



Office of the
Quartet

OFFICE OF THE QUARTET (OQ)

Report to the Ad Hoc Liaison Committee

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Acronyms

A/KHB – Allenby/King Hussein Bridge
ARA – Access Restricted Area
ASYCUDA – Automated System for Customs Data
AW – Associated Works
AfD – French Development Agency
BOQs – Bill of Quantities
CEAPAD – Conference on Cooperation among East Asian Countries for Palestinian Development
CMWU – Coastal Municipalities Water Utility
CoGAT – Coordination of Government Activities in the Territories
D2D – Door to Door
DFID – Department for International Development (UK)
EIB – European Investment Bank
EU – European Union
EUR- Euro
G4G – Gas for Gaza (project)
GACB – The Palestinian General Administration for Crossings and Borders
GDP – Gross Domestic Product
GCDP & AW – Gaza Central Desalination Plant and Associated Works
GEDCO – Gaza Electricity Distribution Company
GoI – Government of Israel
GoJ – Government of Jordan
GPP – Gaza Power Plant
IDF – Israel Defense Forces
ICA – Israeli Civil Administration
IEC – Israel Electric Corporation
IMF – International Monetary Fund
IsDB – Islamic Development Bank
ITIL – Information Technology Infrastructure Library
JDECO – Jerusalem Electricity Distribution Company
JPP – Jenin Power Plant
JWC – Joint Water Committee
KAS – Karem Abu Salem / Kerem Shalom
KFW- German State-Owned Development Bank
l/c/d- Liter per capita per day
MCM – Million cubic meters
MoF – Ministry of Finance
MoI – Ministry of Interior
MW – Megawatt
NGEST – Northern Gaza Emergency Sewage Treatment
NWC – National Water Company
O&M – Operation and Maintenance
OQ – Office of the Quartet
PA – Palestinian Authority
PASF – Palestinian Authority Security Forces
PDMP – Palestinian Market Development Programme (joint DFID/EU program)
PENRA – Palestinian Energy and Natural Resources Authority
PETL – Palestinian Electricity Transmission Company Ltd.

PPA – Power Purchase Agreement
PPGC – Palestinian Power Generation Company
PSA – Power Sales Agreement
PV – Photovoltaics
PWA – Palestinian Water Authority
RSDS – Red Sea-Dead Sea Agreement
SDI – Spatial Data Infrastructure initiative
STLV – Short-Term Low-Volume Desalination Plant
UNDP – United Nations Development Programme
USAID – United States Agency for International Development
USD – United State Dollars
USG – United States Government
USSC – United States Security Coordinator
VAT – Value-added Tax (goods and services tax)
WB – World Bank
WWTP – Wastewater Treatment Plant

Executive Summary

This report provides an update on progress achieved since the Spring 2019 report to the *Ad Hoc* Liaison Committee including areas where progress has either been slow or where additional work is now required.

In the water sector, construction of the Associated Works (AW) of the Gaza Central Desalination Program (GCDP) has commenced in the south of Gaza, which will enable the immediate supply of an additional 10 million cubic meters (MCM) of water from Mekorot once construction is complete. This progress is an important step in the realization of the GCDP program, which will provide 55 MCM of potable water to Gaza by 2023. Further, progress was seen in the commissioning of the Khan Younis Wastewater Treatment Plant (WWTP) and the Gaza Short-Term Low-Volume Desalination plant (STLV) in Gaza City, and construction continues as planned for the Gaza and Middle Area WWTP and the expansion of the Southern STLV. Nonetheless, the long-term sustainability of all water and wastewater facilities in Gaza is dependent on a) ensuring sufficient energy supply for operation at fully capacity, including a contribution from renewable energy sources, and b) advancing a commercially viable sector. In this regard, the French Development Agency's (Afd) commitment to support the operation and maintenance (O&M) of Northern Gaza Emergency Sewage Treatment Plant (NGEST) over the coming six months is welcome. Additional financial support is needed in the short-term to cover O&M for WWTPs and STLV facilities in Gaza through donor contributions. In the medium-term, improved collection efficiency is critical to offset the financial requirements for the PA and ensure the commercial viability of the sector across the Palestinian territory. Further, a comprehensive list of water and wastewater projects across the Palestinian territory has been identified by the Palestinian Water Authority (PWA) – including critical West Bank components, which are shown in Annex C to this report. Not only will these interventions support in meeting essential humanitarian needs, but will improve conditions for economic development and support in the overall management of the sector through its clustering approach, particularly if coupled with efforts to advance water sector reform.

In the energy sector, the OQ in cooperation with the PA has completed a pre-feasibility study of five potential solar photovoltaic (PV) sites at three separate locations in Gaza, including determination of timelines, technical requirements, electricity production and cost estimates. Development of a solar project in each of the three locations could see a total additional 17 MW of local renewable generation added to Gaza's power supply and in some cases will directly support water infrastructure. For example, one site could provide electricity to the recently commissioned Khan Younis Waste Water Treatment Plant, enabling over 90% of the plant's energy needs to be met (from direct supply or energy swaps at times of non-production). We welcome the recent decision by the GoI to support the specific sites identified. In the medium term, the construction of a 161 kV line from Israel to Gaza could add an additional 75 MW to Gaza's power supply. This would help ensure the sector's sustainability, by increasing the supply of electricity at lower costs (due to reduced system losses and a lower tariff given the high voltage of the power provided) than the current electricity supply from Israel. There has been significant progress on the Gaza for Gaza project (G4G), including completing an impact assessment, securing funding from the Kingdom of the Netherlands for the detailed design and completing the zoning phase of the pipeline in Israel. However, unless the commercial structure is put in place and commercial agreements are signed in the coming period, it will be an increasing challenge to connect Gaza to a gas supply by 2022/3. In the event of a delay this will also have adverse consequences for those water projects in Gaza which are reliant on bulk electricity supply. In the West Bank, the parties are encouraged to reach temporary arrangements to gradually enable the energization of the three individual substations which have been completed in order to improve

supply, to avoid the unnecessary accrual of additional electricity debt and to resolve the debt that has already accrued.

On the fiscal file, which has received considerable recent attention, the recent transfer of funds associated with past payment of blo (excise) tax on fuel has provided a temporary reprieve, but taken alone it is not sufficient and the PA has indicated that it will likely face another major challenge in November unless further measures are taken. Beyond the broader issue of prisoner payments, there are three elements that need to be addressed. First, there is a need to ensure that the process through which deductions are made from Palestinian clearance revenue is transparent and therefore enables clarification and discussion of the numbers presented. The second is that the recent discussion between the parties that resulted in a 'one off' transfer of funds linked to the blo tax should now be transformed into a predictable monthly policy going forward. The third element is the resolution of the range of fiscal files that have been discussed at considerable length between the parties. These, in the first instance include *inter alia* the transfer of customs authority, the resolution of an agreed E-vat system, and agreement on the handling fee charged. Agreement between the parties to a negotiation timetable and agenda would allow donors sufficient confidence that they could consider the investments that might be required should agreements reach the stage of implementation.

In the security sector, new measures to address current inefficiencies in communications, reduce police response time and enable more effective delivery of police services to Palestinian communities in Areas B and C were tested on the ground. Based on the successful results, the OQ, in cooperation with the United States Security Coordinator (USSC), is working closely with the Palestinian and Israeli District Coordination Offices (DCOs) to expand this initiative and implement it throughout the West Bank.

In the area of Movement and Trade, progress was made both in reducing some restrictions on movement but also increasing potential Palestinian trade with both Israel and third countries. The door-to-door (D2D) programme for moving goods between the West Bank and Israel expanded to include more companies from the north of the West Bank. Significantly, the PA and the Government of Jordan signed an MoU indicating their intention in adopting a D2D-type program at Allenby King Hussein Bridge, an initiative which is also under discussion with the GoI. Regrettably, the equipment required to issue biometrically enabled passports for Palestinians has not been released from the port of Ashdod where it has been held since 28 February 2019.

In support of the PA, Japan, with the support of the OQ, convened the first Conference on Cooperation among East Asian Countries for Palestinian Development (CEAPAD) Trade Development Event in Palestine which aimed to enhance and expand the reach of Palestinian products to CEAPAD countries and the international market. This trade development initiative enhanced the relationships between the PA public institutions and their CEAPAD counterparts, which facilitated the discussion between the PA and Indonesia to consider exempting all Palestinian products from customs duties when exported to Indonesia. Additionally, the CEAPAD Trade event linked private sector entities in Palestine with their East Asian counterparts; particularly in Indonesia and Malaysia. This culminated in the signing of an MoU between the Palestinian Federation of Chambers of Commerce and their Indonesian counterpart. Increasing exports from Gaza remains essential to ensure economic growth including Gazan-produced processed foods to the international market, but also through commercial transfers to the West Bank. Five Gazan processed foods companies are in the process of receiving their ISO 22000 certification, which will qualify the companies to participate in a pilot shipment of goods to the Netherlands per agreement with the GoI. Discussions between the PA and the GoI on the upgrade of the Karem Abu Salem (KAS) crossing have led to the production of a concrete proposal requiring 2.47 million USD for implementation.

Introduction

1. Realizing progress on the ground now will benefit Palestinians (and Israelis) and has the potential to support but never supplant final status negotiations which aim to achieve an enduring peace agreement. This report focuses on identifying progress achieved and the critical next steps required in order to achieve the short, medium, and long-term objectives which in combination have the potential to result in the transformational change that is needed in both the West Bank and Gaza. In the immediate term, addressing urgent humanitarian needs, particularly in the Gaza Strip, remains essential while work continues to achieve longer-term structural progress. In parallel, resolving the current financial crisis of the PA while addressing longer-term fiscal leakages remains equally essential.
2. The OQ's work is outlined in its Strategy 2018-2020, which has benefited from consultation with the parties, Quartet members as well as the donors to the Office (the Kingdom of the Netherlands, the United States, the United Kingdom, the European Union, Canada, Japan and New Zealand). This report complements those of the World Bank and the United Nations. It covers the period up to 19 September 2019.

Water

3. Access to water in the West Bank and Gaza continues to remain below World Health Organization Standards (100 liters/capita/day (l/c/d hereafter)), with an average of 21.4 l/c/d of safe drinking water in the Gaza Strip, and 89 l/c/d in the West Bank.¹ Availability of safe drinking water varies by governorate and reliance on expensive and unregulated private vendors to meet drinking water needs continues. In 2017, the Palestinian Water Authority (PWA) identified a series of interventions to address this challenge and compiled these interventions into Water and Wastewater Packages for the West Bank and Gaza. These packages, which have an outstanding funding gap of 643.95 million USD,² include essential priority projects such as the Gaza Central Desalination Plant and Associated Works Program (GCDP & AW), the Red Sea Dead Sea Agreement, and various water and wastewater infrastructure across the West Bank and Gaza (Annex C). While there has been noteworthy progress in advancing the GCDP & AW, the Red Sea Dead Sea Agreement, and other priority infrastructure, the challenge of meeting operation and maintenance needs (cost-recovery, institutional capacity, energy, funding, etc) remains a major challenge.

Gaza Central Desalination Program and Associated Works (GCDP & AW)

4. There has been noteworthy progress in the GCDP & AW Program which will provide 55 MCM of potable water to Gaza by 2023, including the commencement of two components of the Associated Works. More specifically:
 - a. In August, work commenced on the first component of the Associated Works, and a second component is in the final stages of tendering (through Kuwaiti funding of 48.8 million EUR), which will provide a comprehensive upgrade of the water network used for transmission

¹ Data from the PWA 2017.

² The outstanding funding gap includes 136.35 million USD for water priorities and 338.1 million USD for wastewater priorities in the West Bank. In Gaza, it includes 97.2 million USD for water priorities (including outstanding GCDP & AW funds) and 72.3 million USD for wastewater priorities.

of potable water in the Middle and Southern Areas of Gaza.³ The first component includes the construction of a connection point to receive supply from Mekorot, for which the GoI has expressed willingness and capacity to immediately supply 5 MCM once the connection is ready in Gaza. Another two components, which will upgrade water distribution networks in the south and middle governorates, financed by the World Bank's Trust Fund (37.4 million EUR), will be tendered in March 2020; works are scheduled to commence in September 2020. The PWA published a pre-tendering notice for the GCDP on 15 May 2019 and launched a Request for Expression of Interest procurement notice for the GCDP (Lot 1) on 8 August 2019.

- b. The total pledged funds for the program has reached 500.6 million EUR, with an 81.6 million EUR funding gap.⁴ Annex B illustrates the funding pledged to date. **The funding currently pledged to the GCDP & AW program is sufficient to fund the priority components of the program. As such, donors who have pledged are encouraged to disburse these funds so that construction can continue to advance and meet the established timeline. Further, donors are encouraged to continue contributing to this critical program in order to close the funding gap.**
- c. Over the last reporting period, three additional OQ-facilitated Task Force meetings were held on 17 April 2019, 13 June 2019 and 19 August 2019 – in which further arrangements to ensure a transparent and effective mechanism for the entry and monitoring of materials for the GCDP & AW were agreed to by the PWA, Coordinator of Government Activities in the Territories (COGAT), and program stakeholders.⁵ The Bill of Quantities (BOQs) for the Associated Works program was submitted to COGAT through the Task Force platform, and one-time, up-front approvals were provided for all 'dual-use' materials of the Associated Works, except for chemicals, telecommunication materials, and heavy machinery. Material import for the approved materials can now commence, and the GoI's utilization of the Capsule Model for one-time, upfront approvals of these materials is commended. While heavy machinery is pending a final list from each contractor, the chemical and telecom materials for the AW are under processing with COGAT. **The GoI and the PA's ongoing efforts are welcomed, and the GoI is encouraged to advance the remaining approvals for the entry of the program's materials according to the timelines agreed within the Task Force platform of 60 working days.**

Operationalization of new water and wastewater facilities in Gaza

- 5. Over this reporting period, construction continued as planned on a series of short-term low-volume (STLV) desalination facilities and wastewater treatment plants in Gaza. Construction of

³ A contract has been awarded for the 'Additional Water Supply Network Improvements Works (Middle Area and Khan Younis)' component, and the mobilization stage of construction has commenced. Construction is expected to be complete in September 2020. The 'Southern Main Carrier System' component is in the final stages of tendering, and the mobilization stage of construction is expected to commence in October 2019.

⁴ Further financial contributions of 30.6 million EUR from Germany and 10 million AUD from Australia were made to the GCDP & AW program. These contributions, as well as the EU's willingness to further contribute to bridging the remaining funding gap, are very welcome.

⁵ The task force remains the primary platform to process approvals of all types of materials and heavy machinery, facilitate any arrangements for program personnel, and prevent or mitigate challenges related to the entry and storage of materials for the GCDP & AW. Noteworthy arrangements include the utilization of the "Capsule Model" for material approval, which will enable one-time, upfront approvals of all material, including telecommunications, electrical, and chemical materials, that will last for the duration of the project's construction and operation.

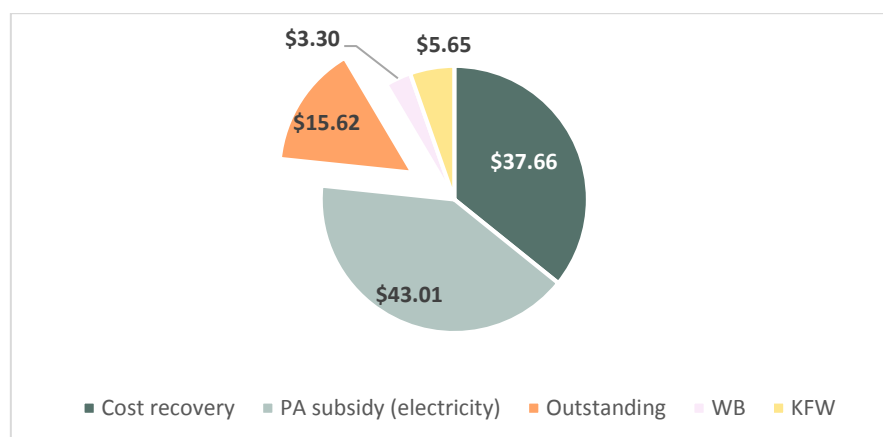
the Gaza City STLV was concluded on 20 August 2019 and was commissioned using the diesel generators. The electricity line for this facility will be completed in December 2019. Expansion of the Southern STLV is underway and will be complete in the first quarter of 2021. Meanwhile, the existing facility of the Southern STLV operates below capacity since electricity is supplied only according to the grid cycle. The construction of the Deir al Balah STLV expansion was completed in January 2019, but the commissioning and operation was cancelled for six months, following USAID funding cuts. The facility is currently operating manually and intermittently for short periods every three days due to challenges in the control and SCADA system. In parallel, the Khan Younis Wastewater Treatment Plant (WWTP) began the commissioning period on 9 September 2019 with 24/7 electricity supply from the grid, which is paid for by the contractor. The Gaza and Middle Area WWTP will be completed towards the end of 2019. Securing reliable energy supply remains a challenge for all five of these water and wastewater facilities. **The PWA, PENRA, and GEDCO are encouraged to advance arrangements to secure reliable and sufficient energy supplies to all of these facilities, in a manner similar to that undertaken in the case of the Northern Gaza Emergency Sewage Treatment Plant (NGEST). Stakeholders are also encouraged to consider advancing renewable energy systems and possible electricity swapping arrangements for water and wastewater facilities in Gaza.**

6. With NGEST operating at full capacity, the PWA is now in a position to reuse the treated effluent for agricultural purposes. NGEST's reuse scheme, funded by the French Development Agency (AfD) and Irish Aid, includes recovery wells, a solar facility, and an irrigation scheme, to allow the utilization of 13 MCM/year for agricultural use. Tendering is expected to begin in September 2019 and construction will commence in January 2020. **The Green Climate Fund is encouraged to finalize the decision on its contribution to the needed 24 million EUR for the remainder of the recovery scheme.**
7. While NGEST has been successfully operational at full capacity since it was commissioned, the facility faced financial and governance challenges over the last two months, including the PA fiscal crisis, which led to the termination of the international operation and maintenance contract on 2 July 2019. As a result, the facility faced temporary disruptions in operations for the first two weeks of September. Operations at full capacity were resumed on 18 September following AfD's commitment to provide six months' support for O&M, which is a welcome contribution. **Donors are urged to help bridge the funding gap of 7.5 million USD for O&M needs over the next five years and the PA is encouraged to develop a cost-recovery plan to ensure long-term sustainability of the facility.**
8. All six STLVs and WWTPs in Gaza require further funding for O&M costs (Figure 1). The PA's commitment to subsidizing the cost of energy is welcome, as are the contributions by KfW and the World Bank to support O&M of water and wastewater facilities in Gaza.⁶ The long-term viability of these facilities depends on the ability of operators to recover costs from consumers, and thus the initial plans assume that the rate of the cost recovery will increase from 21% in 2019 to 50% by 2023, based on analysis undertaken by PWA, Coastal Municipalities Water Utility (CMWU), and the OQ. **A transparent mechanism for facilitating cost-recovery needs to be developed by the PA and the service providers in order to meet this target.** Even with increased

⁶ KfW and the World Bank have contributed to support O&M of the Gaza Middle Area WWTP and NGEST, respectively. Further, the World Bank will support operations of the STLVs in the south in its new program.

cost-recovery, a funding gap of 15.62 million USD remains outstanding.⁷ **Donors are encouraged to bridge the funding gap of 15.62 million USD, which is needed for the full operation of water and wastewater facilities in Gaza between 2019-2023.**

Figure 1: Operation and maintenance costs of water and wastewater facilities in Gaza (in million USD) for 2019-2023



Source: Analysis is undertaken by the PWA, CMWU, and OQ.

Red Sea Dead Sea Agreement

9. The reporting period saw progress in advancing the Red Sea Dead Sea (RSDS) Agreement, including an April 2019 meeting of the parties to discuss the latest draft of the agreement, where the OQ supported as a facilitator. In these discussions, the parties aligned on a series of outstanding issues, which the GoI agreed to incorporate into a new draft agreement. The PWA also agreed to propose suggestions for bridging the remaining issues. **The parties are encouraged to communicate these suggestions and meet to finalize a reliable agreement, based on international practice, in order to introduce the immediate supply of agreed quantities.**
 - a. To supply RSDS quantities in the West Bank, the Ramallah and Jenin connection points need to be completed. The financing required for the Ramallah connection point is secured (23 million EUR from AfD and the EU) and the tendering for construction is scheduled to commence before mid-2020. **The GoI is encouraged to provide relevant approvals for infrastructure construction. AfD is interested in contributing 10 million of the 23 million EUR needed for the Jenin connection point and transmission system in 2020, and donors are encouraged to bridge the outstanding gap.**
 - b. The 'Additional Water Supply Network Improvement Works (Middle Area and Khan Younis)' package (financed by the Kuwaiti Fund), as well as the 'Additional Water Supply Network Improvements Works (North Gaza)' package (Al Montar) of the GCDP's Associated Works (AW), financed by the EU, will have the capacity to absorb the current water supply to Gaza from Mekorot, as well as the additional quantities within the RSDS Agreement. The infrastructure on the Israeli side is complete, and the works on the Palestinian side have commenced in the Middle and Khan Younis area. In the North, tendering will begin in March 2020 and construction is expected to

⁷ The World Bank contribution to support O&M of the two STLVs in the south would reduce this gap. The exact contribution is still to be calculated.

commence in September 2020. After completing those connections on the Palestinian side, it will be possible to supply the RSDS quantities to Gaza (10 MCM total). There is also a possibility to import additional quantities of 5 MCM from Mekorot to each area (additional 10 MCM total). **The stakeholders are encouraged to continue making progress in the tendering and construction of relevant works in Gaza.**

Water and Wastewater Packages

10. As detailed in Annex C, some progress has been seen – albeit slower than expected – in advancing the priority list of water and wastewater infrastructure, developed by the PWA for the period of 2018-2022.⁸ These will enable an increase in domestic water supply by 70.4 MCM in the West Bank and 78 MCM in Gaza.⁹ The wastewater package will also treat 31.6 MCM and 22.5 MCM of wastewater in the West Bank and Gaza, respectively.¹⁰ The implementation of these lists has been delayed due to two primary challenges: securing required funding and acquiring the needed approvals from the GoI. There is a funding gap of approximately 643.95 million USD for the Water and Wastewater Packages, as detailed in Annex C. **Considering the magnitude of this funding gap, stakeholders are encouraged to investigate and advance private sector investment in the sector.**
11. The PWA included 27 wells in the West Bank Water Package, producing 23.4 MCM/Y. Eighteen of these wells require Joint Water Committee (JWC) approvals. The JWC has not met in recent months; however, the parties agreed to hold hydrological discussions (known as the Hydrology Workshop) concerning the entire Mountain Aquifer.¹¹ In these discussions, the parties agreed to exchange detailed data on all wells and springs located in the three basins of the Mountain Aquifer as well as to prioritize wells in the Eastern and North-eastern Basins. In this regard, the PWA presented to the GoI in the Dutch Trilaterals the 18 priority wells to be developed in these two basins, producing 16.5 MCM/Y.¹² Since these quantities are within the obligations defined in Article 40 of Annex 3 of the Interim Agreement, **the parties are encouraged to advance these approvals in the JWC. The parties are also encouraged to prioritize abstractions from the productive, Western Aquifer Basin. Further, the GoI is encouraged to provide an *in-principle* approval for relevant construction in Area C.** Material entry has been advancing for the water infrastructure projects included in the Gaza Water Package as detailed in paragraph 4c.
12. Since the JWC and its subcommittees have not met recently, the infrastructure priorities in the West Bank Wastewater Package have advanced more slowly than had been hoped. **The parties are encouraged to revive the wastewater subcommittee of the JWC in order to advance these critical discussions.** Moreover, the PA prioritized and allocated 80 million USD to fund wastewater treatment infrastructure along transboundary streams as defined in the Palestinian Cabinet's Decision (December 2017) on transboundary wastewater. Approximately 10 million USD was budgeted for 2019 to begin construction of this infrastructure. Unfortunately, this budget was put

⁸ The interventions defined within this section, such as the GCDP & AW, RSDS infrastructure, Khan Younis and Gaza Middle wastewater treatment plants, as well as the Gaza STLVs, are included within these packages

⁹ In the West Bank, this includes 22MCM RSDS, 25MCM additional supplies from Israel, and 23.4MCM abstraction from groundwater. In Gaza, this includes 68MCM from local desalination (GCDP and STLVs) and 10MCM from RSDS.

¹⁰ Reuse quantities in the West Bank do not consider projects within the transboundary wastewater cabinet decision.

¹¹ The Mountain Aquifer includes the Eastern, North-eastern, and Western Aquifer Basins.

¹² These wells have been previously submitted to the JWC. Two of these wells have received JWC approvals, but still require approvals for construction in Area C.

on hold due to the current fiscal crisis, as detailed in paragraphs 46-48 of this report. **Resolving this crisis is critical for enabling the commencement of PA plans to advance wastewater infrastructure in transboundary streams. Donors are encouraged to bridge the funding gap of 7.6 million USD for the wastewater treatment infrastructure in the transboundary wastewater Cabinet Decision. The parties are encouraged to meet and advance the approvals for the required infrastructure for this program. The parties are also encouraged to agree on the principles for management of transboundary wastewater flows. Further, the GoI is encouraged to share data on transboundary flows as it relates to billing, whereby currently GoI unilaterally deducts the cost of treating Palestinian wastewater from clearance revenues it collects on behalf of the PA.**

13. No progress has been seen in completing two major infrastructure projects in Yatta and Jericho, which have been suspended following cuts to USAID funding. The water and wastewater networks in Yatta and Jericho, respectively, are in worse condition than they were prior to construction, as roads and pipes remain uncompleted. **Donors meeting the remaining gap of 6.5 million USD will enable the transmission of potable water in Yatta and has the potential to generate 4.7 MCM of effluent for agricultural use in Jericho.**

Energy

14. The primary goal in the energy sector is enhancing the security, reliability and sustainability of the Palestinian energy sector, including projects to increase generation, develop enabling infrastructure and support commercial viability.
15. In the West Bank, electricity demand has grown to 930 MW.¹³ Supply is primarily met through imports from Israel, with smaller contributions from Jordan and domestic renewables. Jordan's Ministry of Energy and Mineral Resources and PENRA have announced that the electricity supply capability from Jordan to the West Bank will be increased from 25 MW to 160 MW (over two feeders of 80 MW each). In addition, the first of three large West Bank solar developments – a 7.5 MW plant near Jericho – was inaugurated in June 2019. Electricity demand in the West Bank is expected to increase by over 30% between now and 2030,¹⁴ requiring significant additional generation investment as well as focussed efforts to improve the financial sustainability of the sector. When implemented, the planned 450 MW Jenin Power Plant supplemented with additional solar PV plants coming online in the West Bank should allow this increased demand to be met.
16. In Gaza, demand has reached in excess of 500 MW while supply has not exceeded 200 MW, resulting in electricity availability of between 5 and 15 hours per day. Israel continues to supply 120 MW to Gaza on a constant basis, while the Gaza Power Plant (GPP) is generating approximately 70 MW (up from 25 MW), supported by the ongoing provision of Qatari-funded fuel supplies.¹⁵ The provision of Qatari-funded fuel for the GPP has made a difference in the electricity situation but has also created a window of opportunity to help place the sector on a

¹³ PENRA, Sustainable Energy Policy in Palestine, ESCWA – Cairo, May 2017.

¹⁴ World Bank, Securing Energy for Development in the West Bank and Gaza, June 2017.

¹⁵ The additional supply of fuel to the GPP will be complemented by the use of new Qatari-funded diesel storage tanks which are currently under construction. Fuel storage capacity will be further increased after the construction of a 10 million litre diesel fuel tank funded by the Norwegian government.

sustainable footing which will be important for bulk supply projects such as the 161 kV line and the G4G project.

2016 Electricity Agreement implementation

17. Progress regarding the implementation of the September 2016 Electricity Agreement (hereafter the Electricity Agreement) has been slower than originally anticipated. The signing of the Power Purchase Agreement (PPA) between Palestinian Electricity Transmission Limited (PETL) and the Israel Electric Corporation (IEC) continues to be delayed despite the ongoing negotiations since September 2016. The delay in completing and signing the PPA is, in turn, postponing energisation of the three already constructed substations in the West Bank (Tarqumia, Nablus and Ramallah) and the operation of Jenin substation at full capacity. This delay is depriving PETL of an important source of income, contributing to the delay of the settlement of existing debts to the IEC,¹⁶ and preventing the provision of more reliable electricity to West Bank consumers. In August, the PA has provided 200 million NIS to the IEC towards covering a portion of the debt accrued while Jerusalem Electricity Distribution Company (JDECO) has provided a payment of 100 million NIS for the same purpose.
18. **The parties are encouraged to advance discussions on the outstanding matters to facilitate signing of the PPA, including importantly agreement on enabling PETL to operate in Area C, agreement and payment of the outstanding debt to the IEC, agreement on the new tariff, and payment guarantees, etc.**¹⁷
19. However, pending the signing of the final PPA, the parties are encouraged to reach temporary arrangements to gradually enable the energisation of the individual substations. The theft in May 2019 of critical material (valued at 3.5 million NIS) from the idle Tarqumia substation highlights additional risks from continued delays to the energization of the remaining three substations.
20. It is also important that a full 161 kV transmission backbone is eventually put in place in the West Bank, connecting the existing substations and enhancing the reliability and affordability of electricity supply.
21. In support of the PA, the OQ has updated the Electricity Agreement Implementation Plan to cover the years 2019-2023. The updated plan takes into account recent sector developments and identifies recommendations for donor interventions. However, as stated in the previous AHLC report, financial support of approximately 19 million USD for the period 2019-2020¹⁸ has not yet been secured, adding pressure which further undermines the successful implementation of the Electricity Agreement. **Donors are encouraged to contribute to the 19 million USD funding requirement.**

Egyptian electricity exports to Gaza

¹⁶ Agreement has reportedly recently been reached for the payment of 300 million NIS by the PA and the Jerusalem Electricity Distribution Company (JDECO) to partially settle outstanding debt to the IEC.

¹⁷ Under the Framework Agreement as stated in the EA 2016, a single buyer (which will be PETL) will purchase electricity from the IEC and allow it to undertake its responsibilities (outgoing feeders, new substations, operation & maintenance) in Area C.

¹⁸ PENRA's initial financial needs for the Implementation Plan (2019-2023) amount to an estimated 18.94 million USD. Additional investments in new *high-voltage* substations will require further funding of 90.5 million USD.

22. The resumption of electricity imports from Egypt to pre-February 2018 levels (over three 22 kV lines, Gaza 1, Gaza 2 and Palestine) would provide an immediate 27-30 MW of electricity to Gaza.¹⁹ A further upgrade of capacity could provide up to 50 MW of electricity in the medium term and up to 100 MW in the longer term. Several donors have shown interest in supporting this restoration and upgrade work. **The relevant parties are encouraged to work together to resume the electricity supply from Egypt to Gaza in the immediate term and increase the supply in the medium term.**

161 kV line from Israel to Gaza

23. In the medium term, the construction of a 161 kV line from Israel to Gaza could add an additional 75 MW²⁰ to Gaza's power supply. This would help ensure the sector's sustainability, by increasing the supply of electricity at lower costs (due to reduced system losses and a lower tariff given the high voltage of the power provided) than the current electricity supply from Israel. In a welcome development, Qatar recently announced that they will fund the construction of the 161 kV line.²¹ While the line would take up to three years to reach its full capacity, it is hoped that it could potentially supply 25 MW within 12 months. All relevant parties are encouraged to work with the PA to commence **the 161 kV line project including agreeing the costs, timelines, commercial arrangements and technical requirements.**

Solar photovoltaic energy for Gaza

24. The provision of solar PV has the potential to supplement (but not supplant) large baseload electricity supply sources in a manner that will enhance the sustainability of the energy sector as a whole. In late 2018, in support of the PA and in close coordination with the GoI, the OQ initiated a study to investigate the potential for utility-scale solar PV opportunities in Gaza. An initial survey of sites collected information on parameters including solar irradiation, topography, current land use, surrounding infrastructure, and proximity to grid connections and potential direct demand sources (including water and wastewater infrastructure). On the basis of 16 site visits, five preferred sites were selected in three areas:
- a. Two sites near the Khan Younis WWTP;²²
 - b. Two sites near the Al Basa Sewage Water Pumping Station;
 - c. One site located in the Access Restricted Area (ARA or "buffer zone") that is adjacent to the Gaza-Israel security fence.
25. Development of a solar PV project in each of the three areas could see a total of 17 MW of local generation added to Gaza's supply. Energy production from three projects could total up to 31 GWh, equivalent to around 2% of current supplies to Gaza. In addition, they would offset around 19,000 tonnes of carbon emissions per annum (relative to imports from IEC).

¹⁹ According to PENRA sources, only 17 MW of electricity reaches Gaza because of technical losses.

²⁰ Eventually increasing in excess of 200 MW upon the cancellation of the 120 MW medium voltage lines (so the net increase would be over 100 MW).

²¹ The Chairman of the Qatari National Committee for the Reconstruction of Gaza, HE Ambassador Mohammed Al Emadi, revealed details of the disbursement of the Qatari grant of 180 million USD. During a press conference in Gaza on May 14th 2019, Al Emadi stated that 50-60 million USD would be allocated for the construction of the 161kV line.

²² These sites are being explored with PENRA in co-operation with United Nations Development Programme (UNDP), the implementing organization for the Khan Younis plant.

26. Pre-feasibility assessments have now been undertaken at these sites, including the development of technical concepts, costings and energy production forecasts. Financial analysis of the proposed solar projects has also been undertaken, including scenarios for both public and private financing. The pre-feasibility assessments also covered a number of project variations, including hybrid PV plant (PV plus battery storage) and agricultural PV options. A summary of the results from the pre-feasibility assessments is included as Annex A.
27. Solar projects located near water infrastructure would be designed to supply energy to these facilities, potentially on the basis of an energy swap arrangement whereby surplus electricity generated during the day is evacuated to the grid and swapped for grid-supplied energy at night. For example, one site could provide electricity to the recently commissioned Khan Younis WWTP, enabling over 90% of the plant's energy needs to be met (from direct supply or energy swaps at times of non-production). The site located in the ARA could be designed to inject electricity directly into the local distribution grid. Such a project would be a first in Gaza and could be considered a pilot for developing more projects of this type.
28. The OQ has engaged with the relevant PA Ministries to identify landowners for these sites, some of which are currently utilised, primarily for agriculture, and some of which are unused. Land purchase arrangements associated with solar PV at one of the Khan Younis sites is already underway. We welcome the GoI's decision from early September, conveyed to the OQ, to support the construction of solar PV plants at the five sites identified (subject to some adjustments to the site area in the ARA). The next step is the completion of full feasibility studies and supporting the PA towards implementation.²³ It is estimated that new solar PV plants could be commissioned in Gaza by Q3 2021.
29. **The parties are encouraged to provide the necessary approvals following completion of pre-feasibility studies on the development of solar photovoltaic sites in the south of Gaza so that the initiative can move to the next stage. Donors are encouraged to support project implementation.**

Gas for Gaza (G4G)

30. The ultimate solution to Gaza's energy crisis and the basis for economic development remains the G4G project, involving the construction of a gas pipeline from Israel to Gaza, that will enable an affordable, reliable and sustainable source for domestic electricity generation. Currently, the GPP is generating approximately 70 MW at a very high cost but it can generate eventually nearly 600 MW at a fraction of the cost of diesel generated electricity. The savings from switching from diesel to gas through the G4G project are significant (detailed further below). The availability of gas and increased electricity through the G4G project would also help to address the energy needs of other critical infrastructure for Gaza's economy and prosperity, such as the GCDP.
31. Within the reporting period, progress on the G4G project has continued, although there have been a number of delays in the overall timeline. The updated timeframe for the project is now 2022/23. Some of the most recently achieved project milestones include: the completion of the Gaza Impact Assessment study, securing funding for the detailed design for both Israel and Gaza thanks to the Government of the Kingdom of the Netherlands, completing the zoning phase of the pipeline in Israel, as well as presenting the PA with clear options for the project's commercial structure. These

²³ On July 8, 2019 a Dutch Energy Tri-lateral meeting of Palestinian and Israeli representatives was held in Jerusalem with a focus on renewable energy developments, including discussions on the Dutch-funded Gaza solar pre-feasibility study.

milestones and next steps in the project were discussed at the tenth full plenary G4G Task Force Meeting, convened by the OQ on 8 July 2019.

32. According to the recently concluded Gaza Impact Assessment Study, the significant increase in energy supply primarily driven by G4G will have a multiplier effect, shifting Gaza onto a higher growth trajectory, including by adding over 1 billion USD in Gross Domestic Product (GDP) by 2033 and generating annually an estimated 150 million USD in fuel savings due to changes from diesel to gas at the GPP and significantly lower greenhouse gas emissions, offsetting an estimated 280 metric kilotons of carbon dioxide emissions in its first year of connection to natural gas – equivalent to removing an estimated 50,000 cars from the road.²⁴
33. In Israel, the zoning phase (TAMA) of the pipeline route is complete. In Gaza, decisions on the specific pipeline route and selection of the optimal drilling technique will need to be concluded in 2019. **The PA and the GoI are encouraged to advance the planning and permitting of the pipeline, including the start of detailed design work as the funding for this is being disbursed.**
34. In order to ensure continued progress is achieved and to have Gaza connected to natural gas by 2022/23 it is critical to establish the commercial structure of the project in the coming months, thereby enabling the commercial negotiations to commence with the relevant parties. Following finalization of the commercial structure, a key next step for the project is securing financing for the pipeline construction phase, estimated at 80-100 million USD. As a key next step **the PA and the private sector actors are encouraged to reach an agreement on the commercial arrangements of the project** (which will unlock support from the international community, as appropriate).

Gaza grid development

35. Accelerating plans for upgrading the power grid in Gaza will be essential to increasing the total power available in Gaza. The planned upgrade is essential to allow efficient transmission and distribution of any additional electricity supplied throughout the Gaza Strip (including by minimising technical losses). The connection of any new bulk supplies, such as the 161 kV line and increased electricity from the GPP fuelled by natural gas, will require the planned rehabilitation and enhancement of the existing networks, as well as construction of a new high-voltage grid backbone and associated substations. Such upgrades will enable the distribution of additional power to consumers²⁵.
36. The current power grid also was designed and built primarily for transmitting and distributing electricity from traditional power plants. Modernization of the power grid will be vital to integrating new renewable energy sources. A modernized grid will be flexible enough to manage the variability of solar resources and to connect these supplies to high demand locations, including population and industry centres.
37. The World Bank, in conjunction with PENRA, are working with an international consultant to commission a Gaza Electricity Masterplan. The Masterplan will identify the needs and the future possibilities to upgrade Gaza's electricity sector in order to meet growing demand. It is intended

²⁴ In addition, the Study found, for example, that the significant increase in energy supply primarily driven by G4G will boost business sector revenues by 800 million USD and generate 54K additional jobs by 2035; The move to gas will also generate massive savings in the operation of key infrastructure, such as saving up to 42 million USD in O&M expenditures annually for the GCDP.

²⁵ For more, see PENRA Gaza Strip Power Sector Short and Medium Term Development Plan (2018-2023) which lays out the plans for upgrading and rehabilitating the grid and for existing commitments.

that the plan will assist in future decision making and the identification of next steps in the development of Gaza's electricity sector.

Cost recovery

38. To ensure cost recovery and a path towards a sustainable trajectory for the sector, it will be critical to increase electricity collection rates in parallel to increased power supply from different sources such as 161 kV line or the GPP. Rolling out prepaid meters is one measure which will enhance cost recovery, including by giving the distribution company the ability to detect thefts in real time. They will also be able to monitor grid losses.
39. The OQ is working with the parties to look at optimal financial structures including any necessary guarantees required to facilitate investment in the various energy projects described in this report. In parallel and in order to ensure the long term economic viability of these projects, the OQ continues to engage with the relevant parties to address the broader issue of cost recovery (including, for example, the EU-led efforts in respect of the audit of GEDCO and improving electricity revenue collections) in order to create a more financially sustainable Palestinian energy sector. **Relevant parties are encouraged to support the EU Audit of GEDCO and follow up actions (including establishing a collections payment schedule) to help ensure the sustainability of the sector in Gaza.**

Gaza Marine

40. Securing access to and developing the offshore Gaza Marine gas field will significantly enhance Palestine's energy independence and generate revenues for the Palestinians of up to 2.5 billion USD over its 25-year lifespan. The recently established Eastern Mediterranean Gas Forum in Cairo is an encouraging step which only serves to emphasize the important role that the Palestinian natural gas reserves play in the regional context. The Gaza Marine reserves will be able to be transported through the G4G and Jenin pipeline projects (directly or via swaps) to the Palestinian power plants (as well as for heavy industry and transportation consumers) in both Gaza and the West Bank. This will enable the Palestinians to reduce their reliance on electricity from the IEC in favour of cost-efficient Palestinian generated electricity. **The relevant parties are encouraged to move towards the development of Gaza Marine as soon as possible.**

Telecom

41. The January 2018 deployment of 3G in the West Bank and a second 2G operator in Gaza has had a significant impact on all major sectors of the Palestinian economy. However, in order to maintain this positive trend, **it is necessary to upgrade the existing technologies, to enable 3G or 4G in Gaza and 4G or 5G in the West Bank.**
42. Following the GoI declarations of support for the deployment of 3G in Gaza²⁶ and the latest Palestinian-Israeli communications in October 2018, no progress in implementation was achieved during this reporting period. The **GoI is encouraged to allocate the same set of 3G frequencies that are being used in the West Bank for deployment in Gaza. Allocation of 4G frequencies for use in Gaza should also be advanced**, considering that this is a more commercially and technically

²⁶ In discussions with the OQ, in trilaterals with the ITU secretary general, and with the Palestinian Ministry of Telecom and Information Technology in 2017, Israel committed to facilitating the deployment of 3G in Gaza through the allocation of spectrum and relevant material approvals.

viable option, given advances in technology, and more feasible considering it will soon become uneconomical to proceed with 3G for Palestinian operators as it will soon be outstripped by newer technologies.

43. While deployment of 3G in the West Bank has significantly improved Palestinians' access to mobile data, some elements of the November 2015 agreement have not yet been finalized.²⁷ This includes granting Palestinian companies passive access to their core equipment, which is currently managed by an Israeli company, and allocating additional microwave links to strengthen the backhaul network between the cities. **The parties are encouraged to advance the discussions in order to secure written agreements.**
44. Furthermore, without upgrading to 4G immediately and 5G in the future, Palestinian companies will not be able to meet the high demand for faster and higher capacity services and will not be able to compete with Israeli services in the West Bank that have not been licensed by the PA. **Therefore, the parties are encouraged to advance the discussions in the JTC on the allocation of 4G and reservation of 5G spectrum, to enable at least launching 4G services in the densely populated urban areas, where the demand is the highest. Parties should advance discussions to acquire clearances for import of 4G equipment and construction of 4G infrastructure in Area C.**
45. The Israeli Ministry of Communications issued a tender on 14 July 2019 for the deployment of 5G services by Israeli operators, starting with the allocation of spectrum in 2019-2020 and launching of services in 2025. The spectrum offered in the tender includes all of the recommended spectrum for 4G and 5G technologies by the International Telecommunications Union (ITU) for the region, portions of which the Palestinian Ministry of Telecom and Information Technology (MTIT) requested for immediate 4G deployment and future 5G deployment. **The Gol is encouraged to refrain from unilateral actions that undermine the development of the Palestinian telecom sector and to reserve portions of this spectrum for Palestinian use (immediate and future), according to the internationally recommend allocation of spectrum per operator and the commitments made between the parties within the Interim Agreement and by the Israeli Ministry of Communications.**

Governance and Rule of Law

46. In February 2019, an Israeli law that requires the Gol to deduct "prisoner payments" from Palestinian tax revenues which Israel collects and transfers to the PA came into effect. This was followed by an announcement from the PA that it would not accept the clearance revenue transfers unless they were transferred in full. As a result, the bulk of the tax revenue transfers, which make up 70% of the PA's budget, have not been made since February. This follows the enactment of the Taylor Force Act by the United States, which made the provision of US aid to the PA conditional on the discontinuation of the PA prisoner payments. To get through the fiscal crisis, pending a resolution of the issue, the PA took out several local loans, and received financial assistance from international donors, including Qatar, the European Union, Saudi Arabia, Algeria and Iraq. The Arab league has also pledged to provide the PA with 100 million USD in monthly

²⁷ Agreement between the PA and Gol on "Principles for Assignment of Frequencies in the 2100MHz Band for the Palestinian Cellular Operators", which enabled deployment of 3G in the West Bank.

assistance, made up partly of grants and loans on generous terms. Between February and July, PA employee salaries were only paid in part, with many receiving as little as 50-60% of their salaries.

47. In August 2019, an agreement was concluded between the GoI and the PA on the transfer of fuel-generated tax revenues to the PA. As a result, two billion NIS in excise tax and VAT revenue, exempt from any handling fees, were transferred to the PA. This amount covers all taxes on fuel purchases between February and July 2019. In return, the PA agreed on an additional 200 million NIS deduction for electricity from the outstanding balance held by the GoI while JDECO transferred 100 million NIS to cover a portion of its debt to the IEC. Still, long-term fiscal stability requires undertaking further steps, among them the pursuit of a permanent exemption for the PA from the fuel excise tax, as initially discussed between the parties. Despite the transfer, the current fiscal situation of the PA and the looming possibility of a PA economic collapse increases the urgency for the resolution of several additional outstanding financial issues between the parties.
48. The agreement on the excise tax on fuel, as well as the contributions from international donors allowed the PA to pay its August salaries at a 60% rate and supplement them with the remainder of the unpaid February salaries. According to the PA MoF, these funds will sustain the PA until early November at most. Without a resolution of the clearance standoff, the PA will face a fiscal crisis again from November onwards. While a long-term resolution of the issue is preferred, an agreement on other outstanding fiscal issues, such as an agreement on a permanent waiver on excise tax on fuel, can help prevent a potential collapse of the PA.

Customs Transfer

49. Despite significant initial progress over the past two years, bilateral discussions over the transfer of customs authorities have stalled over the last eight months. In the last version of the draft MoU that was exchanged between the parties, several contentious issues have been introduced that have increased the gaps between the parties. Amongst those is the disagreement on the type of goods that would be subject to the transfer of responsibilities. Specifically, the recent proposal to initially exclude cigarettes, tobacco and alcohol from the purview of discussions undermines the financial viability of the bonded warehouses to be established and therefore the ability of the PA to uphold their responsibilities. Other fundamental issues that are yet to be agreed are the scope of the transfer of responsibilities, and the number and location of the customs transfer points to be established. **A commitment from both parties to finalize the aforementioned agreement in a sustainable way is imperative, including the resumption of bilateral discussions within a defined timeline.**
50. To enable successful implementation on any agreement, efforts should intensify to develop the capacity of the PA to assume new customs-related responsibilities. A series of recommendations have been developed by legal, IT, and customs experts to prepare the PA for the implementation of an agreement once finalised. Still, although these initial findings give an assessment of the PA's legal, IT and capacity needs in the context of a potential transfer, the PA is encouraged to work with partners and stakeholders to develop a clear roadmap of steps needed to fully prepare for a transfer of customs.
 - a) **Legal Assessment:** Customs laws serve as the basis for import and export regulation for any country. The current Palestinian legal framework for customs needs updating and development in order to prepare the PA for the assumption of new customs responsibilities. The principal findings of the legal assessment were the following:

- 1) There is a need to further regulate the processes for clearance, valuation, collection, risk management, and post-audit.
- 2) There is a need for the development of regulation of the work of customs brokers, including the definition and licensing of customs brokers and customs broker representatives, means of identification, and accountability processes.
- 3) Given the centrality of bonded warehouses to the transfer of authorities, there is a need to improve regulation of them, including definitions on the types of warehouses that can be established, licensing arrangements, processes of admission and removal of goods, period of storage, deterioration of goods, collection of duties, and closure of bonded warehouses.²⁸

A committee of technical and legal experts has been established at the PA Ministry of Finance, to develop policy guidance on future customs regulation and to advise on legal amendments and/or new laws to address gaps or shortcomings in the existing framework.

b) IT Assessment: The current PA Customs IT infrastructure and systems were assessed as they relate to a future transfer of custom functions. Amongst the main findings of the assessment are the following:

- 1) There is a need to upgrade the current version of the Automated System for Customs Data (ASYCUDA) used by PA Customs, to enable PA control of revenue collection, customs clearance and risk management. The estimated cost of this upgrade and accompanying training is 700,000 USD.²⁹
- 2) Additional technical capacity trainings are needed for PA IT staff in areas such as database administration, Information Technology Infrastructure Library (ITIL) skills, SQL tuning, and SOClass usage (specialized platform for the secure distribution of government e-documents). These trainings are estimated at approximately 26,400 USD.

c) Customs Capacity Assessment: This in-depth assessment looked at the current PA customs functions, processes and procedures for Palestinian imports through Israeli international gateways, identified key inefficiencies, and proposed actionable solutions that aim to reduce the cost of importation for the Palestinian private sector, while protecting against potential loss of customs revenue, in a future transfer of customs functions. This assessment also evaluated the current PA customs capacity and needs as they relate to a future transfer of customs functions from Israel to the PA. Amongst the key recommendations are:

- 1) The adoption of a new customs clearance process (outlined in the assessment).
- 2) Given the limited involvement of PA customs in the clearance process to date, the assumption of new authorities will require an increase in the number and level of trained, qualified customs inspection personnel to operate customs transfer points and bonded warehouses. It is estimated that 150 to 250 customs staff members will need to be trained.
- 3) In terms of bonded warehouses to be established, three warehouses are proposed at a minimum, located respectively in the north, center and south of the West Bank.

²⁸ The recommendations draw on modern customs standards, including the Kyoto Convention and the Israeli and Jordanian legal frameworks on customs, to ensure harmonization and to encourage the adoption of best international practices.

²⁹ This was obtained based on a discussion between the author of the assessment and UNCTAD staff.

51. **VAT Clearance Mechanism:** The current VAT clearance mechanism is subject to many structural weaknesses which derive from the inadequate implementation of the Paris Protocol and the lack of authority of the Palestinian customs police to operate in area C to battle and reduce smuggling and tax evasion. Furthermore, VAT leakage from the current mechanism is not only due to the outdated paper-based system, but also results from the reconciliation process being based on submitted rather than issued invoices.
52. Under Annex 2, Article VI of the Paris Protocol, relating to indirect taxes on local production, the parties agreed that indirect tax (purchase taxes and VAT) on goods and services purchased by businesses registered in the Palestinian territory but which are purchased from Israel, will be collected by the GoI and transferred to the PA in a monthly clearance process, and *vice versa*. The VAT is calculated based on the submission of a special clearance invoice, with copies marked (I) and (P), that is to be submitted to the two tax authorities by the respective traders. The protocol states: “The VAT on purchases by dealers registered for VAT purposes will accrue to the VAT administration with which the dealer is registered.” However, the VAT is not rebated unless the party which the tax is owed to can present a copy of the invoice.
53. VAT revenue on bilateral/local trade is lost in the following ways:
- a) **Lack of issuance of VAT invoices by traders.** VAT can only be transferred if a clearance bill (special VAT invoice) is issued at the time of sale, and *if* that bill is submitted to the authority of the jurisdiction where the purchasing business is registered.
 - b) **Issuance, but no submission, or late submission, of VAT invoice to PA:** As noted, since VAT is only transferred upon the PA MoF’s request to the GoI, when importers do not submit their invoices to the PA, it has no knowledge about the transaction and thus cannot claim the VAT owed to them.
 - c) **Counterfeit, fake invoices.** Counterfeit and fake invoices are issued without a *real* transaction taking place as a way to evade taxes, conceal the real size of trade, or as a scheme to reclaim VAT that has not been paid.
 - d) **Gaza VAT Invoices:** Unlike in the West Bank, goods can only enter and exit through Karem Abu Salem/Kerem Shalom crossing (KAS). While in theory, this simplifies the process of VAT rebate, and verification of “export”, in reality, given the current political divide, and the absence of the PA from the crossing, the invoices are not submitted to the PA, and the VAT owed to it is not transferred regularly.
54. Info-sharing continues to be at the core of reducing fiscal leakages from VAT. However, the PA can undertake a number of measures that will begin to reduce its own leakage:
- a) **Expand audits on PA traders:** Until the parties can agree on an electronic invoicing mechanism, the PA can implement more frequent and more expansive audits on PA traders.
 - b) **Strengthen Law Enforcement:** To increase deterrence against counterfeit invoices and smuggling, the PA should take legal measures against suspected offenders.
 - c) **Upgrade the current disbursement and collection system:** An upgrade to the current procedures for disbursement of state-issued VAT invoices and the submission of those invoices can reduce losses from lack of issuance or submission. Simpler, more efficient procedures will encourage traders to comply.

To enable the PA to implement the above measures, capacity building measures and greater human resources are needed.

55. In addition, several joint PA-Gol measures are needed to reduce VAT losses in bilateral trade:

- a. **PA presence or PA contracted company at Karam Abu Salem:** In the immediate term, given that there is only one commercial crossing for moving goods in and out of Gaza, the parties are encouraged to reach an agreement that would allow the PA to collect those VAT invoices owed to it at the crossing.
- b. **Expansion of the Large Dealers Program:** Bilateral trade conducted through the Large Dealers Program is subject to a VAT retrieval mechanism that does not require both traders to produce a proof of transaction to their respective tax authority – and therefore can reduce fiscal leakages caused by lack of submission of invoices while offering large businesses a simpler and more straightforward way to report sales. Both parties can benefit from the addition of new companies to the Israeli and Palestinian program.
- c. **Expanding the ability of PA Customs Police to work in Areas B and C:** Without access to roads in Areas B and C, PA Customs Police cannot work to ensure that goods are not being smuggled into the West Bank for which a VAT invoice has not been issued. The movement of PA Customs Police should be granted with greater flexibility. Simultaneously, the capacity of the PA Customs Police and clarity of their mandate must be enhanced.
- d. **Exchange of information on VAT invoices:** At the core of a long-term resolution of the VAT issue is information sharing which has the potential to minimize the leakage caused by lack of submission of invoices, and to deter dealers from concealing invoices or trading fraudulent invoices. The Protocol provides that “[t]he two tax administrations will exchange lists of the dealers registered with them and will provide each other with the necessary documentation if requested, for the verification of transactions.” Whether by the shift to the “inter-connected computer system ... for VAT clearance between the two sides” envisioned by the Paris Protocol or otherwise, a more efficient, comprehensive and transparent information exchange system is long overdue.

Palestinian Security Forces (PASF) Movement and Access

56. During this reporting period, new measures to address current inefficiencies in communications, reduce police response time and enable more effective delivery of police services to Palestinian communities in the West Bank were tested on the ground. Based on the successful results, the OQ, in cooperation with USSC, is working closely with the Israeli and Palestinian DCOs to expand this initiative and implement it throughout the West Bank.

57. A series of recommendations that aim to enhance the ability of both the Palestinian Customs and Judicial Police to deliver security and justice services in the West Bank is being developed in order to initiate a discussion between the Gol and the PA. Working closely with the customs police, the current mandate of the force is being analysed to comply with international standards and best practices. In addition, a study was prepared which looks at the current capacity and movement limitations faced by the judicial police in delivering and executing family court decisions in underserved communities in the Jerusalem Suburbs, H2 area and the Jordan Valley.

Movement and Trade

58. Biometrically enabled Palestinian passports can help expedite the movement of Palestinian travellers through Allenby/King Hussein Bridge (A/KHB) and other international gateways. Releasing the equipment for printing biometrically enabled Palestinian passports to enable the PA

to issue biometrically enabled passports can help expedite the movement of Palestinian travellers. Expanding and facilitating trade, both locally and internationally, remains essential in order to increase economic growth and create new jobs. Expanding the door-to-door programme between the West Bank and Israel, as well as replicating such a trade facilitation initiative with Jordan, can further increase the competitiveness of Palestinian products. Though the situation in Gaza remains dire, current progress in the discussions on upgrading Karem Abu Salem commercial crossing point is welcome and developments on establishing an approved procedure for allowing non-sensitive processed foods from Gaza to reach the international market and the West Bank is also welcome. The PA's effort to diversify its imports as it currently explores the feasibility of importing fuel from neighbouring countries via Jordan is welcome. Such an initiative is in line with Article III of the 1994 Paris Protocol. The Conference on Cooperation among East Asian Countries for Palestinian Development (CEAPAD) trade event initiative conducted in July 2019 represents a step in the right direction to enhance Palestinian trade with East Asian Countries and to ensure the sustainability of current and future trade development initiatives benefiting the Palestinian economy.

Biometrically enabled Palestinian passports

59. Biometrically enabled passports are highly secure, improve the security of Palestinian travellers, minimize risk, and allow for the expedited movements of travellers and reduced delay. The PA Ministry of Interior (PA Mol) advised that the equipment to enable the issuance of the passports arrived at Ashdod port on 28 February 2019 but has not yet been cleared for release by the Gol. **The Government of Israel is encouraged to release the equipment for printing and issuing biometrically enabled Palestinian passports as quickly as possible.**

Trade Facilitation with Jordan (Door to door type initiative with Jordan)

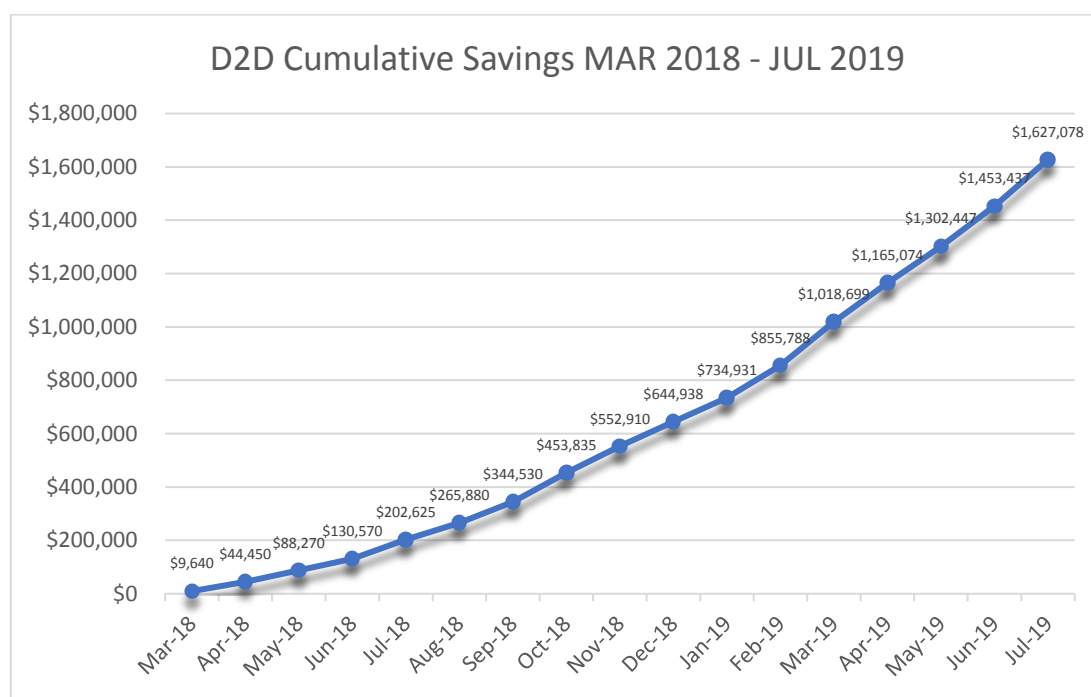
60. The Allenby/King Hussein Bridge (A/KHB) is the main avenue for trade with regional markets including Jordan and the Gulf states. On 7 July 2019 the PA Minister of National Economy signed an MoU with his Jordanian counterpart in Amman expressing the intention of both parties to adopt a door-to-door type trade facilitation initiative based on internationally accepted best practices when moving commercial goods between the West Bank and Jordan. The door-to-door initiative with Jordan will eliminate the inefficient and expensive back-to-back system for the movement of commercial cargo through A/KHB. Gol and the Government of Jordan (GoJ) have established two committees (Trade and Transportation) to discuss a door-to-point initiative at Sheikh Hussein Bridge. A successful implementation of such initiative at the Sheik Hussein Bridge can lead to a similar discussion between Gol, GoJ and the PA to adopt a door-to-door initiative at A/KHB between the PA and Jordan. Gol has expressed its interest in reviewing the briefing prepared by the OQ highlighting the benefits of a door-to-door initiative at A/KHB.³⁰ A door-to-door type initiative at A/KHB has the potential to improve the quality of the exported goods, save approximately 25-30% in transportation and logistics costs, eliminate delays, reduce damage associated with loading and offloading and thereby help to increase the competitiveness of Palestinian products. **The PA and the Government of Jordan are encouraged to implement the signed MoU in cooperation with the Government of Israel.**

³⁰ During the Trilateral meeting on Crossings conducted on the 27th of August 2019 in Jerusalem, the Israeli delegation mentioned the ongoing discussions in its two committees with Jordan (trade and transportation). In one of the committees, Door-to-Point is discussed. The OQ provided COGAT with a presentation and an overview briefing on the expected gains of door-to-door with Jordan on A/KHB.

Door to door and trade facilitation

61. The recent expansion of the door-to-door (D2D) trade facilitation programme to include companies from the north of the West Bank represents a positive step to significantly reduce Palestinian companies' transportation costs and increase the competitiveness of Palestinian products in the Israeli and international markets. D2D facilitates the movement of low risk goods manufactured at secure factories in the West Bank, allowing them to proceed directly from the Palestinian factory through an Israeli checkpoint with minimal inspection and move on to its destination in Israel or beyond. **The parties are encouraged to continue expanding this programme to include the passage of perishable goods and agricultural products at the Jalameh Crossing for eligible users in the north of the West Bank.**

Figure 2: D2D cumulative savings in USD March 2018 – July 2019



Sustainable economic development in Gaza

62. The recent increase in agricultural exports from Gaza to local and regional markets is welcomed. Restrictions on the transfers of processed foods from Gaza to the West Bank continue to limit growth in this critical sector which has the potential to create thousands of jobs. **The parties are encouraged to facilitate the passage of a pilot shipment of non-sensitive items from Gaza to the Kingdom of the Netherlands as a first phase, and to jointly work on establishing a guidance between the PA and GoI Ministries of Health. This would enable a second phase of the pilot programme by allowing the entry of a pilot shipment of Gaza produced processed foods into the West Bank.**
63. Kerem Shalom/Karem Abu Salem crossing is the only functional commercial crossing allowing products into and out of Gaza. The Palestinian General Administration for Crossings and Borders (GACB) developed a plan to upgrade the commercial crossing which would help protect commercial goods from damage, vandalism and fire hazards, while also improving safety and providing more efficient monitoring to enhance security measures at the crossing. The plan was approved by the relevant Israeli authorities through direct discussions between PA and GoI

officials. **The donor community is encouraged to support the Palestinian General Administration for Crossings and Borders (GACB) plan to upgrade the Karem Abu Salem commercial crossing into Gaza.**

Supporting the importation of fuel from abroad

64. Current discussions on the possible establishment of fuel terminals and pipelines between the West Bank and Israel are welcome. Additionally, the PA's initiative to explore establishing a fuel terminal for importing fuel from neighbouring countries through A/KHB is also welcome in an attempt to diversify fuel suppliers.

CEAPAD Trade Development Initiative

65. In 2018, Palestinian imports were valued at 5.7 billion USD and exports were valued at 1.1 billion USD. The Palestinian economy faces a 5.2:1 trade deficit and Palestinian businesses face exceptionally high transportation costs. Additionally, around 83% of all Palestinian exports in 2018 were destined to the Israeli market. These figures confirm the potential benefits of diversifying trade options with new markets for Palestinian businesses and products. The CEAPAD trade event initiative conducted in July 2019 represents a first step to enhance trade with East Asian Countries. Significant focus on private sector development can help expand the reach of Palestinian products in the global marketplace. This can be achieved by introducing Palestinian businesses and products to other East Asian markets by working jointly with local private sector development institutions to further develop trade relations with CEAPAD countries and ensure the sustainability of future trade relations.

Economic Mapping

66. Effective planning and policy making requires reliable data. This, in turn requires the establishment of integrated systems and building the PAs capacity to acquire and analyse data. Over the reporting period, the OQ has supported the PA in two unique ways. First, the OQ has further refined its data visualisation applications such as pMaps.io and Indicators.ps both of which are designed to establish an integrated, interoperable Palestinian data system. Second, supporting the efforts of the Palestinian Central Bureau of Statistics (PCBS) in data science. This has evolved to support the Ministry of Agriculture to establish a farmer's registry which will acquire and analyse crucial data. This is of practical use for planners and agronomists within the PA: overlaying this data set with geo-referenced data on water, topography and trade routes could help improve analysis and thereby the efficiency and sustainability of the sector. But it may also be used in less traditional ways – for example, helping start-up companies working at the nexus of agriculture and technology to identify new opportunities and to field test their products on local farms.

Annex A: Results of Gaza solar pre-feasibility study

The table below sets out the high-level results of the Gaza solar pre-feasibility study:

Site	Capacity (MWp)	Energy production (MWh, year one)	CO ₂ reduction (tonnes, year one)	CAPEX costs ³¹ (M USD)
Khan Younis Wastewater Treatment Plant – Site 1	7.61	13,832	8,307	7.47
Khan Younis Wastewater Treatment Plant – Site 2	6.67	12,123	7,396	6.53
Al Basa Sewage Water Pumping Station – Site 1	1.77	3,118	569	1.79
Al Basa Sewage Water Pumping Station – Site 2	1.33	2,331	569	1.37
Israel Electric Corporation Line 8 – Site 1	7.89	14,300	-	7.73

An estimated implementation timetable for these projects is set out below:

			2018				2019				2020				2021			
Stage		Time schedule (per stage)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Pre-feasibility/feasibility	21 months																
2	EPC and detailed design process	18 months																
3	Construction, commissioning and operation	9 months																

³¹ Including grid connection, excluding land costs.

Annex B: Funding Pledged to the Gaza Central Desalination Program

As of August 2019, the following pledges have been made to the GCDP & AW

Country/Inst.	Amount (in million EUR)	Components	Funding Mechanism
Islamic Development Bank	239	50% of all components	
European Union	86.1	70 to GCDP, 9 to Al Montar/AW, 7.1 to management support consultant and GCDP tendering process	via European Investment Bank (EIB) trust fund
The Kuwait Fund	52.2	Southern Carrier / Additional Water Improvement Works in South	Managed by KFAED but counted for IsDB
Netherlands	8	Associated Works	World Bank (WB) Trust Fund (TF) and WB MULTI TF (PID)
France	10	Associated Works	World Bank (WB) Trust Fund (TF) and WB MULTI TF (PID)
Algeria	0.8	Not defined	Funding mechanism not specified
Turkey	11	Not Defined	Funding mechanism not specified
Japan	8.7	Not Defined	in kind equipment from Japan
Slovenia	0.5	GCDP	Via EIB Trust Fund
Romania	0.025	GCDP	Via EIB Trust Fund
Cyprus	0.1	GCDP	Via EIB Trust Fund
Italy	8.1	Associated Works	Total amount TBD based on conversion to grant
World Bank	37.4	Associated Works	WB TF and WB MULTI TF (PID) (includes contribution from DIFD and PID Donors)
Germany	30.6	Associated Works	not via trust funds
Australia	6.2	Associated Works	WB PID
Malta	0.02	GCDP	Via EIB Trust Fund
Total Pledges	498.745		
Total Cost of Program	582.3		
Total Gap	83.555		

Annex C: Status Update on the Water and Wastewater Packages for the West Bank and Gaza

A priority list of water and wastewater infrastructure priorities, developed by the Palestinian Water Authority (PWA) in November 2017, have been planned for development from the period of 2018-2022. These priorities will enable an increase in domestic water supply by 70.4 MCM in the West Bank and 78 MCM in Gaza. The wastewater projects will also treat 31.6 MCM and 22.5 MCM of wastewater in the West Bank and Gaza, respectively.

Some progress has been seen in advancing these packages, albeit slower than expected. Key achievements include *inter alia* progressing the construction and operation of wastewater treatment plants (WWTPs) and short-term low-volume desalination plants (STLVs) in Gaza, securing funds and beginning implementation of the Gaza Central Desalination Plant & Associated Works (GCDP &AW), securing a Joint Water Committee (JWC) approval for the Balama/Janzur Well, securing approval by the Hydrological Survey of Israel (HSI) for monitoring wells in the Nabi Musa Area, and the prioritizing wastewater treatment in transboundary streams in the West Bank through the Palestinian Authority's (PA) cabinet decision. Despite these positive advancements, further progress requires:

- 1) securing relevant approvals from the Government of Israel,³²
- 2) securing relevant financing, including for projects that the PA can no longer support due to the ongoing fiscal crisis,
- 3) ensuring sufficient energy supplies, particularly in Gaza, for full operation, and
- 4) enabling long-term operation and maintenance of this infrastructure.

An outstanding funding gap of 643.95 million USD remains. This includes an estimated:

- 97.2 million USD for water priorities and 72.3 million USD for wastewater priorities in Gaza
- 136.35 million USD for water priorities and 338.1 million USD for wastewater priorities in the West Bank.

This funding is primarily for construction of relevant infrastructure, although long-term sustainability depends on securing funding for operation and maintenance (O&M). Investment in renewable energy could reduce O&M costs and also ensure that energy needs are met.³³ The table below presents each component of the water and wastewater packages in the West Bank and Gaza, indicating the status of these programs, potential impact, and the outstanding funds and approvals required for implementation.

³² This includes approvals for the entry of material into Gaza, construction approvals in Area C of the West Bank, clearances for import of materials into the West Bank, and approvals by the Joint Water Committee for construction that could affect the aquifer in the West Bank (i.e. drilling of wells, implementing wastewater treatment).

³³ According to OQ analysis, if all the new projects from the West Bank Wastewater Package, for example, followed a model where PV panels and the biogas unit cover 10% and 50% of the total power demand, respectively, this could lead to an estimated 0.75 million NIS of annual savings in the electricity cost (per facility) and decrease by 0.31 NIS/m³ the cost of wastewater treatment, which is currently around 1 NIS/m³. Issues regarding energization and operation of water and wastewater facilities in the West Bank and Gaza have been explored at length in the Office of the Quartet's report to the Ad Hoc Liaison Committee from April 2019 and September 2019.

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
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Wastewater

Gaza Wastewater Package				
North Gaza Emergency Sewage Treatment Plant (NGEST)	NGEST construction was completed in March 2018 with funding support from the World Bank (WB), European Union (EU), European Investment Bank (EIB), French Development Agency (Afd), and the Swedish International Development Cooperation Agency (SIDA). The plant is connected to the electricity grid and has been operational at full capacity, although some disruptions were seen in September 2019 as detailed in the report above. The total energy required is 5 megawatts (MW), including 2.5 MW for the reuse scheme. The biogas system is not yet operational due to installation challenges. Funding is needed for the reuse scheme and operation and maintenance (O&M) support, for which Afd has committed to supporting the upcoming 6-months.	13	26.8 (reuse scheme) 7.5 (5-year support for O&M)	-
Khan Younis WWTP	Construction of a WWTP and the infiltration basins was completed in August 2019 with support from the Government of Kuwait, Japan and the United Nations Development Program (UNDP). The WWTP is in the commissioning stage (as of 9 September 2019). The plant's connection to the grid is complete, and a Memorandum of Understanding (MOU) was signed with the Gaza Electricity Distribution Corporation (GEDCO) for electricity supply. The total energy required is 3.7 MW. Outstanding needs include feasibility studies, designs, and construction of a reuse scheme and a renewable energy scheme, as well as a cost recovery plan.	9.5	24-26 (reuse scheme); 5-12 (solar energy)	Material entry for reuse scheme and renewable energy components
Gaza and Middle Area Wastewater Treatment Plant (Bureij WWTP) ³⁴	Construction is progressing according to the schedule, which is expected to be complete by the end of 2019. O&M support will be provided for the first 2 years, with support from KfW. Due to the high level of water salinity in central Gaza, reuse of the treated wastewater is not feasible until the conclusion of the GCDP & AW. With both a biogas and solar photovoltaics (PV) system installed, the WWTP will be energy self-sufficient after six months of operation. The grid connection is also complete, but an agreement with GEDCO is still needed to provide electricity for the first six months of operation. The total energy required for the WWTP is 3MW.	22	0	Approvals are required from the Israeli Civil Administration (ICA) for the entry of key instruments (i.e. sensor, meters, generators), which are held in storage on the Israeli side of Karam Abu Salam crossing.
West Bank Wastewater Package				
Ramallah Region/Betunia -Ein Jariot Wastewater Treatment Plant	KfW committed USD 30 million for this WWTP, Approval from JWC and the ICA has been acquired and the no-objection announcement was complete. The	3	0	ICA approval for Area C components

³⁴ Not included in Wastewater package

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
	project is in the land acquisition phase, and construction is expected to begin in 2021.			
North West Jenin – Al Yamun Sewage Project	A conceptual study was undertaken by USAID and ‘in-principal’ approved by the JWC. Funding is needed for the detailed design and construction of a collection network, WWTP, and reuse scheme.	3	34	
South Tubas Sewage Project	A feasibility study and a conceptual design were concluded in 2016 by the EU. Funding is needed for the detailed design and construction of a sewage network, WWTP, and reuse scheme.	2.6	37	ICA approval for Area C components
Azzoun Sewage Project – Qalqilya	A conceptual study was undertaken by USAID. Funding is needed for the detailed design and construction of a sewage network, WWTP, and reuse scheme.	1.2	10	ICA approval for Area C components
Bidya Cluster Sewage Project - Salfit	Funding is needed to expand the sewage collection network and design and build a new WWTP.	1.5	18	
North West Nablus (Sabastya) Sewage Project	Funding is needed for the detailed design and construction of a sewage network, a trunk line to the Nablus West WWTP, and expansion of the Nablus West WWTP and reuse scheme.	1.5	15.2	ICA approval for Area C components
Al Sha’arawiya sewage project in Tulkarem	A master plan was conducted by AfD. Funding is needed for a feasibility study, design and construction of a sewage network, WWTP, and reuse scheme.	1.4	19.7	ICA approval for Area C components
Al-Bireh reuse scheme (and trunk-line to Al-Auja)	A feasibility study was developed in 2016 with EU funding, KfW committed 5 million Euro for the expansion and the rehabilitation of the Al Bireh WWTP. Funding is needed for the construction of a trunk line to convey treated effluent to the reuse area.	2	9.6	ICA in-principle approval and approval for Area C components
North East Ramallah (Birzeit cluster) Sewage Project	A feasibility study was undertaken in 2004 World Bank and the European Investment Bank (EIB). With EIB funding, an updated feasibility study is currently being conducted, which will be complete in October 2019. Funding is needed for the detailed design and construction of a sewage network, WWTP, and reuse scheme.	1.8	36	ICA approval for Area C components
Jericho Reuse scheme	With funding from the Representative Office of Japan and the PA, two parallel projects in Jericho are advancing to improve sewage collection and increase the quantities of sewage treated at the Jericho Wastewater Treatment Plant to 3000m ³ /day. In order to utilize the additional quantities of effluent generated by the treatment plant, further investment in the reuse scheme is required.	1.1	10	
North West Jerusalem Sewage Project	A pre-feasibility study was concluded in 2011 with funding from Finnish Government. Funding is needed for the detailed design and construction of a sewage network, WWTP, and reuse scheme.	1.5	20	ICA approval for Area C components
Wadi Nar Part I (East Bethlehem) Sewage Project	A pre-feasibility study was recently completed by Adore De Garoun (France). AfD has allocated 450,000 EUR for a full feasibility study of this project. Funds	4	30	ICA approval for Area C components

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
	will be released pending Israeli approval for Area C components. Once the study is complete, funding will be needed for expanding the sewage network, as well as construction of a WWTP and reuse scheme.			
Wadi Nar Part II (South Jerusalem; Abu Dies and Al Azarieh) Sewage Project	The PWA completed a design of the sewage networks and identified a contractor to develop a full feasibility study, however the feasibility study is now on hold due to the financial crisis. Funding is needed for the detailed design, expansion of the sewage network, construction of a WWTP, and reuse scheme.	2	36	ICA approval for Area C components
South Hebron (Dura and Yatta) Sewage Project	An Environmental Impact Assessment was approved by the Palestinian Environment Authority. JWC principally approved the project. Funding is needed to expand the existing sewage network and construction of a WWTP.	3.5	30	
West Bethlehem (Nahalin) Sewage Project	A feasibility study was conducted by the World Bank. Funding is needed for a detailed design and construction of a sewage network, WWTP, and reuse scheme.	1.5	25	ICA approval for Area C components
Transboundary Wastewater Cabinet Decision ³⁵				
Tulkarem WWTP	Funds for construction have been halted due to PA fiscal crisis. Funding is needed for expanding the sewage network and constructing a WWTP	3	31	
Beit Jala Pumping Station	Funds for construction have been halted due to PA fiscal crisis. Funding is needed for a pumping station as a component of the Wadi Nar Project.	1	1.5	ICA approval for Area C components
Qalqilya WWTP and Reuse Scheme	No funding is available due to the PA fiscal crisis. Funding is required for a feasibility study, design, and construction of a WWTP and reuse scheme.	11	29	To be determined
Baqa Sharqiya WWTP and Reuse Scheme	A feasibility study was completed in 2015 and construction of the sewage network was completed through UNDP with funds from the Netherlands. The PA funds allocated for the construction of the treatment plant has been halted due to PA fiscal crisis. Funding is needed for a detailed design and construction of a WWTP and reuse scheme.	0.7	6	
Hebron (Wadi Saman) Trunk Line and Reuse Scheme ³⁶	Construction is ongoing. Design of the trunk line was funded by AfD, which will be completed by the end of August 2019. Due to the financial crisis, the PA funds are on hold. Funding is needed for completion of the reuse scheme.	5	36	To be determined

³⁵ The PA Cabinet of Ministers allocated 55 million USD for the construction of projects that will reduce transboundary wastewater flows into Israel in a cabinet decision in December 2017. An additional 7.6 million USD is required beyond the PA contribution. The PA funding has been put on hold due to the PA fiscal crisis. Until these funds can be made available, it is critical that the parties advance the transboundary wastewater protocol and data sharing on transboundary wastewater flows as a transitional arrangement.

³⁶ Will connect to the Hebron WWTP funded by the EU and AfD, which is currently under construction.

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
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Water

Gaza Water Package ³⁷				
Gaza Central Desalination Plant and Associated Works (GCDP & AW)				
Gaza Central Desalination Plant	The pre-tendering notice and the request for expression of interest have been published and tender documents for the GCDP are being finalized. Most of the “special” arrangements for the entry of materials have been agreed between the parties, and discussions are ongoing with the relevant stakeholders at the GoI to finalize these special arrangements and process approvals for the entry of materials for the GCDP. Discussions are ongoing with donors on the disbursement of pledged funds to enable construction to begin once tendering is complete. The total energy required for the program is 29 MW, which will be partially generated by an on-site power station and solar PV system, as well as an off-site PV system.	55	92.5 (83.555 m EUR) for all remaining components of the GCDP & AW	Material entry approvals (pending submission)
Mekorot Improvement works in Khan Younis and Middle Governorates	Contract has been awarded and the mobilization stage of construction has commenced, with funds from the Government of Kuwait. Construction is expected to be complete in September 2020. ‘Dual-use’ materials have been approved, except for chemical and telecom materials.			Chemical and telecom material approvals.
Southern Main Carrier System in Rafah and Khan Younis Governorates	This component is in final stages of tendering with funds from the Government of Kuwait. The mobilization stage of construction is expected to commence in October 2019. ‘Dual-use’ materials have been approved, except for chemical and telecom materials.			Chemical and telecom material approvals
Mekorot improvement works in Gaza City	Tendering to start with EU support in March 2020. ‘Dual-use’ materials have been approved, except for chemical and telecom materials.			Chemical and telecom material approvals
Northern Main Carrier System in Middle, Gaza and North Governorates	Pending transfer of pledged funding. ‘Dual-use’ materials have been approved, except for chemical and telecom materials.			Chemical and telecom material approvals
Water Distribution Network Reconfiguration in the South Area (Rafah and Khan Younis Governorates)	Tendering is expected to begin in March 2020 with funds from the World Bank Trust Fund. ‘Dual-use’ materials have been approved, except for chemical and telecom materials.			Chemical and telecom material approvals
Water Distribution Network Reconfiguration in the North (Middle, Gaza & North Governorates)	Pending transfer of pledged funding. ‘Dual-use’ materials have been approved, except for chemical and telecom materials.			Chemical and telecom material approvals

³⁷ In addition to the water supply from the infrastructure included in this matrix, the water package in Gaza also includes 10 MCM of supply through the RSDS program.

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
Construction of three District Metered Area DMA (Three pilot areas in Rafah-Tal Sultan, Khan Younis-Maan, Gaza-Al Naser)	Detailed designs are ready, and funding is required to advance implementation.		0.7	Material entry approvals (pending submission)
Other water infrastructure				
Gaza STLV	Construction completed in August 2019 with funds from the Government of Kuwait. The electricity line is expected to be complete in December 2019 to enable operation. A plan for cost-recovery should be developed. The connection to the electricity grid and relevant power lines are under construction and should be complete in December 2019. Total electricity needed is 3.5 MW. An agreement is still needed for the provision of electricity from the grid. Funding is needed for the construction of a solar PV system to offset grid supply.	3.65	4	
Southern STLV	Construction of Phase 1 is complete, and construction of Phase 2 is expected to conclude in the first quarter of 2021, with funds from the EU. A plan for cost-recovery should be developed. The total needed energy of Phase 1 and 2 is 4 MW. An onsite PV system provides 0.56 MW. The facility is also connected to the electricity grid, and operates below capacity according to the grid's electricity cycle, which is currently only 8 hours/day.	7.3 (2.2 currently)		
Deir al Balah STLV ³⁸	Expansion of the Deir al Balah STLV was complete in January 2019, with funds from USAID but commissioning and operationalization was cancelled for the first 6-months due to USAID funding cuts. The electrical challenges have been resolved and the facility is ready for operationalization. The total energy required is 1.8 MW. A plan for cost-recovery should be developed.	2.2		
West Bank Water Package ³⁹				
Wells ⁴⁰				
Tarqumia and Idna Wells	Submitted to JWC. Funding is needed for drilling and equipping 4 wells in Tarqumia and Idna and construction of relevant infrastructure	4.9	15	JWC approval, ICA approval for Area C components and ICA clearance for import of the equipment.
Al Fawwar Area Substitute Wells	Submitted to JWC. Funding is needed for drilling 2 substitute wells in Al Fawwar area and upgrade of the relevant infrastructure	1.5	6	JWC approval, ICA approval for Area C components and ICA clearance for import of the equipment.

³⁸ Not in water package

³⁹ In addition to the water infrastructure and well projects included below, the water package also includes the purchase of an additional 25 MCM of water from Mekorot

⁴⁰ The list of wells presented below have been updated in July 2019 to reflect the priorities of the Palestinian Water Authority

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
No. 17 Bethlehem Well	Approved by the JWC. Funding is needed for equipping 1 well No. 17 in Bethlehem and construction of relevant infrastructure	0.7	2	ICA clearance for the import of materials
Marsaba or East of Hezma Wells	Submitted to JWC. One well was approved by JWC. Funding is needed for drilling 3 production wells in Marsaba or East of Hezma and construction of relevant infrastructure	3	15	JWC approvals for outstanding wells. ICA approval for Area C components
Nabi Musa Area Test/Monitoring Wells	Discussed and approved by Hydrological Survey of Israel. Submitted to ICA. Funding is needed for drilling 3 test/monitoring wells in Nabi Musa area and construction of relevant infrastructure	0	1	ICA approval for Area C components
Shibteen Area Wells Upgrade	Submitted to JWC. Funding is needed for upgrading 2 wells in Shibteen Area and construction of relevant infrastructure	1.2	5	JWC approval to transfer the responsibility over the two wells from the Israeli side to PWA, ICA approval for Area C components and import of the equipment.
Jericho Wells	Submitted to JWC. Funding is needed for drilling 2 production wells in Jericho and construction of relevant infrastructure.	3	5	JWC approval and ICA clearance for import of the equipment.
Bala, Anbata No. 5, and Azzun Wells	Approved by the JWC and drilled. Funding is needed for equipping 3 wells (Bala, Anbata No. 5, and Azzun) and construction of relevant infrastructure	2	7	ICA clearance for import of the equipment
Salfit Area Well	Submitted to JWC. Funding is needed for drilling and equipping 1 well in Salfit area and construction of relevant infrastructure	0.7	4	JWC approval, ICA approval for Area C components and ICA clearance for import of the equipment.
Balama/Janzur Well	Approved by JWC. Funding is needed for drilling and equipping 1 well in Balama/Janzur and construction of relevant infrastructure	1.3	7	ICA clearance for import of the equipment
Araba Substitute Well	Submitted to JWC. Funding is needed for drilling 1 substitute well for Araba	1	1	JWC approval
Beit Qad and Abu Arab Wells	Submitted to JWC. Funding is needed for drilling and equipping 2 production wells in Beit Qad and Abu Arab and construction of relevant infrastructure	2.5	15	JWC approval and ICA clearance for import of the equipment
Nablus (Hisba) Well	Submitted to JWC. Funding is needed for drilling and equipping 1 well in Nablus (Hisba) and construction of relevant infrastructure	1.5	3.5	JWC approval for drilling, ICA clearance for import of the equipment
Sanur Substitute Well	Submitted to JWC. Funding is needed for drilling 1 substitute well for Sanur	1	1.5	JWC approval
Infrastructure to enable Red Sea-Dead Sea (RSDS) Supply ⁴¹				
North West Ramallah Project	Tendering for constructing the Ramallah connection point for supplying RSDS quantities, co-financed by AfD and the EU (23 million EUR), is expected to begin by mid-2020. Implementation of Phase 2 of the North West Ramallah Project (regional/local water tanks, supply and transmission lines, and other network rehabilitation) requires additional funding of 10.2 million USD	4.5	10.2 (Phase 2)	ICA approvals for Area C components

⁴¹ The total supply of RSDS water included in the package will be 22 MCM to the West Bank, some of which will be supplied through existing connection points.

Infrastructure	Status	Water/ Effluent Generation (in MCM)	Estimated Outstanding Funding (in million USD) ¹	Approvals Required
Upgrading the infrastructure in Jenin Governorate	AfD is interested in funding 10 million EUR for the design and construction of a connection point and relevant infrastructure in Jenin, to enable supply of RSDS quantities. Co-financing of this project is required.	4 (RSDS) 2.5 (Mekorot)	14.5 (13 EUR, contribution of 10 EUR from AfD in 2020)	ICA approvals for Area C components
Other water infrastructure ⁴²				
Regional Water Tank and associated supply and distribution system in South Bethlehem	A project plan has been completed. Funding is needed for a preliminary design, detailed design, and construction.		3.3	ICA approvals for Area C components
Two Regional Water Tanks and associated supply and distribution system in East Bethlehem	A project plan has been completed. Funding is needed for a preliminary design, detailed design, and construction.		4.55	ICA approvals for Area C components
Regional Reservoir and associated supply and distribution system in Ras At Tawil in Hebron	A project plan has been completed. Funding is needed for a preliminary design, detailed design, and construction.		3	ICA approvals for Area C components
Replacement pipeline at Reef Dura communities cluster (Hebron)	A project plan has been completed. Funding is needed for a preliminary design, detailed design, and construction.		1.5	ICA approvals for Area C components
Two water tanks with associated supply and distribution pipelines in Jabal Abu Rumman and Jabal Jouhar	A project plan has been completed. Funding is needed for a detailed design and construction.		2.5	
Rehabilitation of Beit Umman internal distribution system	A project plan has been completed. Funding is needed for a detailed design and construction.		2	
Construction of water reservoir for Qilqis and rehabilitation of internal water network	A project plan has been completed. Funding is needed for a detailed design and construction.		0.8	ICA approvals for Area C components
Replacement of the pipeline from connection point to Beit Ur At Taha and rehabilitation of the existing reservoir and distribution network	A project plan has been completed. Funding is needed for a preliminary design, detailed design, and construction.		5	ICA approvals for Area C components
Artificial recharge by using a mixture of treated wastewater and flood water in Jericho (Area A)	Funding is needed for implementation.		1	ICA approvals for Area C components

⁴² The projects listed in the section below will enable the development of water infrastructure in the West Bank into three regional systems, in order to support water supply management and overall commercial viability of the sector. These components will further enable improved distribution of bulk supply from groundwater, import from Mekorot, or RSDS quantities.