

February 2021 Key Asks

Energy

1. The relevant parties are encouraged to **reach an agreement on the commercial structure of the Gas for Gaza (G4G) project** to connect Gaza to natural gas by 2023 (2022 on an accelerated schedule). This is now critical to avoid delay considering milestones reached on financing for the construction of the pipeline and the significant milestones reached on the detailed design and the Environmental and Social Impact Assessment.
2. The parties are encouraged to **work on the assessments and upgrades required for the Gaza electricity grid** in general, considering specifically the projected completion of the G4G project.
3. 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 from Egypt as well as from Israel through the **161 kV initiative**.
4. The parties are encouraged to **support solar photovoltaic projects** throughout the Palestinian territory, particularly in those areas with optimal potential such as the Access Restricted Area in Gaza and in the West Bank.
5. The Gaza Electricity Distribution Company and the Palestinian Authority (PA) are encouraged to **establish a commercially viable mechanism for electricity payments in Gaza**. The European Union's efforts in this regard are welcomed.
6. The relevant parties are encouraged to make all efforts to **ensure that the Gaza Marine field moves into development**.

Water

7. To support progress on the Gaza Central Desalination Plant and Associated Works (GCDP & AW), the Government of Israel (GoI) is encouraged to **provide written approval for the works in the sea**. The parties are encouraged to **sign the 5 March 2020 meeting minutes of the GCDP Task Force**. Donors are encouraged to continue efforts in **disbursing pledged funds to progress tendering and construction**.
8. To support the construction and operationalization of water and wastewater infrastructure in Gaza, the GoI is encouraged to **enable the entry of pipes for WASH infrastructure** that enables the efficiency and the sustainability of the networks considering the technical and financial targets set by the PA. Moreover, donors are encouraged to **bridge the critical funding gap** of around 1 million USD to enable Short Term Low Volume desalination plant operation of 16 hours/day for six months and another 0.65 million USD for Khan Younis wastewater treatment plant for the years 2021 and 2022. The PA is encouraged to **advance measures to increase cost-recovery from households and clarify the roles and responsibilities of the Coastal Municipalities Water Utility**.

9. The parties are encouraged to **finalize a reliable agreement for the Red Sea Dead Sea program** based on international best practices to enable the immediate supply of agreed quantities of water and the application of agreed prices to these quantities, especially with the readiness of southern connection points in Gaza. Donors are encouraged to **bridge the outstanding funding gap** of 13 million EUR for the two connection points in Jenin.
10. The Gol is encouraged to **provide an *in-principle* approval for the Water and Wastewater packages in the West Bank**. There remains a funding gap of approximately 461 million USD for these packages and donors are encouraged to **consider contributions towards the implementation of the water and wastewater infrastructure priorities**, most critically an initial 18 million USD to fund five wells for domestic use and 30 million USD for developing the Tulkarem wastewater treatment plant and reuse scheme. Further, the parties are encouraged to **implement the arrangements agreed** during the Dutch-led Trilateral discussions in early 2020 and the Joint Water Committee technical subcommittee meetings in 2020 and January 2021, including agreeing on principles for management of transboundary wastewater and billing for its treatment.
11. To advance efforts to improve governance and commercial viability of the water sector, the PA Cabinet and Palestinian Water Authority (PWA) are encouraged to **disseminate the reform plan and Cabinet decisions** adopted in December 2020, as well as the tariff bylaw and the licensing and regional water utilities regulation by the end of 2020, which were planned to be endorsed. The PA is encouraged to **advance the implementation of Cabinet Decision No 28** (November 2019) relevant to the transfer of transportation and property taxes by identifying a selection of service providers to employ the government's incentives for debt repayment. Donors are encouraged to **support the PWA in these efforts**. Stakeholders are encouraged to **progress a pilot on a performance benchmarking system** for water and wastewater service providers.

Telecom

12. The Gol is encouraged to urgently **allocate the needed spectrum for Palestinian 4G and 5G** deployments prior to completion of 5G deployments in Israel and consistent with international best practices, the relevant International Telecommunication Union resolutions, the Interim Agreement, and recommendations from the study conducted by an international expert firm for the Office of the Quartet (OQ) on the deployment of advanced mobile broadband technologies in the West Bank and Gaza. More specifically, the parties are encouraged to **modify their respective proposals in order to ensure Palestinian demand for mobile broadband is met** in a manner that is commercially viable. The parties are encouraged to **convene a Joint Technical Committee meeting** to continue discussions.
13. The parties are encouraged to **implement the outstanding elements of the West Bank 3G agreement**.

14. The Gol is encouraged to **release the currently held equipment at Israeli ports** to enable Palestinian providers to expand the fixed broadband capacity to cope with increased demand arising from the COVID-19 pandemic.

Rule of Law

15. The recent engagement and measures taken by the Palestinian Monetary Authority (PMA) and the Bank of Israel to regulate and improve correspondent banking relations are welcomed. These entail, *inter alia*, the establishment of correspondent service companies on both sides, which will enable the provision of full banking services (in NIS) to Palestinian banks in years to come. Donors are encouraged to **support the PMA on measures agreed** throughout the three-year implementation period, including, *inter alia*:

- a. Establishing a Palestinian correspondent service company;
- b. Establishing a modern cash center that is owned and operated by the PMA; and

The parties are encouraged to **ensure a positive and enabling environment** that is essential for successful implementation.

16. The parties are encouraged to actively pursue dialogue to **resolve the outstanding fiscal files** which can contribute to enhancing the PA's fiscal situation. In particular:

- a. The parties are encouraged to **finalize an agreement on a framework for the transfer of customs authorities to the PA** and to agree on the inclusion of all imported goods under the scope of the transfer.
- b. The parties are encouraged to **establish an electronic system for the clearance of VAT** to reduce fiscal losses. In the short/medium term, the parties are encouraged to:
 - i. Improve the exchange of information on VAT invoices;
 - ii. Agree to expand the large dealers' program; and
 - iii. Resolve leakage on goods moving through Karam Abu Salem through, *inter alia*, establishing a PA presence and/or shift to electronic clearance to provide full transparency on VAT invoices for said goods.
- c. The Gol is encouraged to **provide fuel transferred from Israel to the PA on an excise tax-exempt basis**.
- d. The Gol is encouraged to **waive or at a minimum significantly reduce the 3 per cent handling fee**.
- e. The Gol is encouraged to **transfer deductions made from the salaries of Palestinian labor in Israel in a regular and predictable manner**.

- f. The parties are encouraged to **establish a procedure that governs how deductions from clearance revenues are made to offset financial obligations** for, *inter alia*, energy, water and health costs.
17. Resumption of security coordination between the parties is welcome. The GoI is encouraged to **expand access by PA police and security forces to underserved Palestinian communities** in the Jerusalem suburbs and H2.

Movement and Trade

18. To meet the growing demand by the Palestinian private sector to utilize the Door-To-Door (D2D) program, the GoI is encouraged to **include Palestinian drivers as well as Palestinian plated trucks** in the delivery chain. The GoI is also encouraged to **consider the growing volumes processed using D2D in planning the expansion of the relevant D2D commercial crossings** (Tarqumiya and Shaar Ephraim).
19. The economic benefit from a more cost-efficient import/export process at Allenby/King Hussein Bridge – in particular with regards to raw/bulk material for the Palestinian industrial sector – is substantial. Engagement is continuing with the Palestinian sector to advance a direct transfer process, akin to the D2D program. The parties are encouraged to **commence concrete technical discussions on this matter**.
20. To capitalize on progress regarding the transfer of processed foods from Gaza to the West Bank and beyond, the GoI is urged to **indicate further categories of products that it could approve for transfer to the West Bank** and the terms that would facilitate this, such as public health requirements. The OQ welcomes steps taken by the GoI to facilitate the entry of ISO-certified processed foods to the West Bank based on a PA Ministry of Health-issued certification.
21. The parties are encouraged to **resume pre-pandemic efforts to advance the transfer of relevant standards functions to the PA**. This will reduce costs on Palestinian imports/exports and enable the PA to regulate their market and afford better consumer protection.