

**Meeting of the Ad Hoc Liaison Committee**  
**Madrid, 13 April 2010**  
**Chair's summary**

AHLC members and other major donor countries met in Madrid today. The meeting was hosted by Foreign Minister Moratinos and chaired by Foreign Minister Støre. The Norwegian Chair commended the participants, and in particular the Palestinians and the Israelis, for their spirit of cooperation and their positive contributions to the deliberations.

The AHLC convened to take stock of the situation in the West Bank and Gaza – based on reports and recommendations from the parties, the UN, the World Bank, the IMF and the Quartet Representative – and to agree on ways forward.

The donors reaffirmed their strong commitment to the two-state solution to the Israeli-Palestinian conflict resulting in an independent, democratic, and viable Palestinian state living side by side in peace and security with Israel and its other neighbours. They reaffirmed their commitment to supporting the political negotiations by ensuring full compliance with Road Map obligations and mobilising assistance to Palestinian economic and institutional development. The donors noted the call by the Middle East Quartet in Moscow on 19 March 2010 for the international community to sustain the support for the Palestinian state-building effort.

In Madrid, the AHLC discussed priorities and how to focus donor activities for the coming year, following up on its call in New York 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 regards to institution building and the development of a sustainable Palestinian economy.

The AHLC welcomed the close cooperation between Quartet Representative Tony Blair, the international community, Israel and the PA in reaching the goals of institution building and promotion of private sector-led development.

Prime Minister Salam Fayyad presented the PA's needs for donor assistance for securing the recurrent financing requirements for the year 2010. The AHLC took note of the need for external budget support of USD 1.2 billion. It was encouraged by the reports of a positive overall trend in the economic development of the West Bank, with growth reaching 8% in 2009. The Palestinian economy shows a significant reduction in the share of external financing of the Palestinian GDP over the last three years. At the same time, the PA's fiscal position remains precarious, as significant restrictions on access to markets and private investment continue and dependency on donor funding remains high.

The overall positive performance in the West Bank reflects concerted actions taken by the PA, the Government of Israel and the donor community in support of Palestinian development priorities. The PA has established a solid track record in institution building and economic and security reforms, supported by generous aid. The AHLC welcomed the steps taken by the Government of Israel to relax some of the restrictions on movement and access in the West Bank and called for continued action to expand Palestinian access to internal and external markets.

The AHLC followed up on the UN Security Council Resolution 1860 tasking to support efforts to alleviate the humanitarian and economic situation in Gaza. The donors expressed their deep concerns for the welfare of the people of Gaza, agreed that the situation in Gaza is unsustainable, and noticed the importance of progress in civilian reconstruction activity. The AHLC acknowledged Israel's recent decision to broaden the type of goods allowed into Gaza and called on Israel to further expand the scope and quantity of goods allowed to enter and exit Gaza for commercial and humanitarian purposes. The donors reiterated the need to ensure that assistance intended for the people of Gaza does not end up in the wrong hands.

The AHLC noted, however, that the economic activity in Gaza remains severely constrained. Reports from the World Bank and the IMF emphasized that further economic growth depends on lifting the blockade of Gaza and improving conditions for trade. The AHLC noted the need for efforts to ensure a durable solution in Gaza, in accordance with UN Security Council Resolution 1860, that takes the security concerns of all of the civilian populations into account.

On this basis the AHLC:

- renews its pledge to assist in implementing the Programme of the 13th Palestinian Government for building a viable Palestinian state, with a focus on developing a sustainable economy and building robust state institutions;
- calls on donors to secure adequate donor assistance to finance the 2010 recurrent financing requirements, with due regard to equitable burden sharing, and to improve the timeliness and predictability of their support;
- recommends that the donor community improve local coordination of sector programmes and projects and keep a focus on creating a more enabling environment for robust private sector-led growth;
- welcomes steps taken by the Palestinian Authority to continue to strengthen its reform process with a focus on legal frameworks for business, delivery of social services, capacity building in key institutions and key utility services;
- encourages the Palestinian Authority to continue to strengthen its fiscal position through continued fiscal discipline and reforms, with a view to enhancing revenue performance and containing expenditures;
- calls on the Government of Israel to take further steps to dismantle access and movement restrictions and measures impeding trade, facilitate growth of agricultural services, and allow for broader public and private investments;
- calls for enhanced cooperation and increased efforts to reverse the deterioration of the situation in Gaza by allowing a wider scope and increased quantities of goods and services to and from Gaza, as well as unimpeded access of humanitarian aid, in accordance with UN Security Resolution 1860;
- calls on the Joint Liaison Committee to intensify its efforts to facilitate the tripartite cooperation locally with a view to ensuring effective progress on the ground;
- agrees to reconvene in New York in September 2010 in conjunction with the UN General Assembly.