Kito De Boer, Head of Mission of the Office of the Quartet (OQ), opened his presentation by emphasizing that the focus of the OQ is economic growth. He noted the language from the most recent report of the Quartet Principals which stresses that the economic independence of the Palestinian Territory is consistent with the achievement of political reconciliation. He said that growth must be supported by new investment which will ultimately increase the tax base through productive investments in job creating industries and sectors. De Boer said that there are four engines of growth in the Palestinian Territory:

1. **Government** – Given the fiscal and economic outlook, the proportion of government spending on civil service salaries and benefits is unsustainable in the long term.

2. **Donor support and remittances** – The Palestinian Territory has received the second largest amount of foreign aid in the world since the establishment of the Palestinian Authority government. This funding has not succeeded in establishing a successful independent state with thriving economic base and has therefore declined from 9 to 3% of GDP, while overseas remittances from the diaspora have grown thus neutralizing the impact of the decline in assistance although not generating additional revenue.

3. **Business and Private Sector** – Private capital investment is below 5% of total GDP, which is not keeping pace with depreciation in plant and machinery. Roughly $1.4 billion in additional investment per year is needed to rebuild the capital base and raise the investment figure back to about 15% of GDP.

Using this model, an independent entity called Shurook has been established, to strengthen the private sector’s contribution to growth by raising additional private capital to supplement donor funds. OQ is now focused on supporting fewer projects that can deliver tangible results in power, water, telecommunications, and trade, which are the most critical sectors in which to generate increased investment. He noted that the IEC debt restructuring will help to strengthen economic independence, especially given that power is the second largest Palestinian import. However, he cautioned that the PA will need donor support to strengthen the management of the power sector and to build an independent power grid with connections to a Palestinian power network. De Boer urged the international donor community to focus on the development of this infrastructure and short-term water needs especially in Gaza. He concluded by stressing the importance of increasing investment in production that will lead to more exports and increased growth.

At the end of the discussion period, de Boer closed by noting that there are major shifts taking place in the economic development of the Palestinian Territory, which will create new opportunities for the development of an independent power sector. He suggested that the
international community collectively wants to see faster progress but that requires a coherent strategy for the development of the Palestinian power and water sectors. He urged the AHLC chair and participants to move toward a focus on implementation. De Boer cautioned that the private sector will not invest in large scale power projects in Gaza with the current financial risks in place. Solar investment in the West Bank can become a viable opportunity but the Palestinian Territory needs an upgraded electricity grid and additional infrastructure, which require international funding. He illustrated his point by saying that Shurook had used GIS mapping to identify 8 prime locations in the West Bank for utility scale solar projects, the first of which is currently in development in Jericho. He stressed that the OQ will continue to support foundational infrastructure projects such as Gas for Gaza, but that project will take at least 3 years to develop and he called on the international community to support the development of the power sector in a coordinated effort to create the necessary infrastructure for growth and investment.

De Boer concluded with two quotes, the first from noted economist Adam Smith who said, “...in the long term we are all dead” and the second from the PA’s Finance Minister Shukri Bishara who said, “In the short term we will be lucky to be alive.” He stressed the sense of real urgency and emphasized that in order to remain relevant and effective, OQ must not just focus on long-term projects.

Following the thematic session, at his final AHLC meeting, U.S. Secretary of State John Kerry confirmed the importance of private partnerships that must accompany donor support to the Palestinian economy. He cautioned, however, that much more remains to be done to facilitate private investment. He thanked Kito de Boer and the OQ for their “extraordinary work under very difficult circumstances in trying to move ahead.” But he also stressed that “investment in policy and (the) economy needs to be led by the Palestinian private sector, global investors from the Arab states, the West, and the Palestinian diaspora, in partnership with the Palestinian Authority, to help launch a range of projects and bring services and prosperity to the Palestinian people.”