restrictions on movement and access is necessary for the revival of the Palestinian economy. Israeli genuine security concern should be taken into account.
- The PA should continue to implement its reform and development plans with a view to actively continuing to improve governance, strengthen Palestinian institutions, and particularly improve the security environment. The international community should continue to actively support the PA, particularly its reform and development efforts. Israel should provide an enabling environment to ensure the success of these effort.
- The AHLC recognised that budget support, is critical to keep the Palestinian public institutions running and agreed that donors should increase their budget support to the PA, with due regard to equitable burden sharing. The budget support should be

aligned with the PA reform and recovery priorities and be provided through direct transfer to the PA Central Treasury Account.

The AHLC chair plans to call for a new meeting during the UN General Assembly in New York.