



## OFFICE OF THE UNITED NATIONS SPECIAL COORDINATOR FOR THE MIDDLE EAST PEACE PROCESS

### NOTE ON THE OCCASION OF THE MINISTERIAL MEETING OF THE AD HOC LIAISON COMMITTEE

25 September 2025

#### **Situation overview<sup>1</sup>**

Almost two years after the horrific terror attacks perpetrated by Hamas and other Palestinian armed groups on 7 October 2023 and a series of regional escalations, Israel's devastating military campaign and the ongoing hostilities in Gaza continue to inflict death and destruction on an unimaginable scale.

As of 17 September, according to the Gaza Ministry of Health, at least 65,062 Palestinians have been killed since 7 October 2023, most of them reportedly women and children. According to Israeli sources, 1,965 Israelis and foreign nationals have been killed in attacks in or originating from Gaza, including at least 310 women and 57 children. Forty-eight hostages are still being held captive by Palestinian armed groups in Gaza. As of 21 September, a ceasefire and the release of all hostages remain elusive.

Earlier this year, following intensive efforts by the mediators – Egypt, Qatar, and the United States – the parties implemented a ceasefire and phased, partial release of hostages and Palestinian prisoners and detainees. Five Thai nationals were released through a separate agreement. The agreed ceasefire took effect on 19 January, resulting in a dramatic decrease in hostilities, the release of 25 Israeli hostages and the return of the remains of eight others. A surge in lifesaving assistance delivered by the UN and humanitarian partners and a resumption of commercial goods, greatly alleviated the suffering of the civilian population.

This reprieve, though meaningful, was short-lived. On 18 March, Israel resumed full-scale military operations in Gaza. Since then, the hostilities have increased in intensity, particularly following the decision by Israel's Security Cabinet on 8 August to militarily take control of Gaza City, while distributing humanitarian assistance outside combat zones.

The humanitarian situation in Gaza is catastrophic. On 22 August, the IPC confirmed famine in Gaza governorate, and projected famine to expand to two other governorates by the end of September. Since mid-August, Israel has incrementally increased humanitarian assistance into the Gaza Strip, but the current level of aid is nowhere near sufficient to meet the immense needs.

Meanwhile, the occupied West Bank is also experiencing a dire and worsening crisis. Violence has increased significantly. Expanded Israeli military operations across the West Bank, and particularly concentrated in the northern West Bank, have resulted in high levels of casualties, extensive destruction of

---

<sup>1</sup> The UN Special Coordinator for the Middle East Peace Process provides monthly briefings to the United Nations Security Council on the situation in the Middle East. These briefings provide greater detail on the UN's positions related to the changing political, development, and humanitarian situation. Previous UNSCO reports to the AHLC and briefings to the Security Council can be found at <https://unsco.unmissions.org/resources>

homes and civilian infrastructure, and the displacement of more than thirty thousand Palestinians, who have no clarity on if or when they will be able to return home. Heightened settler violence and Palestinian attacks against Israelis have occurred at elevated levels, compounding the negative trajectory.

Israeli-imposed strict access and movement restrictions continue to disrupt daily life across the West Bank and deprive Palestinians of access to their land and resources, impeding economic development and access to basic services such as education, health care, and assistance for the most vulnerable. Most Palestinian permits for work in Israel remain suspended.

Relentless settlement advancement has continued in clear violation of international law, fueling tensions, and impeding Palestinian access to their land and resources, especially in Area C. The ever-growing settlement footprint, including expanding outposts, further entrenches the Israeli occupation. The advancement of the E1 settlement plan is a calamitous development, which, if implemented, would effectively sever the connection between the northern and southern West Bank, while further threatening the prospects for an independent and contiguous Palestinian state.

In parallel, demolitions and seizures of Palestinian homes and property across the occupied West Bank, including East Jerusalem, entail numerous human rights violations. Alarming, within the Israeli government there have been increasingly open discussions about the de jure annexation of all or parts of the West Bank.

In occupied East Jerusalem, Israeli demolitions of Palestinian homes continued, with 236 structures demolished over the past year, impacting 1,869 Palestinians and displacing 640 Palestinians, including 300 children.

Inflammatory acts have also continued at Jerusalem's Holy Sites, with visits by several ministers and members of Knesset, including some who have openly violated or called for violating the status quo.

Against a backdrop of ongoing volatility across the Middle East, international partners, including regional states, have supported efforts to resolve the Gaza hostilities, respond to the humanitarian crises, provide critical financial support to the Palestinian Authority, and plan for a Palestinian-led recovery in Gaza.

The past year has also seen revitalized diplomatic initiatives aimed at restoring a political horizon towards a two-State solution, notably ongoing efforts by the Global Alliance for the Implementation of the two-State Solution and the July High-Level Conference for the Peaceful Settlement of the Question of Palestine and the Implementation of the Two-State Solution, convened by France and Saudi Arabia. In the New York Declaration following the Conference – subsequently endorsed by the General Assembly - Member States reaffirmed that ending the occupation and establishing a two-State solution based on international law, UN resolutions and previous agreements is the only viable path to resolving the conflict.

Building on this momentum, the Ad Hoc Liaison Committee provides a valuable forum to help translate political commitments into specific economic and technical policy steps. Concrete, coherent international action is needed around the following priority areas:

1. **Ending the war in Gaza and shaping “day after” planning** to pave the way for a two-State solution, in line with the principles and enabling conditions for early recovery detailed at previous AHLC meetings.
2. **Reversing negative trends** that are undermining the prospects for a peaceful resolution to the conflict. This includes addressing increasing violence, including attacks, settler-related violence, displacement, and settlement expansion in the West Bank, including East Jerusalem.
3. **Preserving and strengthening Palestinian institutions**, including through recognizing notable progress towards reforms, ensuring fiscal stability, and supporting further reform implementation and the holding of elections when conditions allow.
4. **Stabilizing the Palestinian financial sector**, including immediate action to maintain the financial relationship between Israeli and Palestinian financial institutions.

### **The Palestinian Authority on the brink: Fiscal crisis threatens institutional viability**

For many years, the Ad Hoc Liaison Committee has sounded the alarm on the fiscal and economic crises facing the Palestinian Authority. Despite these warnings – and substantial support by Committee members aimed at alleviating the crisis – the Palestinian Authority’s fiscal position has continued to worsen. Unsustainably high levels of debt, a collapse in revenue collection, and chronic arrears now constitute an existential threat to the Palestinian Authority’s fiscal viability.

The Israeli government has continued to impose punitive economic measures against the Palestinian Authority, most consequentially the unilateral withholding of all clearance revenues. According to the Palestinian Authority, Israel has not transferred any clearance revenues since May of this year, while the cumulative total of withheld clearance revenue has now reached over 2 billion USD. Despite a significant increase in donor support to the Palestinian Authority in 2024, overall donor support fell far short of offsetting the impact of Israeli clearance revenue withholding. In July 2025, total revenue was at less than a quarter of revenues prior to October 2023, and far below minimally sustainable levels.

The fiscal crisis has been further exacerbated by the significant deterioration in the Palestinian economy, which has lost more than half a million jobs and contracted by nearly a third since October 2023, mainly due to the destruction of economy in Gaza. Within the West Bank, the economic contraction has primarily been driven by movement and access restrictions, including full or partial closure of many northern West Bank cities and restrictions on the more than 150,000 Palestinian workers with jobs in Israel from accessing their places of employment.

As a result, the Palestinian Authority’s fiscal position – chronically fragile for many years – has substantially deteriorated since 7 October 2023, with serious consequences for institutional stability and delivery of essential services. Palestinian civil servants have received partial salaries since November 2021 and are owed 1.7 billion USD in wages from the Palestinian Authority. June 2025 salaries were paid in September 2025 and at an average of 50%. Most civil servants rely on bank loans to meet basic expenses, and as of July 2025, Palestinian banks have lent more than 1.8 billion USD to civil servants.

Palestinian civil servants continue to work and deliver services, but essential services have already been affected, with reduced opening hours for health facilities, schools, and government offices. Despite the

fiscal crisis, since November 2024 the Palestinian Authority has prioritized social transfers to elderly and vulnerable Palestinian families, representing a fraction of the regular caseload. Without immediate financial support, the PA has warned that over 110,000 public sector employees will not be paid, including some 34,700 in the security sector, 44,515 staff in the education sector, and over 9,000 workers in the health sector. This would have an immediate and dramatic impact on stability and service delivery across the West Bank.

Adding to these pressures, Israeli restrictions on UNRWA operations and UNRWA's precarious financial state have reduced its ability to provide assistance to Palestine refugees. UNRWA is the second largest provider of basic services, including education and healthcare, and provides social protection, cash, and other forms of emergency assistance to some 270,000 beneficiaries in the West Bank. In the 19 Palestine refugee camps, UNRWA is the only provider of basic services. Any further deterioration in UNRWA's ability to operate and deliver critical services would seriously jeopardize human development, community, and stability in the West Bank.

### **Threats to Palestinian financial stability**

Interlinked with these fiscal challenges are the serious risks facing the Palestinian financial sector. The Palestinian Monetary Authority has warned that the ability of the Palestinian economy and financial sector to withstand multiple and overlapping crises has reached critical levels.

The uncertainty surrounding the correspondent banking relationship between Palestinian banks and Israel poses a serious threat to economic stability. The current indemnification for Israeli banks, passed by the Israeli Cabinet last December, is due to expire in December 2025. The international community should continue to promote steps by the parties towards more sustainable management of correspondent banking relations in order to mitigate this systemic risk to the financial sector. Another challenge facing the financial sector is the rapid accumulation of excess shekels in Palestinian banks, impacting the more than 14 billion USD of economic transactions between the Israeli and Palestinian economies. The reinstatement of previous mechanisms, such as electronic payment of wages for Palestinian workers in Israel, is necessary to increase financial transparency, reduce the accumulation of physical shekel banknotes, and mitigate risks to the financial sector.

Together, these factors have severely constrained economic development, while constraining the PA's ability to deliver reliable and high-quality services to Palestinians. If left unaddressed, this trajectory threatens to destabilize Palestinian institutions and undermines the Palestinian Authority.

### **Significant progress on PA reforms under challenging conditions**

Despite the very challenging conditions described above, the Palestinian Authority has made significant progress in implementing political, governance and fiscal reforms raised by the international community at previous meetings of the Ad Hoc Liaison Committee.

In February, President Abbas issued a decree repealing the PA's system of "financial allowances to families of prisoners, martyrs, and the wounded" and declaring that all social welfare payments disbursed by the

fund would be issued on the basis of poverty needs. In September, the Palestinian Authority declared that the previous system of payments has been cancelled and have begun actions for external verification.

President Abbas also reaffirmed the PA's rejection of violence, terrorism, and all attacks against civilians in a letter to President Emmanuel Macron of France and Crown Prince Mohammed bin Salman of Saudi Arabia, in the lead-up to the High-Level Conference. In the letter, President Abbas also called on Hamas to "immediately release all hostages and captives", affirming the principle of "one state, one government, one law, one gun" throughout all Palestinian territory. These affirmations were subsequently welcomed in the New York Declaration.

There have also been a number of important steps towards political reform. In April 2025, the Palestine Liberation Organization (PLO) established the position of Deputy Chairman of the PLO and Vice-President of the State of Palestine, subsequently appointing Hussein al-Sheikh to the role.

In July, President Abbas issued a presidential decree announcing elections for the Palestinian National Council, and establishing a preparatory committee tasked with making arrangements for their organization. Following its first meeting in July, the preparatory committee announced that elections would take place within a year of a full cessation of hostilities in Gaza. In August, President Abbas issued another decree establishing a committee to draft the interim constitution of the State of Palestine. The constitution is intended to define the separation of powers, democratic governance, the peaceful transfer of authority, and the legal framework for elections.

### **Maintaining international support for priority reforms**

Palestinian progress on key reforms identified at the AHLC have been met with additional external budgetary support from international partners. The steps outlined above have served to strengthen the partnership between the PA and key international actors, and, if adequately supported, could pave the way for further reforms.

Efforts to preserve and enhance the civic space will also be crucial. Building on previous outreach, ongoing substantial engagement by the PA with civil society during policy processes can help further enhance transparency and good governance. The Palestinian Authority should continue its preparations for the holding of elections. As these preparations advance, civic actors, including youth and women's groups, will play an important role in fostering a credible and participatory electoral process.

Continued political and financial support from the international community will be critical in ensuring continued progress on the Palestinian reform program. While crucial, international financial support cannot replace Palestinian clearance revenues, nor substitute for sustainable economic development. In parallel with sustained financial support, Member States must continue engaging with Israel to advocate for the reversal of unilateral measures that undermine PA reform efforts and harm the prospects for long-term stability and a political resolution to the conflict.

### **Planning for a principled recovery in Gaza**

After two years of brutal conflict, the levels of death and destruction in the Gaza Strip are without parallel in recent times. The systems that sustain life - food, water, healthcare – have been all but eradicated. Law and

order have collapsed, wreaking havoc on the social fabric and making the principled delivery of humanitarian assistance still more difficult.

There is no military solution to the conflict in Gaza, or to the broader Israeli-Palestinian conflict. A full and permanent ceasefire and the immediate and unconditional release of all hostages are urgently needed. This remains the only way to stop the bloodshed, alleviate human suffering, and allow the long, difficult process of healing and recovery to begin.

As the situation continues to evolve, the key principles for Gaza's recovery, outlined by UNSCO at the ministerial meeting of International Partners of Palestine in May 2024, remain as relevant as ever:

1. There can be no long-term solution in Gaza that is not fundamentally political.
2. There should be no long-term Israeli military presence in the Strip. At the same time, Israel's legitimate security concerns must be addressed.
3. Gaza is and must remain an integral part of a future Palestinian State – with no reductions to its territory and no mass displacement of the Palestinian population from any part of the Occupied Palestinian Territory.
4. A single Palestinian government that is recognized and supported by the Palestinian people and the international community must govern across the OPT, with Gaza and the West Bank unified politically, economically, administratively. If transitional arrangements are required, they must be designed to achieve a unified Palestinian Government within a precise and limited timeframe.

These principles have since underpinned recovery planning, including the joint Early Recovery Action Plan, presented by UNSCO at the last meeting of the AHLC in September 2024, which aims to bridge the transition between the humanitarian response to Palestinian-led recovery efforts. In the plan, UNSCO outlined the minimum conditions for scaling up early recovery and transitioning to a medium-term recovery phase. These include: safety and security, access to the population, minimum levels of essential services, entry of goods and equipment, and sufficient donor funding. Bringing about these conditions must remain a core priority for Palestine's international partners as recovery planning advances.

### **Palestinian-owned recovery efforts with international support**

Supporting Gaza's recovery, with and for Palestinians, will be a generational task. The recovery and reconstruction needs are immense. According to the Interim Rapid Damage Needs Assessment for Gaza and the West Bank, jointly published by the United Nations, European Union, and World Bank in April 2025, some \$29.9 billion of damage and \$19.1 billion of losses was incurred in the first fifteen months of the hostilities, with total reconstruction needs of \$53.2 billion. Funding these needs will require concerted action from a diverse array of stakeholders, including donors, international financial institutions, and the private sector.

Building on the IRDNA, the Palestinian Authority, with the support of its regional and international partners, has taken important steps towards recovery planning. A Gaza National Team was established within the Palestinian Ministry of Planning and International Cooperation (MOPIC) which has led damage and needs assessments and the planning for the financing and implementing a credible recovery and reconstruction programme.

During the ceasefire from January-March 2025, the Palestinian Authority advanced relief and early recovery efforts. Despite Israeli restrictions that prevent Palestinian Authority officials from traveling to Gaza, prevents the entry of emergency and relief supplies from the Palestinian Authority, and deduction of Palestinian expenditures in Gaza from Palestinian clearance revenues, the Palestinian Authority has continued to use its presence in Gaza to provide life saving assistance. In January 2025, the Palestinian Authority established the Government Operations Room, to serve as the central national mechanism for coordinating the emergency response, relief, and early recovery activities of Palestinian Authority civil servants in Gaza, Palestinian civil society, private sector, United Nations, and international partners. These efforts resulted in increased availability of food, repairs to critical water, health, electricity, and telecommunication infrastructure, the restarting of commercial markets, and additional mental health support - demonstrating what is possible when even some of the minimum conditions for recovery are in place. Continued international support for the PA will further strengthen its capacity to implement recovery in Gaza when conditions allow.

Regional states and the wider international community have also stepped up efforts to mobilize support for a Palestinian-led recovery. The Arab League-Organization of Islamic Cooperation Reconstruction Plan, endorsed in March 2025, provides a phased roadmap for Gaza's reconstruction over a five-year time frame, while enabling Palestinians to remain on their land. Preparations are also ongoing for the planned Cairo Reconstruction Conference, co-hosted by Egypt, the Palestinian Authority, and the United Nations, to be held in the weeks after a ceasefire is reached, with the aim of advancing early recovery and reconstruction planning and mobilizing sustainable recovery financing.

The recovery and reconstruction of the Gaza Strip will require a robust aid coordination system, led by the Palestinian Authority, with strong engagement from Palestinian civil society and the private sector. The revitalization of established, Palestinian-led coordination structures and platforms, with sectoral plans and joint working groups, could enhance coherence and effectiveness, while a clear mutual accountability framework with tracking of commitments against agreed indicators will help achieve the highest levels of transparency and disclosure. Strong controls must be put in place to minimize the risk of aid diversion, ensuring that assistance reaches its intended beneficiaries.

Any viable recovery in Gaza will require establishing security and governance arrangements that can relieve the humanitarian catastrophe, provide protection for Palestinians, and address Israel's legitimate security concerns. These arrangements must also lay the groundwork for a political process to end the occupation and establish a two-State solution – with Gaza as an integral part of a fully independent, contiguous, viable, and sovereign Palestinian State.

## **Conclusion**

The viability of the two-State solution is at a crossroads. The pressures exerted on the Oslo framework and the Palestinian Authority are immense. UNSCO has repeatedly underscored the grave risks facing the Palestinian Authority, while highlighting progress on the PA's reform agenda, which must be continued and reinforced. Critically, Palestinian institutions have continued to demonstrate resilience, despite a stalled political track, increasing violence, and ongoing unilateral actions. Maintaining and strengthening these

institutions must remain a core priority for the international community as the PA continues its reform program and prepares to re-assume full responsibility for the governance of Gaza.

Amid the horrific destruction in Gaza, and rapidly deteriorating conditions in the West Bank, revitalized diplomatic initiatives in support of a two-State solution have helped renew hope for a restored political path. Concrete, irreversible steps towards ending the occupation and establishing a two-state solution in line with international law, relevant United Nations resolutions and bilateral agreements are needed. This remains the only viable path to peace, stability, and prosperity for Israelis, Palestinians, and the Middle East region.