



Office of the
Quartet

Report to the Ad Hoc Liaison Committee

17 November 2021

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Acronyms

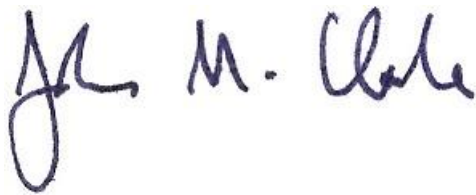
ADA – Austrian Development Agency	MoC – Israeli Ministry of Communications
A/KHB – Allenby/King Hussein Bridge	MoF – Ministry of Finance
AFD – French Development Agency	MoNE – Palestinian Ministry of National Economy
AHLC – Ad Hoc Liaison Committee	MTIT – Palestinian Ministry of Telecommunication and Information Technology
ARA – Access Restricted Area	MW – Megawatt
AW – Associated Works	NGEST—Northern Gaza Emergency Sewage Treatment
AWSNI – Additional Water Supply Network Improvements-Mekorot	NRO – Netherlands Representative Office
AWTP – Affordability and Willingness to Pay	NWC – National Water Company
BWSU – Bulk Water Supply Unit	O&M – Operation and Maintenance
CMWU – Coastal Municipalities Water Utility	OQ – Office of the Quartet NIS – Israeli New Shekel
CoGAT – Coordination of Government Activities in the Territories	PA – Palestinian Authority
CPA – Israeli Crossing Points Authority	PASF – Palestinian Authority Security Forces
D2D – Door to Door	PENRA – Palestinian Energy and Natural Resources Authority
EIB – European Investment Bank	PETL – Palestinian Electricity Transmission Company Ltd.
ESIA – Environmental and Social Impact Assessment	PLC - Program Logic Control system
EU – European Union	PPA – Power Purchase Agreement
EUR - Euro	PSI – Palestinian Standards Institute
FCDO - United Kingdom’s Foreign, Commonwealth and Development Office	PV – Photovoltaics
G4G – Gas for Gaza (project)	PWA – Palestinian Water Authority
GCDP & AW – Gaza Central Desalination Plant and Associated Works	PWM – Pre-paid Water Meters
GEDCO – Gaza Electricity Distribution Company	RDNA – Rapid Damage and Needs Assessment
GIZ - German Development Agency	RSDS – Red Sea Dead Sea Agreement
Gol – Government of Israel	RWU – Regional Water Utility
GPP – Gaza Power Plant	STLV – Short-Term Low-Volume Desalination Plant
GRM – Gaza Reconstruction Mechanism	TFCS - Improving Trade Facilitation and Customs Support (FCDO programme)
ICA – Israeli Civil Administration	UN – United Nations
ICRC – International Committee of the Red Cross	UNICEF – United Nations Children’s Fund
IEC – Israel Electric Corporation	UNRWA – United Nations Relief and Works Agency
IsDB – Islamic Development Bank	USAID – United States Agency for International Development
ISP – Internet Service Provider	USD – United State Dollars
JDECO – Jerusalem District Electricity Company	US – United States
JWC – Joint Water Committee	VAT – Value Added Tax (goods and services tax)
JTC – Joint Technical Committee (telecoms)	WSRC – Water Sector Regulatory Council
KAS – Karem Abu Salem / Kerem Shalom	WWTP – Wastewater Treatment Plant
KfW – German State-Owned Development Bank	
MCM – Million cubic meters	

Foreword

This report is prepared in advance of the Fall Ministerial meeting of the AHLC, now scheduled for 17 November in Oslo, Norway. The reporting period witnessed significant developments in the Palestinian territory, Israel and the region beyond, all under the ongoing shadow of the COVID-19 pandemic.

In May, an 11-day escalation between Israel and militants in Gaza led to the loss of numerous lives as well as extensive damage to buildings and infrastructure while exacerbating already deepening economic challenges. Compounding this, the Palestinian Authority continued to face a serious fiscal crisis, with an expected fiscal deficit of 1.69 billion USD in 2021 and an ongoing decline in donor funding, including direct budget support. Despite this, renewed engagement between the parties during the reporting period provided the means to move a number of longstanding files forward and possibly a foundation for future progress in other areas.

This report focuses on identifying progress achieved and the critical next steps required in order to meet 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. As we have stated before, these changes can support, but never supplant, final status negotiations which aim to achieve a two-state solution. We thank those donors that have continued or renewed their support to the work of the Office of the Quartet during this challenging period and look forward to continuing our work with the parties, Quartet members and the international community in the coming months.

A handwritten signature in blue ink, appearing to read "John N. Clarke". The signature is fluid and cursive, with the first name "John" being particularly prominent.

Dr. John N. Clarke

Head of Mission

Office of the Quartet

Executive Summary

This report identifies progress achieved since the Office of the Quartet's (OQ) October 2020 report to the *Ad Hoc* Liaison Committee and the critical next steps that are now required.

There was some progress in the **water** sector during the reporting period. While repairs to water infrastructure in Gaza following the May escalation were undertaken rapidly through the effective engagement of the Palestinian Water Authority and the Coastal Municipalities Water Utility, close to 20 million USD is still needed to complete all necessary reconstruction. New connection points with Israel at Bani Said and Bani Suhalia – part of the Gaza Central Desalination Plant's (GCDP) Associated Works (AW) – were completed, enabling an immediate increase in supply of 5 million cubic metres per year. The procurement process for another three components of the GCDP and AW has also advanced, which will ultimately further reduce Gaza's severe potable water deficit. However, the GCDP and AW continued to face delays in the disbursement of funds, in tendering, and in the timely entry of materials, mainly those classified as "dual-use". On a positive note, all major wastewater treatment plants (WWTPs) in Gaza began operating at full capacity over the past year (with the exception of the Khan Younis WWTP, due to limited wastewater inflows), while supply of power from the grid to two of Gaza's three STLVs increased to 24 hours a day. However, water facilities are still operating with limited capacity mainly due to challenges in human resources, securing funding to cover operations and maintenance costs, and the required construction of a dedicated power line for one of the facilities. In the West Bank, the OQ continues to encourage an in-principle approval from the Government of Israel (GoI) for the package of works identified in Annex C of the OQs September 2019 AHLC report as it would help encourage contributions towards the approximately 500 million USD of funding required. Lastly, key policy decisions were taken to improve the commercial viability of the sector, highlighted by the PA's release of a water sector reform plan for the West Bank and Gaza; meeting the timeframe of the reform plan is now critical.

In the **energy** sector, the Gaza for Gaza (G4G) project continued to make progress, including on the detailed design for both the Israeli and Gaza components. The Environmental and Social Impact Assessment in Gaza is also progressing well, with the first phase expected to be completed in Q4 2021. At the G4G Task Force meeting on 2 September, participants agreed on the next steps required to advance the project. Financial commitments from Qatar and the European Union for pipeline construction costs, both of which have attached conditions, are particularly noteworthy. It is now critical that commercial arrangements for the purchase of gas be finalised. Further, in September, the Palestinian Cabinet announced the decision to establish a Palestinian national gas company, a welcome milestone. The following month, the GoI approved the pipeline and associated infrastructure near the Gazan border. The completion of these milestones, combined with an accelerated schedule, could see gas supplied to Gaza by the end of 2024, a critical step considering the humanitarian impact of Gaza's chronic electricity shortage. In cooperation with the Palestinian Authority (PA), the OQ continued to support the development of renewable energy, having previously undertaken pre-feasibility studies for five potential solar photovoltaic sites in Gaza. The OQ is now working with the PA and the GoI to launch a feasibility study and to secure the required approvals for a site within the Access Restricted Area. Securing additional imports, both for Gaza (via Egypt or the 161 kV line) and to the West Bank (through additional imports from Jordan), is key to diversifying supply, thereby improving energy security. In the West Bank, the energization of four new substations following the signing of the interim Power Purchase Agreement (PPA) has significantly increased import capacity and is a crucial step toward the implementation of a comprehensive PPA. Finally, the OQ remains committed to supporting PA efforts to achieve sustainability in the sector, including in the run up and aftermath of COP26.

In the **telecom** sector, the parties convened the Joint Technical Committee once in April 2021 with a follow up meeting now being considered for mid-November 2021. Concluding a feasible and timely agreement on the allocation of frequencies for the deployment of 4G and 5G in the West Bank and Gaza is encouraged, particularly given the ongoing deployment of Israeli 5G networks in the West Bank. Positive developments were noted in the Palestinian telecom market including the endorsement of the new Telecom Law by the Palestinian President, Cabinet approval of a new licensing scheme for the development and operation of fibre networks, as well as the recent and welcome entry of all outstanding equipment, some of which has been pending since 2016, for the fixed network expansion into Gaza. Further, 60 per cent of repairs following the May 2021 escalation were completed by the telecom companies, and equipment requested for network rehabilitation is scheduled to enter Gaza on a weekly/bi-weekly schedule as of October 2021.

The PA's deteriorating **fiscal** situation has reconfirmed the need to bring new revenue streams online to help resolve the fiscal crisis, including through the resolution of a number of longstanding fiscal files. The provision of 500 million NIS to the PA as a combination of a loan and an advance on clearance revenue by the GoI is a welcome step but does not obviate the need for more structural change. In March 2021, the parties agreed to move forward on the long-awaited transition from paper-based VAT invoices and reconciliation to an interconnected eVAT system; discussions and technical work are ongoing, with a target of launching by December 2021. The parties are urged to conclude an agreement on the transfer of customs authority to the PA, which could reduce revenue losses by an estimated 53 million USD. In preparation for this transfer, the PA Ministry of Finance has recently completed a new draft Customs Law. To further narrow the budget gap, a more systematic engagement by the parties is needed on various other longstanding fiscal files, including reduction or waiver of the three per cent handling fee, exemption of PA fuel purchases from excise and other taxes, transfer to the PA of its share of Allenby Bridge exit fees, and resolution of disagreements with respect to deductions and transfers by the GoI from Palestinian labour salaries. In **banking relations**, while multiple discussions have been held, several issues remain to be addressed to enable the new arrangements for correspondent banking planned for 2022. In the **justice sector**, recent legislative amendments have raised concerns over their potential effect on the independence of the judiciary; the international donor community has provided recommendations to the committee appointed by President Abbas to review these new laws. In the **security sector**, further improvements in movement and access are needed to enable PA police and security forces to provide effective law enforcement to Palestinian communities in Areas B and C.

Economic growth and job creation in the Palestinian market requires the expansion and facilitation of **trade**, both locally and internationally. In this regard, efforts have remained focused on improving the cost-effective movement of goods by expanding the door-to-door programme between the West Bank and Israel through the advancement of a Joint Staging Area to serve small and medium-sized companies. Efforts to create a similar programme for trade with and via Jordan also continue. This has the potential to significantly increase the competitiveness of Palestinian goods, particularly for bulk and raw materials. As the economic situation in Gaza has deteriorated further due to the May escalation and subsequent movement restrictions, an increased focus is now needed on restoring industrial and commercial activity. The recent lifting of some restrictions and the resumption of the transfer of processed foods from Gaza to the West Bank needs to be followed by an expansion of both the companies and products that are benefitting from this initiative. Efforts to resume the Karem Abu Salem/Kerem Shalom crossing upgrade project have also now resumed with commencement of work expected in Q1 2022. This upgrade work stands to significantly reduce costs for Palestinian business and improve the quality of perishable goods entering and exiting Gaza.

Introduction

1. This report provides updates in each of the Office of the Quartet's (OQ) areas of work: water, energy, telecom, governance and rule of law, and movement and trade, covering the period up to November 2021. Further details on the scope of the OQ's work are outlined in its Strategy 2021-2023, which has benefited from consultation with the parties, Quartet members as well as the donors to the Office: the Netherlands, the United Kingdom (UK), the European Union (EU), the United States of America (US), Canada, New Zealand and Japan.

Water

2. Access to water is both a humanitarian need and central to economic development; yet, shortages in supply continue to be seen in the West Bank and Gaza. The latest figures on supply and demand for safe drinking water indicate a gap in 2019 of 32 million cubic meters per year (MCM/y) in the West Bank and 102 MCM/y in Gaza.¹ While the Palestinian Water Authority (PWA) and sector stakeholders continue to take steps towards bridging this gap, progress over the reporting period was slowed by the ongoing COVID-19 pandemic and the May escalation which resulted in extensive damage to water and wastewater infrastructure in Gaza.²
3. Both during and after the May escalation, the PWA and Coastal Municipalities Water Utility (CMWU) were able to temporarily repair damaged infrastructure in order to maintain minimum service levels. Immediate rehabilitation efforts were made possible using material and parts that had been pre-positioned inside Gaza by PWA and CMWU, with funding from ICRC and UNICEF. Further, short-term interventions have been funded by UNICEF, KfW, Anera, ICRC, Oxfam and other humanitarian organizations (9 million USD out of the total cost of 16 million USD). These interventions were part of the reconstruction needs identified in the *Rapid Damages and Needs Assessment* (RDNA) undertaken by the World Bank, the United Nations (UN) and the EU.³ The support provided thus far towards rehabilitation is welcome, as are the efforts by the World Bank, UN and EU to develop the RDNA.
4. Further support is needed for the remaining short-term interventions in the RDNA, with an estimated funding gap of 6.97 million USD. The PWA and CMWU estimate that these interventions will take between six and 24 months to implement, depending on the status of material entry into Gaza.
5. Further, in mid-August, USAID completed its *Gaza Damage Assessment Report* which undertook analysis of unseen damages to the water and wastewater sector from the May escalation. The report estimated a cost of 14 million USD for reconstruction due to leakages, damages underneath rubble, and other rehabilitation works that could not be captured in the RDNA.⁴

¹ Data released by the PWA; the supply of safe drinking water in Gaza in 2019 was 19 MCM (12.5 MCM from Mekorot, 2.5 MCM from STLVs, and 4 MCM from private vendors), yet demand was 121 MCM. In the West Bank, domestic water demand was 172 MCM, with a supply of 140 MCM in 2019.

² According to the World Bank and EU's RDNA Report, the estimated damages in the water and sanitation sector were estimated between 10-15 million USD, while the sector losses in revenues were estimated to be 3-5 million USD for a period of six months starting May 2021.

³ <https://www.worldbank.org/en/country/westbankandgaza/publication/the-gaza-2021-rapid-damage-and-needs-assessment-june-2021>

⁴ The report also included estimations for Bill of Quantity, Drawings and Specifications for the needed reconstruction.

- i. The international community is encouraged to meet the 19.97 million USD recovery and reconstruction needs from the RDNA and USAID Gaza Damage Assessment Report, which will not only support Gaza in reconstruction, but will also support critical service improvements across the Strip.⁵**
- ii. Stakeholders are encouraged to utilize this reconstruction as an opportunity to build infrastructure that can address broader needs in the sector ('build back better'), including in technical service delivery as well as governance, such as through installing pre-paid water meters to support cost-recovery.**
- iii. Donors are encouraged to consider supporting the replenishment and expansion of warehouses for storage of spare parts, which was a key enabler of the sector's rapid response capacity.⁶**

6. The resumption of the entry of material into Gaza is welcome, although delays in the GoI approvals and entry process remain a concern. Further, the GoI has established a new policy restricting the entry of metal pipes (with circumferences greater than 1.5 inches) into Gaza, as outlined in a letter from the Coordination of Government Activities in the Territories (CoGAT) in January 2021. This policy poses a number of operational and practical challenges which may inhibit progress in critical construction efforts, particularly in the water sector.

- iv. The GoI is encouraged to enable the expedited entry of material through the established Gaza Reconstruction Mechanism (GRM), including the entry of metal pipes.**

Gaza Central Desalination Plant and Associated Works

7. The reporting period has seen slow progress in the implementation of the Gaza Central Desalination Plant and Associated Works (GCDP & AW) programme, which will provide 55 MCM/y of potable water to Gaza by 2026. Notably, there have been delays in finalizing the financing arrangements between the Islamic Development Bank (IsDB) and the European Investment Bank (EIB) and delays in advancing the arrangements for the entry of materials and works in the sea.
8. A second draft of the letter on works in the sea was shared by CoGAT on 30 September 2021 and is pending finalization following the submission of PWA comments on 11 October 2021. The GCDP & AW Task Force was postponed several times during the reporting period; however, the members are targeting convening it before the end of this year.⁷

- v. In order to support the disbursement of funds, donors are encouraged to finalize financing arrangements to enable further progress towards tendering and construction.**
- vi. The parties are encouraged to finalize the meeting minutes from the 5 March 2020 Task Force which outlines key arrangements for the entry of materials.**

⁵ There is an overlap of 1 million USD in the estimates of the RDNA report and the USAID assessment report.

⁶ ICRC interest in supporting the replenishment is welcome.

⁷ The Task Force for the GCDP & AW includes the following permanent members: PWA, CoGAT, the World Bank, the EU, and the OQ as Facilitator. The Task Force is the primary platform for advancing approvals for material entry and discussing challenges relevant to the Programme's implementation related to access of materials and personnel.

vii. The parties are encouraged to finalize the letter for the works in the sea to help advance the procurement process for the GCDP, as per the PWA's comments on the GoI's modified draft of 30 September 2021.

9. Annex A of this report presents the status of each component of the programme. Most notably, construction of the Additional Water Supply Network Improvements-Mekorot (AWSNI) in the Middle and Khan Younis area which was completed by the end of October 2021 and shall enable increased water supply to Gaza from Mekorot.⁸
10. During the reporting period, there were delays in Israeli approvals for building the connection point to Mekorot in the restricted area, delays by Mekorot in construction of the connection points on the Israeli side, as well as further delays in the supply of water through the newly-completed infrastructure following the May escalation. However, in a welcome development, water supply started through the newly-constructed Bani Suhaila and Bani Said connection points, on 1 September and 5 November respectively. This followed the completion of needed transmission infrastructure and enabled an immediate increase in supply of 5 MCM/y.⁹
11. Further, the procurement process for three components of the AWs was advanced to enable the building of the southern water carrier and the water reconfiguration system in the Middle area. However, the procurement process for the GCDP was extended until 19 November 2021. A feasibility study is also underway on the provision of a dedicated gas line for the GCDP from the Gas for Gaza project; further details on this study are set out in paragraph 34.

viii. The GoI is encouraged to process the needed entry of material to Gaza as per the agreed modalities in the GCDP Task Force platform in order to enable progress on the construction of two components of the AW, expected to begin in Q4 2021 once the contractors are selected.

Construction and operationalization of water and wastewater infrastructure in Gaza

12. Annex A of this report provides details on the status of the construction and operationalization of the major water and wastewater facilities in Gaza. Key progress is noted with the Deir al Balah Short Term Low Volume (STLV) desalination facility, which has been operating automatically since March 2021 thanks to the support of ICRC, and with the construction of phases II and III of the Southern STLV which is progressing with EU support. Further, support from the Austrian Development Agency (ADA) and the German Development Agency (GIZ) through the provision of chemicals to STLVs is welcome.¹⁰ Nonetheless, further financial support is needed to meet the operations and maintenance (O&M) costs for these facilities (see paragraph 15). However, finalizing the expansion and commissioning of phases II and III of the Southern STLV, funded by the EU, is on hold due to challenges in the entry of the needed chemicals (Epoxy) and in securing Israeli permits for the entry of international experts.

⁸ While this is a noteworthy development, the significant delays in finalising the construction resulted in the handover of this infrastructure to the PWA before the commissioning period, relinquishing the contractor's liability for any operational issues and creating significant financial and operational risk for the PWA.

⁹ Works on the Bani Said connection point were delayed due to a safety hazard at the site which resulted in the fall and unfortunate death of one of the workers. Of the total additional 5 MCM/y, 2.4 MCM/y are supplied through Bani Suhaila connection point and 2.6 MCM/y are supplied through Bani Said connection point.

¹⁰ ADA contributed 60,000 USD towards chemicals for STLVs in November 2020. GIZ contributed 50,000 EUR for chemicals for the STLVs for three months, which concluded in May 2021.

13. In wastewater, the Gaza Central WWTP reached full operating capacity in October 2021 and has been self-sufficient in energy supply since August 2021. Maintaining self-sufficiency will require that the international experts needed to commission the bio-gas component receive permits from the GoI to enter Gaza. Further, progress was seen in the tendering for a solar photovoltaic (PV) plant for the Northern Gaza Emergency Sewage Treatment Plant (NGEST) and in beginning the development of a solar PV plant for the Khan Younis WWTP in Gaza. Funding from the Kuwaiti fund will be used to fund new connections within the Khan Younis area.
14. Since the operationalization of NGEST, the treatment plant has reached its full capacity. Expansion of NGEST is needed in order to meet growing demand. Further, the Rafah WWTP is facing operational challenges due to its deterioration and outdated operating technology and is polluting the surrounding area.

- ix. Donors are encouraged to fund the remaining needs to further increase wastewater service connections, particularly in the service area of the Khan Younis WWTP.**
- x. The GoI is encouraged to provide the needed approvals for the entry of international staff and chemicals into Gaza for the Southern STLV.**
- xi. Donors are encouraged to contribute towards the estimated 50 million USD financing cost to expand NGEST and undertake the first steps towards replacing the Rafah WWTP with a reliable facility.**

15. Operation of facilities requires both securing adequate funds to cover operating costs as well as a secure energy supply.¹¹ STLV and WWTP operations were interrupted during the May escalation due to damage to power networks and wastewater connections. However, all facilities are now back to pre-escalation capacity. Electricity supply at two of the three STLVs increased to 24 hour/day in October 2021, allowing operationalisation of these facilities at full capacity. Altogether, the three STLVs in Gaza are now producing 5.84 MCM/y of desalinated water while WWTPs are currently treating 40.5 MCM/y of wastewater.¹² Operating both STLVs and WWTPs at full capacity requires securing the funds needed for full operation.

- xii. Donors are encouraged to bridge the critical funding gap for 2021-2024 of an estimated 1.78 million USD for full STLV operation and around 0.5 million USD to operationalize Khan Younis WWTP.**
- xiii. The PA and GEDCO are encouraged to build a dedicated electricity line to Deir Al Balah STLV to enable a 24 hour/day electricity supply.**

16. The PWA is making noteworthy progress in securing renewable energy for Gaza's water sector. In addition to the support noted above in equipping Khan Younis WWTP and NGEST with solar PV, the PWA, with support from KfW, is in the planning phase of a solar PV system in the north, which will support energization of water and wastewater systems throughout Gaza based on a swapping arrangement established through PENRA.
17. Some progress was seen during the reporting period on a series of key arrangements to make water and wastewater facilities in Gaza operational, including a commitment by some service

¹¹ A detailed breakdown of O&M costs for water and wastewater facilities in Gaza can be found in Annex A of the OQ's April 2020 report to the AHLC.

¹² The Southern STLV and Der Al Balah STLV are not yet operating on a 24-hour basis due to non-power related challenges. Details are provided in Annex A of this report.

providers to pay part of their water and wastewater bills. Amidst the accumulated governance challenges in Gaza, the CMWU and municipalities made progress on the implementation of arrangements to support STLV operations, whereby the Gaza Municipality and other municipalities began making payments to CMWU for the STLVs' water supply. This is a welcome development.

xiv. Stakeholders are encouraged to continue progress on the implementation of governance arrangements that will support the sustainability of water services.

18. Further, some progress was seen in the provision of Pre-Paid Water Meters (PWMs) in Gaza, including efforts to secure and install 10,000 PWMs in Gaza City. Following the conclusion of a study on the feasibility of PWMs in Gaza (conducted by the PWA, EU, and the OQ), the CMWU and Gaza Municipality expressed their readiness to advance deployment.¹³ Advancing a PWM programme, particularly during this reconstruction phase, is recommended as a parallel measure to any network rehabilitation.

xv. Donors are encouraged to provide financial support to the installation of PWMs in Gaza.

Governance and institutional development

19. There were noteworthy achievements during the reporting period in improving the commercial viability and governance of the water sector. This included the finalization and release of the water sector reform plan for the West Bank and Gaza, the PA Cabinet decision to establish the National Water Company (NWC) (December 2020), and Cabinet endorsement of the Unified Tariff for Water, Sewage, and Licenses Bylaw (March 2021) and the Bylaw for the Establishment of Regional Water Utilities (August 2021).

20. Further, several studies are underway to support the realization of reform plan interventions, particularly the establishment of the NWC. This includes a legal assessment of the basis for the establishment of the NWC in the West Bank and Gaza (funded by the ADA), a study on the establishment of the Bulk Water Supply Unit (BWSU) in Gaza (funded by the World Bank), and a study on the establishment of the NWC in the West Bank (funded by the EU).

21. Other studies underway to support the reform plan cover the transfer of the CMWU into a Regional Water Utility (RWU), the clustering of service providers in the West Bank as a step towards the establishment of RWUs, and the development of a benchmarking system for service providers. The PWA, Water Sector Regulatory Council (WSRC), PA Cabinet and all other stakeholders involved in advancing these important measures are commended on these steps.

xvi. The PWA is encouraged to advance the implementation of reform measures based on the timelines outlined in the plan, including setting up the NWC board and selecting the Chief Executive Officer, and launching the BWSU through the appointment of a General Manager, to enable the realization of water sector reform.

¹³ A summary of the *Assessment for the Implementation of a Prepaid Water Meters Pilot in Gaza* can be found in Annex B of the October 2020 OQ Report to the AHLC.

22. The PWA and OQ conducted analysis on the Affordability and Willingness to Pay (AWTP) for water services in Gaza. Based on data collected from a field survey and using international methods for calculating AWTP, the study found that people in Gaza can *afford* to pay an average of 3.2 NIS/m³, while they are only *willing* to pay on average 2.62 NIS/m³ for municipal water. With the current tariff set by service providers between 1 - 2.5 NIS/m³, the study recommends increasing tariff rates to improve cost-recovery (while still giving consideration to affordability levels) and at the same time introducing a subsidy strategy to support those who cannot afford to pay. The study also developed a unified tariff model to calculate an appropriate tariff for each service provider within Gaza, based on the 2021 Tariff Bylaw. This tariff model is also suitable for West Bank service provision. A short summary of this study is included in Annex B of this report.
23. An Action Plan was developed for implementation of the study's recommendations to increase tariffs with considerations to AWTP for water and wastewater services and to implement a sliding subsidy strategy. Other interventions defined in the Action Plan include public awareness campaigns, governance interventions at the service provider and policy levels, as well as measures to reduce the cost of water through energy efficiency interventions.

xvii. Stakeholders, including the PWA, WSRC and service providers, are encouraged to take steps towards implementing the Action Plan.

Red Sea Dead Sea agreement

24. Over the reporting period, regional cooperation, namely in the Israeli-Jordanian joint infrastructure components on the Red Sea Dead Sea (RSDS) project, has faced considerable challenges. Nonetheless, in July 2021, the GoI approved the supply of an additional 50 MCM to Jordan. With regards to the bilateral component of the RSDS agreement between the GoI and the PA, some progress was seen with the GoI agreeing to a slight increase in the supplied quantities to the West Bank and Gaza.¹⁴

xviii. The parties are encouraged to finalize an agreement which reinforces the in-principle agreement on price and quantity and addresses the quality among other issues of water supplied to the West Bank and Gaza based on international best practice.

25. The design and construction of relevant works to supply the RSDS quantities has seen some progress:
- In Gaza, the AW will have the capacity to absorb the additional quantities within the RSDS agreement (as well as the current water supply to Gaza from Mekorot).¹⁵ Construction of relevant infrastructure in Gaza to enable RSDS supply in the south through the AW is complete. While the connection point for supply of RSDS quantities in the north is ready, the AW packages to support network improvements to absorb these quantities is in the tender preparation phase.

¹⁴ According to the 2013 MOU on the RSDS that is signed by the GoI, PA and Kingdom of Jordan, the Palestinians and the Israelis will have bilateral arrangement for the supply of 32 MCM for the West Bank and Gaza from Israel.

¹⁵ These packages include the Kuwaiti-funded 'Additional Water Supply Network Improvement Works in Middle Area and Khan Younis' package as well as the EU and KfW funded 'Reconfiguration in Gaza and Northern Governorates and Al Montar system'. These components will enable the supply of 10 MCM from the RSDS agreement and 10 MCM of additional quantities from Mekorot (5 MCM to each connection point) once the GoI provides approval for these additional quantities requested by the PWA.

- b. The modification of the design for the Ramallah (Aboud) connection point, funded by the EU and the French Development Agency (AFD), was completed during the reporting period.¹⁶ The modification included an expansion of the system which increased the cost of construction by 7.8 million EUR; the PWA is in discussion with AFD to support the additional costs. The Israeli Civil Administration (ICA) approved three segments of the modified design out of the five segments located in Area C.

- xix. The GoI is encouraged to approve the two remaining infrastructure segments in Area C, namely Der Nzam and Der Abu Mash'al, to allow construction to begin.**
- xx. Donors are encouraged to bridge the outstanding funding gap of 13 million EUR for the Jenin Connection Point which is being co-financed with a 10 million EUR contribution from AFD.**
- xxi. The PA is encouraged to advance governance efforts to cover O&M costs for the Aboud connection.**

West Bank: Water and Wastewater Packages

26. The resumption of coordination between the parties in December 2020 enabled the resumption of bilateral and multilateral discussions, albeit slowly. The technical committee of the Joint Water Committee (JWC) held four virtual meetings during the reporting period. Little progress was achieved vis-à-vis increasing water supply to the West Bank, infrastructure development, or advancing the arrangements agreed during the Dutch-led trilateral discussions in early 2020. No progress was made with regard to approvals for water drilling. However, in an October 2021 trilateral meeting, the parties agreed to advance key priority projects that would set a principled approach to advance the short and medium-term strategic needs in the West Bank.

- xxii. The parties are encouraged to advance technical discussions on the provision of water supply and the development of groundwater resources for Palestinians within the context of the JWC as discussed in the trilateral meetings of early 2020 and October 2021.**

27. Some key arrangements were identified in discussions held in December 2020, where the OQ supported as a facilitator, regarding the management of transboundary wastewater in Tulkarem. In this regard, the PWA's communication in early 2021 of the proposed location and interventions defined in the Tulkarem wastewater treatment programme is a welcome step.

28. Implementation of these arrangements is particularly urgent not only to reform the decades-long challenges in transboundary wastewater management but also to respond to the acute challenges related to transboundary wastewater in the Tulkarem area. Progress in Tulkarem can set an important precedent for transboundary wastewater management across the region.

- xxiii. The GoI is encouraged to issue its response to the proposed interventions and approve the WWTP location.**
- xxiv. The parties are encouraged to advance discussions to support implementation of short and long-term arrangements to resolve this critical transboundary wastewater issue.**

¹⁶ Modifications built upon designs developed by USAID and based on suggestions by the PWA.

29. The advancement of PWA's Water and Wastewater Packages¹⁷ in the West Bank (2020-2025) will help to bridge the supply gap for both domestic (gap of 32 MCM) and agricultural (gap of 53 MCM) purposes,¹⁸ provide critical wastewater services (which will both mitigate environmental pollution and transboundary wastewater flow), and provide a more centralized water supply network across the West Bank.¹⁹ Some packages have made progress over this period; however the implementation of these infrastructure priorities has been significantly delayed. The status of a series of water and wastewater infrastructure projects currently under construction or tendering are detailed in Annex A of this report. For the remaining interventions (including 30 water wells,²⁰ 20 wastewater treatment plants, and other water distribution infrastructure), both donor funding and Gol in-principle approval are needed (see Annex C to the OQ's [September 2019 report to the AHLC](#)).

xxv. The Gol is encouraged to provide in-principle approval for the water and wastewater packages in the West Bank and, most urgently, approve the components of the Tulkarem WWTP located in Area C.

xxvi. Donors are encouraged to bridge the funding gap of approximately 499 million USD for the entirety of the packages.

xxvii. Of this, donors are encouraged to consider contributing the 18 million USD needed to fund five wells in the water package which already have JWC approval, as well as 30 million USD for the WWTP and reuse scheme in Tulkarem, in order to make an immediate and tangible difference for residents in the area.²¹

30. The PWA, Ministry of Agriculture, the Environmental Quality Authority and the OQ have completed a pre-feasibility assessment for reuse schemes of 12 major WWTPs that are either operational or under tendering or construction in the West Bank.²² Treated wastewater from these WWTPs (with total design capacity to treat 42.5 MCM) could irrigate 41,262 dunums of land across the West Bank, providing a significant water source to meet agricultural demand while supporting economic development in a key Palestinian sector. Moreover, advancing the development of reuse schemes would also help in adapting to climate change and its impact on the availability of water.

¹⁷ A priority list of water and wastewater infrastructure priorities have been planned for development from the period of 2018-2022 and expanded till 2025. These priorities will enable an increase in domestic water supply by 67.1 MCM in the West Bank and 88.15 MCM in Gaza. The wastewater projects will also treat 45.3 MCM in the West bank and 51.8 MCM of wastewater in Gaza. The total outstanding funding gap for these priorities is estimated at 572 million USD, including an estimated 73 million USD for Gaza and 499 million USD for the West Bank.

¹⁸ Water demand in 2019 was 172 MCM and 128 MCM for domestic and agricultural respectively. Domestic supply was 140 MCM, leaving a demand gap of 32 MCM. The supply for agriculture was 75 MCM, with a gap of 53 MCM (PWA, 2019).

¹⁹ The PWA's Water Package in the West Bank includes 28.1 MCM from additional groundwater development, 22 MCM from the RSDS Agreement, and 17 MCM of additional quantities from Mekorot. Wastewater projects will treat 16.4 MCM in the north, 12 MCM in the centre, and 17 MCM in the south of the West Bank.

²⁰ Five wells already have Joint Water Committee approval.

²¹ The approved wells would provide approximately 4 MCM of additional groundwater to the West Bank. The investment includes equipping the existing No. 17 well in East Bethlehem, drilling and equipping substitute wells in Bala'a, Anabta, Azzun in Tulkarem and Qalqilia, as well as drilling and equipping a new well in Janzur in Jenin (AFD is currently financing the completing the drilling and testing of the Janzur well). These five wells are part of the 30 groundwater wells that were prioritized for development between 2020-2025. Information on these wells (along with the full water and wastewater packages) are included in Annex C of the OQ report to the AHLC in September 2020.

²² This work included the development of an analytical tool using GIS software to assess the potential for wastewater reuse for WWTPs with a capacity above 1,000 m³/day. The objective of this activity was to identify and map a set of criteria selected to optimize the potential for reuse of treated wastewater in agriculture. The study delineated the potential lands for reuse schemes for each treatment plant based on agricultural land value, access, and topography, among other criteria.

xxviii. The PA, with the support of donors, is encouraged to develop a comprehensive plan for the development of a national wastewater programme starting with feasibility studies for these 12 reuse schemes in order to identify the required storage and transmission infrastructure, and to proceed with its implementation.

Energy

31. In the West Bank, electricity demand has grown to more than 1,000 MW and is expected to increase by over 270 MW between now and 2030.²³ Ninety-five per cent of the current supply is provided by Israeli imports, although supply from Jordanian imports and renewables is growing. Ongoing upgrades to the Jordanian import lines are expected to increase electricity imports from 40 MW to 80 MW in the coming months.²⁴ Continued investment will be required to support these upgrades as well as solar PV sites under development in the West Bank and the planned Jenin Power Plant.
32. In Gaza, demand routinely exceeds 500 MW while supply is approximately 180 MW. This results in an average availability of electricity of ten hours per day, although this declined dramatically to as low as four hours per day during the May escalation. Fortunately, due to the swift work of PENRA and GEDCO, damage to electricity distribution lines in Gaza was repaired. Work on the Israeli side by the Israel Electric Corporation (IEC) ensured the full pre-conflict supply from Israel was restored.
33. Gaza receives 120 MW of electricity from Israel while the Gaza Power Plant (GPP) generates approximately 60 MW using Qatari-funded diesel.²⁵ The electricity generated from the GPP with Qatari-funded diesel has helped improve the situation in the short term but the provision of natural gas to the GPP through a gas pipeline (the Gas for Gaza or G4G project) and implementation of associated infrastructure remains an essential component of a broader structural solution.²⁶

Gas for Gaza

34. Using natural gas to generate electricity is the most cost-efficient and – given the scale – cleanest means of generation in Gaza.²⁷ On the Gaza side of the project, several key deliverables have been completed as part of the detailed design, including establishing and adopting the pipeline design standards and the pipeline system design, both of which have been approved by the PA.²⁸ There has also been significant progress in selecting the route and installation method. Building on the

²³ West Bank demand was previously 930 MW (refer PENRA, Sustainable Energy Policy in Palestine, ESCWA – Cairo, May 2017). Four high-voltage substations have since been commissioned with operating capacity of 270 MW, providing a net supply increase of ~100 MW. Demand projections are based on World Bank, Securing Energy for Development in the West Bank and Gaza, June 2017.

²⁴ Long term, this connection has the potential to increase to 160 MW.

²⁵ Israeli imports are paid for through deductions to PA clearance revenues. A Qatari-funded diesel storage day tank was recently commissioned to provide additional storage capacity at the GPP. Capacity will be increased further with a 10 million litre tank being funded by the Norwegian government.

²⁶ And eventually the launch and implementation of additional bulk supply through the establishment of a 161 kV line.

²⁷ The construction of a gas pipeline through the G4G project will allow for the transmission of gas from Israel to Gaza. The project will enable the conversion and operation of the GPP to natural gas, supporting affordable, reliable and sustainable electricity generation. The electricity supply will also provide energy for critical infrastructure in Gaza, such as the GCDP. The transition to natural gas will significantly reduce dependence on imported electricity while reducing carbon emissions.

²⁸ The detailed design in both Israel and Gaza and the ESIA was made possible following a request made at the Netherlands-facilitated Trilateral meetings for the Dutch Government to fund this critical milestone.

initial evaluations in the detailed design, a feasibility study is also being developed jointly with PENRA and PWA for a gas line connection option as part of efforts to energize the GCDP.

35. The Environmental and Social Impact Assessment (ESIA) consultant for Gaza was selected in December 2020 with the first phase of the study expected to be completed in Q4 2021. In addition, on 6 September the Palestinian Cabinet announced the decision to establish a Palestinian national gas company. The progress made by the PA on the G4G project is commendable, particularly on the detailed design and ESIA processes in Gaza as well as the recent establishment of the Palestinian national gas pipeline company.
36. In Israel, the detailed design is nearly complete with the engineering plan for the pipeline and stations approved by the Natural Gas Authority in June 2021. In October 2021, the Gol notified the OQ of their endorsement of the pipeline route and associated infrastructure in Gaza near the border. The Gol's progress on both these fronts is very welcome.
37. Further, in November 2021, the Gol approved the detailed project outline for G4G, including the pipeline crossing corridor from Israel into Gaza. This marks a significant milestone for the G4G project, reaffirms Gol support for the project, and allows the detailed design and ESIA to progress towards their final stages. The map provided in Annex C shows the proposed G4G pipeline route and other energy infrastructure for Gaza and the West Bank.

xxix. The Gol is encouraged to provide swift approvals for the entry of all construction materials once the materials list is provided to them.

38. During the 12th G4G Task Force meeting in January 2021, the EU announced that it will provide up to 20 million EUR to fund the pipeline infrastructure in Gaza.²⁹ Moreover, in February 2020, the Qatari government committed to provide 60 million USD towards the cost of constructing the pipeline in Israel. Both the EU and the State of Qatar financing commitments are subject to specific conditions, including the signing of the relevant commercial agreements. In addition to the EU and Qatari financing commitments, ongoing support from the Kingdom of the Netherlands for the detailed design and ESIA and to the G4G Task Force and Trilateral Expert Meetings remains important for the project.
39. These milestones were further discussed during the 13th G4G Task Force meeting in September 2021, which was also attended by the US as an observer delegation. The US stated its continued support for the project and its desire for the pipeline to commence operations as soon as possible. The EU and the State of Qatar reaffirmed their financial and political commitment to the project and restated the importance of the conditionality for pipeline financing.

xxx. To fulfil the financing requirements of the EU and the State of Qatar and to ensure Gaza can be connected to gas in 2024, the PA is encouraged to accelerate efforts to meet the necessary conditions, specifically by appointing legal representatives to immediately commence the commercial negotiations (including the Gas Sale and Purchase Agreement and the Power Purchase Agreement) and establishing the Hydrocarbons Framework Law.

xxxi. In addition, the relevant parties are encouraged to ensure that the associated infrastructure (e.g. Gaza grid, GPP conversion, relevant substations, etc.) is able to support the production, evacuation and distribution of 140 MW, and that

²⁹ The G4G Task Force, established in 2015, is the official platform for the project.

infrastructure plans are in place to support the expansion of domestic generation to 600 MW and beyond.

West Bank electricity

40. The energisation of four new substations in Tarqumia, Ramallah, Nablus and Jenin by the end of 2020 is welcome, following the signing of the interim Power Purchase Agreement (PPA). Together, these add 270 MW of high-voltage operating capacity to the West Bank and are a critical step towards the implementation of a comprehensive PPA. The energisation of these substations lowers electricity costs while improving electricity reliability in the West Bank. Finalizing the comprehensive PPA between Palestinian Electricity Transmission Limited (PETL) and IEC remains subject to agreement on a number of outstanding issues including tariffs, the transfer of assets to PETL and the operation of PETL in Area C.

xxxii. The parties are encouraged to resume negotiations towards a comprehensive PPA.

41. The July 2020 agreement to settle the Jerusalem District Electricity Company's (JDECO) outstanding electricity debts, which addressed all debts outstanding at that time, represented an important step forward. The agreement also revised the interest amounts and triggered the first of 48 payment instalments which were originally intended to commence following the signing of the comprehensive PPA. Payment instalments have been made on schedule since August 2020. However, growing JDECO debt continues to pose a risk to the company's viability and could result in IEC electricity cuts in JDECO concession areas.

42. A West Bank Electricity Master Plan is currently being developed by PETL with funding from the World Bank which should shed light on the path forward for West Bank electricity.

43. Following the January 2020 agreement to improve electrical transmission infrastructure between Jordan and Jericho, imports have since increased from 26 MW to 40 MW. In May 2021, JDECO and the Jordan National Electricity Company signed an agreement to build a transfer station that will enable Jordanian electricity imports to increase from 40 MW to 80 MW. Future upgrades to the infrastructure are expected to deliver 160 MW. This recent progress will help diversify the West Bank's electricity supply.

xxxiii. The parties are encouraged to continue working together to achieve 160 MW of electricity import from Jordan.

Renewable energy

44. Renewable energy has the potential to supplement large baseload electricity supply sources while supporting the overall sustainability of the energy sector. The PA, with support from the OQ, has been investigating the potential for utility-scale renewable energy opportunities in Gaza. A pre-feasibility study conducted by the OQ led to the development of the Khan Younis solar PV facility which, with funding from several donors, is currently under further development to support the energization of the Khan Younis WWTP.

45. The OQ, in support of the PA, has just launched a full feasibility study for a renewable energy project located east of Gaza City and partially within the Access Restricted Area (ARA). The project offers the potential to increase Gaza's electricity supply by up to 9 MW and will help reduce Gaza's electricity deficit while also increasing the amount of energy generated within the Strip.

46. Renewable energy in the West Bank, including solar PV, supports energy independence, diversification and reduces average electricity costs and net-lending.³⁰ As renewables can generate electricity at less than half the cost of retail rates, there is significant interest and capital available from the private sector. Regulatory and pricing reforms could help to encourage interested market actors while also overcoming some of the current grid limitations. The OQ is exploring tariff adjustments and proposed policy reform that can increase the market incentives for renewable energy actors. These adjustments may also assist PETL and electricity distribution companies in making the required distribution and transmission grid upgrades to absorb additional renewable energy capacity given the financial benefit from lower generation costs. The PA's efforts towards launching competitive processes for securing investment into utility-scale renewable energy projects are also very welcome.

Gaza grid development

47. Power grid upgrades in Gaza are essential to enhance electricity delivery. The Gaza Electricity Masterplan 2017-2035, completed by PENRA in 2019, outlines the strategy for upgrading electricity generation, transmission and distribution in Gaza. It considers increased power imports from high-voltage connections with Egypt (220 kV) and Israel (161 kV), evacuation of the increased electricity supply enabled by G4G, and increasing renewable energy production within Gaza. Specific recommendations include the construction of a new high-voltage grid backbone and new substations.

xxxiv. The PA is encouraged to present the Gaza Master Plan to the international community to help PENRA secure the necessary funds to consider and implement the recommendations, to ensure that renewable energy projects can be integrated into the grid, and to ensure that the full potential of G4G is realized by allowing the evacuation of 600 MW or more from the GPP and other electricity generation sources.

Gaza electricity imports

48. There was no progress during the reporting period on increasing imports from Israel through a high-voltage 161 kV line. A 161 kV line could supply 140 MW from Israel to Gaza and could reduce energy costs through a lower bulk tariff and lower system losses compared to the existing medium voltage supply from Israel.

49. Egyptian medium voltage lines to Gaza have been disconnected since February 2018. Restoring Egyptian electricity imports would provide approximately 17 MW of electricity immediately, while rehabilitation of the lines would allow up to 27-30 MW of supply. Future expansions of the Egyptian lines could provide up to 100 MW of supply to Gaza.

xxxv. The relevant parties are encouraged to work together to restore the electricity supply from Egypt to Gaza and to work together on the 161 kV line from Israel to Gaza to establish project costs, timelines, commercial arrangements and technical requirements as soon as possible.

50. To support the economic sustainability of the projects described in this report, the OQ continues to engage with the relevant parties to support improved cost recovery. This includes supporting

³⁰ By substituting more costly IEC imports with cheaper solar PV production, net lending could be reduced. Alternatively, the additional generation could be used to increase the energy supply in the West Bank.

EU-led efforts for the audit of GEDCO to encourage a more financially sustainable energy sector in Gaza.

xxxvi. The relevant parties are encouraged to support improving transparency in the sector, including supporting PENRA with implementing the findings of the EU-led audit of GEDCO which in turn will support electricity imports to Gaza.

Gaza Marine

51. Developing the Gaza Marine gas field would significantly boost Palestinian energy independence and generate revenues of 2.5 billion USD over its 25-year lifespan. A key step in this process was achieved with the signing of a Memorandum of Understanding between the PA and Egypt in February 2021 to support Gaza Marine's development. Further, the East Mediterranean Gas Forum provides an opportunity for the PA to engage with other actors to realise the Palestinian position as both a gas consumer and producer.

xxxvii. The relevant parties are encouraged to advance the development of Gaza Marine as soon as possible.

Sustainability

52. In 2021, the OQ launched an initiative to ensure that sustainability remains central to current and future energy projects. This aligns with the environmental sustainability targets set by the PA and the international community. Several of the energy initiatives in this report contribute to reducing the Palestinian territory's carbon footprint by enabling decarbonization through lower carbon fuels and renewable energy. For example, transitioning away from diesel to natural gas, which has a significantly lower carbon intensity, will be made possible through the G4G project.³¹ This transition will reduce Palestinian carbon emissions by 6 per cent.³² The OQ will continue to work on sustainability in cooperation with PENRA and welcomes future partnerships with donors in this shared effort.

Telecom

53. The demand for mobile broadband in the West Bank and Gaza continues to grow rapidly while the Palestinian mobile industry still falls behind other countries, including neighbouring ones, in terms of advanced technological offerings to meet that demand. Engagement between the parties was limited during the reporting period and no progress was realized towards meeting Palestinian needs with respect to advanced mobile technologies including 4G and 5G.
54. During the May escalation, two of the three main fibre optic lines were damaged and several Internet Service Providers (ISPs) had important assets destroyed, causing internet service disruptions across Gaza.³³ Given Gaza's high reliance on fixed broadband internet services, the RDNA identified reconstruction of the fibre optic network as a sector priority with an estimated

³¹ Natural gas is intended as a transitional fuel, which although significantly greener than diesel-based electricity generation, should be eventually replaced with renewable energy in line with global trends to fight climate change.

³² G4G will reduce carbon dioxide emissions by 280 thousand tonnes in its first year of operation. This equates to 6 per cent of Palestine's 2016 emissions of 4.6 million tonnes of carbon dioxide equivalent per the PCBS.

³³ <https://www.worldbank.org/en/country/westbankandgaza/publication/the-gaza-2021-rapid-damage-and-needs-assessment-june-2021>.

cost of 10-20 million USD. Palestinian operators were able to complete approximately 60 per cent of the repairs, mainly in relation to damage to solar panels and the repair of civil works in the network. Such repairs were often undertaken on a temporary basis using material available in the companies' storage houses in Gaza.

55. Rehabilitation of the network is needed to fully restore services. The Palestinian Ministry of Telecommunication and Information Technology (MTIT) and the private sector companies have identified and shared with the GoI a list of all needed equipment for the repairs, along with an additional list of equipment that has been held at Israeli ports since 2016 and 2018.³⁴ Some equipment, mainly cables and network accessories, from the 2016 list entered Gaza in September, while the entry of the needed telecom equipment for network rehabilitation is planned to enter on a weekly/bi-weekly schedule.

xxxviii. The GoI is encouraged to continue with the entry of equipment to Gaza to enable Palestinian providers to expand fixed broadband capacity to cope with increased demand, as well as enable the reconstruction of infrastructure.

56. The PA decision to resume coordination with the GoI in December 2020 allowed for the resumption of the Joint Technical Committee (JTC) discussions. A preparatory meeting of the JTC was held in February 2021, followed by a JTC meeting in April.³⁵ At the request of the Israeli Ministry of Communications (MOC), a sub-committee was formed to have detailed discussions on technical issues; one sub-committee meeting was held in April, however spectrum issues were not discussed.

57. The recent discussion between the parties is welcome as it lays the groundwork for the technical discussions to move forward with the deployment of 4G in the Palestinian territory. Following recent communications between the parties, a JTC meeting is expected to be convened shortly.

xxxix. The parties are encouraged to continue to convene JTC meetings while ensuring the relevant decision makers are present, and to set a clear timetable in order to push for progress and finalize the discussions on the allocation of spectrum.

58. In parallel, deployment of Israeli 5G networks continued with three companies launching their commercial 5G operations during the reporting period. The MOC took a series of policy decisions to encourage the Israeli telecom market to move towards advanced 4G and 5G deployments, including:

- a. A ban on the import of any 2G or 3G network equipment as of January 2022 in preparation for the shutdown of the respective technologies in Israel by 2025;

³⁴ Equipment included materials that are needed to expand the broadband capacity of the backbone network that supports fixed and mobile data services.

³⁵ A detailed Palestinian request for 4G and 5G spectrum was shared with the JTC in October 2019. Based on the assessment of the international telecom experts hired by the OQ in 2020, the original request included an acceptable total quantity of spectrum but does not have the right spectrum quality to meet Palestinian coverage and capacity needs. Accordingly, the request was revised based on the outcomes of a key study done by the expert firm, and officially resubmitted by the MTIT to the MOC and the JTC multiple times over the past year. According to the study, an estimated 550MHz on popular bands in the next ten years are needed to deploy economically feasible 4G and 5G technologies in the West Bank and Gaza. A minimum spectrum of 335MHz can initially meet Palestinian demand as a starting point. Further, the study recommends that 3G not be deployed in Gaza as it would be insufficient to meet high demand and an infeasible investment. Further details are provided in [the OQ report to the AHLC of October 2020](#).

- b. Requesting that Israeli mobile operators complete the last phase of 4G deployment to increase geographic coverage from 75 to 99 per cent; and
- c. Announcing plans and public hearings for the release of additional spectrum for 5G usage.³⁶

59. As additional 4G and 5G spectrum is being made available, MOC is encouraged to allocate adequate 4G and 5G portions for Palestinian use to enable the development of the Palestinian telecom market. MTIT has been working with the International Telecommunications Union to ensure the implementation of the 2019 Resolution 12 of the World Radio Conference, which urges the allocation of adequate 4G and 5G spectrum for Palestinian operators as well as the import and deployment of the relevant equipment.³⁷

xi. The GoI is encouraged to urgently allocate the needed spectrum for 4G and 5G deployments in the Palestinian territory, prior to completion of 5G deployments in Israel. More specifically, the GoI is encouraged to ensure Palestinian demand for mobile broadband is met in a manner that is commercially, technically and politically viable.

60. The endorsement of the new Palestinian Telecom Law by the Palestinian President on 4 October is a welcome development, as the previous 1996 Telecom Law is outdated and does not govern integral developments of the telecom sector industry including mobile data and new internet services. The new Telecom Law allowed for the introduction of a new licensing scheme to build and operate fibre optic networks, which was approved by the Palestinian Cabinet on 5 October. This development will liberalize the upstream telecom network, offer benefits to the end-user to transfer data at higher speeds, and will be critical for enabling infrastructure for operating 4G and 5G services.³⁸

Governance and Rule of Law

Justice sector

61. A strong independent judiciary is a fundamental requirement for the rule of law, good governance and the ongoing strengthening of Palestinian institutions. Promulgation on 30 December 2020 of a package of three laws pertaining to the Palestinian judiciary introduced a number of positive reforms to the system, such as the creation of a second tier for appeals in administrative cases. However, significant concerns have been raised that the new laws will also impinge upon the independence of the judiciary and fail to address key questions regarding the Public Prosecution, the Ministry of Justice and other justice sector institutions.

62. In response to concerns raised by the bar, a range of civil society groups and the international donor community, President Abbas appointed a committee in April 2021 to review the three laws.

³⁶ Includes spectrum that is currently available or in use for other mobile technologies, in addition to spectrum on the 26GHz band which is not yet deployed for radio-communication in Israel.

³⁷ Details on Resolution 12 of the WRC-19 are provided in the [OQ March 2020 report to the AHLC](#).

³⁸ Fixed network infrastructure is needed to offload mobile data in case of increased demand beyond mobile networks capacity. Existing Palestinian backhaul infrastructure is being used to offload 3G data, however it will not be sufficient to offload the amounts of data that will be transferred with 4G and 5G technologies at high speeds.

xli. The PA is urged to engage the relevant stakeholders and civil society in this process and give due consideration to the recommendations submitted to the committee by Canada on behalf of the international donor community.

63. Efforts by the High Judicial Council to establish additional magistrate courts in a number of locations will ease the current burden on the existing courts, improve access to justice for the population of these areas, and hopefully shorten the timeline for adjudication of cases. At a time of declining donor funding to the justice sector, particularly for building construction, the Council's efforts to work with localities to secure land and buildings for these courts without reliance on donor support is a positive development for the judiciary.

Fiscal update

64. The PA's fiscal situation continues to be a source of significant concern. According to the Palestinian Ministry of Finance, the budget gap for the current year is expected to be well over 1 billion USD despite the PA exercising strict austerity measures. Having received no budget support from Arab states, with EU support delayed, and having exhausted its borrowing capacity, the PA may be unable to meet its financial obligations in the coming months.

65. The Israeli Security Cabinet approval in July to withhold some 600 million NIS from the clearance revenues Israel collects on behalf of the PA further exacerbated the PA's fiscal situation. The funds will be deducted in monthly instalments of 50 million NIS, in line with Israeli Knesset legislation from 2018.

66. As a stop-gap measure, the Gol has agreed to provide 500 million NIS as a combination of a loan and an advance on clearance revenue. However, this does not obviate the need for more systematic engagement between the parties to resolve outstanding fiscal files that have been a significant part of the longstanding dialogue between the Palestinian and Israeli Ministries of Finance. To that end, the parties are encouraged to resume technical discussions on an expedited basis to unlock new and much-needed revenue streams for the PA to improve its ability to mitigate the impact of a financial crisis.

xlii. The parties are encouraged to finalize an agreement on a framework for the transfer of customs authorities from the Gol to the PA, to agree on establishing customs clearance facilities and bonded warehouses at various locations in the West Bank, and to agree on the inclusion of all imported goods under the scope of the transfer, in order to allow the PA to detect smuggling and undervaluation on goods destined for the West Bank and Gaza.

xliii. The Gol is encouraged to waive or at a minimum significantly reduce the 3 percent handling fee, which totals approximately 220 million NIS annually.

xliv. The Gol is encouraged to allow the PA to purchase fuel from Israel without excise tax, which will help maintain PA financial liquidity and will reduce the funds included in the monthly clearance process and thus subject to the handling fee by nearly 100 million USD.³⁹

xlv. The Gol is encouraged to transfer to the PA its share of the Allenby Bridge exit fees.⁴⁰

³⁹ This adjustment was discussed at length between the parties, but ultimately was only applied on a one-off basis to a single transfer of revenue in 2019.

⁴⁰ Exit fees are supposed to be divided between the PA and the Gol on a 46/54 per cent basis. In 2008, the Gol increased the exit fees unilaterally from 26 to 40 USD without increasing the PA's share.

xlvi. The parties are encouraged to resolve outstanding issues, including improved transparency, regarding transfers due from past deductions made by the GoI from Palestinian labour salaries, and to provide greater transparency and improved information-sharing regarding their ongoing collection and calculation.

Electronic VAT clearance mechanism

67. In March 2021, the parties agreed to implement an eVAT pilot program for an initial period of six months (extendable to one year) on all business-to-business sales between them. This progress is welcome. Once operational, eVAT will replace the outdated paper-based invoicing mechanism currently in use with an interconnected computer system for electronic invoicing by businesses at the point of sale, and for electronic VAT clearance between the two tax authorities, as originally envisioned in the Paris Protocol.
68. The parties aim to launch the programme by November 2021; however, progress will depend largely on the speed at which all the necessary software required to link the two VAT systems is developed. Technical discussions are ongoing regarding the design and development of the application programming interface that will be used to link the respective software systems and enable the electronic exchange of information between them.

xlvii. The parties are encouraged to continue and conclude this effort, which when implemented will reduce fiscal leakage resulting from the current system.

Improving customs legal framework

69. During the reporting period, a new draft Customs Law was completed and submitted to the Council of Ministers. The draft was prepared by a committee of technical and legal experts established within the Palestinian Ministry of Finance with assistance from the OQ. The committee was tasked with reviewing and upgrading the existing legal framework to enhance the PA's ability to assume responsibility for customs functions.
70. The Council of Ministers has shared the new draft law with the relevant ministries for their feedback and comments. Once these comments are incorporated in the draft law, the Ministry of Finance plans to hold consultations with stakeholders from the private sector for their feedback prior to its final submission to the Council of Ministers for adoption.

Banking relations

71. In recent months, the Palestinian Monetary Authority and the Bank of Israel (as well as the correspondent service companies operating under them) held multiple discussions and were able to make some progress on the bilateral framework, in particular on the future arrangement of the correspondent banking relations between the two sides, under the new mechanism that was agreed in 2020.
72. That said, several issues remain to be addressed by the parties, among them the establishment of a cash centre in Ramallah (and its operation model), completion of the Middle East and North Africa Financial Action Task Force mutual evaluation, cash quotas (from the Palestinian banking system), implementation of the Israeli law for reducing the use of cash, and signing the previously concluded roadmap.
73. The OQ continues to support the parties in their ongoing engagement and encourages the continuation of constructive bilateral discussions in a timely fashion, as well as efficient and

simultaneous implementation of the actions required by each of the parties separately in order to ensure successful launch of the new mechanism in 2022.

Security sector

74. The death in late June of political activist Nizar Banat, and the subsequent response to the ensuing protests, resulted in significant criticism of Palestinian Authority Security Forces (PASF) and local and international calls for accountability. The findings of a presidentially appointed investigatory committee have not been made public, with the matter referred to the Palestinian Security Justice Commission. The PA is urged to ensure both transparency and full accountability in the handling of the case, and also take the appropriate steps to prevent the recurrence of such events.
75. At the same time, a significant number of Palestinian communities remain deprived of adequate protection by police and security forces, notwithstanding improvements in recent years. PASF remain severely restricted in their ability to provide law enforcement services, execute court orders, or combat crime in these communities.

xlvi. The GoI is urged to enable the PASF to provide effective law enforcement to Palestinian communities residing in Areas B and C.

Movement and Trade

76. Despite the initial impact of the COVID-19 pandemic, including on the demand for Palestinian labour and products in Israel, trade between the Israeli and Palestinian markets has largely recovered. Truckloads processed at Israeli crossing points reached 151,503 between January and June 2021 compared to 195,044 in 2020.⁴¹ The administration of vaccines to around 140,000 Palestinian labourers and businessmen working in Israel since March also contributed to the accelerated return of the majority of these laborers to work.⁴²
77. Movement of people across Allenby/King Hussein Bridge (A/KHB) has also been gradually recovering, with approximately 315,000 passengers travelling through A/KHB between March and July 2021 compared to just 62,000 during the same period in 2020, a four-fold increase.⁴³ However, this is still only one-quarter of the pre-pandemic level of 1.2 million for the same period in 2019.
78. The opening in early July of the Jalame crossing in the northernmost point of the West Bank to Arab-Israelis visiting Jenin as well as other cities has also contributed to the restoration of significant economic activity in areas highly dependent on this traffic.
79. In contrast, trade-related activity in Gaza has been acutely impacted by the May escalation, both in terms of the damage sustained by private industry, including at the Gaza Industrial Estate, as well as subsequent restrictions on both imports and exports. While the Netherlands-sponsored initiative to restore the transfer of processed foods from Gaza to the West Bank was making good progress, the applied transfer/export restrictions between May and September put this initiative

⁴¹ This data covers the three major commercial crossing points between the West Bank and Israel, Tarqumia, Sha'ar Ephraim, and Jalameh crossings. Data sourced from Crossing Point Authority (CPA).

⁴² Vaccination numbers sourced from ICA Health Officer.

⁴³ Israeli Airports Authority (IAA).

on hold. The reversal of these measures in early September is expected to lead to renewed shipments of processed foods to the West Bank, albeit at a limited level until the associated transport costs and crossing fees can be reduced.

80. The restoration and expansion of industrial output remains key to any meaningful improvement in the economic situation in Gaza. With this in mind, the OQ, in collaboration with local counterparts, has commissioned a study to map and analyse industry needs across a range of industrial sectors in Gaza. The data and analysis generated will guide the OQ in identifying and advancing sector-specific measures to restore industrial output.
81. Lastly, work continues on two strategic workstreams related to advancing a door-to-door (D2D) mechanism for trade with and via Jordan and the reduction of 'standards'-related trade costs, with two key studies having been commissioned by the UK's Foreign, Commonwealth and Development Office (FCDO) as part of its *Improving Trade Facilitation and Customs Support* (TFCS) programme. These studies, which were commissioned in early September, will generate critical data and analysis to enable further development of these efforts, in particular with the parties.

Door-to-door and trade facilitation

82. The D2D programme continues to generate significant savings for participating companies in the West Bank.⁴⁴ Nineteen companies are currently utilizing D2D, registering an average of 1,505 trucks per month, with an average monthly value of 12 million USD in 2021, compared to an average of 857 trucks per month and an average monthly value of 6.5 million USD in 2020.⁴⁵
83. Efforts to expand D2D are continuing by enabling small and medium-sized companies to benefit from the programme through the use of Joint Staging Areas. If successful, the furniture and textiles sectors are expected to benefit the most from this expansion as they rely heavily on exports to Israel and are primarily made up of small and medium-sized companies.

xlix. The GoI is encouraged to enter technical discussions to explore the feasibility of Joint Staging Areas to expand the D2D programme and allow for wider inclusivity.

Trade facilitation with Jordan

84. Truck volumes at A/KHB have increased by over 266 per cent over the past 10 years (2010-2020) and this trend is expected to continue.⁴⁶ Momentum was further enhanced in August by an understanding reached by the Palestinian Minister of National Economy and the Jordanian Minister of Industry, Trade and Supply to increase annual Jordanian exports to the Palestinian territory from around USD 150 million in 2020 to approximately USD 700 million.⁴⁷ This planned increase was also discussed in an earlier meeting between the Jordanian and Israeli Foreign Ministers in June.
85. The economic benefit from a more cost-efficient import/export process at A/KHB, utilizing a direct transfer process akin to the D2D programme, has previously been highlighted by Palestinian stakeholders, in particular with regards to raw/bulk material for the Palestinian industrial sector. A comprehensive study by FCDO (through the TFCS programme) has commenced which will generate empirical data to help guide the practical and technical aspects of such a programme.

⁴⁴ For D2D related information and statistics, please visit the OQ's [D2D portal](#).

⁴⁵ For the time period January-June 2020 versus January-June 2021.

⁴⁶ Israeli Airports Authority (IAA). Further information is available on the OQ's [direct transfer portal](#).

⁴⁷ Jordanian Ministry of Industry, Trade and Supply.

The study is expected to be completed by the end of 2021. In close coordination with the Palestinian Ministry of National Economy (MoNE), the OQ will engage the parties on the basis of this data as it emerges.

- I. Following the conclusion of the commissioned study, the GoI is encouraged to enter exploratory discussions to help identify technical parameters to be considered in the modeling process.**

Standards-related trade impediments and costs

86. Addressing standards-related impediments to trade continues to be a priority for MoNE as well as the private sector due to the significant ongoing cost implications. A study is currently being undertaken by FCDO (through the TFCS programme) with support from and in collaboration with the MoNE and Palestinian Standards Institute (PSI) to undertake further analysis of this issue, including generation of empirical data. The study is expected to be completed by the end of 2021. The OQ will use the results of the study to inform further engagement with the parties and encourage initial technical discussions on the issue in close coordination with MoNE.

Sustainable economic development in Gaza

Karm Abu Salem (KAS) upgrade project

87. The KAS upgrade project is expected to reduce damages to perishable goods by an estimated 60 per cent through the establishment of a shaded area for goods entering and exiting Gaza. Progress on the project has been delayed due to the May escalation. The Netherlands is currently leading efforts to resume the project.

Restoring Gazan food sector exports

88. The recent marketing and access of processed food products from two Gazan companies to the West Bank under a Dutch-led initiative has generated increased interest by other companies in the scheme and has now led to a number of these companies meeting the pre-requisite ISO-22000 certification. Currently, eight Gazan processed foods companies are ISO-22000 certified while another 18 companies are in the pipeline to receive certification. While the May escalation caused significant damage to a number of factories in Gaza, including companies supplying processed food producers, interest in the initiative – both from existing and prospective participants – remains strong.

- ii. The GoI is encouraged to engage initiative partners with a view to build on the success to date to expand both the number of companies participating and the number of products that could be transferred to the West Bank on the basis of this pilot.**

89. The OQ continues to work with the Netherlands Representative Office (NRO) to expand the number of companies that can benefit from this effort, as well as the range of products that are allowed access to the West Bank market.

Annex A: Status of ongoing water and wastewater infrastructure projects in the West Bank and Gaza

Over the reporting period, there was noteworthy progress with some key water and wastewater facilities in both the West Bank and Gaza, while others faced continued challenges. This annex presents the key developments over this period for ongoing infrastructure projects (in the procurement, construction, or operations stage) from the PWA's Water and Wastewater Packages. A comprehensive list of the package and the status of each intervention, including those that have yet to secure the required funding and/or approvals to begin procurement and construction, can be found in Annex C of the [OO's September 2019 Report to the AHLC](#).

Gaza Central Desalination Plant and Associated Works

Component	Key developments (September 2020 – September 2021)
Gaza Central Desalination Plant (Lot 1) GCDP	<ul style="list-style-type: none"> Proposals were submitted to the Invitations for the Competitive Dialogue Process for GCDP Lot 1 stage two on 19 October 2020. The submitted technical proposals are undergoing technical evaluation by the international consultant hired by EIB. Due to the pandemic and other technical issues, the proposals' validity has been extended several times, with the last extension due to finish on 19 November 2021. A feasibility study is underway on the provision of a dedicated gas line for the GCDP from the Gas for Gaza project.
The Additional Water Supply Network Improvement Works - Middle + Khan Younis ⁴⁸ (Kuwaiti)	<ul style="list-style-type: none"> Construction for this package is complete. On 27 October 2021, constructions for Bani Said connection point within the Restricted Area in Gaza was completed following delays caused by the multi branches for the connection point on the Israeli side. Water is being supplied from Mekorot through Bani Suhaila connection point as of 1 September 2021 after the valves were reopened following their closure in April 2021 to wash the manholes. Additionally, water supply through Bani Said connection point started on 5 November 2021. Current quantities supplied are 800 m³/hour received over each of the connection points. As agreed between the parties, the overall supply capacity is expected to be 5 MCM/y.
Southern Main Carrier (Kuwait)	<ul style="list-style-type: none"> Due to tendering challenges, the contract has been divided into two contracts, and tender documents are being finalized. Bidders submitted proposals in August 2021 for evaluation and selection. The construction contractor will be selected by Q4 2021 and should proceed directly with procurement of materials and constructions.
Reconfiguration in Gaza and Northern Governorates and Al Montar system	<ul style="list-style-type: none"> PWA finalized the financing arrangements with KfW for the reconfiguration system. In parallel, an implementation agreement was signed in October 2021 between the EU and KfW for implementing the Al Montar system along with the reconfiguration system through KfW. KfW should now sign a Grant and Implementation Agreement with the Palestinian Ministry of Finance and with the PWA. KfW and the PWA are currently in the process of finalizing a tender for contracting an international supervising company which will be responsible for verifying the existing design, developing the tender document for this package and supervising its procurement, construction and commissioning works.
Reconfiguration in Middle and South (World Bank)	<ul style="list-style-type: none"> Designs and tender documents are ready. The tender was issued in September 2021, and the selection of a contractor is expected by Q4 2021.

⁴⁸ The package will enable the supply of an additional 5 MCM of potable water. The total capacity of the connection point that is currently under construction is 15 MCM, which will enable the absorption of the existing 5 MCM of supply from Mekorot and 5 MCM of Red Sea Dead Sea (RSDS) quantities. It will also enable the supply of additional quantities (5 MCM) from Mekorot, if the PWA's request for additional quantities is approved by the Gol.

Water and Wastewater Facilities in Gaza

Component	Key developments (September 2020 – September 2021)
Northern Gaza Emergency Sewage Treatment Plant (NGEST)	<ul style="list-style-type: none"> • Selection of the construction contractor is expected by Q4 2021 for a 7.5 MW renewable energy system, funded by Irish Aid through AFD. • The reuse scheme project for NGEST (5,000 dunam) started in October 2020 and the expected completion date is planned in February 2022. However, the project is expected to be delayed mainly due to delays in receiving Gol approvals for the donation number for material entry. • Ongoing support to all O&M needs for the facility provided up until 2024 by the World Bank multi-donor trust fund. • The Agreement between the PWA and GEDCO on the net-metering of electricity has been signed. • Ongoing discussions between PWA and CMWU to handover operation responsibilities to the CMWU.
Gaza and Middle Area WWTP	<ul style="list-style-type: none"> • Construction was completed in December 2020. It started receiving wastewater from Gaza and Middle area gradually and reached its full capacity (60,000 cubic meter per day) in mid-September 2021. • The facility reached self-sufficiency in energy supply from the solar PV panels in August 2021. To sustain this, the international experts required for commissioning the biogas component must receive permits to enter Gaza. Currently the PV supply is fully utilized, with the surplus provided to GEDCO's grid. In return, GEDCO supplies electricity to the facility during the night. • A MOU between the PWA and GEDCO on the swapping of electricity is pending the completion of a study on the ability of GEDCO's grid to receive capacity from the PV system. • Since the facility's operationalization, it has been facing challenges with receiving approvals from Gol for chemicals to test the quality of the effluent.
Khan Younis WWTP	<ul style="list-style-type: none"> • The facility continues to operate at half of its capacity due to the limited household connections in the area. The Kuwaiti Fund, through the IsDB, contributed 0.6 million USD in March 2021 to expand household connections in the Khan Younis area, which is currently under construction. • The one-year contract covering O&M of the facility ended in October 2020. The facility is facing financial constraints; approximately 0.27 million USD is needed to cover O&M costs for the period between October 2021 and March 2022 out of a total of 0.55 million USD that is required up to 2023. Khan Younis municipality couldn't reallocate part of its staff to operate the facility as initially agreed with the CMWU, hence CMWU is currently operating the facility with minimum staff due to insufficient O&M funding. • A local consultant was selected for the design of a 7 MW solar PV system for the facility. The construction contractor for the first phase of 1.3 MW, funded by Norway, was selected in May 2021 and construction is underway. Completion is expected by Q4 2021. The remaining 3.7 MW and 2 MW funded by the Kuwaiti Fund and the EU, respectively, will follow. • Reuse scheme: Funded by the EU through Oxfam. The official start date for the project was 1 August 2020. Oxfam released the bid for an external consultant to develop the scheme design on 20 September 2020. The study and the design were completed in October 2021. The process for procuring a contractor to implement a pilot reuse scheme is currently underway and will utilize surplus funding from the design phase. This process will also identify and fundraise the outstanding financial gap for completing the reuse scheme.
Rafah Wastewater Treatment Plant (WWTP)	<ul style="list-style-type: none"> • The Rafah WWTP, built in 1992 with initial capacity of 2,000 cubic meter /day, was expanded in 2011 to reach 15,000 cubic meter /day (funded by ICRC). However, Rafah WWTP is currently receiving about 20,000 cubic meter / day. The plant has deteriorated significantly. • There is a plan to expand Khan Younis WWTP to treat Rafah's wastewater and to continue to use the facility location as a sewage collection site. However, proceeding with this plan

	<p>will require pumping all collected wastewater from Rafah to Khan Younis WWTP, a process that is estimated to be very costly in terms of infrastructure construction and operational cost. Accordingly, CMWU is suggesting construction of a new treatment plant at the same location of the existing plant with an estimated cost of 30 million USD.</p>
Southern STLV	<ul style="list-style-type: none"> • Temporary delays were seen in construction of phase II and III expansions because of the COVID-19 lockdown, delays in Gol's permits for international experts to enter Gaza and commission the operations, and delays in receiving Gol's approval for the entry of the needed chemical "Epoxy" for sealing the reservoirs, amongst other materials. Completion is now expected by July 2022. • The existing facility operates eight hours per day based on an electrical cycle with a maximum capacity of 1.5 MW. Once phases II and III are complete, the facility will require 4 MW to operationalize at its maximum capacity. The construction of a dedicated power line to enable 24-hour supply was completed in February 2021 and was activated in October 2021, providing 20 hours/day of electricity to phase I of the plant. This enables the provision of around 4,000 m³ of potable water out of the 6,000 m³ specified in the design capacity of phase I. For energizing phase II and III, an agreement is required between the PWA and GEDCO to secure an additional 2.5 MW on top of the currently secured 1.5 MW. • The facility is still facing a challenge with O&M costs; the estimated outstanding financial gap is 0.56 million USD out of a total of 0.93 million USD needed up to 2023. Once the Bulk Supply Unit is established, the Work Bank will provide support to the O&M needs.
Gaza City STLV	<ul style="list-style-type: none"> • During June, Gaza STLV received extra emergency fuel and accordingly operated for 16 hours/day for a few weeks. As of mid-October 2021, the facility is operating 24 hours/day, producing an average 10,000 m³/day. • The facility is still facing a challenge with O&M costs and the estimated outstanding financial gap is 0.24 million USD for the period between October 2021 and March 2022 out of a total of 0.5 million USD needed up to 2023. KfW has expressed interest in supporting O&M for the facility's operations at full capacity.
Deir al Balah STLV	<ul style="list-style-type: none"> • The Program Logic Control System (PLC), which enables automatic operation of the facility, was completed in March 2021 with funds from ICRC. Since March 2021, the facility works eight hours per day based on an electrical cycle and is currently providing around 2000 m³/day of potable water through the system to Dair Al Balah city. The STLV can be energized on a 24-hour/day basis, however a dedicated power line needs to be constructed to connect the facility to the grid. • The facility is still facing a challenge with O&M costs; the estimated outstanding financial gap is 0.17 million USD for the period between October 2021 and March 2022 out of a total of 0.35 million USD needed up to 2023. Once the Bulk Supply Unit is established, the Work Bank will provide support to the O&M needs.

Water and Wastewater Facilities in the West Bank

Component	Key developments (1 April 2020 – 11 September 2020)
Hebron WWTP, Wadi Saman Trunk Line and Reuse Scheme	<ul style="list-style-type: none"> • Construction of the WWTP resumed early this year after a one-year halt and is around 30% complete,⁴⁹ it is expected to finish by the end of 2022 • The PA disbursed an initial 8 million USD for developing the trunk line for advancing this project. Design (funded by AFD) of the trunk line is complete. The construction of the trunk line is ongoing (around 50% is completed). • Expressions of Interest for a detailed feasibility study including engineering designs for a reuse scheme was published in July 2021 by PWA. Funding is needed for construction of the reuse scheme.

⁴⁹ Construction was suspended due to concerns from the surrounding communities about the expected environmental hazards of the project. Further, while there was also a need to start with the construction of the trunk line, this was pending due to a claim raised by the bidder. An MoU was signed with the surrounding communities and the court issued its decision to resume the works in January 2021, to enable construction to be resumed in February 2021.

Ein Jariot WWTP	<ul style="list-style-type: none"> • The pre-qualification for a consultant to validate the design of the Ein Jariot WWTP was finalized in August 2020. • The design is currently under development. Once it is complete, construction is expected to begin, with financial support by KfW by 2022. • Approvals from JWC and ICA have been acquired and the no-objection announcement was provided. • The project is in the land acquisition phase (in process).
North-East Ramallah Sewage Project	<ul style="list-style-type: none"> • A feasibility study was undertaken in 2004 by the World Bank and the EIB. With EIB funding, an updated feasibility study was completed in July 2020. During the reporting period, the project documents were discussed and submitted to different donors for funding. The estimated cost is around 33 million EUR (36 million USD) to develop the detailed design and for implementation of the sewage network, WWTP and the reuse scheme. EIB has offered a loan of around 50% of the needed funding.
Jericho WWTP and Reuse Scheme	<ul style="list-style-type: none"> • Expansion of the wastewater collection network, funded by the Representative Office of Japan and the PA, was completed in July 2020, increasing the flow to the Jericho WWTP by an additional 2,300 m³/day. • Despite some delays in construction during the COVID-19 pandemic, the original works of the expansion of the Aqbat Jabr sewage network, funding by Japan through the United Nations Relief and Works Agency (UNRWA), were completed in April 2021. Additional funds were recently committed by Japan through UNRWA to expand the network by 400 meters and to advance household connections. These works will be completed by the end of September 2021. Funding of 3 million USD remains outstanding for expanding the internal wastewater network in Jericho city and other nearby communities, which were suspended following USAID withdrawal in January 2019.
Al Bireh Reuse Scheme (and trunkline to Al-Auja)	<ul style="list-style-type: none"> • The PA was intending to allocate 300,000 USD in June 2020 to develop a detailed design for the Al Bireh Reuse Scheme; however, due to the PA's financial crisis, the design was not accomplished. • Funding of 9.6 million USD is still outstanding for the implementation of the trunk line and reuse scheme. • There is potential interest from USAID to allocate the needed funds for detailed design and implementation after September 2022.
Nablus West WWTP	<ul style="list-style-type: none"> • The Asira a-Shamaliya municipality contributed 0.5 million USD in 2020 for the expansion of the wastewater network and trunk line feeding the Nablus WWTP. • Funding of 4 million USD is still needed for the detailed design as well as for construction of a sewage network, trunk line to the Nablus West WWTP, and reuse scheme.
Tubas Sewage Project	<ul style="list-style-type: none"> • The treatment plant was commissioned in October 2020 with a design capacity of 4,400 m³/day. The facility is operating at around 23% (1,000m³/day) due to the limited household collection network. • The PA secured 1.8 million EUR for the development of household connections in Tubas city (0.5 million EUR from the Nexus Project funded by the EU which was completed in December 2019, 0.5 million EUR funded by Tubas Joint Service Council for water and sanitation which was completed in January 2020, and 0.8 million EUR from the development budget of the PWA which will be finalized by the end of 2021). The development of the household connections is ongoing. • Further funding of around 7 million EUR is still needed to complete the sewer collection system and installing household connections in other nearby communities and villages that should be served by the treatment plant. This will enable the WWTP to be operated according to its design capacity. • 2 million EUR is needed for a detailed design and construction of a reuse scheme.
Tulkarem Al Sha'arawiya Sewage Project	<ul style="list-style-type: none"> • The first phase (Baq'a Sharqia & Al-Nazlat) of the project, funded by NRO, was completed in December 2020. It includes a wastewater collection system, transmission pipeline from the collection point to the Green Line, and 5 flow meters for monitoring the transboundary wastewater flow inside Israel. The second phase (Ateel and Deir El Ghoson), also funded by NRO, is currently under construction. It includes the same components as in phase one.

Yatta Water Network	<ul style="list-style-type: none"> • Progress continues in completing the Yatta Water Network following funding cuts by USAID in 2019. Through NRO funding, UNICEF hired a consultant to assess and evaluate the existing construction works. This work was finalized and confirmed that all USAID built-up infrastructure are in good condition and identified an additional 2 million EUR to complete all project components. • Based on the above, the consultant will start the second stage under his assignment to prepare the tender documents to complete the construction of the infrastructure.
Janzur Well	<ul style="list-style-type: none"> • AFD committed 750,000 EUR in 2019 towards the first phase of the well in Janzur (this includes only drilling the well and conducting pumping tests). The drilling process is ongoing and is expected to be completed by the end of October 2021. If pumping tests prove the productivity of the well, an estimated 3.5 million USD will be needed for completing the second phase of the project, which includes equipping the well. It is expected that the well will supply approximately 1.3 MCM/y.
North-South Carrier for West Bank Water Distribution	<ul style="list-style-type: none"> • As part of the West Bank and Gaza Water Security Development Program, the World Bank will fund the development of a masterplan and a conceptual design for a north-south water carrier in the West Bank. The procurement process was started in December 2020 and is expected to be complete by the end of 2021.
Abud Connection	<ul style="list-style-type: none"> • Design is completed and considered expansion for additional quantities which results in an increase in the estimated cost of 8 million USD. The AFD is considering funding the expansion cost. Some segments will need to be constructed in Area C and accordingly require Gol approvals.

Annex B: Summary of affordability and willingness to pay analysis in Gaza; development and application of a new tariff model for the West Bank and Gaza

In 2020, the Palestinian Water Authority and the Office of the Quartet conducted analysis on the Affordability and Willingness to Pay (AWTP) for water services in Gaza and developed a tariff model – in line with the Palestinian Tariff Bylaw endorsed in March 2021 – to serve the West Bank and Gaza.

Based on a comprehensive field survey and applying internationally agreed methods and assumptions for calculating AWTP, affordable water tariffs are estimated for the people living in Gaza and the tariff rates they might be willing to pay for improved water and wastewater services. The analysis considers the actual socio-economic situation in Gaza, people's perception of the quality of water and wastewater services provided, and social norms concerning willingness to pay for social services in Gaza.

The analysis concluded that households in Gaza can *afford* to pay between 2.3-3.5 NIS/m³, or, on average, 3.2 NIS/m³. In comparison, they are only *willing* to pay on average 2.62 NIS/m³ for municipal water and wastewater services. This can be attributed to key socio-economic factors, including limited satisfaction with water service provision (water quality, quantity, service continuity) and/or the general services provided by the municipality, social expectations and beliefs that someone else should pay for the service, as well as limited confidence with the planned infrastructure projects to improve the services.

Current municipal tariff rates for water and wastewater are set well below operational costs. Hence most service providers do not fully recover the cost of water and wastewater service provision and/or depreciation costs. Current municipal water and wastewater tariffs range between 1-2.5 NIS/m³, although, on average, households can afford and are willing to pay higher tariffs based on the findings of the AWTP study.

A unified water and wastewater tariff model was developed and applied to calculate an appropriate tariff for each service provider (municipalities) within Gaza, taking note of the specific structure and conditions of the 2021 approved tariff bylaw, which aims to balance full cost recovery and social justice while incentivizing rationalization of water consumption through increasing block rates. For each municipality, taking into account recent costs of service provision and water production for different types of water sources, the model provides different tariff scenarios over time (2022 – 2030). It analyzes cost recovery and affordability rates with or without depreciation for existing and newly developed infrastructure.

By 2030, revenues should gradually increase from 20 per cent to 90 per cent based on the assumption of increasing collection rates due to increased willingness and ability to pay embedded in increased satisfaction with social service provision and changing social norms. It is expected that the new water tariffs can be applied starting in 2022 considering the completion of key water and wastewater infrastructure projects that are currently underway, the subsequent introduction of additional water from the Gaza Central Desalination Plant (GCDP) in 2026, as well as a proposed communication and awareness campaign targeting increased understanding of service provision and changing of social norms.

The study recommends gradually increasing the existing tariff rates to improve cost-recovery, taking into account affordability while introducing a balanced and targeted subsidy strategy to support those who cannot afford to pay. The study advises the implementation of a detailed action plan which includes policy interventions to enable the approval and enforcement of the recommended tariff adjustments, and to have periodic and informed review of the tariffs in a systematic manner, as well as technical interventions to enable service providers to apply the tariff adjustments, improve cost recovery, improve system efficiency and hence reduce network losses. In parallel, introducing a communication and public awareness campaign is also recommended as part of the action plan, as to inform the public of improved services as a mean to increase their willingness to pay for municipal water and wastewater services. The study further recommends applying the tariff model and estimating the levels of affordability and willingness to pay in the West Bank.

