

*Meeting of the Ad Hoc Liaison Committee (AHLC)
New York, 27 September 2018
Chair: Foreign Minister of Norway Ms. Ine Eriksen Soreide*

Chair's Summary

The members of the AHLC met today in New York to address the critical situation in the Palestinian economy and the humanitarian situation in Gaza.

This was the third AHLC meeting at ministerial level in 2018. In addition, preparatory meetings were held in Cairo, Oslo and Brussels. This engagement reflects the commitment of the international community to the two-state solution and to Palestinian state- and institution-building.

The Palestinian economy seriously declined in 2018 due to a combination of major and unexpected reductions in donor contributions, significant revenue losses due to fiscal leakages and continued restrictions on Palestinian movement, including access to Area C. In Gaza, this has resulted in a dramatically deteriorating humanitarian situation. Large cuts to UNRWA also affect the service delivery to the population, further aggravating the decline of the Palestinian economy.

Reports from the IMF and World Bank to this meeting demonstrate that the PA faces a large budget deficit not covered by external financing. Recent Knesset legislation threatens to reduce PA income further. Together, these elements add up to an unmanageable financial situation and a risk of financial breakdown in 2019.

The meeting called for urgent action to address Gaza's humanitarian decline and to mitigate the risks for the broader Palestinian economy. The meeting called for taking steps to significantly improve the fiscal situation for the PA. Reversing the recent decline in donor support is critical, also in order to upgrade basic infrastructure, both in the West Bank and Gaza, for energy, safe water and sanitation. The plans are in place, and implementation should start in 2019. The donors expressed their continued support for the PA to reinstate its governance in Gaza, in order to reunite Palestine under one authority.

The meeting addressed the following high priority areas:

1. Address outstanding fiscal and broader structural issues. The situation cannot be improved unless the parties and donors make concerted efforts to get the Palestinian economy back on track. The Chair in cooperation with AHLC members will facilitate initiatives to address outstanding fiscal issues.
2. Implement in coordination with the PA, a package of humanitarian interventions outlined by the United Nations in its report to the plenary, that I have decided to annex to this chair's summary. The meeting expressed its support for implementing the package as a matter of urgency.
3. Finalize and implement the Power Purchase Agreement and the Red/Dead water agreement, including resolving issues related to lines and the connecting facilities in Area C.

4. Implement the permanent solution decided by the Government of Israel, based on an understanding with the PA, to maintain Correspondent Banking Relationships.
5. The current system of extensive restrictions for people to travel into and out of Gaza must be lifted.
6. Further remove access restrictions for goods into and out of Gaza, and expanding Gaza's fishing zone.
7. Implement the recommendations from the ongoing review of the Gaza Reconstruction Mechanism.
8. Donors need to increase their financial support to the PA for 2019.