

## Office of the Quartet Asks – September 2022

### Water

#### **Gaza Central Desalination Plant and Associated Works**

1. The **Gol** is encouraged to advance the approval process for entry of materials for the **Middle Area reconfiguration system**.
2. The **parties** are encouraged to conclude arrangements for the process of the issuance of the **donation number**.
3. The **parties** are encouraged to finalize arrangements for the works in the sea to provide the **operational clarifications needed** for the bidders to prepare their proposals for the GCDP. The PA is encouraged to advance the retendering process for the GCDP.

#### **Operationalization of Gaza facilities**

4. The **Gol** is encouraged to provide approvals for the entry of chemicals into Gaza for the **Southern STLV**, and for the entry of stainless-steel pipes for the **Khan Younis sewage pumping networks**.
5. **Donors** are encouraged to provide financial support of **112 million USD** for the expansion of NGEST (15.5 MUSD) and Al Buraij WWTPs (40 MUSD), replacing Rafah WWTP (15 MUSD), enhancing the sewer collection systems (16 MUSD) and developing the reuse scheme in Khan Younis (25 MUSD), and bridging the financial gap of O&M costs (10.2 MUSD) in key water and wastewater facilities.
6. The **PA** and **GEDCO** are encouraged to build a dedicated electricity line to fully operationalized **Deir Al Balah STLV**.

#### **Bulk water connection points between the West Bank and Israel**

7. The **parties** are encouraged to advance talks toward concluding a unified tariff for the **bulk water supply from Israel**.
8. **Donors** are encouraged to contribute to the construction of the water supply system from the **Al Jalameh, Salem (30 million USD)** and **As Samoua (35 million USD)** connection points.

#### **West Bank Water and Wastewater Packages**

9. The **parties** are encouraged to continue dialogue regarding the potential for a **transboundary wastewater and/or water swapping deal**, whilst acknowledging each other's right to pursue a policy that treats and reuses wastewater domestically. While such arrangements are reached, the **Gol** is encouraged to **suspend the expansion of the Yad Hana WWTP and associated deductions from net lending**, since May 2022, for the development of the facility's detailed design and expansion.
10. 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.
11. 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. The GoI is encouraged to stop unilateral closure of unauthorized Palestinian wells and abide to the process agreed in the Concept Note.

12. The PWA is encouraged to complete its update of the **West Bank Water and Wastewater Packages following PWA's update after which the GoI is encouraged to provide in-principle approvals for the remaining projects within the Packages document.**

13. 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.

#### **Sector governance**

14. The **GoI is encouraged to allow the entry of Pre-paid Water Meters to the West Bank** as per the process that has existed since 2015 to enable advancing the reform process.

15. The **PWA and the WSRC are encouraged to finalize and endorse instructions for the licensing process of Service Providers.**

16. **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**

##### **Gaza**

17. **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.

18. To fulfill the EU's and Qatar's financing conditionality on G4G:

- **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**

19. **The parties are encouraged to resume negotiations towards a comprehensive Power Purchase Agreement (PPA) between the Palestinian Electricity Company (PETL) and Israel Electric Corporation (IEC).**

20. **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.

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

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

23. **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**

### **4G and 5G agreement**

24. The parties are encouraged to conclude a spectrum agreement prior to the September 2022 Plenipotentiary Conference of the ITU 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.

### **Entry of materials**

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

## **Governance and Rule of Law**

### **Electronic VAT clearance mechanism**

26. The parties are urged to sign the Memorandum of Agreement on eVAT. This would incorporate '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.

31. The parties are encouraged to resolve 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.

32. 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.

33. 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.

### **Fiscal**

27. The GoI 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.

28. 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.
29. The Gol 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.
30. 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.

#### **Customs Transfer**

31. To give effect to customs authority transfer from the Gol to the PA, the parties are encouraged to take steps including
  - a. finalizing e an agreement on a framework for the transfer of customs authority from the Gol to the PA,
  - b. agreeing on establishment of customs clearance facilities and bonded warehouses at various West Bank locations, and
  - c. agreeing on the inclusion of all imported goods under the scope of the authority transfer.

#### **Banking Relations**

32. 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.
36. 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).

#### **Movement and Trade**

##### **Sustainable economic development in Gaza**

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

##### **Standards-related trade impediments and costs**

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