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### Chair's summary at Meeting of the Ad Hoc Liaison Committee

Ministers and senior officials of the AHLC members and other major donor countries met at UN Headquarters in New York today to reaffirm their strong commitment to a two-state solution to the Israeli-Palestinian conflict. UN Secretary-General Ban Ki-moon hosted the meeting. As Chair, Norway thanked the participants, in particular the Palestinians and the Israelis, for their spirit of cooperation and their positive contributions during the deliberations.

- The AHLC reaffirmed its political and economic support to Palestinian institution building and the efforts made by the Palestinian Government led by Prime Minister Fayyad. Despite the difficult conditions on the ground, the Palestinian Authority has continued to implement its reform and development agenda, particularly in the area of security, and to pursue prudent fiscal policies and reforms. Expenditure increases have been below the inflation rate, implying a retrenchment in real terms.
- The AHLC reaffirmed its view that economic progress in the Palestinian Territory is an essential part of bringing the Israeli-Palestinian conflict to an end. As a result of the Paris conference, the international community has contributed USD 1.36 billion in budgetary support this year. All funding instruments, including, the European Commission's PEGAS and the World Bank Trust Fund, have proved crucial in mobilising coordinated donor support. Although considerable external financial support has been mobilised, weak economic growth has taken place since the AHLC revived the three-party cooperation last year. While acknowledging Israel's security concerns, the AHLC expressed concerns that access and movement restrictions continue to constrain Palestinian economic development.
- In this context, the AHLC reiterates its support for the Quartet Representative and his intensive efforts together with the Palestinian Authority and the Government of Israel to fully implement the package of measures agreed on 13 May 2008, which are aimed at boosting the Palestinian economy and promoting greater freedom for the Palestinians, while taking Israeli security concerns into account.
- The AHLC regards the recent Israeli measures to dismantle roadblocks in the West Bank, to allow increased transport into Gaza, and the agreement enabling a second Palestinian mobile phone company to begin operations as concrete actions to facilitate Palestinian economic development. These are positive first steps. However, in line with the Quartet Representative's efforts, agreed with the parties, a more substantial relaxation of restrictions on movement and access, development of land and resources in Area C, and expansion of the types of items permitted into Gaza are crucial to foster a new reality on the ground, while taking Israel's security concerns into account. Greater movement of people and goods will give the Palestinian economy a major boost and increase the efficiency of development programmes, and thereby reduce the dependence on aid and lay the groundwork for a viable Palestinian state.
- Security, good governance and economic development are interlinked, and the positive experience gained in Nablus and the Jenin region should be expanded to other cities and areas in line with Palestinian Authority priorities. AHLC welcomed the acceleration of US and European Union efforts to develop Palestinian security and police forces, respectively.
- The AHLC members expressed their satisfaction with the Bethlehem Investment Conference and congratulated the Palestinian Authority on a successful initiative and Israel for its cooperation. This initiative should be built on.
- Despite uneven disbursements from donors, the Palestinian Government has been able to pay salaries without interruptions and reimburse the bulk of its arrears. There is, however, still a budget gap of USD 320 million in 2008.
- The AHLC expressed its support for the ongoing bilateral negotiations undertaken in the context of the process launched at Annapolis, and expressed deep concern over the lack of progress in fulfilling the Quartet Road Map obligations, with many donors expressing concerns regarding settlement expansion. Also AHLC encouraged actions to support efforts to build peace, freedom and security for the Palestinians and the Israelis.
- In order to support the ongoing negotiations on final status and achieve results on the ground, AHLC members stressed the following:
  - The three-party cooperation between the Palestinian Authority, Israel and international donors must be further strengthened. To this end the AHLC is reviving the Joint Liaison Committee, comprising the Palestinian Authority, Israel and major donors. The revival of three-party cooperation at local level should help rebuild confidence and trust between the parties, and secure effective progress on the overall aims defined by the AHLC.
  - In order for external aid to have significant economic impact and facilitate economic growth, restrictions of movement and access in the Palestinian Territory must be substantially relaxed, taking genuine Israeli security concerns into account. There is a need to accelerate this work.
  - Palestinian security sector reform as well as institutional and capacity building must continue.
  - International donors approved and gave their support to the Palestinian Reform and Development Plan at the Paris donor conference in December 2007. The AHLC urges donors that have not yet converted their budget support pledges into disbursements to transfer funds immediately. In addition the donors are asked to cover the undefined budgetary gap for 2008. The AHLC asks donors to reallocate unutilised funds for project implementation to budgetary support for 2008.
- The Chair called for a new meeting in the first part of 2009. Donors are asked to provide the Palestinian Authority with indicative figures on their support in 2009. The AHLC underlined the need for equitable burden sharing by donors in this effort, and encouraged the donors to consider aligning funding cycles with the Palestinian Authority's national budget cycle. This will increase predictability and will enable the Palestinian Authority to improve its financial planning. The AHLC encourages donors to use the existing aid delivery mechanisms to coordinate their efforts, such as the World Bank Trust Fund or the European Commission's PEGAS.