



Office of the
Quartet

Report to the Ad Hoc Liaison Committee

September 2022

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Acronyms

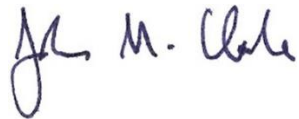
A/KHB – Allenby/King Hussein Bridge	MW – Megawatt
AFD – Agence Française de Développement	NCEA – Netherlands Commission for Environmental Assessment
AHLC – Ad Hoc Liaison Committee	NEPCO - Jordan National Electric Power Company
AWTP – Affordability and Willingness to Pay	NGEST—Northern Gaza Emergency Sewage Treatment
Bol – Bank of Israel	NRO – Netherlands Representative Office
BSU – Bulk Supply Unit	NWC – National Water Company
CMWU – Coastal Municipalities Water Utility	O&M – Operations and Maintenance
COGAT – Coordination of Government Activities in the Territories	OQ – Office of the Quartet
D2D – Door to Door	NIS – Israeli New Shekel
EIB – European Investment Bank	PA – Palestinian Authority
ESIA – Environmental and Social Impact Assessment	PASF – Palestinian Authority Security Forces
EU – European Union	PCBS – Palestinian Central Bureau of Statistics
EUR - Euro	PENRA – Palestinian Energy and Natural Resources Authority
FCDO - United Kingdom’s Foreign, Commonwealth and Development Office	PETL – Palestinian Electricity Transmission Company Ltd.
G4G – Gas for Gaza (project)	PFI – Palestinian Federation of Industries
GCDP & AW – Gaza Central Desalination Plant and Associated Works	PFIU – Palestinian Processed Foods Union
GEDCO – Gaza Electricity Distribution Company	PLO – Palestinian Liberation Organization
GIS - Geographic Information System	PMA – Palestinian Monetary Authority
Gol – Government of Israel	PPA – Power Purchase Agreement
GPP – Gaza Power Plant	PPGC – Palestine Power Generating Company
GRM – Gaza Reconstruction Mechanism	PSI – Palestinian Standards Institute
GSPA – Gas Sales and Purchase Agreement	PV – Photovoltaic
GTWG – Gaza Thematic Working Group	PWA – Palestinian Water Authority
IAA – Israeli Airports Authority	PWM – Pre-paid Water Meters
ICA – Israeli Civil Administration	RDNA – Rapid Damage and Needs Assessment
ICRC – International Committee of the Red Cross	RSDS – Red Sea Dead Sea Agreement
IEC – Israel Electric Corporation	SII – Israeli Standards Institute
INGL – Israeli Natural Gas Lines	STLV – Short-Term Low-Volume Desalination Plant
IsDB – Islamic Development Bank	TFCS - Improving Trade Facilitation and Customs Support (FCDO program)
ITU – International Telecommunications Union	UK – United Kingdom
JDECO – Jerusalem District Electricity Company	UN – United Nations
JWC – Joint Water Committee	UNICEF – United Nations Children’s Fund
JTC – Joint Technical Committee (telecom)	UNRWA – United Nations Relief and Works Agency
KAS – Karem Abu Salem / Kerem Shalom	USAID – United States Agency for International Development
KfW – German State-Owned Development Bank	USD – United State Dollars
MCM – Million cubic meters	US – United States
MENA FATF - Middle East and North Africa Financial Action Task Force	VAT – Value Added Tax (goods and services tax)
MoC – Israeli Ministry of Communications	WSRC – Water Sector Regulatory Council
MoF – Ministry of Finance	WWTP – Wastewater Treatment Plant
MoNE – Palestinian Ministry of National Economy	
MTIT – Palestinian Ministry of Telecommunication and Information Technology	

Foreword

This report is prepared in advance of the September 2022 meeting of the Ad Hoc Liaison Committee (AHLC), scheduled for 22 September in New York. The reporting period witnessed significant developments in the Palestinian territory, Israel and the region beyond, all under the retreating shadow of the COVID-19 pandemic. Since the completion of the last report, the situation has continued to deteriorate in both Gaza and the West Bank, with continued acute stress on the Palestinian Authority's (PA) fiscal situation.

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 a potentially transformational impact in the areas of telecommunications, water, energy, rule of law and movement and trade. 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 to support the Office during this challenging period and look forward to continuing our work with the parties, Quartet members and the international community in the coming months.

Yours sincerely,

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

Dr. John N. Clarke

Head of Mission

Executive Summary

The report identifies progress achieved since the Office of the Quartet's (OQ) Spring 2022 report to the *Ad Hoc* Liaison Committee (AHLC) and the critical next steps that are now required.

On **water and wastewater**, there has been a greater focus from both the parties and the international community on addressing chronic shortages in services in the West Bank, including advancing feasibility studies and planning, provision of in-principle approvals, proposing arrangements to simplify water tariffs, discussions on formalizing transboundary wastewater treatment, and donor consideration of renewed support to water and wastewater initiatives. However, significant challenges remain in various areas of cooperation, and an estimated funding gap of 600 million USD remains outstanding to advance 21 wastewater projects, 23 water wells and four major bulk water connection points, as prioritized in the medium term under the PWA's West Bank Packages. In Gaza, the three-day escalation in August caused temporary interruptions in the operation of water, sanitation and hygiene (WASH) facilities. Damages from the May 2021 escalation, remain un-repaired, with a continued funding shortfall of approximately 20.5 million USD to repair damage to WASH infrastructure. Progress continued on the development of the Associated Works (AW) to the Gaza Central Desalination Plant (GCDP). However, a further 112 million USD is required to ensure expansion and construction of wastewater treatment and reuse schemes to address outstanding needs, while 7.75 million USD is needed for the operation and maintenance of existing facilities until 2031.

In the **energy** sector, progress on the Gaza for Gaza (G4G) project continued including the first phases of both the Detailed Design and the Environmental and Social Impact Assessment . The parties are also working toward meeting the funding conditionalities set by Qatar and the EU. The critical next step is the conclusion of the Gas Sales Purchase Agreement and to this end, recent engagements by the commercial parties towards identifying the gas buyer and guarantor, are an encouraging sign. In addition, discussions are ongoing with potential implementing partners to advance the project toward procurement and construction.

Developing Gaza's electricity grid remains urgent and is needed to support the evacuation and distribution of electricity from renewable energy projects, the G4G project, and from other sources. The provision of further details by PENRA, including funding requirements and infrastructure phasing, will be essential in helping to secure the funds needed to implement the grid upgrades.

In the West Bank, there is increased momentum for the renewable energy sector following the discussions held on the margins of the May 2022 AHLC. The international community is working with the parties to establish replicable, transparent, and scalable parameters for renewable energy projects in order to enable implementation at the scale required. The parameters are expected to unlock capital funding from the Palestinian private sector and help the PA reach its installed renewable energy targets. In addition, electricity imports from Jordan to the West Bank recently increased from 40 MW to 80 MW with plans for further increases currently under discussion. Securing additional imports, both for the West Bank (through additional imports from Jordan) and for Gaza (via Egypt and the 161 kV line) remains important for enhancing energy security.

On **telecom**, discussions continued between the parties on the deployment of advanced mobile technologies in the West Bank and Gaza, the Joint Technical Committee (JTC) was convened four times between June and August 2022. Several proposals were exchanged between the parties for spectrum

allocation. Critically, however, an agreement on radio frequency allocation for 4G and 5G services, specifications of technology deployment and timeline for commercial launch of services remains outstanding.

There is an ongoing need to sustain donor support and to continue to work to resolve a number of long-standing fiscal files. Since the last AHLC, encouraging steps have been taken toward adoption of a establishing an eVAT system for merchants engaged in bilateral trade that would enhance transparency in VAT administration. With the PA making progress on the drafting of a new legal framework on custom, further steps towards an agreement on the transfer of customs authority, including *inter alia*, the establishment of bonded warehouses .

Over the reporting period, the Palestinian Monetary Authority (PMA) and the Bank of Israel (BoI) have worked to address a range of outstanding banking issues, including cash management and the accumulation of excess Israeli shekels held by Palestinian banks. Cash management improvements are expected in 2023 with the launch of the digitization reform, which aims to digitize salaries of Palestinian workers in the Israeli economy, thereby eliminating a large portion of the cash inflows into the Palestinian economy. The PMA and BoI have also recently agreed to work jointly to address various technicalities of the digitization reform to ensure successful implementation. Establishing the future correspondent banking relations remains a priority. While the PMA and BoI seem to be in agreement on the required steps in the short-term, it remains for the parties to reach a concrete agreement on the medium and long-term model that would govern correspondent banking relations.

Facilitating cost-effective **trade**, both local and international, remains key to promoting economic growth and job creation in the Palestinian market. In support of this objective, efforts to expand the door-to-door between the Palestinian and Israeli markets have focused on increasing the inclusion of small and medium-sized businesses through the promotion of a Secured Joint Staging Facility in collaboration with the Palestinian Federation of Industries. Following in-principle GoI approval efforts have focused on developing operational aspects and the identification of an exact location for the pilot facility. The positive results this program has generated to date, have also informed ongoing efforts to advance a similar program at A/KHB, which has the potential to significantly reduce import costs of bulk materials among others. Combined with other measures, such as the extension of operating hours, containerization and the introduction of a conveyor belt, a substantial increase in the volume of trade across can A/KHB be reliably facilitated and with it, the diversification of Palestinian trade. The economic situation in Gaza has continued to experience improvements during the reporting period, aided largely by the facilitation of Gazan labor to work in Israel. While GoI efforts to ease importation and facilitate transfers to the West Bank are a welcome step and key to enable more domestic economic activity, more systemic measures, including but not limited to reliable access to industrial inputs, are necessary for industrial activity to grow effectively and with it also generate job growth within Gaza.

Introduction

1. This report provides updates in each of the five key sectors – water, energy, telecom, governance/ rule of law, and movement and trade – in which the Office of the Quartet (OQ) focuses its work. The report covers the period between May and September 2022. 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.

Water

2. The importance of access to a safe and reliable water supply remains paramount, given its centrality in meeting humanitarian needs, enabling economic development, and improving the lives of Palestinians. While the reporting period witnessed some limited increase in water supply, a large gap between the demand and supply of safe drinking water remains outstanding, reaching 33 million cubic meters per year (MCM/Y) in the West Bank and 102 MCM/Y in Gaza in 2020.¹ Similarly, there are significant shortfalls in the treatment of wastewater: in 2021, 83 per cent of wastewater was treated in Gaza, whilst in 2019² only 30 per cent of wastewater was properly treated in the West Bank.³
3. On a positive note, there has been a greater focus from both the parties and the international community on addressing chronic shortages in water and wastewater services in the West Bank, including advancing feasibility studies and planning, provision of in-principle approvals, proposing arrangements to simplify water tariffs, discussions on formalizing transboundary wastewater treatment, and donor consideration of renewed support to water and wastewater initiatives. However, significant challenges remain in various areas of cooperation, and an estimated funding gap of 600 million USD remains outstanding to advance 21 wastewater projects, 23 water wells and four major bulk water connection points, as prioritized in the medium term under the PWA’s West Bank Packages.
4. In Gaza, the three-day escalation in August caused temporary interruptions in the operation of water, sanitation and hygiene (WASH) facilities.⁴ Damages from the May 2021 escalation, remain un-repaired, with a total funding shortfall of approximately 20.5 million USD to repair damage to WASH infrastructure.⁵
5. While progress is being made on the development of the Associated Works (AW) to the Gaza Central Desalination Plant (GCDP), approximately 72 million USD is required to ensure expansion and construction of wastewater treatment and reuse schemes to address outstanding needs, while 7.75 million USD is needed for the operation and maintenance of existing facilities until 2031.

¹ Most recent Palestinian Water Authority (PWA) data.

² Dito.

³ Source: OQ calculations based on PWA data from different years and developments in the sector.

⁴ This was due to the shortage of electricity and fuel and the limited access of Gazans to the eastern borders of Gaza. This resulted in a decrease in the water supply and the dumping of raw sewage into on the Mediterranean Sea and local lagoons for a period of three weeks.

1. 56.5 million USD remains outstanding of what was identified in the Rapid Damage Needs Assessment (RDNA) and an additional 14 million USD identified by USAID’s Gaza Damage Assessment Report. 9.5 MUSD has been mobilized thus far and progress in repairing sewage pipelines and water pipelines – using UPVC pipes available in Gaza – has been achieved. However, significant delays of needed material entry to Gaza related to electromechanical fittings, and a persistent funding shortfall, have limited progress in other areas.

Gaza Central Desalination Plant and Associated Works

6. Progress continued on the development of the Gaza Central Desalination Plant (GCDP) Associated Works (AW), with reconfiguration of the Middle Area package having started in June 2022. Evaluation of proposals for the reconfiguration of the southern packages⁶ was completed, letter of acceptance was issued to the contractor in August 2022, contracts are expected to be signed before end of September 2022, and consequently construction to start in Q4 2022. While the contractor(s) for the Southern Carrier were selected and two letters of acceptance were issued.⁷ In addition, the Palestinian Ministry of Finance (MoF) and the Palestinian Water Authority (PWA) signed Grants and Implementation Agreement with KfW for reconfiguration of the northern governorates. Finally, the 'dual use' list of items for entry to Gaza for this package has been submitted to the Civil Liaison and Administration (CLA) for approval.
7. Since the last reporting period, there have been further delays in the procurement for Phase Three of the GCDP with longstanding technical challenges resulting in the cancellation of the existing procurement process. A new tendering process is now planned to be launched in Q1 2023. This will extend the expected completion date of the GCDP to the beginning of 2027. On a more positive note, following challenges faced by the Islamic Development Bank in the disbursement of funds, the EU has announced that, if necessary, it is ready to provide full financing for the project.⁸ Once complete, the GCDP will supply 55 MCM/Y of water to Gaza, helping to bridge the critical shortfall in supply. **Annex A** of this report presents the status of each component of the GCDP & AW program.

COGAT is encouraged to advance the approval process for the dual use list for the reconfiguration system for the Middle Area.

The Palestinian Authority (PA) is encouraged to advance the retendering process for the GCDP and to work towards commissioning the GCDP by early 2027.

8. The Bani Said and Bani Suhaila connection points (Mekorot connection) continue to supply between 1050 – 1200 cubic metres per hour of water; with limited interruptions, fulfilling the 10 MCM/Y agreed under the Red Sea-Dead Sea (RSDS) supply schedule.
9. While there was no meeting of the GCDP task force in the reporting period, the parties continue to discuss the operational arrangements and clarifications that emanate from the December 2021 COGAT letter on the works in the sea. These would provide the operational clarifications required by companies bidding on these works as well as enabling Palestinian participation in undertaking the works in the sea and the operationalization of the off-shore infrastructure by the National Water Company. A further issue concerns the security clearance required for the entry of materials that require a donation numbers,⁷ which it is hoped, can be integrated in the security approval process for submitted the Bills of Quantities.

⁶ AW package #W01 includes works for the reconfiguration of the southern distribution network. PWA awarded the contract in August 2022. The AW includes two kinds of components; reconfiguration of the existing network (split into several tenders for the north, middle, southern), and building of the north-south carrier.

⁷ Delayed to renegotiate with the contractors and amend the Bid Price as a result of the Russia-Ukraine war.

⁸ At the May 2022 AHLC meeting in Brussels, Maciej Popowski Director General for Neighbourhood Policy and Enlargement Negotiations announced that "the Commission stands ready to ensure full financing of this transformative project, if needed be"

The parties are encouraged to finalize the technical arrangements for the works in the sea in order to provide the operational clarifications needed for the bidders prepare their proposals and to conclude the final arrangements on the process for the issuance of donation numbers.

Construction and operationalization of water and wastewater infrastructure in Gaza

10. Wastewater treatment plants (WWTPs) in Gaza currently treat 62 MCM/Y of wastewater, while the three short-term low-volume desalination facilities (STLVs) produce 6.57 MCM/Y of desalinated water. The stable operation of the majority of water and wastewater facilities over the reporting period is positive. Ongoing efforts to reach full capacity at the Khan Younis WWTP and the Der AL Balah STLV will further enhance the lives of people in Gaza and protect the environment.
11. As a result of the operation of the three WWTPs and the significant reduction in the dumping of wastewater into the Mediterranean Sea, environmental quality at the beaches and in the sea has improved considerably;⁹ the majority of Gaza beaches are now open for safe swimming, after being deemed unsafe only last year. While not yet assessed, according to the Coastal Municipalities Water Utility in Gaza, it is expected that nitrate contamination to the coastal aquifer is also being reduced as a result of the enhanced treatment from the three WWTPs. **Annex B: Wastewater treatment cycle in the Gaza Strip** provides further details on this process.
12. The Gaza STLV is operating at full capacity and funding from the Islamic Development Bank has been secured to expand its capacity by a further 2,500 cubic meters per day by Q2 2024. Similarly, Phase I of the Southern STLV continues to operate at full capacity. Approval for the entry of epoxy coating as required for finalization of Phases II and III was provided and it is entering gradually. Further, a permit was issued for an international expert to enter Gaza which will support commissioning of the two additional phases of the Southern STLV by the end of the year.
13. In Khan Younis, GoI provided approval for entry of materials for the piping system which will help enhance the wastewater network.¹⁰ Moreover, a recovery scheme needs to be developed to enable the reuse of treated wastewater. The North Gaza Emergency Sewage Treatment plant (NGEST) continues to operate above its capacity with a further expansion needed, and there are growing operational and pollution concerns for the Rafah WWTP, which is using outdated technology and is operating in a deteriorated condition.

The GoI is encouraged to continue the entry of chemicals (epoxy) into Gaza for the Southern STLV.

Donors are encouraged to fund the remaining 16 million USD needed to further increase wastewater connections in the service area of the Khan Younis WWTP and 26 million USD to develop the recovery scheme of the Khan Younis WWTP.

Donors are encouraged to contribute to the estimated 30.5 million USD funding cost to expand NGEST and replace the Rafah WWTP with a reliable facility.

⁹ Except for a period of three weeks after the eruption of the three days war in Gaza in August 2022, where significant amount of sewage was dumped in the Mediterranean.

¹⁰ The wastewater masterplan for Khan Younis governorate was updated in August 2022.

14. There were also positive developments regarding the energization of WWTPs during the reporting period. Construction started on a 7.54 MWp solar photovoltaic (PV) plant for NGEST that is expected to be completed by Q2 2023. Construction of the first 1.3 MW phase of a PV plant for the Khan Younis WWTP was completed in late July following the entry of materials to Gaza in May 2022 after significant delays. The tender for a detailed design for a planned solar PV system for Gaza STLV with capacity of 9MWp in the north of Gaza is expected to be issued in Q1 2023.
15. Furthermore, there was some progress in relation to the biogas components of NGEST and the Gaza Middle WWTPs. The PWA completed repairs to the NGEST biogas storage system, although gas analysis and commissioning will require international experts. The World Bank has committed to carrying out gas sampling of the facility to select a suitable international expert, although the timeframe remains unclear. The Gaza Middle WWTP biogas system is fully functional, but similarly a gas analysis is required before operations can be resumed.
16. Except for Rafah WWTP and Gaza STLV, all the water and wastewater facilities in Gaza have a renewable energy component to either fully or partially meet their energy needs. **Annex C** maps out these components, which include both solar plants and biogas systems. Currently, there is 4.3 MW of installed renewable capacity in operation with a further 37.3 MW under construction or planned for development. Energizing the facilities through renewable energy is critical to achieving sustainable operations, as electricity accounts for up to 60 per cent of operations and maintenance (O&M) costs. Gaza Middle WWTP has been operating entirely with solar energy since 2021 – producing surplus power generation during the day which is fed to the grid, and returned at night – nearly halving its O&M costs. A similar impact is expected for both NGEST and Khan Younis WWTP once their associated solar facilities are operational.
17. Once all associated renewable plants are developed, renewable energy will provide the majority of the power needed for the operationalization of the facilities which will both sustain energization of the facilities and alleviate the need for the PA to subsidize the facilities' energy costs. However, maintaining a grid connection also remains critical to continue power supply during periods of low solar generation or as a back-up.
18. A study assessing the feasibility of providing a dedicated gas line for the GCDP from the Gas for Gaza project was launched in November 2021 and was finalized during the reporting report. The findings are discussed further in the Energy section of this report. A dedicated power line for the Deir al Balah STLV, with an approximate cost of 50,000 USD, is not yet constructed, and the plant continues to operate for only eight hours a day.

The PA and GEDCO are encouraged to build a dedicated electricity line to the Deir Al Balah STLV to enable a 24 hour/day electricity supply.

19. All facilities continue to face challenges in meeting their O&M costs. According to recent analysis by the PWA and partners in Gaza, with gradual improvements in cost recovery, the STLVs and WWTPs will achieve financial sustainability by 2031. In the interim there is expected to be a funding gap of 3.44 million USD for STLVs and 7.75 million USD for WWTPs. **Annex A** of this report provides further details on the status of the construction and operationalization of the major water and wastewater facilities in Gaza.

Donors are encouraged to bridge the critical O&M funding gap of 3.44 million USD for STLVs and 7.75 million USD for WWTPs up until 2031.

The PWA and the service providers in Gaza are encouraged to continue improving collection efficiency to ensure financial sustainability of water and wastewater services.

Bulk water connection points between the West Bank and Israel

20. Discussions continued on advancing imports of bulk water supply from Israel to mitigate the water shortage, as well as on developing groundwater and nonconventional resources. While progress was achieved on some files during the reporting period, others continue to face challenges.
21. In May, the Gol communicated its in-principle approval for the As Samoua infrastructure component in Area C based on the PWA's infrastructure layout. In parallel, the PWA secured funding from the World Bank for the development of a detailed design for the totality of the program. The full project is expected to cost 25 million USD and will be implemented comprehensively involving 19 km of transmission pipeline, two reservoirs and pumping stations.
22. There was no direct progress in advancing the outstanding RSDS agreement between the Gol and PA during the reporting period, the parties expressed readiness to renew discussions. The 2017 RSDS agreements, discussed verbally, provided for pricing of 3.2 NIS/m³ for Gaza and 3.3 NIS/m³ for the West Bank, the Gol has recently indicated its desire to create a unified tariff for incorporating the different tariffs the PWA currently pays for water imports across different connection points and future ones including the RSDS quantities. While the PWA is ready for the discussion on the pricing and welcomes Gol's cooperation on the provision of a detailed breakdown of the cost components involved in supplying water to the West Bank and Gaza.

The parties are encouraged to advance talks toward concluding tariff discussions for the bulk water supply from Israel.

23. The PWA issued the tender for the construction of the supply and distribution sections of the Northwest Ramallah (Aboud) connection point (the Middle Area component of the RSDS project), with support from the EU and Agence Française de Développement (AFD). Contractors submitted their technical and financial proposals in August 2022 and are currently under evaluation by the Central Tendering Department. Construction is expected to start by Q1 2023. The PWA is still reviewing the Gol's modifications to the routing through Deir Nizam and Dair Abu Mashal villages; the tender documents maintained flexibility in determining the final routing design until such a time as the PWA and the Gol reach an agreement.
24. Also during the reporting period, a consultant started developing a detailed design for the supply system of Al Jalameh and Salem connection points (part of the RSDS quantities) in the Jenin area, with support from AFD. The World Bank expressed its interest in co-funding the program through its Trust Fund.

The PA and the GoI are encouraged to finalize the routing of the two segments in Deir Nizam and Dair Abu Mashal villages once the PA provides its feedback on the GoI's suggested rerouting.

Donors are encouraged to contribute to the construction of the water supply system from the Al Jalameh, Salem (35 million USD) and As Samoua (25 million USD) connection points.

West Bank: Water and Wastewater Packages

25. Progress was made during the reporting period on several initiatives that seek to enhance water supply and infrastructure priorities in the PWA Water and Wastewater Packages. The Packages have served as a basis for facilitating discussions and advocacy between the parties and within the international community.
26. A Team Europe Initiative¹¹ was identified for the EU and European Development Partners to work together with the PA to combat climate change and support biodiversity through enhanced action on wastewater treatment and reuse. The initiative is based on the joint analysis undertaken with the European Development Partners and consultations with local authorities and other international development partners. It identified the following priority projects (contingent on availability of funding): Nablus West to East Conveyance and Reuse Scheme, Hebron Reuse Scheme, Tayaseer Sewerage Collection System Expansion and Reuse Scheme, and Al Bireh-Al Auja Reuse Scheme. These projects were identified as per the recommendations of the PA inter-ministerial committee (established in 2022) and PWA priority lists.
27. In addition, the PA¹² continued to advance its own solutions to transboundary wastewater by progressing a Reuse Feasibility Study, and reusing wastewater from Tulkarem, West Nablus and Salfit WWTPs within the West Bank. The study confirmed the feasibility of conveying treated wastewater from Tulkarem and West Nablus to the Jordan Valley and utilizing treated wastewater from Salfit WWTP locally. Further, conceptual designs for all storage and conveyance infrastructure were developed. The Study utilized a first-of-its kind multi-criteria decision analysis to determine the feasibility of the reuse schemes. A draft report has been completed and will be finalized in Q3 2022.
28. Based on the initial PWA submission of the Tulkarem-Jordan Valley conveyance system of treated wastewater, the Joint Water Committee (JWC) provided an in-principle approval for the suggested route. Considering this progress, the World Bank expressed interest in funding this component as part of its new program. Meanwhile, a reuse feasibility study in Hebron, which includes a detailed design and is funded by AFD, was initiated and is expected to be completed by June 2023, after which a tendering process will be launched for implementation.
29. These efforts build upon a prefeasibility study finalized and disseminated earlier this year by the PWA, MoA, EQA and the OQ which identified 12 reuse schemes associated with the main WWTPs across the West Bank. Four of the 12 identified reuse schemes are being analyzed by the aforementioned reuse feasibility studies, leaving scope to replicate the methodology across the remaining schemes.

¹¹ The Team Europe Initiative is a coordination mechanism for the EU, European Member States, and the European Development Banks to pull resources and collectively channel funding.

¹² Mainly the PWA, the Ministry of Agriculture and the Environment Quality Authority.

The PA is encouraged to replicate the multi-criteria decision analysis methodology across its other priority reuse schemes, as identified in the PWA Packages and the pre-feasibility study.

The international community is encouraged to help fund the studies and the development of the associated reuse schemes.

30. Complementing this work, the PWA – in close coordination with the United Nations Development Programme (UNDP) and the Netherlands Representative Office (NRO) – finalized the review of a previous feasibility study for Tulkarem WWTP in May 2022. The PWA is now drafting a Terms of Reference for the detailed design of the WWTP and the reuse scheme, with this work expected to start in October 2022. These complementary studies in support of the Tulkarem WWTP reflect the multi-stakeholder, multi-sector approach taken by the PA and stakeholders in addressing the transboundary wastewater issues.
31. Furthermore, USAID has announced the resumption of funding for the development of a wastewater pumping station in the Irtah area and completion of the household wastewater connection points and network in the Tulkarem area. This is a welcome step towards addressing the environmental challenges and ensuring the flow of feasible quantities of wastewater for treatment.
32. Meanwhile, discussions on transboundary wastewater continued between the parties. The GoI proposed formalizing an agreement regarding the treatment within Israel of transboundary wastewater crossing the Green Line from the Tulkarem area, and offered the option of supplying treated wastewater or increasing the supply of water into other areas of the West Bank. The proposal by the GoI was positively received by the PA, and the parties agreed on formalizing the details of the proposal towards advancing discussions.
33. This proposal was made at the same time that the GoI approved the expansion of the Yad Hana WWTP and began making clearance revenue deductions of approximately 1.5 million NIS per month to fund the detailed design and the expansion. The PA reiterated that this expansion should be put on hold pending an agreement on treatment inside Israel as it could undermine PA efforts to address the transboundary wastewater challenges in that area.

The parties are encouraged to continue an agreement on transboundary wastewater treatment and supply of agricultural water.

34. The Salfit Wastewater Treatment Plant continues to operate throughout its commissioning phase at half of its design capacity of 2,400 cubic metres per day. Meanwhile, despite repeated requests from the PA and the international community, Ariel Settlement continues to discharge raw sewage into the nearby valley, the GoI plans to start the development of a conveyance system to transfer this wastewater to a treatment plant inside Israel, expected to be accomplished in two to three years. Moreover, contamination of treated wastewater was seen downstream by some Palestinian communities.

The GoI and the PA are encouraged to stop the contamination of the Salfit treated wastewater that is coming from Ariel settlement and some Palestinian communities.

35. In Hebron, construction of the largest WWTP in the West Bank is expected to be complete by mid-2023. Meanwhile, during the reporting period, the PA – based on an agreement between the parties – rehabilitated the slurry sedimentation area of Khillet al Sharabati as a quick intervention to reduce the flow of slurry into Wadi al Sameen and its subsequent crossing into Israel. Given the small capacity of Khillet al Sharabati, the parties are considering Khillet al Wafi to serve during a transitional period until the permanent pre-treatment facility is constructed in two to three years' time.

The Gol is encouraged to accelerate the review of the new land surveys for Khillet Al Wafi to enable development of the slurry sedimentation area. Donors are encouraged to help finance this investment. The PA is encouraged to share with the Gol the details of the technical solution for the permanent pre-treatment facility.

36. As noted in the OQ's April 2022 AHLC report, the Israeli Water Authority (IWA) previously submitted a report to the PWA detailing costs and net lending deductions attributed to transboundary wastewater. In a formal meeting, the IWA committed to compile some further reports on deductions and share with the PWA for their review. Also, the parties discussed a process for verifying cost of treatment and areas of potential reduction in cost. Meanwhile, there was no progress with regard to the deployment of flow meters to measure the quantities of transboundary wastewater crossing into Israel as per the updated Concept Note presented to the water session at the last AHLC meeting in Brussels.
37. Some progress was seen on groundwater development, specifically the JWC's approval of the Al Samoua water well and processing of another four of the 23 wells that the PWA aspires in order to realize the 20-30 MCM of groundwater supply targeted in the Concept Note. On the other hand, 10 substitute wells were requested by the IWA for approval by the JWC and a response is pending from the PWA. Hydrological discussions were not convened during the reporting period and the approval process of the wells has been slow. In a positive move, the Gol clarified any infrastructure projects advanced by the PWA in Area C will not be subject to additional fees that were previously introduced by the Gol.¹³

The parties are encouraged to reconvene the hydrological discussions to progress approvals of wells within the context of Article 40 of Annex III of the Interim Agreement and to realize the agreed water quantities.

38. To help advance further progress, the PWA is updating the Water and Wastewater Packages, which had previously been shared by the PWA at the water session of the May 2022 AHLC meeting, in order to secure an in-principle approval CoGAT, similar to that which was obtained for the GCDP program in September 2016 and which has been key to resource mobilization and infrastructure development. A detailed update on the status of ongoing water and wastewater infrastructure (as part of the Packages) is provided in **Annex A**

¹³ As per a military order that was issued on December 2020.

The GoI is encouraged to provide in-principle approvals for the remaining projects within the West Bank for Water and Wastewater Packages following PWA's update.

The international community is encouraged to help bridge the 600 million USD funding gap required to implement the West Bank Packages to ensure safe and reliable access to clean water and effective wastewater collection, treatment, and reuse in the medium term.

39. To support the sustainable operationalization of WWTPs, the OQ completed an in-depth cost-benefit analysis to assess the financial feasibility of investing in PV solar systems for WWTPs across the West Bank. The findings show an investment in 500 kWp of solar capacity at a capital cost of 502,000 USD provides a *net* return of 576,000 USD over a 20-year period, a return on investment of 115 per cent in the form of savings in operation and maintenance costs. This analysis confirms that solar energization of WWTPs will enhance their financial sustainability and represents excellent value for money. The results of this analysis are detailed in **Annex D**.

The PA and service providers are encouraged to deploy PV solar panels across all WWTPs across the West Bank.

The international community is encouraged to support these investments.

Sector governance

40. During the reporting period, a number of key milestones were achieved in the establishment of both the Bulk Supply Unit (BSU) in Gaza and the National Water Company (NWC). On July 24, 2022, the PWA issued a ministerial decision officially establishing the BSU. The decision followed the provision of technical assistance by the World Bank and the assignment of a CEO. Further, a comprehensive plan was developed and shared with supporting partners which set clear targets including completing agreements with municipalities on the supply of bulk water and transferring responsibilities for managing STLV's from the CMWU to the BSU.
41. On the NWC, technical assistance for the development of the rules and regulations for its registration is expected to be concluded by the end of September 2022, with Austria's support. The Palestinian Council of Ministers concluded the appointment of the board of directors to the NWC and the first meeting of the board was convened in March 2022. The meeting discussed the status of the water sector and restructuring, as well as progress on reform. Lastly, the procurement process for technical support to transfer the West Bank Water Department to the NWC is ongoing; selection of the consulting firm is expected in early October 2022. This technical assistance is expected to continue for two to three years with financial support from the EU.
42. In July, the PWA and the CMWU established a committee based on the signed agreement to transfer the O&M responsibilities of NGEST from PWA to CMWU as part of the PWA's implementation of the Water Law. The committee convened and began development of a detailed plan to ensure the full transfer of responsibilities to the CMWU, including concluding service agreements with the relevant municipalities. To date, the CMWU has taken on responsibility for technical support and periodic testing of the effluent quality at the facility.
43. Despite repeated requests from the PA and advocacy from the international community, there was no progress in deploying prepaid water meters (PWM) in the West Bank, following the

imposition of Israeli import restrictions. These restrictions are harming PA efforts to improve collection efficiency and water usage which are critical for the reform process.

The GoI is encouraged to allow the entry of PWMs to the West Bank as per the process that has existed since 2015.

44. Limited progress was seen during the reporting period in implementing the PWA's Affordability and Willingness to Pay (AWTP) study.¹⁴ Progress achieved included raising awareness within municipalities with respect to the outcome of the study and setting a structure for providing technical assistance to support service providers in deploying the tariff model. Implementation of the AWTP study recommendations is now expected to accelerate following the recent establishment of the BSU and the conclusion of technical support on transforming the CMWU into a utility, supported by AFD, and the beginning of that implementation process.

Service providers in Gaza are encouraged to follow the steps of Khan Younis municipality in gradually increasing water prices consistent with the recommendations of the AWTP study which found higher affordability and willingness to pay in Gaza than the average price that is currently charged.

Energy

45. In the West Bank, electricity demand has grown to more than 1,200 MW.¹⁵ Ninety-five per cent of the current supply is provided by Israeli imports, although supply from Jordanian imports and renewables is growing. The capacity of the Jordanian import lines was increased from 40 MW to 80 MW in July 2022, addressing electricity shortages in Jericho and the Jordan Valley.¹⁶ Continued investment in the grid will be required to enable increased imports and to facilitate evacuation from the proposed Jenin Power Plant and solar PV sites in the West Bank.
46. In Gaza, average demand to date in 2022 exceeds 435 MW while peak demand routinely reaches 500 MW. Supply is approximately 190 MW, resulting in an average availability of electricity of 11 hours per day since the beginning of the year.¹⁷ Gaza receives approximately 120 MW of electricity from Israel while the Gaza Power Plant (GPP) generates approximately 70 MW using Qatari-funded diesel.¹⁸ This funding has been stable over the past five years, improving the supply situation in the short term. However, the provision of natural gas to the GPP through a gas pipeline (the Gas for Gaza project) and implementation of associated infrastructure, specifically grid upgrades, remain essential parts of the broader structural solution for the Gazan energy sector.¹⁹

¹⁴ The AWTP study utilized household survey data to confirm households can both afford and are willing to pay a higher water tariff, provided higher prices translate into better water services. The study was reported on in-depth in Annex B of the OQ's November 2021 AHLC report.

¹⁵ LACS Energy Sector Working Group September 20, 2021. 2020-2025 Load Forecast.

¹⁶ In the long run, this connection has the potential to increase by an additional 80 MW, targeting various governorates including East Jerusalem, Ramallah, and Bethlehem.

¹⁷ The average hours per day are recorded by OCHA on their website as per information supplied by GEDCO.

¹⁸ Israeli imports are paid for through deductions to PA clearance revenues. A Qatari-funded diesel storage day tank is used 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. This tank is currently being commissioned.

¹⁹ In addition to the eventual implementation of additional bulk supply through the establishment of a 161 kV line.

Gas for Gaza

47. The use of natural gas for electricity generation is the most cost-efficient and cleanest viable means of baseload electricity generation in Gaza. Emissions from natural gas generated electricity are 45 to 50 per cent lower per megawatt hour than diesel generated electricity. As a result, transitioning to natural gas will reduce Palestinian carbon emissions by 6 per cent, which is in line with Palestinian sustainability goals.²⁰
48. On the Gaza side, the PA has made significant progress with the detailed design as the first phase of the system design is now finalised. This includes route selection, establishing the pipeline diameter, and finalisation of other aspects of the design basis.²¹ The detailed design is expected to be completed in Q2 2023. The first phase of the Environmental and Social Impact Assessment (ESIA) has been completed, and the second phase is underway with completion expected in Q2 2023. The project completion date is likely to extend beyond the previous estimate of Q4 2024 given potential implementing partner requirements and land access procedures. Additional clarity is expected in the coming months.
49. The Palestinian Energy and Natural Resources Authority (PENRA), with the cooperation of the PWA, also led a GCDP gas pipeline feasibility study to assess the option of energizing the GCDP with natural gas. The study presented an initial basis of design which considered various pipeline routes, technical assessments, and an economic analysis of the pipeline option.²² This work is also noted in the water section of this report.
50. The Gas Sales and Purchase Agreement (GSPA) is expected to be finalised by September 2022.²³ The Power Purchase Agreement (PPA) with the Gaza Power Generating Company (GPGC) was recently extended until 2029. Negotiations between the PA and GPGC to convert and expand the GPP are expected to be concluded in the coming months.
51. In Israel, the crossing point coordinates at the point of entry into the Gaza strip have been finalized. The detailed design of the pipeline is complete except for the design of the pipeline crossing at the Israel-Gaza boundary. This is currently pending GoI feedback on the crossing point design requirements. Concluding the commercial agreements in September is critical for advancing the schedule in Israel and moving forward with the procurement and construction. **Annex E** shows a map of the proposed G4G pipeline route and other energy infrastructure in Gaza and the West Bank.

The GoI is encouraged to finalize the last phase of the G4G detailed design in Israel by providing INGL with the necessary information on the crossing point design requirements.

52. During the 14th G4G Task Force meeting in July 2022, the Palestinian and Israeli delegations stressed their commitment to the project and the EU and Qatari representatives reaffirmed their respective commitments to provide funding to build the pipeline infrastructure in Gaza and Israel, subject to certain conditions. In addition to the EU and Qatari financing commitments, ongoing

²⁰ G4G will reduce carbon dioxide emissions by 280 thousand tonnes in its first year of operation. This equates to 6 per cent of the Palestinian territory's 2016 emissions of 4.6 million tonnes of carbon dioxide equivalent per the PCBS.

²¹ The detailed design in both Israel and Gaza and the ESIA was made possible following a request at the Netherlands-facilitated Trilateral meetings in January 2019 for the Dutch Government to fund this critical milestone.

²² The feasibility study is not part of the G4G project.

²³ As stated by PENRA during the LACS meeting on July 19th, 2022.

support from the Kingdom of the Netherlands for the detailed design, ESIA and other related studies remain important for the project. The G4G Task Force was also attended by the World Bank and the US as observer delegations.

53. Following recent increases in steel prices, refinement of the pipeline route, rising shipping costs, and additional information from the detailed engineering activities, the pipeline cost is expected to increase from previous estimates. Initial estimates suggest a 20 to 25 per cent cost increase, however the engineering firms designing the pipeline in Gaza and Israel will be developing more refined cost estimates in the coming months.
54. The OQ will continue to support PENRA on G4G – and to work with the EU, Qatar and other key stakeholders – to ensure the completion of the project, including the key next steps of completing the ongoing studies and the selection of an implementing partner. The G4G Task Force will be convened as needed. The OQ is currently reviewing the status of all components required to complete the pipeline in order to ensure a coordinated approach with all actors and a successful transition of responsibilities to the IP (once selected).

To fulfill the financing requirements of the EU and Qatar, the following conditions need to be met:

The parties are encouraged to conclude the commercial negotiations of the Gas Sales Purchase Agreement (the GSPA) with the gas seller;

The PA is encouraged to adopt the Hydrocarbons Framework Law;

The relevant parties are encouraged to ensure that the associated infrastructure is able to support the production, evacuation and distribution of 140 MW and eventually an expansion of domestic generation to 600 MW and beyond, not only for G4G but for electricity in general in Gaza.

West Bank electricity

55. The four substations in Tarqumia, Ramallah, Nablus and Jenin, combined with the interim PPA signed at the end of 2020, have enabled over 250 MW of high-voltage electricity to be supplied to the West Bank. The energisation of these substations lowers electricity supply costs, improves electricity reliability and has contributed to the financial sustainability of Palestinian Electricity Transmission Limited (PETL) by enabling it to cover its annual operating expenditure. Finalizing the comprehensive PPA between PETL and Israel Electric Corporation (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.
56. PETL's role may evolve as PENRA recently announced its new vision for the electricity sector structure which proposes consolidating the five current distribution companies (DISCOs) and the 121 local government energy units into a single entity. A second phase will also involve creating a single entity for electricity transmission and distribution.

The parties are encouraged to resume negotiations towards a comprehensive PPA between PETL and IEC.

57. Tulkarem governorate continues to face energy security challenges, particularly during the summertime peak when demand exceeds the available infrastructure capacity. In 2021, Tulkarem demand reached 43 MW, exceeding the available supply from IEC of 33 MW and resulting in electricity outages. However, no critical electricity outages have been reported so far in the summer of 2022.²⁴
58. To resolve these supply shortages, PENRA is advancing construction of a new double-circuit medium-voltage power line from the Sarra substation near Nablus to Tulkarem (see **Annex F**). The line will supply 40 MW of electricity over three phases. Construction of the line started following the December 2021 approval by the Israeli Civil Administration (ICA) of a segment of the line from Deir Sharaf to Einab.
59. However, as of August 2022, PENRA reported it is still awaiting GoI approval for the portion of the line between the Sarra substation and Deir Sharaf. This approval is necessary to ensure the line can reach full capacity. Alternatively, PENRA will seek a connection from the Northern Electricity Distribution Company's (NEDCO) feeders, limiting supply to only 10 MW. Under this scenario, PENRA would also construct an alternative line between Sarra substation and Deir Sharaf, passing through Qusin village.
60. As a result of the 2020 electricity purchase agreement between the Jerusalem District Electricity Company (JDECO) and the Jordan National Electric Power Company (NEPCO), Jordanian electricity imports increased from 40 to 80 MW in July 2022 via a medium-voltage line, passing through JDECO's Al-Ramah substation. The increased electricity supply from Jordan is targeting electricity shortages in Jericho governorate and parts of the Jordan Valley. Future infrastructure upgrades are expected to supply an additional 80 MW via a high-voltage line, targeting several governorates under JDECO's concession areas, including East Jerusalem, Ramallah, and parts of Bethlehem. In 2020, PENRA signed an agreement with Jordan to reach a target of meeting 25 per cent of the West Bank's electricity demand (equivalent to 350 MW) from Jordanian imports by 2027. Achieving this target will assist in diversifying the West Bank's electricity supply.
61. The agreement reached in 2020 between JDECO and IEC regarding past debts was a significant development. Yet, since this agreement, the IEC has noted that JDECO has continued to accrue new debt.²⁵ In response, since 2021, IEC has imposed a program of rolling outages within JDECO's concession area. Most recently, IEC launched a series of electricity outages on May 8, imposing six-hour cuts to be repeated six times a month for each governorate. JDECO's Chairman, Eng. Hisham Al-Omari, attributed the majority of the accumulated debt to electricity theft. Al-Omari emphasized that Palestinian electricity theft occurs mostly in Area C, where the PA does not have security authority.

Palestinian and Jordanian stakeholders are encouraged to progress a further 80 MW expansion of electricity import capacity via a high-voltage line from Jordan in the medium term, adding to the 80 MW capacity reached in July 2022.

The PA and the ICA are encouraged to continue coordinating on the approval for the pending infrastructure sections to Tulkarem-Sarra connection to enable the line to reach its full capacity.

²⁴ Awad, R. (2022, June 27). [Fajer TV]. Tulkarem

²⁵ IEC reported the outstanding invoices to be 573 million NIS in March 2022.

Renewable energy

62. Renewable energy has the potential to supplement 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 supported the development of a solar PV plant at the Khan Younis WWTP. With funding from Norway, the EU, and the Islamic Development Bank (IsDB), this facility is currently under development, the first phase expected to be completed by the end of 2022. This will realise 1.7 MW out of the 7 MW total installed capacity.
63. To support the broader integration of renewable energy in Gaza, the OQ, in support of the PA, is commissioning an electricity grid impact assessment which will help identify existing capacity for renewables and required upgrades on the GPP network. The assessment is expected to be completed in mid-2023.
64. West Bank electricity demand is forecast to increase from around 1,200 MW today to over 2,000 MW by 2040 (OQ analysis). As demonstrated by the PA's renewable energy target of 630 MW of renewables capacity by 2030, renewables, including solar PV, are intended to meet the growing demand while enabling a more independent and diversified electricity system.
65. Discussions held on the margins of the May 2022 AHLC meeting identified the need for an increase in renewable energy in the West Bank which benefit Palestinians. In support of the PA, the OQ has subsequently coordinated among key donors and the parties to establish replicable, transparent and scalable parameters for renewable energy projects which will help increase the delivery at the scale required. In addition to available donor support for projects, the parameters are expected to unlock capital funding from the Palestinian private sector.

Gaza grid development

66. Electricity grid upgrades in Gaza are essential for improving electricity supply. 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 increased renewable energy production within Gaza. Specific recommendations include the construction of a new high-voltage grid backbone and new substations.
67. The provision of further details on the PA's plans for developing associated infrastructure in Gaza will help PENRA secure the necessary funds to consider and implement the recommendations in the Gaza Electricity Masterplan, ensure that renewable energy projects can be integrated into the grid, and ensure that the full potential of G4G is realized by allowing the evacuation of 600 MW or more from the GPP and other electricity sources.

The PA is encouraged to share their plans for the associated infrastructure (electricity grid) in Gaza with the international community.

Gaza electricity imports

68. A 161 kV line from Israel could supply 140 MW to Gaza and potentially reduce energy costs through a lower bulk tariff and lower system losses compared to the existing medium-voltage supply. To help advance the project, the OQ prepared a high-level assessment to help bring clarity

to the project's technical, commercial, and political challenges, and also proposed strategies to help overcome them. An independent validation of this assessment is scheduled to be completed in Q1 2023. If the findings are positive, they could support a feasibility study which could include detailed economic evaluations, a technical design, and the development of possible commercial structures.

69. 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 expansion of the Egyptian lines could provide up to 100 MW of supply to Gaza.

The relevant parties are encouraged to work together to restore the electricity supply from Egypt to Gaza and to progress the 161 kV line from Israel to Gaza by establishing project costs, timelines, commercial arrangements, and technical requirements, as well as securing funding, as soon as possible.

Telecom

70. During the reporting period, discussions continued between the parties on the deployment of advanced mobile technologies, the Joint Technical Committee (JTC) was convened four times between June and August 2022. Several proposals were exchanged between the parties for spectrum allocation. Critically, however, an agreement on frequency for 4G and 5G services remains outstanding.
71. Proposals extended by the GoI in June²⁶ and July²⁷ included adjustment to the April 2022 offer for 4G spectrum only. The Palestinian response to both proposals reiterated the request for spectrum for both 4G and 5G and proposed a timeline for allocation of spectrum.²⁸ In an unfortunate development, the GoI informed the Palestinians in the JTC meeting of August 2022 that only some spectrum²⁹ can be allocated immediately for 4G deployment, while the remaining spectrum will not be allocated before end of 2025 and that it will not include Gaza.
72. Aside from the difference in the total quantities of spectrum offered by the GoI (75 MHz) and requested by the Palestinians (121 MHz)³⁰, the efficiency and feasibility of these proposals needs to be assessed, as their specifications and implementation conditions vary; in terms of exclusivity for use, existing vs new spectrum, and timeline for allocation. Moreover, the offers need to be assessed in terms of their efficiency for transitioning existing technologies (2G/3G) to 4G. According to the Palestinian operators, only one existing technology can be transitioned to 4G services as the other network will need to continue to offer voice services and cannot be shut

²⁶ GoI adjusted its offer to add 40MHz on top of the offer of April 2022 (See the OQ report to the AHLC – May 2021). The offer provides 25 MHz for immediate utilization plus 18.4 MHz after re-farming of the 800 MHz and 900 MHz bands.

²⁷ GoI offer included same quantity offered in June, but with an additional 80 MHz on the 3,500 MHz band for 5G non-standalone deployment. Further, the offer proposed 100MHz to be allocated immediately and 23.4MHz after re-farming. further it allowed for Palestinian utilization of the existing 2G and 3G spectrum for 4G services.

²⁸ The PA offered flexibility in the timeline for the allocation of part of the spectrum (20 MHz on the 1,800 MHz or the 2,100 MHz band) within two years of the first allocation

²⁹ 20MHz on the 2600MHz band on a shared basis with an Israeli operator.

³⁰ Annex G provides a comparison of spectrum needs, current utilization and proposals exchanged between the parties.

down.³¹ This primarily depends on the operators' existing spectrum and the set of 4G and 5G spectrum that will be allocated to each of them. It is therefore critical that the existing spectrum is reclassified as technology neutral.³²

73. There was extensive advocacy and support from the international community during the reporting period to advance the Palestinian telecommunications sector. This included a unanimous vote at the International Telecommunications Union (ITU) Development Conference in Rwanda in June 2022 for Resolution 18 for facilitating the securing of 4G and 5G spectrum *and accelerated deployment* for the Palestinians. Moreover, rolling out 4G in the West Bank and Gaza by the end of 2023 was announced during the visit of US President Joe Biden to the region in July 2022 as a key US supported initiative.

The parties are encouraged to resume discussions on the 4G and 5G spectrum for both West Bank and Gaza.

The parties are encouraged to conclude a spectrum agreement prior to the September 2022 *Plenipotentiary Conference* of the ITU so as to enable the commercial launch of 4G in 2023. Arrangements to be agreed include:

- **The quantities and the spectrum bands to be allocated for 4G and reserved for 5G. Existing and new spectrum are urged to be technology neutral;**
- **A shortened and clear timeline for the allocation of spectrum, including if the allocation is agreed to take place in phases. In particular, a clear timeline for the conclusion of the MoC's reframing process is required;**
- **The Israeli mobile operator/s that will share frequencies with the Palestinian operators; and**
- **Identification of the third-party company that will manage the sharing of frequencies among the Palestinian and Israeli operators. Further, the roles and responsibilities of the company need to be agreed (informed by the implementation of 3G) and Palestinian access to the company's core equipment needs to be ensured.**

To ensure timely implementation of the spectrum agreement upon signature, the PA is encouraged to conclude the list of materials needed for 4G deployment.

The GoI is encouraged to provide approvals and clearances for the entry of the needed telecom equipment into the West Bank and Gaza, and to approve associated construction in Area C.

74. In Israel, the MoC issued an additional 5G license to a fourth mobile operator to build an independent 5G network to incentivise the 5G deployment in its market while Palestinian needs for 4G and 5G technologies have not yet been addressed. This company was previously allocated

³¹ For instance, MoC announced in 2021 a plan for a four-year gradual shutdown of Israeli 2G and 3G networks up to 2025. The decision was made 11 years after the launch of 4G as the network had matured and could support both voice and data needs, and after 5G was launched to support mobile data services.

³² According to the GSMA, technology-neutral spectrum allows operators to deploy any standards-based technology within a licensed frequency band as long as it complies with the relevant regulations.

5G spectrum as it participated in the 5G tender of 2020 as part of CMG group. It is not clear if the company will be allocated additional spectrum.

The GoI is encouraged to conclude a bi-lateral spectrum agreement for 4G and 5G, suspend any further allocation of available spectrum to Israeli companies until the agreement is in place, and consider Palestinian needs in any future planning and allocations for spectrum.

75. Unlike mobile data, deployment of fixed broadband has been progressing with fiber deployment in the West Bank; whereas deployment has begun in a number of Palestinian cities and commercial services are being offered for 100Mbps to households; which is a significant increase in capacity and speed from the older technologies (ADSL/ Microwave) which offered packages of 10 - 30 Mbps for customers. The Palestinian territory's global rank for internet speed has improved from 140th to 74th; with download speeds recorded at 72.6 Mbps.³³ This is a welcome improvement in the development of the sector and in meeting the demands of Palestinian citizens, as well as supporting other sectors that benefit from digitization.
76. Since the last reporting period, there was no progress in the reconstruction of the Telcom network damages from the May 2021 escalation in Gaza; the network remains 70% completed. Fiber optic equipment was procured to replace the depreciated copper network equipment, GoI approval for entry of Materials is pending.

The GoI is encouraged facilitate the entry of remaining telecom materials that are needed to finalize the reconstruction of damages in the network from the May 2021 escalation in Gaza and to replace depreciated parts of the network.

Governance and Rule of Law

Fiscal Management

77. Palestinian economic recovery continues to lag behind pre-pandemic levels. Inflation-driven increases in food and fuel prices have only exacerbated already challenging conditions, particularly for the most vulnerable households. With donor aid reduced to just 1.8 per cent of the PA's GDP in 2021 and a fiscal deficit of nearly 565 million USD forecast for 2022,³⁴ the PA continues to face a challenging financial picture. Notably several austerity measures have been introduced to cap public spending including a freeze on public hiring and pay increases, and as of November 2021, a 20 to 25 per cent reduction in salary payments to public employees was made. The recent announcement by the EU to renew financial support in the form of a 224.8 million EUR assistance package is expected to help alleviate some of the most immediate and short-term challenges.
78. In light of the PA's recurring cycle of budget shortfalls, achieving medium-term fiscal sustainability will require accelerated reform to public finances; current efforts to reform the health sector and wage bill are welcome in this regard. A focus on improving PA expenditure effectiveness can promote long-term financial sustainability, but will also need to be combined with strategic donor support and resolution of the long-outstanding fiscal files, as well as measures including *inter alia*,

³³ According to global broadband speed test service OOKLA.

³⁴ PA Ministry of Finance.

ability to enforce tax collection in Area C.³⁵ Towards the end of 2021, the Gol MoF has established committees to examine some of these fiscal files including the handling fees and the Allenby Bridge crossing fees, however no progress has been recorded since the last AHLC report.

The Gol is encouraged to waive its three per cent clearance revenue handling fee, or at a minimum significantly reduce it. For 2021, this fee represented approximately 282 million NIS.

The Gol is encouraged help stem PA deficit growth by allowing the PA to purchase fuel from Israel without excise tax and VAT. Such a measure would both reduce overall clearance revenue handling fees by some 50 million NIS per year and help to maintain much-needed liquidity in the PA economy.³⁶

Allenby Bridge crossing fees

79. Annex I: Protocol Concerning Redeployment and Security Arrangements of the 1995 Interim Agreement sets out the procedures at the Allenby/King Hussein Bridge (AKH/B) border crossing with Jordan. It also sets out the passenger fee the parties will charge to all exiting passengers and the fee-sharing formula for that fee.³⁷ The Annex does not include provisions that allows the parties to increase the fee, nor does it specify how such an increased fee would be shared.
80. From 2008 onwards, the Gol began unilaterally and progressively increasing the A/KHB exit fee from the originally agreed 26 USD up to an approximate fee of 50 USD as of 2021³⁸ These fee increases have resulted in the collection of an additional sum of approximately 697 million NIS between 2008 and 2021. According to data obtained from the Israel Airports Authority (IAA), during that period Israel collected some 1,8million NIS in passenger exit fee, resulting in the additional sum. None of that additional sum has been shared with the PA, resulting in the current dispute.³⁹
81. Further analysis of revenue transfers to date suggests the PA has so far received a lesser proportion of collected fees than defined under the Agreement. Applying the fee-sharing formula of the Agreement using the 26 USD fee to actual revenue transfers made to the PA between 2008 and 2021, the PA has received 70 million NIS less than its share of those revenues.⁴⁰ With respect

³⁵ The 1995 interim agreement states that the ICA is expected to collect revenues from businesses operating in Area C and remit them to the PA. The PA and Gol disagree over Israel's transfer of these collected revenues to the PA.

³⁶ Waiving taxes on fuel (allowing them to simply be charged and collected by the PA) would reduce the funds included in the monthly clearance process and thus subject to the handling fee by nearly USD 100 million. This adjustment was previously discussed at length between the parties, but to date has only applied on a one-off basis to a single transfer of revenue in 2019.

³⁷ 'Annex I: Protocol Concerning Redeployment and Security Arrangements' of the 1995 Interim Agreement, Appendix 5, Section G, sets out the fee sharing formula between the parties. Available at: <https://www.un.org/unispal/document/auto-insert-185434/>

³⁸ 2008 was when Israel began increasing passenger exit fees based on inflation and cost of living adjustments in Israel. The annual increases were obtained from the Israeli MoF. The fee is published in NIS but is then converted to US dollars based on the average exchange rate of each year as published by the OECD. The US dollar value is then used to apply the fee sharing formula as provided in the agreements.

³⁹ The methodology used to make this calculation has been reviewed and corroborated by the World Bank, who will jointly publish these findings.

⁴⁰ Had Israel maintained the passenger exit fees at 26 USD, a total of 1.13 billion NIS would have been collected in passenger exit fees between the years 2008 and 2021. However, according to data obtained from the Israel Airports Authority (IAA)

to the additional sum of 697 million NIS collected through fee increases between 2008 and 2021, when divided based on the existing fee sharing formula provided in the Agreement⁴¹ this entitles the PA to an outstanding 392 million NIS share of that sum and the GoI to the remaining balance of 305 million NIS⁴². The GoI is currently reviewing these figures.

The GoI is urged to remit to the PA any outstanding share of Allenby Bridge crossing fees to resolve the dispute over past Allenby Bridge crossing fees management.

The parties are encouraged to agree on a formula for setting and sharing of the crossing fee going forward, to prevent the accumulation of disputed funds in the future.

Electronic VAT clearance mechanism

82. An eVAT filing pilot program was launched by both the PA and GoI on 6 March.⁴³ Once fully implemented, the program could stand to generate an additional 100 million USD in annual revenues for the PA, according to estimates by the World Bank.⁴⁴ By July 2022, all PA merchants engaged in bilateral trade with GoI merchants had been required by the PA to electronically file invoices using the new system (approximately 26,000 merchants) showing a total value of over two billion NIS in trade in the period.⁴⁵ This followed a nationwide media and training campaign which targeted major corporations, accountants, accounting firms and small and medium enterprises in both the West Bank and Gaza to introduce them to the new system. The campaign was funded by the UK's Foreign, Commonwealth and Development Office (FCDO) through their Tasdeer program.
83. The GoI eVAT system still has a limited user base, with participation remaining optional for Israeli merchants. As of July 2022, 400 participating Israeli merchants (of approximately 11,000 merchants) had issued 6,448 invoices. The Israel Tax Authority has stated that if the program is deemed successful at the conclusion of the six-month pilot, its use will be extended to all

and Israeli MoF on the yearly fee, during that period, Israel collected 1.82 billion NIS in passenger exit fees, resulting in the above surplus. (Source OQ and World Bank joint calculations)

⁴¹Annex I, Protocol Concerning Redeployment and Security Arrangements of the 1995 Interim Agreement sets out the fee sharing formula between the parties as follows:

- A. Passengers exiting through the Allenby Bridge passage to Jordan shall pay a passenger fee equivalent to 26 USA dollars. This passenger fee will be collected by Israel. The Council may sell passenger fee vouchers to passengers passing through the Palestinian wing of the terminals, after having purchased them from Israel.
- B. Passenger fee income from up to a total of 750,000 paying passengers each year will be equally divided between the two sides. With respect to these 750,000 passengers, the Council will pay Israel the equivalent of 1 USA dollar for services, maintenance, and development of the terminals. As from the first paying passenger thereafter during the same year, Israel will receive the equivalent of 10 USA dollars of the passenger fee and the Council will receive the equivalent of 16 USA dollars thereof.

⁴² The methodology used to make the above calculations has been reviewed and corroborated by the World Bank, and jointly with the OQ is publishing these findings.

⁴³ Goods traded between the two parties are subject to the VAT rate applicable at the selling market. When an Israeli trader purchases goods from a Palestinian business, it will be taxed according to the Palestinian VAT rate, and vice versa. Trade invoices are issued by the tax authorities: (I) invoices are issued by the Israeli tax authority and (P) invoices are issued by the Palestinian tax authority. Each tax authority provides these invoices to its registered dealers, upon request. After each trade transaction, the seller produces an invoice to evidence it. He/she then offers the original invoice to the buyer, sends a copy to his/her respective tax authority, and keeps another copy for internal bookkeeping.

⁴⁴ World Bank AHLC Report April 2016, P.16
Source: PA Ministry of Finance

transactions between Israeli and Palestinian dealers. The GoI has informed the PA that this timeline is likely to be impacted by the recent political changes in Israel including the dissolution of the Knesset, as passage of an enabling regulation would require the Knesset Finance Committee's vote. To ensure success of the pilot and effective performance of the new system:

The parties are urged to sign the Memorandum of Agreement on eVAT that incorporates 'Document 4', the principal document negotiated by the parties to establish the policy guidelines as well as business and technical rules governing the eVAT filing system.

The parties are encouraged to resolve any outstanding eVAT technical issues identified in the pilot phase before the anticipated complete system launch to ensure continued operations, integration and sharing of data between the GoI and PA systems. Further, the GoI is encouraged to expand its eVAT merchant user base to enable a more robust testing of the eVAT system and to lay the groundwork for scaling up of the program. The GoI is encouraged to advance any statutory or administrative measures required to make use of the eVAT system mandatory for all Israeli merchants, once ready for use.

Transfer of Customs Authority

84. In June 2022, the GoI submitted to the PA a draft MOU for the establishment and operation of bonded warehouses in the West Bank. The outline proposed the parties begin with a pilot phase in which the PA establishes one bonded warehouse and agrees on the types of goods to be stored in that warehouse. Then, if successful, additional warehouses would subsequently be established. The PA would be granted some customs clearance functions over goods that are destined to these bonded warehouses, but not on other goods destined to its markets.
85. In response, the PA has developed and intends to elaborate on its further vision of customs transfer which aims to achieve two key objectives, namely: to improve the ease of doing business by reducing cost and duration of importation, and to address key fiscal leakage resulting from smuggling and undervaluation. For that, the PA foresees the transfer of customs clearance authorities and functions on all goods destined to its markets at multiple locations in the West Bank. The World Bank has previously estimated that customs transfer will reduce revenue loss to the PA by some 53 million USD.⁴⁶
86. As part of efforts to develop a customs legal framework, an internal MoF committee revised the draft Customs Law based on comments received from relevant ministries, as well as those received through private sector stakeholders based on consultations held in May. The MoF will also begin the drafting of two complementary by-laws to regulate bonded warehouses and customs brokers.

To reduce cost and duration of importation and to enable the PA to more effectively counter smuggling and undervaluation of goods, the GoI and PA are encouraged to accelerate their

⁴⁶ Customs transfer involves the transfer of certain functions and authorities in the sphere of customs clearance from GoI to the PA, including establishing customs clearance facilities and bonded warehouses at various locations in the West Bank, to enable PA customs officers to exercise greater customs control on goods destined to its markets to detect undervaluation and smuggling of goods.

exchange on the transfer of customs functions and the associated establishment of bonded warehouses.

Banking relations

87. Over the reporting period the Palestinian Monetary Authority (PMA) and the Bank of Israel (BoI) have held several senior-level discussions, including a Governors' meeting in April in Washington DC (on the margins of the IMF Spring Meeting) and a follow-up meeting between the Deputy Governors in June. During and following these meetings, the parties managed to improve coordination and exchange views and information, which in turn enabled them to make some progress on a range of outstanding banking issues, in particular around cash management. Bilateral discussions focused mainly on future correspondent banking relations, cash management – mainly addressing the accumulation of Israeli shekels in Palestinian banks – and the due preparation of the PMA for the Middle East and North Africa Financial Action Task Force (MENA FATF) Mutual.⁴⁷
88. Establishing the future correspondent banking relations remains the essential next step. While the PMA and BoI seem to be in agreement on the required steps in the short-term (assuming an eventual departure of the Israeli commercial banks) – *i.e.*, establishing direct connectivity between the Palestinian banks and the Israeli correspondent service company – the parties still differ on the medium and long-term model that would govern correspondent banking relations.
89. In this regard, the PMA prefers to agree on a new permanent architecture for banking relations, preferably by connecting the Israeli SPV with the Palestinian banks directly without undergoing any phased implementation. The BoI, however, would like to maintain an option for future connectivity between two correspondent service companies and which would be regulated by the PMA and BoI, respectively.
90. The above disparity in approach between the parties is associated with another issue which needs to be resolved, regarding the pace of introducing the Palestinian banks into the new mechanism. While both sides agree that all Palestinian banks should have access to the new correspondent banking mechanism (following an onboarding process), the question remains whether all banks ought to be included at the outset (the PMA approach), or primarily the banks that have received correspondent banking services to date, with the other banks being allowed entry in future (the BoI approach).
91. Cash management, and in particular the challenge of cash accumulations (in NIS) in Palestinian banks in the West Bank, has also been a main discussion topic between the PMA and BoI throughout 2022, with some short-term alleviations provided by the latter during this period (amounting to NIS 5 billion, on top of the regular annual quota of NIS 18 billion). A substantial improvement is expected in 2023 with the launch of the digitalisation reform, which aims to digitalise the payment of salaries of Palestinian workers in the Israeli economy, thereby eliminating a large portion of the cash inflows into the Palestinian economy. As of 20 August 2022, the GoI has required the consent of Palestinian workers to receive their salary through the bank (before issuing work permits), with the actual payments expected to commence in the coming months and become mandatory for Israeli employers on 1 January 2023.

⁴⁷ An onsite visit by MENA FATF that was planned for August 2022 was postponed due to the security situation at that time.

The PMA and the BoI are encouraged to accelerate their discussions with the goal of finalising a workable model for the new correspondent banking mechanism by the end of 2022.

Alongside ensuring timely progress on the bilateral dialogue, the parties are encouraged to finalise their separate undertakings, including the digitalisation reform (currently underway) and setting a new date for the MENA FATF onsite visit (to conclude the Mutual Evaluation).

92. The PMA and BoI have also recently agreed to work jointly to address various technicalities of the digitalisation reform to ensure successful implementation.⁴⁸ A similar challenge of cash accumulation, which started in Gaza in mid-2021 upon the resumption of employment of Gazan workers in Israel, has yet to be addressed, and will also require a solution as the scale of the problem increases.

Movement and Trade

93. Overall Palestinian trade has continued to grow, with total imports and exports between January and June 2022 valued at 4.64 billion USD compared to 3.60 billion USD for the same period of 2021, a 29 per cent increase. Imports from Israel increased by 36 per cent between January and June 2022, amounting to 2.14 billion USD compared to 1.57 billion USD for the same period in 2021. Exports to Israel increased by 10 per cent from 588 million USD between January and June 2021 to 647 million USD for the same period in 2022. Exports to other countries grew by 21 per cent, rising from 71 million USD to 86 million USD for the same period.⁴⁹
94. The number of passengers travelling through A/KHB continued to recover in the wake of the COVID-19 pandemic. Between January and July 2022, around 1,096,000 passengers travelled across A/KHB compared to around 343,000 during the same period in 2021, an increase of 219 per cent.⁵⁰ This trend is expected to continue, with passenger numbers expected to return to pre-COVID levels of around 1.6 million for the same period.
95. New GoI regulations expected to provide for up to 20,000 employment licenses (labourers permits) in the construction and agriculture sectors is a positive move towards improving the economic situation in Gaza.⁵¹ Given Gaza's exceptionally high unemployment rate however, especially among youth holding an intermediate diploma or higher (about 27 per cent of total unemployed in the Palestinian territory), it is imperative efforts are made to generate also more domestic employment opportunities.⁵² As was the case with facilitating the entry of some materials without the need for monitoring through the Gaza Reconstruction Mechanism (GRM), further facilitations that impact increased productivity of the industrial sector are required to enhance industrial output in Gaza, enable significant generation of employment opportunities, and reduce barriers to investment and industrial development.

⁴⁸ This for example includes the verification of account holders.

⁴⁹ Palestinian Central Bureau of Statistics (PCBS).

⁵⁰ IAA.

⁵¹ COGAT Update – July 2022.

⁵² PCBS, Press Release on the Results of the Labour Force Survey, 2021

<https://pcbs.gov.ps/site/512/default.aspx?lang=en&ItemID=4177#:~:text=There%20is%20still%20a%20large,22%25%20for%20males%20in%20Palestine.>

The GoI is encouraged to consider broader policy changes which could incentivize Gaza's industrial and trade sectors, allowing for more employment opportunities inside Gaza.

96. The OQ continues to pursue a number of trade facilitation workstreams as outlined below to help increase inter-Palestinian trade as well exports to third markets by increasing competitiveness and reducing transaction costs.

Door-to-door and trade facilitation

97. As of June 2022, almost 55,000 truckloads have been processed utilizing the door-to-door (D2D) program, generating cumulative cost savings of over 7.6 million USD since its inception in 2018. The program currently serves 21 companies. While the number of companies has not increased significantly during the reporting period, the OQ continued its efforts to expand the program and enable small and medium-sized companies to utilise D2D through a Secured Joint Staging Facility (SJSF). An in-principle approval was received from the ICA in early 2022 and the OQ has since been working with a range of Palestinian stakeholders, such as the Ministry of Civil Affairs (MoCA) and the Palestinian Federation of Industries (PFI), to develop the concept further. The aim is to have the facility set up by the end of 2023 and serving as a model to replicate in other locations.

Trade facilitation with Jordan

98. Demand for commercial movement at A/KHB grew significantly during the reporting period. The number of truckloads processed at A/KHB between January and July 2022 grew by 28 per cent compared to the same period in 2021, increasing from 39,290 truckloads to 50,243.⁵³ The increased redirection of Palestinian imports to Aqaba port in Jordan as a result of the substantial increase in shipping rates to Haifa and Ashdod ports has also contributed to increased commercial traffic at A/KHB.
99. This trend, and the need to improve the competitiveness of Palestinian goods and thereby economic growth, further highlights the urgency of introducing a D2D-type process at A/KHB to both accommodate the growing volume at the crossing (considering the limited capacity) and to reduce shipping costs incurred by the current back-to-back process. The OQ has continued to engage the parties in support of such a process and produced further analysis during the reporting period, in consultation with relevant PA entities and the private sector, so as contribute to a detailed conceptualization of the process and help with technical-level discussions on the matter.
100. The recent Israeli approval to allow 40-foot containers to be included in the EU-led containerization pilot has been a further welcome development and is expected to contribute to more cost-efficient processing of commercial traffic at A/KHB.

Standards-related trade impediments and costs

101. In June 2022, Israeli import and standards-related reforms to facilitate trade came into effect. As part of these reforms, pre-shipment testing and documentary requirements for goods entering Israel are to be reduced, including replacing approximately 450 standard compliance tests with a declaratory process.
102. While these Israeli reforms also have a direct impact on the Palestinian market by virtue of the single customs union, it is difficult to properly assess the likely impact on the Palestinian

⁵³ IAA.

market in the short term. The changes will, however, require more post-import market surveillance which will also highlight the need to further enable Palestinian enforcement to ensure proper market compliance.

103. The transfer of Standards Testing functions to the Palestinian Standards Institute (PSI) would not only enable PSI to effectively perform these functions but also help constitute an effective PA entity on a range of market enforcement issues requiring systematic collaboration with the Israeli counterparts.⁵⁴

The parties are encouraged to commence technical discussions on the transfer of standards functions.

Sustainable economic development in Gaza

Karm Abu Salem upgrade project

104. Construction works on upgrading the Karm Abu Salem (KAS) crossing commenced in July 2022 and are expected to be completed by the end of 2022. However, a funding gap caused by a global rise in the prices of raw materials and rising shipping costs may yet impact this. Phase 1 of the project, which will provide a shaded area for perishable goods entering and exiting Gaza, is now expected to generate greater savings than initially anticipated given the increase in agricultural transfers to the West Bank and exports to Israel and international markets.⁵⁵ The increase in agricultural exports highlights the economic utility of pursuing the second phase of the upgrade project, which would include a refrigerated area to help maintain product quality during transfer at Kerem Shalom, further improving export potential.

The GoI is encouraged to further expand the volume and selection of Gazan agricultural produce that is allowed to be transferred to the West Bank and exported to Israel.

Restoring Gazan food sector exports

105. The increased and regularized transfer of processed foods from Gaza to the West Bank continues to be pursued as part of a Dutch-led initiative. While the volume of shipments to date has been limited, with effectively only one company currently transferring selected items to the West Bank (with a cumulative value of 2.5 million NIS since first approval was granted in November 2020), the initiative has continued to gain interest from both parties.
106. The GoI introduced a new procedure in July 2022 to facilitate the transfer of non-sensitive products to the West Bank that will accept ISO certification and PSI certification in-lieu of certification previously carried out in the Netherlands. This is a welcome development which is expected to lead to an increase in both companies and products that can be marketed in the West Bank. The GoI is encouraged to adopt further measures to help facilitate trade between Gaza and

⁵⁴ FCDO/TASDEER program released the study (Impact on applying Israeli Standards on Palestinian imports) on mid-April/22. The study assessed the time, and the cost implications of standards process application process disparity at Israeli ports.

⁵⁵ Gaza Agricultural trade rose to 36.7 million USD for the period between Jan-June 2022, a 130 per cent increase when compared to same period in 2021. Source: FAO Gaza Weekly Agricultural Trade bulletin.

the West Bank, such as addressing pallet height limitations, and to do so in close coordination with the relevant Palestinian counterparts, such as the Ministry of National Economy.

107. Together with addressing other obstacles currently hindering the cost-efficient transfer – such as increasing the pallet height beyond the current 1.6 metre limit at Kerem Shalom and the recognition of Gaza-issued invoices by the PA – this sector has the potential to grow significantly in Gaza and generate further employment opportunities.

The GoI is encouraged to expand the range of products that can be transferred and marketed in the West Bank and to coordinate future measures with the competent Palestinian counterparts, such as the Ministry of National Economy.

Improved Gazan trade through improved industrial production

108. As part of an ongoing effort to increase trade from Gaza, the OQ has continued its systematic engagement with the private sector in Gaza, most notably the Palestinian Federation of Industry (PFI). These efforts are intended to advance the development of sector-specific policies and programmatic interventions that have the potential to effectively increase industrial output and allow firms to better compete in the local market, both in Gaza and the West Bank, and ultimately export markets as well.
109. As part of this effort, an extensive mapping study conducted in collaboration with PFI was concluded and published in May 2022 and was followed up with a workshop bringing together a range of specialized unions and relevant private sector bodies. This work will continue with the purpose of integrating these findings and recommendations into the engagement with the parties as well as international community stakeholders. Increased industrial output in Gaza is key to restore historic trade levels with markets in the West Bank and Israel and sustainably generate employment opportunities in Gaza.

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 [OQ's September 2019 Report to the AHLC](#).

Gaza Central Desalination Plant and Associated Works

Component	Key developments (September 2021 – April 2022)
Gaza Central Desalination Plant (Lot 1) GCDP	The PWA cancelled the procurement process for the GCDP due to procedural challenges that existed for the last two years and a new tendering process is going to be launched based on Standard Design Build Operate internationally open competitive bidding process in Q1 of 2023. This will extend the expected completion date of the GCDP to beginning of 2027. A feasibility study is completed on the provision of a dedicated gas line for the GCDP from the Gas for Gaza project was completed in August 2022.
The Additional Water Supply Network Improvement Works - Middle + Khan Younis (Kuwait)	Construction for this package was completed on 27 October 2021. Water is being supplied from Mekorot through Bani Suhaila and Bani Said connection point as of September and November 2021; respectively. The system now has the capacity to absorb 10MCM/Y.
Southern Main Carrier (Kuwait)	Evaluation of proposals submitted for the retendering of the two southern carrier packages are complete and letters of acceptance have been issued, however, negotiations with the two bidders to amend the Bid Price have been conducted as a result of the Russia-Ukraine war, contracts expected to be signed before End of October 2022.
Reconfiguration in Gaza and Northern Governorates and Al Montar system	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. A consultant was selected to review the design and prepare tender documents for implementation, with PWA expecting to select the construction contractor by Q2 2023.
Reconfiguration in Middle and South (World Bank)	Construction contractors submitted proposals in February 2022, for reconfiguration of the water distribution system in the South. The letter of acceptance has been issued in August 2022 and, the contract is expected to be signed before end of September 2022, and consequently construction to start in Q4 2022.. The reconfiguration of the water distribution system (Middle Governorate) awarded to a local contractor for 5.3 USD in March 2022, with the construction started in June 2022.

Water and Wastewater Facilities in Gaza

Component	Key developments (September 2021 – April 2022)
Northern Gaza Emergency Sewage Treatment Plant (NGEST)	The construction contractor was selected in Q1 2022 for a 7.5 MW renewable energy system, funded by Irish Aid through AFD. The construction started in July 2022. The reuse scheme project for NGEST (5,000 dunams) started in October 2020 and the expected completion date is planned for Q4 2022. However, the project is expected to be delayed mainly due to delays and challenges with the land use.

	<p>Ongoing support to all O&M needs for the facility provided up until 2024 by the World Bank multi-donor trust fund.</p> <p>The Agreement between the PWA and GEDCO on the net-metering of electricity has been signed.</p> <p>Ongoing discussions between PWA and CMWU to handover operation responsibilities to the CMWU.</p> <p>Biogas system not working yet due challenges with the commissioning of the system, World Bank and PWA working to operate the system and solve the commissioning issue with the manufacturing company.</p>
Gaza and Middle Area WWTP	<p>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.</p> <p>The facility reached self-sufficiency in energy supply from the solar PV panels in August 2021. 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.</p> <p>An MOU between the PWA and GEDCO for swapping of electricity is due to be signed in Q2 2022, following the completion of a study on the ability of GEDCO's grid to receive capacity from the PV system. Operating the biogas system pending entry of equipment and international experts.</p> <p>Since the facility's operationalization, it has been facing challenges with receiving approvals from Gol for chemicals to test the quality of the effluent.</p> <p>Treated effluent dumped to Wadi Gaza then to the sea, no reuse at this stage.</p>
Khan Younis WWTP	<p>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 was finalised in March 2022. Further 16 MUSD are needed to expand the network connections in Khan Younis area.</p> <p>The facility is facing financial constraints; approximately 3.44 million USD is needed to cover O&M costs for the period until 2031. 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.</p> <p>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 2022. The remaining 3.7 MW and 2 MW funded by the Kuwaiti Fund and the EU, respectively, will follow.</p> <p>Reuse scheme: Funded by the EU through Oxfam. 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 contract for two recoveries well in Al Fakhoury is awarded in May 2022 to develop two wells and irrigation system for 300 dunams using UPVC pipes, and the need to import two submersible pumps. Construction in progress and expected to be completed by Q2 2023.</p>
Rafah Wastewater Treatment Plant (WWTP)	<p>The Rafah WWTP, built in 1992 with initial capacity of 2,000 m³/day, was expanded in 2011 to reach 15,000 m³/day (funded by ICRC). However, Rafah WWTP is currently receiving about 20,000 m³/ day. The plant has deteriorated significantly.</p> <p>PWA/CMWU are suggesting construction of a new treatment plant at the same location of the existing plant with a total estimated cost of 18 million USD.</p>
Southern STL	<p>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 December 2022.</p> <p>The existing facility operates for a full 24 hours each day as it has a dedicated power line, phase I works at full capacity and produce 6,000 m³/ day since October 2021. 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</p>

	<p>24 hours/day of electricity to phase I of the plant. 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.</p> <p>The facility is still facing a challenge with O&M costs; the estimated outstanding financial gap is 1.60 million USD needed up to 2031.</p>
Gaza City STLV	<p>As of mid-October 2021, the facility is operating 24 hours/day, producing an average 10,000 m³/day.</p> <p>The facility is still facing a challenge with O&M costs and the estimated outstanding financial gap is 1.07 million USD until 2031. KfW has expressed interest in supporting O&M for the facility's operations, no commitment yet</p> <p>Recently, PWA with CMWU working to increase the capacity of the facility with adding 1,250 m³/day with a fund from the ISDB, this is expected to be by Q4 2022 to produce 11,250 m³/day.</p>
Deir al Balah STLV	<p>Since March 2021, the facility works eight hours per day based on an electrical cycle and is currently providing around 2,000 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.</p> <p>The facility is still facing a challenge with O&M costs; the estimated outstanding financial gap is 0.77 million USD for the period until 2031. Once the Bulk Supply Unit is established, the Work Bank will provide support to the O&M needs.</p>

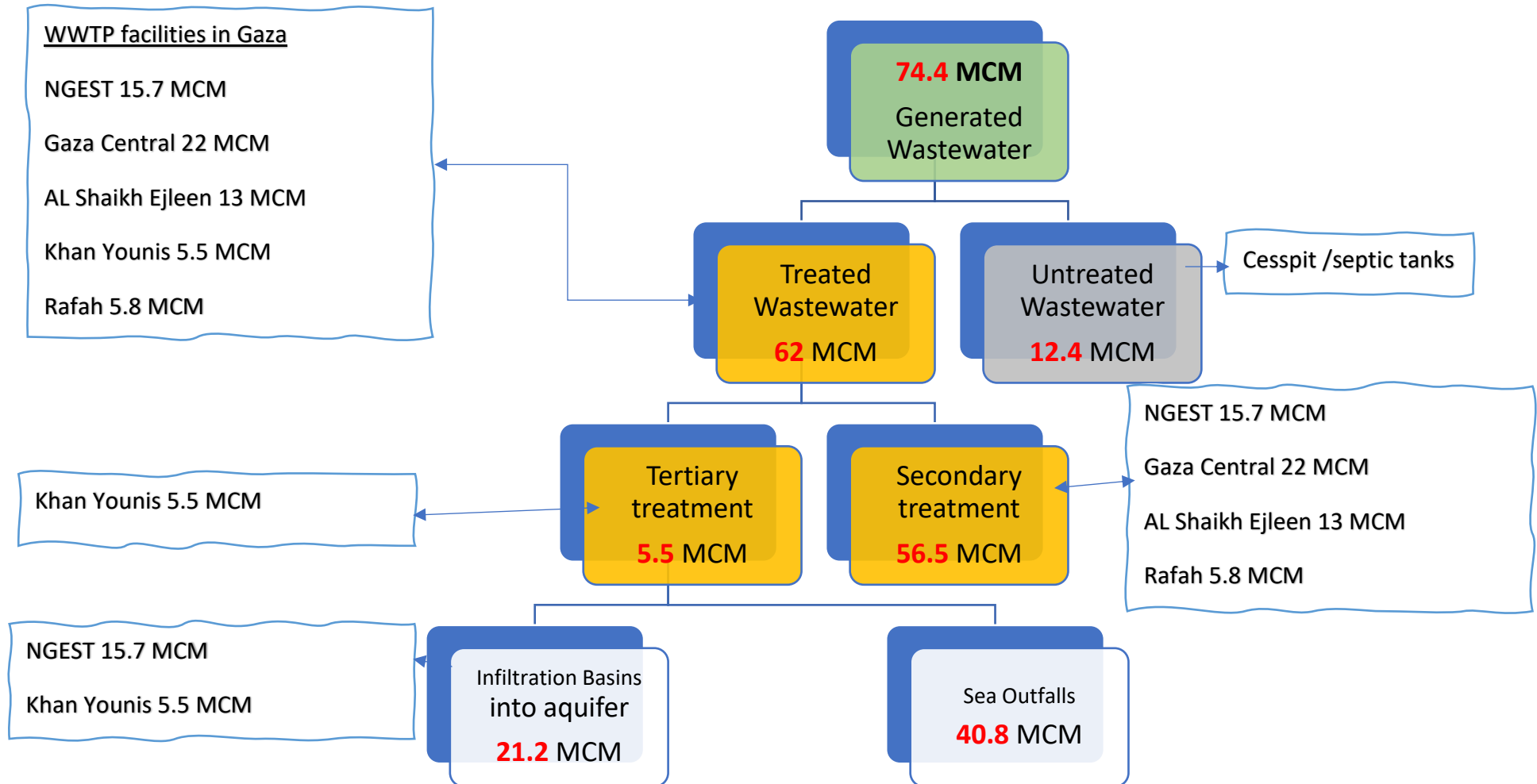
Water and Wastewater Facilities in the West Bank

Component	Key developments (September 2021 – April 2022)
Hebron WWTP, Wadi Saman Trunk Line and Reuse Scheme	<p>Construction of the WWTP has made good progress and is around 80 per cent complete. It is expected to be complete by September 2022.</p> <p>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 completed. The construction of the trunk line is ongoing (around 60% is completed).</p> <p>Expressions of Interest for a detailed feasibility study including engineering designs for a reuse scheme are finalized and a consultant was selected. The feasibility study is scheduled to start soon. 15 million EUR funding is needed for construction of the reuse scheme.</p>
Ein Jariot WWTP	<p>KfW committed 30 million USD for this WWTP.</p> <p>The pre-qualification for a consultant to validate the design of the Ein Jariot W-WTP was finalized in August 2020.</p> <p>The detailed design is currently under development, and it is expected to be completed by the end of 2022. Construction works are expected to begin by mid-2023. It is expected that this project will be completed by 2025.</p> <p>Approvals from JWC and ICA have been acquired and the no-objection announcement was provided.</p> <p>The project is in the land acquisition phase (in process).</p>
North-East Ramallah Sewage Project	<p>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 per cent of the needed funding.</p>
Jericho WWTP and Reuse Scheme	<p>With funding from the Japanese International Cooperation Agency (JICA) and the PA, two parallel projects in Jericho are advancing to improve sewage collection and increase the quantities of sewage treated at the Jericho WWTP to 3,000 m³/day. It is expected that 800 m³/day will be collected as additional quantity. In order to utilize the additional quantities of effluent generated by the treatment plant, further investment in the reuse scheme is required.</p>

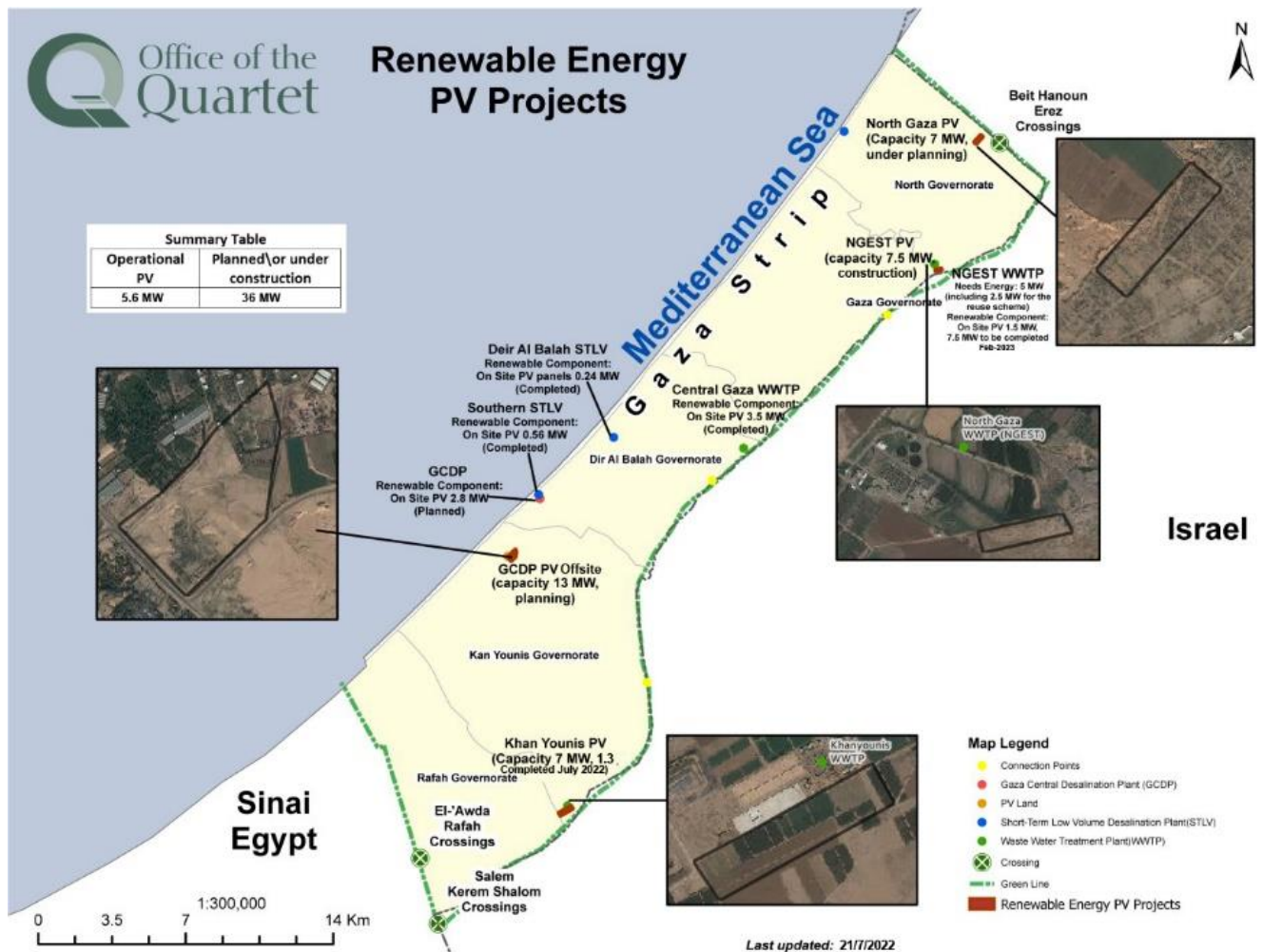
	<p>Expansion of the wastewater collection network, funded by JICA and the PA, was completed in July 2020, increasing the flow to the Jericho WWTP by an additional 2,300 m³/day.</p> <p>Despite some delays in construction during the COVID-19 pandemic, the original works of the expansion of the Aqbat Jabr 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 Ein Sultan Camp.</p>
Al Bireh Reuse Scheme (and trunkline to Al-Auja)	<p>A feasibility study was developed in 2016 with EU funding</p> <p>PWA approved the ICA alternative routing of the trunkline.</p> <p>Detailed designs are ongoing now and will be completed by end of May 2022 based on the approved routing</p> <p>Funding of 9 million USD is still outstanding for the implementation of the trunk line and reuse scheme.</p>
Nablus West WWTP	<p>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.</p> <p>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.</p>
Tubas Sewage Project	<p>The treatment plant was commissioned in October 2020 with a design capacity of 4,400 m³/day. The facility is operating at around 23% (1,000 m³/day) due to the limited household collection network.</p> <p>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 was finalized by the end of 2021).</p> <p>The development of the household connections is ongoing.</p> <p>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.</p> <p>2 million EUR is needed for a detailed design and construction of a reuse scheme.</p>
Tulkarem Al Sha'arawiya Sewage Project	<p>The first phase (Baqa 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.</p> <p>The second Phase (Ateel and Deir El Ghoson), also funded by NRO is currently under construction, it could be completed by end of 2022. It includes a wastewater collection system, pipeline line to the boundary, and flow meters for monitoring near the boundary.</p>
Yatta Water Network	<p>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.</p> <p>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.</p> <p>Tender documents were published on Feb 25 for the provision of construction works of Yatta water network.</p>
Janzur Well	<p>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 delayed due to technical problems and is expected to be completed by Q3</p>

	<p>2022. 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.</p>
North-South Carrier for West Bank Water Distribution	<p>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.</p> <p>Procurement of developing the Master Plan for the regional water supply system (World Bank) was concluded and a contractor was selected in March 2022.</p>
Northwest Ramallah Project (Abud Connection Point)	<p>Tendering for constructing the Ramallah connection point and its distribution network for supplying RSDS quantities is close to starting, co-financed by AFD and the EU (31 million EUR). Construction works are expected to begin in early 2023. PWA/IWA/ICA engagement is underway to finalize two outstanding segments of the distribution network in Deir Nizam and Deir Abu Mashal.</p>
Al Samou CP	<p>The connection point has an in-principle approval from the JWC to be installed to supply additional quantities of 18 - 25 MCM/Y from Mekorot to the southern and southwestern communities of Hebron.</p> <p>The targeted timeframe for implementing this connection point is 2027. Around 13 km transmission pipeline from the proposed connection point of Al Samoua to proposed reservoir south of Dura including pumping station needs to be constructed.</p> <p>Funding of around 35 million USD is still outstanding for the implementation of the transmission line and pump station from the Israeli supply point.</p>

Annex B: Wastewater treatment cycle in the Gaza Strip



Annex C: Water and Wastewater Facilities with Renewable Energy Components across Gaza



Annex D: Cost-benefit analysis of solar energization of WWTPs across the West Bank

A Cost Benefit Analysis (CBA) was performed to determine if installing PV solar panels at WWTP is financially cost effective.

Analysis was composed of three stages. First, survey data was collected from individual WWTPs across the West Bank and Gaza. Next, a financial model was constructed and calibrated, used to project energy and O&M costs. Results of the financial model were used to calculate return on investment of a 500 kWp capacity PV system, in the form of savings in O&M costs. Finally, scenario analysis was performed by changing the assumptions of the model.

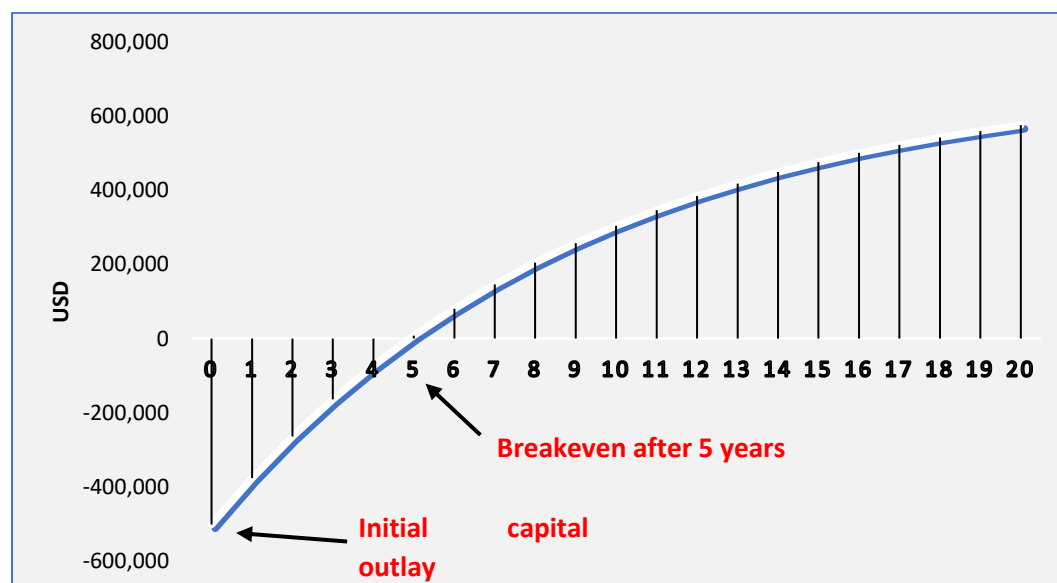
Baseline Scenario:

Capital outlay: 502,003 USD

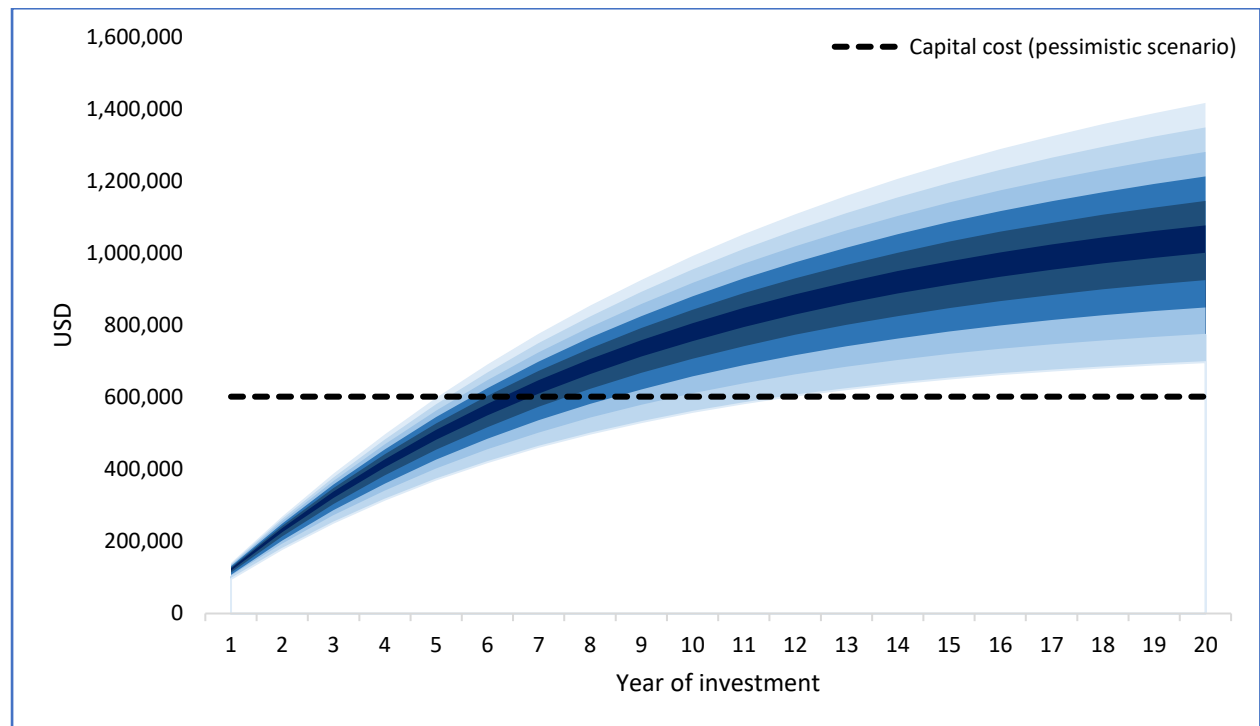
Net Present Value: 576,117 USD

Rate of Return (based on electricity savings): 115%

Cumulative cost/savings from a 500 kWp PV investment



Scenario Analysis: Fan chart showing possible returns on 500 kWp PV investment. Darker color represents stronger likelihood. In all instances, the project returns a positive investment that exceeds capital cost.



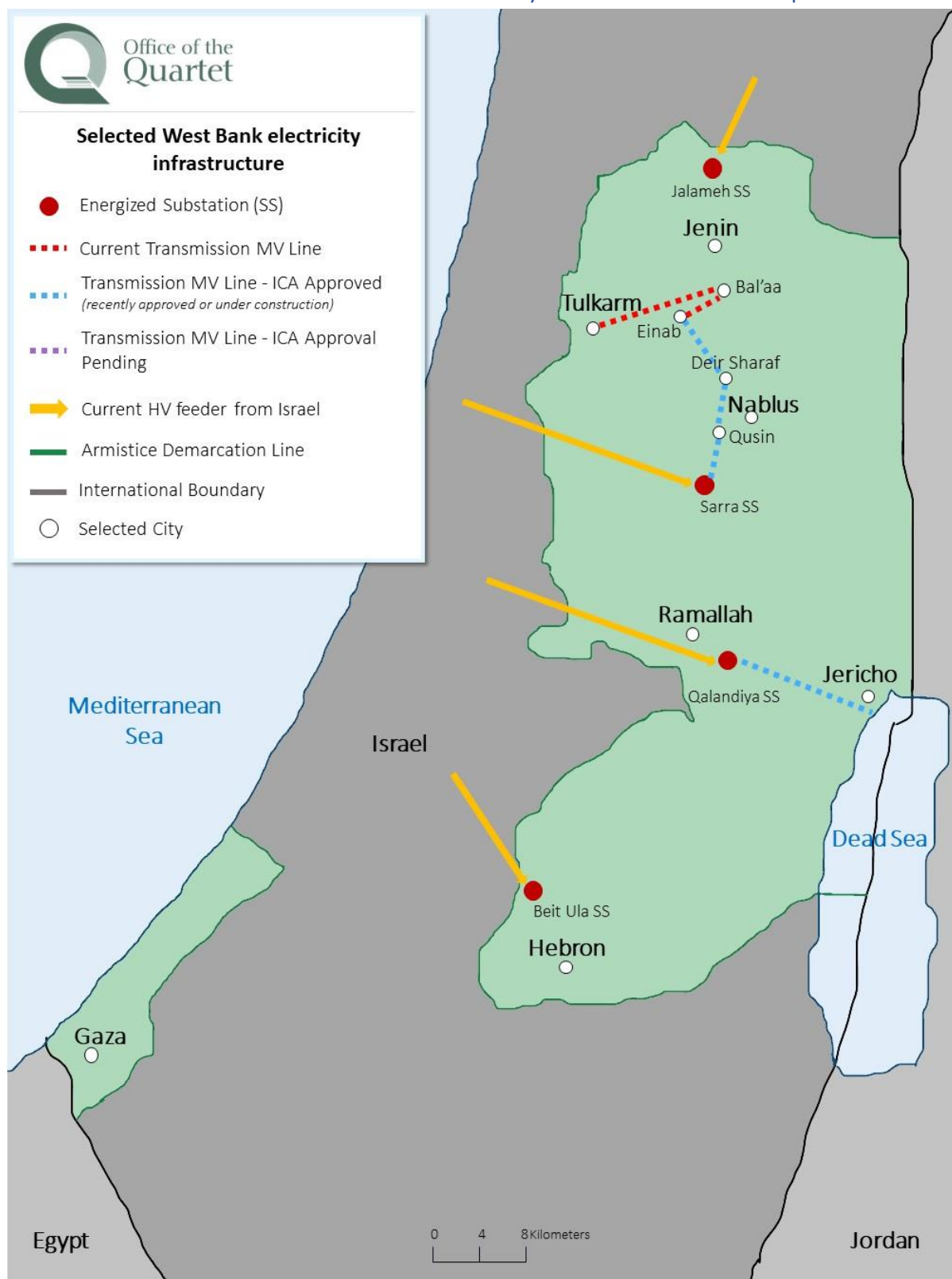
Under all scenarios (pessimistic, optimistic, and baseline) the CBA shows strong, positive returns. This provides a rationale and financial justification for investment in PV solar panels, with grants from the international community to help cover the initial capital cost.

There are large economic and environmental benefits from solar energization of WWTPs. All stakeholders should consider advancing these investments as a course of priority.

Annex E: Proposed G4G pipeline route and other energy infrastructure in Gaza and the West Bank



Annex F: Selected West Bank Electricity Infrastructure Map



Annex G: Comparison of spectrum needs, current utilization and proposals exchanged between the parties

