
2015 report to Ad-Hoc Liaison Committee

Thursday, May 21, 2015 in [Office of the Quartet Representative](#)

Ahead of the 27 May 2015 meeting of the Ad-Hoc Liaison Committee (AHLIC) in Brussels, the Office of the Quartet Representative (OQR) submitted its [report](#) on the political and economic situation on the ground, as well as an update on the work of the Office in support of Palestinian economic growth and institution building.

Executive Summary

- **Stalled political process** : Over a year on from the breakdown in talks between Israel and the Palestinians, there is still no tangible political horizon in sight. The last year has repeatedly presented us with reminders not just of where the flashpoints and difficulties persist, but also that in the absence of a political horizon, the vacuum quickly fills with animosity and violence. While 2014 should have been characterized by significant progress towards the two-state solution, it will instead be remembered for a bloody conflict in Gaza, and violent unrest in Jerusalem and the West Bank. Once again, we find ourselves in a highly unstable situation, with few indications that serious and sustained direct engagement between Israel and the Palestinians will begin any time soon. Those involved in the political negotiations are rightly taking a hard look at the traditional approach to the process to understand the best way to move forward. While the parties consider how to renew the efforts for a two-state solution, significant steps must be taken to bring about tangible, positive change throughout the West Bank, Gaza and East Jerusalem, thereby creating a supportive environment that moves us decisively towards renewed contacts.
- **Need for Palestinian economic empowerment** : The Palestinian economy remains heavily dependent on Israel. While a positive political horizon is essential for economic confidence, economic empowerment is vital to boost the Palestinian government's ability to govern its own economic affairs in line with development goals. This includes at the immediate stage a better implementation of existing agreements (especially the Paris Protocol), upgrading them where needed and ultimately replacing them with an alternative trade regime that could benefit both the Palestinian and Israeli economies for the longer term. A critical mass of measures by Israel and the Palestinians to enable free trade and investments will show the business and international community that there is a serious drive to improve Palestinian economic growth prospects.
- **Clearance revenues must be insulated from politics** : A vivid reminder of just how precarious the Palestinian economy has become, came earlier this year following the withholding of Palestinian tax revenues, bringing the PA – the largest employer in the Palestinian Territory – to the brink of bankruptcy and negatively impacting business and private consumption. A transparent and reliable process around clearance revenues is not only critical for the PA's fiscal autonomy, it is also vital for business confidence. It is therefore essential that Israel transfers these monies in a predictable, unconditional and transparent manner. In addition, the PA also needs to carry out contingency planning to better protect itself from disruptions to its finances.
- **Slow pace of Gaza reconstruction** : The situation in Gaza remains unsustainable nine months after the end of the last Gaza conflict. While the Gaza Reconstruction Mechanism (GRM) has already seen construction materials for repairs go to tens of thousands of Gazans, for many the recovery and reconstruction process is not happening fast enough and frustration continues to grow. Immediate as well as long-term solutions, particularly on shelter, energy and water, are still urgently needed for Gaza. If these basic needs are not addressed, there will be no sustainable recovery and redevelopment for Gaza. All involved need to take responsibility immediately to get Gaza out of its continuing deadlock, including Hamas, the Palestinian Authority, the Israeli government and donors who pledged assistance at the October 2014 Cairo Conference.
- **Lack of progress on Gaza reintegration** : The dire situation in Gaza is further exasperated by the stalled reconciliation process between Fatah and Hamas, as the rival factions continue to jostle for power rather than implement the June 2014 agreement. Despite the formation of a Government of National Consensus, Hamas and Fatah have failed to agree on the PA's deployment in Gaza. As long as the deadlock continues and the PA is not on the ground in Gaza, there will not be any significant improvement in the situation. An effective and tangible PA presence in Gaza is also a prerequisite for many of the donors who pledged funds at the Cairo Conference. Without the PA fully engaged, reconstruction, redevelopment and economic recovery for Gaza cannot take off.
- **Security and rule of law** : Effective governance is critically important for economic development in the West Bank and the Gaza Strip. Without police being able to effectively patrol and quickly access areas under Palestinian jurisdiction, Palestinians cannot enjoy effective protection and law enforcement, while economic development will be limited as business and service providers stay away. In April 2015, as a result of OQR's work with the Israelis and Palestinians, the IDF Central Command ordered significant changes to the movement and access conditions for the Palestinian Civilian Police (PCP) that will greatly enhance the ability of PA law enforcement agencies to operate effectively throughout the West Bank. These decisions need to be fully implemented, with further steps taken to ease PCP operations in Area B and Area C enabling quicker response times. Furthermore, effective government also requires a successful reintegration of the civil service in Gaza. The PA and Hamas must take immediate action on the roadmap on the consolidation of the civil service, designed and brokered by Switzerland.
- **Limited progress on movement and access** : There have been some positive developments and decisions by the Israelis that will impact the Palestinian economy. These include trade out of Gaza to the West Bank and Israel for the first time since 2007, steps towards containerization of the Allenby / King Hussein Bridge, and increased capacity at the Kerem Shalom terminal with Gaza. There has also been a welcome increase in the movement of Palestinians, including out of Gaza, and into Jerusalem, as well as an increase in work permits for West Bank Palestinians to enter Israel and changes to some of the requirements. Much more is still needed, however, to further boost economic activity given continuing restrictions on movement and access, both for Gaza and the West Bank.
- **Access to land for economic development** : Limited access to land resources remains a major obstacle to growth of the Palestinian economy. There is still some untapped potential in Areas A and B of the West Bank, where an expedited Land Registration program would help to bring down the cost of development. Area C is where the real economic potential lies, and is key for the development of industrial and economic zones as well as agricultural projects, but is highly politicized. Israel should, for example, fulfil its pledge to fast track permits for agricultural projects on 14,700 dunams of Area C land as it pledged at the last AHLIC meeting as an immediate step.

Further information

- Read the [report in full \(PDF\)](#)
- The OQR prepares a report on its activities ahead of each meeting of the AHLIC - a 15-member committee that serves as the principal policy-level coordination mechanism for development assistance to the Palestinian people. The AHLIC is chaired by Norway and co-sponsored by the EU and U.S.

<http://www.quartetrep.org/quartet/news-entry/may-2015-ahlic-report/>