



Office of the
Quartet

Report to the Ad Hoc Liaison Committee

May 2023

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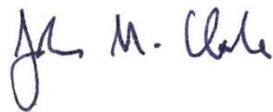
Acronyms

A/KHB – Allenby/King Hussein Bridge	NEPCO – Jordan National Electric Power Company
AFD – Agence française de développement	NGEST – Northern Gaza Emergency Sewage Treatment
AHLC – Ad Hoc Liaison Committee	NRO – Netherlands Representative Office
AML/CFT – anti-money laundering/counter financing of terrorism	NSA – Non Stand Alone (5G)
BoI – Bank of Israel	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
ESIA – Environmental and Social Impact Assessment	PA – Palestinian Authority
EU – European Union	PASF – Palestinian Authority Security Forces
EUR - Euro	PCBS – Palestinian Central Bureau of Statistics
FCDO - United Kingdom’s Foreign, Commonwealth and Development Office	PENRA – Palestinian Energy and Natural Resources Authority
G4G – Gas for Gaza (project)	PETL – Palestinian Electricity Transmission Company Ltd.
GCDP & AW – Gaza Central Desalination Plant and Associated Works	PFI – Palestinian Federation of Industries
GEDCO – Gaza Electricity Distribution Company	PFIU – Palestinian Processed Foods Union
Gol – Government of Israel	PMA – Palestinian Monetary Authority
GPP – Gaza Power Plant	PPA – Power Purchase Agreement
GSPA – Gas Sales and Purchase Agreement	PPGC – Palestine Power Generating Company
GTA – Gas Transfer Agreement	PSI – Palestinian Standards Institute
IAA – Israeli Airports Authority	PTRA – Palestinian Telecom Regulatory Authority
ICA – Israeli Civil Administration	PV – Photovoltaic
IEC – Israel Electric Corporation	PWA – Palestinian Water Authority
INGL – Israeli Natural Gas Lines	RE – Renewable Energy
IsDB – Islamic Development Bank	RDNA – Rapid Damage and Needs Assessment
IWA – Israeli Water Authority	RSDS – Red Sea Dead Sea Agreement
JDECO – Jerusalem District Electricity Company	SII – Israeli Standards Institute
JWC – Joint Water Committee	SJSF – Secured Joint Staging Facility
JTC – Joint Technical Committee (telecom)	STLV – Short-Term Low-Volume Desalination Plant
KAS – Karem Abu Salem / Kerem Shalom	TFCS - Improving Trade Facilitation and Customs Support (FCDO program)
KfW – German State-Owned Development Bank	UK – United Kingdom
MCM – Million cubic meters	UN – United Nations
MENA FATF - Middle East and North Africa Financial Action Task Force	UNICEF – United Nations Children’s Fund
MoC – Israeli Ministry of Communications	UNRWA – United Nations Relief and Works Agency
MoD - Ministry of Defence	USAID – United States Agency for International Development
MoF – Ministry of Finance	USD – United States Dollars
MoNE – Palestinian Ministry of National Economy	US – United States
MTIT – Palestinian Ministry of Telecommunication and Information Technology	VAT – Value Added Tax (goods and services tax)
MW – Megawatt	WSRC – Water Sector Regulatory Council
NCEA – Netherlands Commission for Environmental Assessment	WWTP – Wastewater Treatment Plant
	WZJSC – Wadi Al Zomer Joint Service Council

Foreword

This report is prepared during a particularly challenging period, and in advance of the May 2023 meeting of the ad hoc Liaison Committee (AHLC). Since the completion of the last report, the situation has continued to deteriorate in both Gaza and the West Bank, with increasingly acute stress on the Palestinian Authority's (PA) fiscal situation. This report therefore focuses on identifying progress achieved and the critical next steps required for each sector in order to meet the short, medium and long-term objectives which, in combination, have a potentially transformational impact in the sectors in which the OQ works. This means a focus in some cases on projects but as, if not more importantly, the policies that will ensure each sector is self-sustaining and therefore independently viable. Such changes can therefore provide critical support to – but never supplant – negotiations which aim to achieve a final status agreement. We thank those donors that have continued to support the Office during this challenging period, including the European Union, the United States, the Kingdom of the Netherlands, Austria, Canada, New Zealand, Japan, and the United Kingdom of Great Britain and Northern Ireland. We 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 blue ink, appearing to read 'John N. Clarke', is positioned above the printed name.

Dr. John N. Clarke

Head of Mission

Executive Summary

This report identifies progress achieved since the Office of the Quartet's (OQ) September 2022 report to the Ad Hoc Liaison Committee (AHLC).

On water and wastewater in the West Bank, progress was achieved with the in-principle Joint Water Committee (JWC) approval for the Jenin Water Connection Systems in Salem and Al Jalameh in November 2022 and the modified Israeli offer for the treatment of Tulkarem wastewater in April 2023. However, discussions are ongoing regarding the Government of Israel (GoI) in principle approval for the full water and wastewater Packages, as a means of encouraging progress towards meeting the estimated financing gap of 546 million USD. The parties are also encouraged to advance the water price discussions. In Gaza, construction works for the reconfiguration of the middle area distribution system continued, and construction started on the southern area system. The PA is seeking to realize the financial pledges from the Arab countries to restart the procurement process for the Gaza Central Desalination Plant (GCDP) as the strategic option for addressing the water crisis in Gaza. Construction of the second phase of the Southern Short Term Low Volume desalination plant (STLV) helped increase the supply of locally desalinated water in 2022 by 70% to 5.8 MCM and the PWA is planning the Phase III expansion to address the imminent water supply needs until the GCDP is realized.

In the energy sector, progress has continued on the Gas for Gaza (G4G) project, including initialing of the Gas Sales and Purchase Agreement (GSPA) by the gas sellers, the hydrocarbon law progressing to the PA cabinet for review, and the drafting of an MOU between Qatar, PENRA, GEDCO, and GPGC. The parties are encouraged to accelerate progress, including PA finalization of the hydrocarbon law and the MoU with the relevant stakeholders needed to ensure the commercial parties can finalize the GSPA by June 2023 while the GoI is encouraged to finalize the design requirements of the crossing point into Gaza to enable the completion of the detailed design in Israel. The PA is finalizing its West Bank Grid Master plan, due to be completed in Q2 2023, which includes significant infrastructure proposals. It will provide an overview of the planning needs, help bring clarity to how the international community can best support its implementation, and support renewable energy development. The PA and GoI continue bilateral engagements to advance the renewable energy sector, while the international community has developed a set of parameters that would be required for donor and international financial institution support. The parties are encouraged to continue their engagement with the OQ and the international community to reach an agreed approach to advance renewable energy in Area C, in line with the aforementioned parameters. As well, the PA met the May 2022 AHLC commitment to identify potential sites for 200 MW of renewable energy and submitted them to the GoI. The GoI is encouraged to respond to the PA identified sites and to maintain the 45 day response time that had previously been identified. In Gaza, increasing electricity supply and infrastructure upgrades are essential to achieve a stable and reliable supply and support economic growth. In November 2022, as part of a two phase approach to improve the electricity infrastructure to support the Gaza Power Plant, PENRA announced a funding agreement with Norway to rehabilitate the Gaza West Substation. Further funding of approximately 130 million USD is needed for phase two, which will include several substations, feeders, a national control station, and related infrastructure.

Progress has been positive in the Telecoms sector, with the Joint Technical Committee (JTC) agreeing on a spectrum package in September 2022 with a technical MoU signed in December 2022. Since December, progress has slowed, with further technical and commercial agreements encouraged between the parties and commercial actors for the implementation of the MoU and commercial launch of services in 2023.

The PA's financial position is increasingly eroding its ability to provide basic services, which are essential for preserving stability and security. The PA took significant measures to address its financial difficulties in 2022, improving total revenues by 17% and reducing its total deficit, after aid, by more than 70%. Building on the 2022 implementation of the e-VAT system, Israel's commitment to include all Israeli vendors is welcome as is the commitment of both parties to ensure the sustainability of the system. This engagement provides a model to address other unresolved fiscal files including *inter alia* arrangements for Allenby fee revenue, the three per cent handling fee, and the transfer of customs authority. Over the reporting period, the Palestinian Monetary Authority (PMA) and the Bank of Israel (BoI) have continued senior level discussions to advance a correspondent banking relations model (CBR). Progress, however, remains slow and the parties are therefore encouraged to accelerate their discussions and agree a sequenced road map for implementation. On a positive note, the GOI initiative on the digitalization of salary payments for Palestinian workers employed in the Israeli economy is expected to have downstream positive effect on cash accumulation in the PA.

Palestinian imports and exports grew significantly in 2022 compared to 2021, with overall trade growing by 24% to 9.8 billion USD. Passenger travel at Allenby/King Hussein Bridge also increased in the first nine months of 2022 by 170% compared to the same period in 2021. The number of shipments processed through the Door-to-Door program increased by 14 per cent in 2022, and a pilot to allow Palestinian plated trucks and West Bank ID holders adopted by the Israeli Civil Administration (ICA) in September 2022 has been extended. Supply chain security measures for a Secured Joint Staging Facility (SJSF), that aims to serve small and medium sized companies, are being developed together with the range of relevant stakeholders. Imports via Jordan increased by 27 per cent in 2022, with further growth expected as processing capacity is increased. This growth has been realized despite the limiting processing capacity and the cumbersome back-to-back process that results in prolonged delays and the consequent cost increases incurred by the Palestinian private sector. The adoption of a direct transfer process at A/KHB has the potential to enable both the more cost-efficient movement of goods, particularly for bulk materials such as cement, and help increase processing capacity. In Gaza, efforts to rehabilitate the industrial sector led by the private sector with the involvement of the Ministry of National Economy continued to make progress with a common road map being developed to address a range of challenges, including technical capacity building, financing, access to markets, and access to materials classified as 'dual-use', and which is expected to be reflected in a wider PA developed national industrial development strategy. Israeli procedures for transferring Gazan processed foods to the West Bank have enabled a limited range of food products to be transferred, and further expansion of the range of products is encouraged.

Introduction

0. This report provides updates in each of the five key sectors – water, energy, telecom, governance/ rule of law, and movement and trade – on which the Office of the Quartet (OQ) focuses its work. The report covers the period between September 2022 and April 2023. 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

1. Developing reliable and safe water and wastewater services remains a key priority in the West Bank and Gaza for economic development and addressing urgent humanitarian needs. By the end of 2022, the Palestinian Water Authority (PWA) reported an increase in the provision of potable water supply in Gaza by approximately 6 million cubic meters (MCM) due to the advancement of the operationalization of the Short-Term Low-Volume desalination plants (STLVs) while increasing the supply from Mekorot by 3.7 MCM to reach 18.4 MCM by the end of 2022. Treatment of wastewater continues in Gaza with an increase in the flow towards Northern Gaza Emergency Sewage Treatment (NGEST) and Deteriorating operations in Rafah. In the West Bank, a small increase in the consumption rate per capita¹ was reported due to a limited increase in the total water supply. Despite these increases, the gap between demand and consumption is still large and will continue to increase unless planned infrastructure is advanced. In the West Bank, plans for developing wastewater treatment and reuse are advancing, as well as the mobilization of funding. Intense cooperation between the parties is crucial to address the long outstanding water and wastewater agenda and the limited PA financial resources.

Gaza Central Desalination Plant and associated works

2. The construction works of the Reconfiguration of the Middle Area Distribution System continued in the reporting period with interruptions due to challenges in the procurement process. The completion date is expected by June 2023. Contracts for the two packages of the Southern Main Carrier and the Reconfiguration of the Southern Distribution System were signed, and the contractors started with the project mobilization phase.² In the northern part of Gaza, the KfW and the EU, along with the PWA, are continuing to develop the tender document for the Reconfiguration of the Northern Distribution System and Gaza Governorate Additional Water Supply Network Improvement (AWSNI) works, which is expected to be issued in June 2023. More details on each of the Associated Works (AW) components are provided in Annex A.
3. Following the cancelation of the procurement process for the Gaza Central Desalination Plant (GCDP) in August 2022, the PA has been reaching out to the Islamic Development Bank (IsDB) to encourage the advancement of the Arab financial pledges to the program to enable the retendering of the plant as the PA's strategic option for addressing the water crisis in Gaza. To meet part of the current demand, the PWA is considering requesting an additional 10 MCM³ of water from Israel to realize the full capacity of connection points (CPs) from Israel (Al Mintar, Bani Suhalia, and Bani Said) and to expand the Southern STLV with another phase of 7.3 MCM/Y. The Israeli MFA has clarified that the system on the Israeli side was built, as per the Palestinian request, to provide 20 MCM and will only discuss increasing the supply, and any associated upgrade to the infrastructure if they receive a request from the PWA through the JTC/JWC.

¹ 82.4 l/c/d and 89.0 for 2020 and 2021 respectively (according to the PWA published reports).

² Including the review of Bills of Quantities to confirm the upfront GoI approvals that were provided in 2019 and to identify changes to the list of materials if needed.

³ This addition will bring the total imported quantity from Israel to 30MCM/Y.

COGAT is encouraged to process the approvals for the Southern Main Carrier Packages and the Reconfiguration of the Southern Distribution System as per the Task Force arrangements.

The IsDB and the Arab Donors are encouraged to advance the Arab pledges to the GCDP & AW into concrete commitments to enable advancing the procurement process.

The PWA is encouraged to revive the discussions with the Israeli Water Authority (IWA) on the arrangements to increase an additional 10 MCM to Gaza, and donors are encouraged to support the additional expansion of the Southern STLV with 26 million USD.

Construction and operationalization of the water and wastewater infrastructure in Gaza

4. The operationalization of the Southern and Gaza STLVs at full capacity during the reporting period increased the production of desalinated water from 3.4 MCM in 2021 to 5.8 MCM in 2022. The Middle STLV in Deir al Balah continued to receive power for only one cycle of electricity (8 hours per day) as the construction of the dedicated grid line is still outstanding. This results in 1.5 MCM/Y of unutilized capacity. The construction and the commissioning of the second phase⁴ of the Southern STLV were completed, a significant development that is increasing the total desalination capacity in Gaza to reach 13.15 MCM/Y.
5. Wastewater treatment at NGEST continued beyond its maximum capacity. While, so far, the quality of treatment is maintained, the overload is expected to shorten the lifetime of the facility and require higher maintenance costs. GoI approvals for the entry of some remaining spare parts⁵ are delayed. The Central Gaza Treatment Plant (Al Burej WWTP) continued to operate at full capacity with some interruptions during the olive harvesting season due to the disposal of olive residues in the sewer system, which resulted in a divergence of around 50 per cent of untreated wastewater in Wadi Gaza during that period. Considering technical challenges in Sheikh Ejleen WWTP that kept erupting in the reporting period, part of the wastewater flow has been diverted to Al Burej WWTP. The extra flow to Al Burej resulted in some dumping of wastewater in Wadi Gaza, which expedited the planned Al Burej expansion from 2030 to 2027. In Khan Younis, the treatment plant continued to operate at half of its capacity due to limited wastewater household connections in Khan Younis and its eastern villages. The EU and USAID are considering plans developed by the Coastal Municipalities Water Utility (CMWU) to increase wastewater household connections to help realize the full capacity of the treatment plant and to limit the environmental challenges from cesspits in the area. While progression is maintained in the three main facilities, Rafah governorate still suffers from poor wastewater treatment as the facility is dilapidated. Details on the operationalization status of the water and wastewater facilities are in Annex A.
6. The development of renewable energy for wastewater facilities is ongoing, with delays in a few cases. Following the successful operationalization of the first phase (1.3 MW) of Khan Younis PV, construction of the second phase (3.7 MW)⁶ started in November 2022 and is expected to be completed in Q4 of 2023. The NGEST PV system (7.5 MW)⁷ faced delays resulting from challenges with the entry of materials which were later resolved in the reporting period, and continues to face significant delays in cleaning the site, which was previously used as an informal landfill.

⁴ Funded by the EU includes two sub-phases Phase II a (6000 cubic meters/daily) and Phase 2 b (8,000 cubic meters daily)

⁵ Funded by the World Bank

⁶ Funded by the Kuwaiti Fund

⁷ Funded by the Government of Ireland

Following significant delays⁸ in commissioning the biogas systems for both NGEST and the Central Gaza WWTP, the PWA developed alternative plans for addressing the biogas challenge by hiring two experts to reassess the challenges at each facility. The Bio Gaz system for the Central Gaza WWTP was repaired and started operations. In the interim, tender documents for recommissioning the NGEST biogas system will be published following a technical assessment report by the consultants that was started in the first quarter of 2023.

7. The construction of the NGEST reuse scheme⁹ was completed in December 2022, and the pumping of treated wastewater is expected to commence in the second quarter of 2023. This development, which will generate a revenue stream for treatment and the deployment of renewable energy at the different water and wastewater facilities, is considered a central intervention for bridging the operations and maintenance (O&M) costs besides cost recovery. Nonetheless, support for O&M costs is needed until full sustainability is realized in 2030 as per the PWA plans.

Donors are encouraged to support the development of a dedicated grid line with 50 thousand USD to energize the Middle STLV on 24 hours/day basis, an estimated 85 million USD for the development of Rafah WWTP and the expansion of NGEST and Al Burej WWTPs, and an estimated 10.2 million USD for bridging the gap in the O&M cost for the three STLVs, Khan Younis WWTP, and NGEST up to 2031.

The GoI is encouraged to accelerate the approvals for the entry of remaining spare parts for NGEST.

Water and Wastewater Packages for the West Bank

8. The reporting period witnessed some progress towards developing water and wastewater infrastructure in the West Bank, as well as continued challenges, including limited coordination between the parties.
9. In a positive development, an in-principle Joint Water Committee (JWC) approval for the Jenin Water Connection Systems in Salem and Al Jalameh was communicated in November 2022, which brings the total number of JWC in-principle approvals in 2022 to six.¹⁰ In order to increase the scale and scope of work undertaken in the West Bank, the PWA and key international organizations continued to encourage the GoI to provide an in-principle approval for the Water and Wastewater Packages, representing the Palestinian medium-term plan with an estimated cost of approximately 546 million USD.

In order to improve the water/wastewater situation in the West Bank, the GoI is encouraged to provide an in-principle approval for the Water and Wastewater Packages for the West Bank while both parties are encouraged to continue to provide specific approvals through the Joint Water Committee.

⁸ Permits for international experts were outstanding for 3 years.

⁹ Funded by AFD and Green Climate Fund (GCF) 5,000 dunums for the first phase.

¹⁰ Besides the approval to Jenin Water Connection Systems, the JWC approved earlier in 2022, Tulkarem WWTP, Tulkarem and Nablus West treated wastewater conveyance system (Tulkarem-Jordan Valley), Al Bireh – Al Auja treated wastewater conveyance system, Al Samoua well, and Al Samoua Water Connection system.

10. From a fund mobilization perspective, several discussions continued between the PWA and the international community. In this context, the World Bank's board approved in February 2023 Phase One of its suggested 12 year water program for the West Bank and Gaza. The first phase of the program provides around 51 million USD for the development of Jenin Water Connection Systems and the development of the detailed design for the Tulkarem WWTP and Nablus West reuse scheme. In parallel, the Team Europe Initiative (TEI) Water Resources Management – Wastewater and Reuse is taking shape.¹¹ The TEI was communicated to the PWA and Ministry of Agriculture in the presence of the PWA Head and MoA Minister on 25 January 2023, with an official launch planned in the third quarter of 2023. The TEI translates the joint analysis and programming put forward by European Development Partners within the framework of the European Joint Strategy into a set of consolidated interventions. The overall objective of the initiative is to provide a substantial contribution to climate change adaptation action and the protection of biodiversity through the increased treatment of wastewater and its reuse. The TEI's engagement will be conducted through a twin track approach focusing on both sector reform and infrastructure investments. In order to stimulate sustainable reform, specific undertakings will be agreed upon with the Palestinian Water Authority with clear actions and deadlines during the implementation of this first phase of the TEI. Currently, the TEI members are discussing the investment plan that will be designed around wastewater treatment and reuse projects that were prioritized as per the PA Ministerial Wastewater Committee's recommendations' adopted in a cabinet decision on 12 October 2022, in addition to projects in Gaza. Priority will be given to capitalize on current investments and, in particular, reuse, such as developing a reuse scheme for the Hebron WWTP. The TEI will also have overarching technical assistance for an indicative amount of 10 million EUR to support all studies and technical requirements for implementation and reform.

The International Community is encouraged to help meet the financing gap for the West Bank's Water and Wastewater Packages, which stands at 546 million USD, and the PA is encouraged to consider soft loans to contribute to financing this crucial infrastructure.

11. To improve bulk water imports from Israel, the PWA is planning to issue the tender for Jenin Water Connection Systems¹² in the second quarter of 2023, a development that will enable the additional import of 4 MCM/Y. In the Middle of the West Bank, the tender for Aboud (Northwest Ramallah Project) Water Connection System¹³ (4.5 MCM/Y) was reissued, delaying the target completion date from 2024 to 2025. In the south, the development of the detailed design for the Al Samoua Water Connection System¹⁴ is advancing. However, increasing the quantities with 11,000 m³/day through Deir Shaar Water Connection Point, as per the agreed supply schedule by the parties, has not materialized,¹⁵ which is a missed opportunity in one of the most water scarce areas of the West Bank. While progress can be seen in the form of preparations for infrastructure development, the overarching agreement for organizing this supply within the Red Sea Dead Sea regional context still needs to be concluded by the parties, leaving the most important component, the price of supplied water, outstanding. In parallel, the GoI continued the development of other water connection points to increase the supply of water to the West Bank, including the Kufr Qaddum/Kadumeem line and the Huwara Connection Point. The PA has

¹¹ The main members of the Initiative are the EU, Germany, France, the Netherlands, Spain, and Austria.

¹² Funded by the World Bank's PID Trust Fund.

¹³ Funded by the EU and AFD.

¹⁴ Funded by the World Bank.

¹⁵ The IWA have reported that this is due to technical problems faced by Mekorot.

indicated that these works contradict Palestinian plans as outlined in the PWA Master Plan for bulk water supply and rainwater harvesting, which will be published by the end of 2023.¹⁶

The GoI is encouraged to refrain from building infrastructure for the benefit of the Palestinians without coordination and consent from the PWA, where the JWC should be utilized for coordinating infrastructure development in the West Bank.

The parties are encouraged to revive discussions on water prices.

12. To balance water supply from natural resources as per the National Water and Wastewater Strategy 2012-2032,¹⁷ the PWA¹⁸ started with the design and drilling of the Al Samoua well approved in the first half of 2022. However, the discussions of the Joint Technical Committee of the JWC to further develop groundwater as per the parties' Joint Concept Note¹⁹ are stalled. The PWA is requesting the JWC's approval of 23 wells to enable the abstraction of 30 MCM to bridge the gap towards accomplishing the Interim Agreement water allocation for the PA, while on the other hand, the IWA is requesting the JWC's approval for drilling ten substitute wells and one new well.

The JWC is encouraged to address the requested wells in order to meet the agreed quantities under the Interim Agreement and the Joint Concept Note.

13. From a wastewater perspective, the PWA is planning to issue a tender for developing the detailed design for Tulkarem WWTP and Tulkarem – Jordan Valley reuse scheme based on the feasibility study²⁰ concluded in October 2022 and the in-principle approvals that the JWC provided. However, the GoI continued with its unilateral monthly deductions of 1.5 million NIS of the PA's withheld tax money for the expansion of Yad Hanna WWTP as a measure to handle the environmental challenges of the transboundary wastewater that is flowing through Wadi al Zomer/Alexander River. Such environmental challenges could be mitigated by advancing the Palestinian plans, including building a pipeline from the outlet of Nablus West WWTP to the Green Line. This would ensure no contamination of treated wastewater and also decrease the quantity of wastewater flowing in Wadi Al Zomer/ Alexander River to accommodate the existing capacity of Yad Hanna WWTP until a bilateral decision is made by the parties on the treatment of Tulkarem wastewater. In this context, the IWA extended in April 2023 a modified offer²¹ to the PWA at the JWC's Joint Technical Committee (JTC) for treating Tulkarem wastewater in Israel and for buying and selling treated wastewater. The offer was received positively by the PWA and they are currently preparing a response to the IWA. Further, in the same meeting of the JTC, the parties discussed the GoI's reports²² on deductions for treating Palestinian wastewater in Israel. The modified offer

¹⁶ Funded by the World Bank's PID Trust Fund.

¹⁷ The PWA is updating its strategy up to 2045 and is expected to release the updated version in the second quarter of 2023.

¹⁸ In partnership with UNDP and funding from the Netherlands Government.

¹⁹ The Netherlands Government facilitated the parties' development of a Concept Note that was shared with the international community in the Water Session of the AHLC meeting in Oslo in November 2021. This Concept Note was updated in May 2022 and presented a solid reference for the parties' discussion in addition to Article 40 of Annex III of the Interim Agreement and other water agreements and understandings that were agreed between the parties.

²⁰ Funded by the Office of the Quartet.

²¹ The First IWA offer for the treatment of Tulkarem wastewater in Israel was shared in March 2022, which was rejected by the PWA, and several discussions and modifications were extended since then until the publishing of this report.

²² Since September 2020, the GoI has shared a set of reports on the deductions for the treatment of Palestinian wastewater in Israel. Specifically, the IWA shared with the PWA two reports; one in September 2019 covering the years 2018 and 2019

was received positively by the PWA, which made several inquiries to further clarify the details and to come to a settlement on the deductions. The Wadi Al Zomer Joint Service Council (WZJSC) in Tulkarem started the construction of the Irtah pumping station, expansion of the sewage collection system, rehabilitation of the wastewater sedimentation bonds, and the installation of the wastewater flow meters for sewage flowing through the Green line in January 2023²³. A development that should enhance the wastewater solutions in the area. Further the WZJSC is developing a plan for mitigating the industrial waste contamination to Wadi Al-Zomer,²⁴ which should limit the pre-treatment of the wastewater in Israel and accordingly reduce the environmental challenges and the cost of treatment in Israel.

14. In a similar fashion to the expansion of Yad Hanna WWTP, the IWA continued to work unilaterally in its expansion of the Ha-Og WWTP in the Al Nabi Mousa area in the Jordan Valley to accommodate quantities generated from Al Esawiya, Abu Dis, and Beit Jala areas without agreement with the PWA. This is another priority area for the PWA, where several suggestions for an agreed solution were extended to the IWA to address the environmental and water resource development objectives.
15. In Hebron, the construction of a WWTP was slowed down in the last quarter of 2022 because of a contractual challenge between the contractor and the subcontractor. The construction resumed on 28 January 2023. This is expected to delay the completion date²⁵ till the end of the year. From a transboundary wastewater perspective, the IWA raised a concern about the potential for contamination of treated wastewater that will flow in Wadi al Samen following the operationalization of Hebron WWTP as the Wadi is currently used for dumping raw wastewater, especially from Al Dhahriyeh and because a permanent solution is not advanced yet for the slurry²⁶ problem. As can be seen in the PWA Water and Wastewater Packages document, the PWA prioritized the development of treatment plant downstream to stop dumping of sewage in the Wadi and should complete the reuse feasibility study²⁷ in Hebron by June 2023 towards limiting the discharge of treated wastewater in the Wadi. In September 2022, the Gol rejected the PA request for approving the second slurry sedimentation area (Khilet Al Wafi) as a temporary solution²⁸ until the permanent one is in place.

and a second in December 2021 covering the years 2020 and 2021. Further, the Israeli Ministry of Finance started sharing monthly reports at the beginning of 2022 with the Palestinian Ministry of Finance. The IWA report, in English, provided a good range of data. However, the PWA had a long list of comments, including the need to provide more details and to specify the basis for the calculated numbers, including the quantities treated, the cost of treatment, and its breakdown. The MoF reports, in Hebrew, also provided a range of information that mainly lacks basic data, including quantity, quality of sewage received, cost of treatment as well as lack of consistency among the reports that have been provided so far.

²³ Funded by USAID.

²⁴ Funded by the Netherlands Government.

²⁵ The contractual completion date is June 2023.

²⁶ Slurry is the mixture of dust and water that results from stone cutting. Considering the amount of slurry generated in the Palestinian industrial zone in Hebron, the Palestinians identified two sets of solutions; a permanent one through building a Central Press facility for the slurry and a temporary one through rehabilitating two sedimentation areas for slurry, one in Khilet Al Sharabati (approved by the Gol) and another one with a bigger capacity in Kilet Al Wafi (rejected by Gol).

²⁷ Funded by AFD.

²⁸ The Gol indicated that the rejection of the site is for environmental reasons as the suggested site is in a nature reserve.

The GoI is encouraged to continue its support for the development of approved infrastructure on the Palestinian side. Namely, to stop the deductions for the expansion of Yad Hanna WWTP with the Palestinian revenue and to share breakdowns for the wider deductions that reflect all components of the cost as well as the quality of the transboundary wastewater treated in Israel.

The PA is encouraged to advance the implementation of the plan for mitigating the industrial waste to Wadi al Zomer as soon as the plan is finalized and to replicate this to other Wadies facing the same problem.

The parties are encouraged to identify a suitable interim site for handling all the slurry until the central filter press is developed.

Sector Governance

16. During the reporting period, the PA continued with its effort to enhance governance in the water sector. To advance the establishment of the National Water Company (NWC), a CEO was appointed, and a consulting company was selected to provide technical support²⁹ over a three-year period for transferring the West Bank Water Department into the NWC. This is accompanied with advancing policy approaches that would lead to achieving the financial equilibrium for the NWC through the installation of prepaid meters, limiting illegal tapping into the water networks, and enhancing fee billing and collections. Regarding the last and building on the Affordability and Willingness to Pay analysis, the PWA undertook an assessment for enhancing fee collections in Gaza³⁰ and shared it with the international community for support. Further, and as per the Cabinet decision of 12 October 2022, which adopted the Wastewater Ministerial Committee's recommendations, the NWC was assigned to take responsibility for the treated wastewater from the outlet of the WWTPs to the supply point of the farms, which is an important clarification to the 2014 Water Law.
17. In Parallel, the PWA established the North-West Jenin Utility and prioritized the establishment of Tubas Regional Utilities³¹ as well as converting the CMWU into a regional Utility in Gaza as per the Road Map³² that was finalized in January 2023. Further, the PWA and the Water Sector Regulatory Council (WSRC) approved the benchmarks for service providers' performance that were suggested by the WSRC. A pilot of approximately 22 service providers was identified to start the licensing/authorization of operations of service providers by the WSRC, which will be based on the approved performance benchmarks. To cope with the governance requirements, several capacity building activities³³ were defined in the reporting period for the PWA and other institutions working in the sector. This includes establishing a unit at the PWA to manage the

²⁹ Funded by the EU.

³⁰ Funded by the OQ and the main measures that were identified are to separate billing for water and wastewater services from other municipal services, accounting separation in collections for existing bills and debts, installation of separate meters for all subscribers, including prepaid water meters, introducing adopting new procedures for delivery of bills to ensure timely payments by customers as well as digitized solutions to ensure accurate and timely bill generation among others.

³¹ Technical support for the establishment from the World Bank's PID Trust Fund.

³² Funded by AFD.

³³ Funded by UNICEF, Green Climate Fund, Austrian Development Agency, and others.

establishment of the regional utilities³⁴ and developing a monitoring unit for the operations and maintenance of the small wastewater treatment plants.

Energy

18. In the West Bank, peak electricity demand has grown to more than 1,360 MW.³⁵ While imports of electricity from Israel constitute 90 per cent of the total supply, the proportion of West Bank renewable energy and imports from Jordan is steadily increasing. Electricity imports from Jordan increased to 80 MW in 2022 and could increase further with additional investment.³⁶ Continued investment in the electricity grid will enable further imports and evacuation from planned sources such as the Jenin Power Plant, the Zahrat Al Finjan Waste-to-Energy Plant, and solar PV sites in the West Bank.
19. In Gaza, average demand in 2022 exceeded 430 MW, while peak demand routinely reached 500 MW. Supply was approximately 190 MW, resulting in an average electricity availability of 12 hours per day.³⁷ Gaza continues to receive 120 MW of electricity from Israel, while the Gaza Power Plant (GPP) generates around 70 MW using Qatari-funded diesel.³⁸ This funding has been stable over the past five years, significantly helping meet immediate energy needs. However, the supply of natural gas to the GPP through a gas pipeline (via the Gas for Gaza project) and implementation of associated infrastructure, specifically grid upgrades, remain essential parts of the broader structural solution for Gaza's energy sector.³⁹

Gas for Gaza

20. Using natural gas for electricity generation is the most cost-efficient and cleanest viable means of baseload electricity generation in Gaza. Emissions and costs of 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 would reduce Palestinian carbon emissions by 6 per cent while reducing generation costs.⁴⁰ Increased gas-fired electricity generation in Gaza will help unlock the renewable energy (RE) potential of Gaza's grid by providing a larger baseload electricity supply to balance the variable generation from RE. Annex B shows a map of the proposed G4G pipeline route and other key energy infrastructure in Gaza and the West Bank.
21. To build on recent progress, the next (and 15th) Task Force will be held in the coming months with the PA, Gol, Netherlands, EU, and Qatar. Other commercial parties and supporters, including INGL, Chevron, GPGC, the World Bank, and the USG, will also be included. The Task Force will highlight recent progress (e.g. initialing the GSPA, progress of the technical studies in Gaza, completion of the Israeli MoD testing, etc.), revisit progress on the donor conditionalities, enable stakeholders

³⁴ The establishment of the Unit is funded by ADA and is considered part of the technical assistance provided under Team Europe Initiative.

³⁵ CESI Electricity Masterplan for the West Bank (2023), *draft*

³⁶ The supply increased from 40 MW to 80 MW in July 2022, and current discussions are underway to expand this supply to 160 MW. This would ultimately supply JDECO's concession area.

³⁷ The average hours per day are recorded by OCHA on their website as per the information supplied by GEDCO.

³⁸ Israeli imports are paid for through deductions to PA clearance revenues. A Qatari-funded diesel storage day tank is used to supply fuel to the GPP. Fuel storage will be increased with a 10 million liter tank being funded by the Norwegian government.

³⁹ This includes additional supply through a 161 kV import line from Israel and additional electricity imports from Egypt.

⁴⁰ 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.

to reaffirm their respective commitments, bring clarity to the next steps and present a revised schedule showing the steps needed to achieve the gas flow date.

22. In Gaza, the detailed design of the pipeline is progressing, with completion planned for Q4 2023.⁴¹ A field risk assessment was conducted in January 2022 with UNMAS to prepare for the ground surveys, which will be completed in the coming months. The Environmental and Social Impact Assessment (ESIA) is also underway with completion also expected in Q4 2023. PENRA and the EQA have also requested the Netherlands Commission for Environmental Assessment (NCEA) to review the final ESIA. To support land access and potential resettlement activities, a tender for the Resettlement Action Plan (RAP) was launched in January 2023. The tenders are currently under review. The RAP is expected to be complete in Q1 2024, with the overall project expected to be complete in 2026.
23. In Israel, the detailed design of the pipeline in Israel is effectively complete. The crossing point coordinates into Gaza were finalized in 2022, and Israel Natural Gas Lines (INGL) confirmed that the Israeli MoD recently completed security-related testing to inform the final design of the crossing point. Any final design modifications (if needed) will be managed under the Gas Transportation Agreement (GTA).

The Israeli MoD is encouraged to provide their final inputs to INGL on the design of the border crossing based on their recently completed border testing.

24. The previous EU and Qatari funding commitments involved conditionalities which included, *inter alia*, the signing of the GSPA, passing a Hydrocarbon Framework Law, forming a Natural Gas Company,⁴² and undertaking GEDCO reforms. These requirements must be met by December 2023 to ensure the EU funding (20 million EUR) remains available for the project and is not allocated to other initiatives. Grid upgrades to enable the evacuation of the additional power are also critical (though not a financing conditionality) as they will be necessary to realize the full potential of the project. See paragraph 37 for additional details.

To meet the financing conditionalities:

- 1. The PA is encouraged to adopt the Hydrocarbon Framework Law**
- 2. The PA is encouraged to establish the Palestinian National Gas Company.**
- 3. GEDCO is encouraged to advance their reform by implementing the recommendations from the GEDCO audit and advancing the audit for the next financial period.**

25. In January 2023, the Gas Sales and Purchase Agreement (GSPA) was initialed by the gas sellers and the gas buyer, indicating initial alignment on the key GSPA parameters. This provides a strong basis to finalize the negotiations. It will also enable the GTA to be signed, which sets the terms for financing and constructing the pipeline in Israel. To support the GTA, INGL is encouraged to provide a revised cost estimate and schedule for the scope in Israel. In parallel, an MoU is being developed between GEDCO, PENRA, GPGC, and Qatar to define their respective responsibilities. Discussions between the PA and GPGC to convert and expand the GPP are also ongoing.

⁴¹ The detailed design in both Israel and Gaza, the ESIA, and the RAP are all possible with thanks to funding from the Dutch Government.

⁴² In Sept 2021, the Council of Ministers announced their decision to establish the Palestinian Natural Gas Co.

The commercial parties are encouraged to conclude any necessary MoUs needed to support the commercial agreements.

INGL is encouraged to provide a revised cost estimate and schedule for the pipeline in Israel.

The commercial parties are encouraged to conclude the Gas Sales Purchase Agreement (the GSPA) and the Gas Transfer Agreement (GTA).

26. The OQ will continue to support PENRA with G4G – and to work with the EU, Qatar, the Netherlands, the US, and other key stakeholders – to ensure completion of the project. This includes convening the G4G Task Forces as needed and completing the ongoing studies. The OQ will also continue working across all stakeholders to ensure a coordinated and successful transition to an implementing partner (once selected).

West Bank electricity

27. West Bank electricity demand is expected to increase from around 1,360 MW today to over 2,000 MW by 2040.⁴³ Significant investment for the planned Jenin Power Plant, increasing electricity imports from Jordan, and for the PA's renewable energy target of 630 MW by 2030 will all help meet the growing demand while increasing energy independence and diversification.
28. The planned Jenin Power Plant will be the first gas-fired power plant in the West Bank and will initially produce 200-250 MW for use in the northern West Bank. Power will supply the surrounding areas, with a surplus supplying other parts of the West Bank. A second phase could see an additional capacity of 200-250 MW. The Northern Electricity Distribution Company (NEDCO) will be the off-taker for 25 years under a long-term PPA through a sovereign guarantee provided by the Palestinian Ministry of Finance.
29. Following the electricity import capacity increase from Jordan to Jericho in August 2022 (40 MW to 80 MW), the PA and Jordan announced the possibility of a further increase to 160 MW in April 2023.
30. By the end of 2022, the substations in Jenin, Ramallah, Nablus, and Tarqumia supplied around 300 MW to the West Bank, an increase from approximately 250 MW in mid-2022, primarily due to additional capacity through the Tarqumia substation. Continued efforts toward reaching the substations' full capacity of 600 MW will continue to reduce average West Bank electricity supply costs, improve infrastructure reliability, and contribute to PETL's financial sustainability. Reaching a comprehensive PPA for the electricity supply to the West Bank would deliver further value, primarily through a bulk tariff.

The IEC and PETL are encouraged to resume negotiations towards a comprehensive PPA. This includes addressing any outstanding issues relating to tariffs, the transfer of assets to PETL, and clarify the PETL's operation in Area C.

31. PETL is developing an electricity masterplan for the West Bank, due to be completed in Q2 2023. It will guide generation and transmission infrastructure planning in the West Bank up to 2035. The

⁴³ OQ analysis based on PENRA, PCBS and World Bank data.

masterplan has been developed with coordination between PETL and Israel's Independent System Operator (NOGA). It will help frame the planning needs, thus helping the PA deliver the electrical infrastructure needed and help bring clarity on how the international community can support its implementation. Upon completion of the masterplan, a comprehensive application for the overall set of required permits will help facilitate the permitting process and, if needed, also help enable international community support.

32. In Q3 2022, PENRA announced a plan to consolidate the five existing DISCOs and 121 LGU electricity suppliers into a single entity, the 'Palestine Electricity Company'. This company is intended to support network integration across the West Bank, thereby increasing electricity reliability, power supply, and overall market efficiency. PENRA plans to appoint a consultant shortly to support implementation of the changes by the end of 2023.
33. JDECO debts to IEC are an ongoing challenge. In July 2020, JDECO restructured its previous debt to the IEC and began repaying the 580 million NIS through 48 monthly installments of approximately 12 million NIS each. IEC reported in September 2022 that JDECO proposed an alternate payment plan to cover only 75 per cent of its accrued debt, however, this was rejected by IEC. IEC has since continued advocating within the GoI to settle outstanding JDECO debts and prevent the debt from growing.⁴⁴
34. JDECO's unpaid invoices since July 2020, on top of JDECO's debt noted above, have yielded an additional 850 million NIS of debt as of April 2022.⁴⁵ Due to the growing debts, IEC issued a warning to JDECO in early 2023 on potential outages on 14 lines in JDECO's concession area, across Areas A, B, and C. These are expected to be more severe than those implemented in 2021 and 2022, which affected only six lines in Areas B and C, as well as refugee camps.
35. In January 2023, the Ministry of Local Government signed an agreement with a Palestinian company to build a 40 MW waste-to-energy facility. It will be built at the site of the West Bank's second largest landfill, Zahrat al-Finjan, and will incinerate approximately 1,200 tons of waste per day. The 150 million USD project will meet around half of Jenin Governorate's electricity demand and is expected to be completed in approximately four years.

Gaza electricity

36. Electricity infrastructure upgrades are essential for Gaza to achieve a stable and reliable electricity supply. PENRA's Gaza Electricity Masterplan 2017-2035 outlines options for upgrading Gaza's electricity generation, distribution, and transmission infrastructure, including through additional electricity imports from Egypt and Israel. Implementing the masterplan will help support renewable energy projects and also ensure that the full potential of G4G is realized by allowing the evacuation of 600 MW or more from the GPP. PENRA is working with the World Bank on advancing the implementation of the masterplan.
37. In July 2022, PENRA detailed a two phased approach for Gaza's electricity infrastructure to support the expansion of the Gaza Power Plant. In November 2022, as part of the first phase, PENRA announced a 4.6 million USD funding agreement with Norway to rehabilitate the Gaza West Substation. This will help improve the reliability, operability, and safety of the key substation which evacuates power from the GPP.⁴⁶ The second phase will require approximately 130 million

⁴⁴ IEC (2022, September). *The Israel Electric Corporation Ltd. Financial Reports*. p.29

⁴⁵ Reported as 550 million NIS by IEC (2022, September). *The Israel Electric Corporation Ltd. Financial Reports*. P.29. In April 2023, JDECO stated the debt value had reached NIS 850 million

⁴⁶ Upgrades will include switch gear, SCADA and building upgrades.

USD based on installing several substations, feeders, a national control center, as well as other related infrastructure.

PENRA is encouraged to advance Phase 2 for the Gaza Transmission System and identify areas where international community support would be helpful to facilitate the implementation.

38. On the supply side, a 161 kV line from Israel to Gaza could initially supply up to 140 MW of high voltage electricity to Gaza. If used to substitute the current medium-voltage imports, it could reduce energy costs through a lower bulk tariff (estimated potential savings of 20 million NIS per year), reduce technical losses, and generally replace the older and less efficient medium voltage lines with a more cost efficient high voltage line. A renewed focus on the 161 kV line could support a validation study to validate the anticipated benefits and possible implementation strategies.
39. Egyptian medium-voltage lines to Gaza have been disconnected since February 2018. Restoring Egyptian electricity imports would supply around 17 MW of electricity immediately, while rehabilitation of the lines would supply up to 27-30 MW. Future expansion of the Egyptian lines could supply up to 100 MW to Gaza. Recent developments in Egypt's electricity sector, including significant increases in its generation capacity and efforts to increase exports, have resulted in a major electricity surplus. This could provide the base for renewed discussions on electricity exports to Gaza.

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

Renewable energy

40. Renewable energy (RE) has the potential to supplement baseload electricity supply sources while supporting the overall environmental and financial sustainability of the energy sector. When implemented at scale, it can also mitigate future increases to net-lending and contribute to climate targets.
41. Following an EU request at the May 2022 AHLC, the OQ facilitated a series of discussions with the parties and the international community on permitting for Renewable Energy in the West Bank. The discussions yielded an international community Common Position Paper to support an agreed approach between the parties to develop RE in Area C. The approach aims to unlock investments from the international community and the Palestinian private sector, while addressing net lending and meeting the growing Palestinian energy demand. Using a set of technical criteria, efforts are underway to define areas which are suitable for RE and to quantify the total RE potential in the West Bank. This can help support the next steps after an agreed approach is established between the parties.⁴⁷

⁴⁷ The GoI shared steps for developing RE sites on private land in Area C. This has yet to be agreed by the parties.

The parties are encouraged to continue their engagement with the OQ and the international community to reach an agreed approach to advance renewable energy in Area C, in line with the parameters proposed by the international community

42. Also following an EU request at the May 2022 AHLC, the PA has identified over 200 MW of solar PV sites and is engaging with the GoI to advance their development. Separate from these sites, the GoI had previously approved two locations in the West Bank in Bani Naim (Area A) and Aqbat Jabr (Area C) for solar PV. The parties are encouraged to work together to reach an agreed process for site identification, licensing, tendering, grid connections, and commercial arrangements to allow the sites to be constructed and commissioned.⁴⁸

The GoI is encouraged to respond to the PA identified sites and to maintain the 45-day response time that had previously been identified

43. In support of the PA, the OQ commissioned a consultant in November 2022 for an electricity grid impact assessment of the GPP network. The study will help identify the existing and future capacity of the grid to absorb RE and will also propose upgrades to enable more RE to be absorbed. The assessment is expected to be completed in Q3 2023.
44. With funding from Norway, the EU, and the Islamic Development Bank, the first phase (1.7 MW out of a total of 7 MW) of the solar PV plant at the Khan Younis WWTP in Gaza was completed at the end of 2022. This site was identified in the pre-feasibility study conducted by the OQ in 2019.
45. In 2022, Germany signed a 16 million EUR agreement with PENRA for two solar PV projects to be developed by KfW.⁴⁹ The sites will be developed in close coordination with the Palestinian Water Authority, who will own the 10 MW site in the North of Gaza. The PWA will benefit by offsetting its electricity bills. The second site near the town of Rafah will be owned by PENRA. The ongoing GPP electricity grid assessment will help identify the optimal grid connection point for this site.

Gaza Marine

46. Developing the Gaza Marine gas field would significantly boost Palestinian energy independence and revenues. Building on the MoU signed between the PA and Egypt in February 2021, a framework agreement was signed between the PA and Egypt in October 2022 to advance the field's development. This recent development is an important step toward realizing the production of Palestinian natural gas. The gas field is jointly owned by CCC and PIF, with a share to be allocated to the developer.

The relevant parties are encouraged to work together on refining project costs, development and construction timelines, commercial arrangements, technical requirements, and securing funding.

⁴⁸ The GoI established an inter-ministerial Israeli team to advance green energy projects in the West Bank.

⁴⁹ <https://ramallah.diplo.de/ps-de/aktuelles/-/2523436>

Telecom

47. During the reporting period, discussions continued between the parties on the deployment of advanced mobile technologies. The Joint Technical Committee (JTC) was intensively convened, resulting in an agreed spectrum package in September 2022, followed by the signing of a technical MoU in December 2022. This progress towards introducing 4G and 5G Non-Stand Alone (NSA) technologies in the Palestinian market in 2023 is positive.
48. The agreed spectrum package provides a total of 142.6 MHz, including the existing 20 MHz of 3G, which will be used four months after the Palestinian cellular communication companies launch the 4G technology and deploy a minimum of 100 sites operating in the assigned frequencies of the 2600 MHz Band. The frequencies are to be assigned in two phases: phase I for immediate use, and phase II by the end of 2025. Implementation of the MoU is pending the conclusion of technical and commercial arrangements between the Palestinian cellular communications companies and the spectrum management company,³² considering that most of the agreed frequencies are to be allocated on a shared basis with an Israeli operator/s.
49. To commence the companies' discussions, the Palestinian Ministry of Telecommunication and Information Technology (MTIT) requested the Israeli MoC to identify the management company, the Israeli operator/s to share the spectrum as well as a written allocation for the bandwidth of Phase I spectrum, the allocation of microwave links and approval for fiber optic links to ensure inter-city connectivity. The MOC communicated the allocation letter at the beginning of April 2023, identified the managing company, and requested the MTIT to notify MOC of the division of the allocated spectrum between the two Palestinian companies, which was done. However, no commercial discussions have taken place so far, which is undermining the target of 4G deployment by the end of 2023.

The MTIT is encouraged to:

- 3. Assign the agreed frequencies among the two Palestinian operators.**
- 4. Conclude the list of materials needed for 4G and 5G (NSA) deployment.**

The Israeli Ministry of Communications (MoC) is encouraged to:

- 1. Respond to the remaining requests of the Palestinian MTIT for:**
 - **Identification of the Israeli operator/s to share frequencies**
 - **Allocation of the microwave links**
 - **Approval for fiber optic links to ensure connectivity between cities.**
- 2. Accelerate the commercial discussions with the two Palestinian companies.**

The companies are encouraged to conclude a feasible and timely agreement to enable the commercial launch of services in 2023.

50. Positive developments in the Palestinian telecom market were achieved, with the continued deployment of fiber optics network, growing from an estimated 3,000 to an estimated 52 thousand subscribers by the end of 2022.⁵⁰ This further advanced the Palestinian territory's global internet speed ranking from 140th to 73rd, with download speeds recorded at 53 Mbps.³³ A further positive development was the establishment of the Palestinian Telecom Regulatory Authority

⁵⁰ As per data published by the MTIT in March 2023.

(PTRA), and the assignment of the PTRAs Board of Directors in January 2022 is a first step towards the implementation of the 2021 Telecommunication Law.

Governance and Rule of Law

Fiscal Management

51. A steep decline in foreign aid, slowed economic activity, inflationary pressure, and persistent fiscal leakages continue to auger a challenging fiscal environment for the PA. Recent increases to Israeli deductions from Palestinian clearance revenues will likely have a further negative impact on the PA's 2023 financial position. Clearance revenues represent a significant source of income for the cash-strapped PA, amounting to 3.32 billion USD in 2022, almost 65 per cent of the PA's total revenue.⁵¹
52. In the last week of January, Israel announced it would increase the amount of Palestinian clearance revenue it deducts from the PA against Israeli estimates of PA "prisoner and martyr" payments from 50 million NIS to 100 million NIS for the months of February through June (a total of 250 million NIS in additional funds in 2023).⁵² The PA estimates that Israel has already withheld approximately 600 million USD in clearance revenue against estimated "prisoner and martyr" payments since 2019 when the Knesset legislation was passed. The additional sum of 250 million NIS is said to represent a "recovery" by Israel of 2019 funds for which payment was temporarily suspended during the COVID-19 pandemic. Additional pressures imposed by the increase in deductions from clearance revenue will make it more difficult for the PA to weather its already challenging economic environment, shrinking its ability to finance its budget deficit to cover public spending obligations, particularly towards the most vulnerable households.⁵³
53. The PA has already undertaken significant measures to deal with its growing financial shortfall. In 2022 the PA was able to improve its total revenues by about 18 per cent while maintaining the same level of expenditures as the previous year. It reduced its total deficit after aid by more than 80 per cent compared to the previous year (from -953 million USD to -176 million USD).⁵⁴ Nevertheless, an entrenched financial budget deficit and inability to finance it through lending, coupled with improved, but still limited institutional revenue generation tools, has led the PA to resort to several austerity measures delaying payments to service providers and capping of public sector employee salaries at 80 to 85 per cent since November 2021. While unsustainable, such temporary coping measures, together with an increase in the PA's internal revenues, enabled the PA to meet some of its financial obligations in 2022.

⁵¹ Palestinian Authority, Ministry of Finance

⁵² The GoI asserts that the deductions are carried out according to Israeli law, where the 2018 Israeli Prisoners Law mandates deductions equivalent to their estimate of PA payments to families of Palestinians imprisoned or killed for alleged terrorist offenses. The GoI also asserts that these do not represent an overall increase in deductions but are delayed from a COVID pandemic period when the deductions were frozen.

⁵³ The PA had forecasted that the 2023 deficit would amount to 322 million USD, the PA is now forecasting a deficit of 402 million USD as a proximate consequence of the increased deductions, according to DG Luay Hannash, Palestinian Authority, Ministry of Finance.

⁵⁴ According to estimates from the IMF, April 2023.

54. In April, the PA announced a 2023 deficit in the amount of 351 million USD,⁵⁵ noting the downward pressure caused by the added clearance revenue deduction on the 2023 budget and that this would likely forcing the PA to consider maintaining or possibly increasing the cap placed on public sector employees' salaries payment to beyond 80 per cent and further delaying payments to suppliers and service providers, effectively accumulating more arrears.
55. Growing strain on the PA's financial position is increasingly eroding its available options to meet the Palestinian population's basic needs and quality of life, essential for preserving stability and security within the PA. In light of the protracted PA fiscal situation, additional external measures that reduce fiscal viability and further exacerbate the fragility of the PA should be considered.
56. It is crucial that the parties reach agreement on the outstanding fiscal files and continue to work towards improved transparency in clearance revenue deductions and initiate meaningful dialogue for timely resolution of key outstanding fiscal files, which will contribute to greater stability and security for the PA budget. These include, but are not limited to:
- final rollout of the full EVAT system;
 - transfer of customs authority;
 - resolution of Allenby Bridge crossing fees; and
 - reduction of the three per cent handling fee;
 - finalise discussion on the blo and VAT tax on fuel purchase.
57. Towards the end of 2021, the GoI MoF has established committees to examine some of these fiscal files, including the handling fees and the Allenby Bridge crossing fees. However, no advances have been formally made since the last AHLC report. In 2022, the PA MOF reported that the three per cent handling fees amounted to some 100 million NIS, of which 40 per cent was comprised of handling fees on fuel taxes.

The GoI is encouraged to waive the 3 per cent handling fee, or at a minimum significantly reduce it to reflect actual administrative costs.

The GoI is encouraged to allow the PA to purchase fuel from Israel without excise tax and VAT, which significantly reduce the overall clearance revenue handling fee.

Electronic VAT clearance mechanism

58. An assessment report has been prepared by the OQ to capture the impact of the e-VAT pilot (6 March to 31 August 2022), which was undertaken to test the replacement of the long-standing paper-based VAT administrative process with an electronic system for the filing and reconciliation of VAT applicable on business-to-business transactions between Israeli and Palestinian merchants.
59. Effective 6 March 2022, the e-VAT system became fully available for use by the Ministries of Finance as well as Palestinian and Israeli merchants. However, both Ministries opted to employ different conditions of use for the introduction and transition from paper-based to electronic filing, resulting in different levels of uptake. On the PA side, use of the system was made compulsory for eligible PA merchants effective immediately, while on the GoI side, use was to

⁵⁵ Palestinian Authority, Ministry of Finance

remain voluntary, subject to the success of the pilot. It was subsequently identified that it could only be made compulsory for eligible Israeli merchants upon regulatory change. The Gol has shared a draft law with the Israel business community and received feedback that will feed into the regulation at the Knesset Finance Committee.

60. As of 31 December 2022, according to data from the PA Ministry of Finance, some ten months after the launch of the system, 2,975 Palestinian users were registered, with 2,290 of them being active. During that month, over 19,931 invoices were issued to more than 14,000 Israeli buyers, with a total transactional value of over 500 million NIS and a corresponding VAT amount of approximately 80 million NIS. Cumulatively, over the ten-month period, approximately 170,000 P-invoices were issued through the Palestinian system with a total transactional value of 5.0 billion NIS and a corresponding VAT amount of 690 million NIS. These figures demonstrate the system's increasing usage and adoption, highlighting the system's potential to streamline and automate trade transactions between Palestinian and Israeli merchants.
61. Performance statistics on the Israeli side, based on data provided by the Gol MOF, paint a similarly positive picture. As of December 2022, according to data from the Gol Ministry of Finance, ten months after the launch, the number of active Israeli merchants had also incrementally and voluntarily increased to 942. Together issuing 10,036 I-invoices with a total transactional value of 305 million NIS and a corresponding VAT amount of 52 million NIS. Cumulatively, over the ten-month period, approximately 50,000 I-invoices were issued through the Israeli system with a total transactional value of 1.4 billion NIS and a corresponding VAT amount of 244 million NIS. However, the larger proportion of actual VAT transactions are paper-based or filed through a separate mechanism for larger merchants, exempt from this pilot.
62. While the true fiscal effect will only be observable upon full implementation of the e-VAT management system by both sides, early indications suggest the adoption of the electronic filing system is already yielding favorable results likely to support the reduction of VAT fiscal leakages arising from transactions between merchants trading between the PA and the Gol, positively impacting both treasuries and administrative capacities. Analysis of the pilot has also identified ancillary benefits to both parties, including improved transparency, efficiency, and accuracy of VAT administration for both businesses and tax authorities. By adopting digital solutions of electronic invoicing, electronic reporting, and real-time VAT filing, businesses can reduce administrative burdens and improve compliance, while tax authorities can more effectively process, monitor, and enforce VAT regulations for improved compliance while leveraging new business intelligence data for planning and policy making. The report also reaffirms the necessity of ongoing technical cooperation between the sides to ensure the functionality of the system, as well as the importance of full participation of all eligible Israeli merchants engaged in trade with Palestinian merchants to ensure that the system is fully implemented and that the potential benefits of the transition. The report also identifies the need for the PA to ensure adequate infrastructure is in place for the long-term sustainable operation of the e-VAT system.

With a view to strengthening the use of and sustainability of the e-VAT system, the OQ encourages:

- **The Israeli Ministry of Finance to finalize arrangements for the adoption of the enabling regulation required for full implementation of the E-VAT system.**

- The Palestinian Ministry of Finance to undertake measures needed to ensure sustainability of the e-VAT system, including inter alia robust software, hardware, storage, security, network telecommunications, and human resources.
- Both parties to take decisive steps to ensure the full participation of “large dealers” in the e-VAT system in a manner that responds to the particular needs of this important market segment.
- Both parties to undertake maintenance of formal arrangements for the continued administration of the e-VAT, including inter alia mechanisms for sharing and deconflicting system data as well as details of the monthly clearance sessions, formal technical ticketing, and a joint escalation process for resolving technical system problems.
- The GoI to consider employment of live QR codes in electronic invoices.

Allenby Bridge crossing fees

63. At the end of 2022, the outstanding Allenby revenue owing by the GoI to the PA on Allenby fees continued to mount, awaiting resolution on the apportionment of revenue collected by the GoI through fee increases and the transfer of outstanding revenue.
64. The GoI continues to owe to the PA the yet-to-be settled share collected through progressive unilateral fee increases beyond the fee amount permitted by the Interim Agreement⁵⁶ – between 2008 and 2021, this resulted in approximately 697 million NIS in additional Allenby revenue⁵⁷ and⁵⁸ applying the fee-sharing formula set out in the Agreement to the 697 million NIS the PA would be entitled to a 392 million NIS share of that sum and the GoI to the remaining balance of 305 million NIS. In 2022 the additional revenue grew to an estimated 712 million NIS based on estimated passenger figures.⁵⁹
65. The Interim Agreement defines the passenger fee the parties may charge to all exiting passengers, namely 26 USD, and the formula for sharing that fee between the parties. Notably, the Interim Agreement does not include provisions permitting the parties to increase the fee, nor does it contain provisions for sharing fees beyond the permitted amount. Accordingly, it also remains for the parties to reach an agreement on how to increase passenger fees going forward. On 19 December 2022, the GoI announced another unilateral fee increase from 45 USD to 48 USD (167 NIS) to take effect on 1 January 2023.⁶⁰
66. Further analysis of funds transferred between 2008 and 2021 indicated that, aside from the increased portion of the crossing fees, the PA has also received a lesser proportion of the collected

⁵⁶ *Interim Agreement*, [Annex I, Appendix V, Section G](#), 1995.

⁵⁷ The GoI asserts that the fees are not transferred to the GoI, but remain with the airport authority for the operation, maintenance, and development of the crossings.

⁵⁸ *Ibid.*

⁵⁹ IAA figures were not received for 2022; accordingly, the estimated additional revenue uses data from the Palestinian General Administration of Border and Crossings.

⁶⁰ Based on the 19 December 2022 IAA Fee Circular.

26 USD base fees than defined under the Agreement by some 70 million NIS,⁶¹ based on the formula for sharing passenger fees set out in the Interim Agreement.

The GoI is urged to remit to the PA any outstanding share of Allenby Bridge crossing fees due.

The parties are encouraged to agree on a formula for setting and sharing of future crossing fees to prevent the accumulation of disputed funds.

Transfer of Customs Authority

67. With important fiscal losses arising from goods undervaluation and smuggling, the World Bank has previously estimated that the transfer of customs authority could reduce revenue loss to the PA by approximately 53 million USD annually.⁶²
68. In June 2022 the GoI provided the PA with a draft of principles for the establishment of bonded warehouses to which the PA replied with a counter proposal on the wider matters of customs authority transfer of which bonded warehouses are an important part. On the aforementioned transfer including bonded warehouses, and since the last AHLC, no concrete advances have been made. One technical meeting on the matter took place between MOFs under the previous GoI administration, with the parties differing on several issues, *inter alia*, with GoI counterparts proposing the phased implementation of categories of goods and exclusion of high value goods in the initial phases, in contrast to PA position which foresees full transfer of customs clearance authorities on all goods destined for the West Bank, notably by including high value goods from the outset. Follow-up meetings are yet to take place since the new GoI administration took office.
69. The PA and the GoI are encouraged to intensify and increase the frequency of structured MOF-to-MOF technical meetings to reach an agreement on outstanding issues, including the goods for inclusion, as well as timelines for implementation.
70. In parallel, the PA is also encouraged to finalize the drafting and revision of necessary laws and regulations, such as the draft Customs Law and enabling by laws for the use of bonded warehouses and customs brokers.

AHLC members are encouraged to commit to supporting this area of work while the parties intensify their engagement on it.

Banking relations

71. Over the reporting period the Palestinian Monetary Authority (PMA) and the Bank of Israel (BoI) have again engaged in senior-level discussions, with a view to advancing modalities of a correspondent banking model and addressing accumulation of excess physical shekel, amongst other issues. Agreeing and implementing a durable CBR model remains essential for both parties, supporting financial and economic stability for the PA, as well as for managing GoI anti-money laundering/counter financing of terrorism (AML/CFT) standards, while also finally setting aside the

⁶¹ These calculations, based on passenger data obtained from the PA MOF, GoI MOF, and the Israel Airport Authority, as made by the OQ and World Bank, show the outstanding amount when applying the fee sharing formula to the 26 USD per passenger fee.

⁶² World Bank, *Economic Monitoring Report to the Ad Hoc Liaison Committee*, 19 April 2016, at p. 15, para 25.

need for Israeli commercial banks providing CBR services to the PA to rely on assurances from the GoI through repeated provision of temporary indemnity and immunity letters. At the time of writing, renewal of letters of indemnity and immunity for the forgoing period had been confirmed.

72. While both parties agree on the need for formalizing a viable permanent CBR arrangement, progress towards that arrangement remains slow, lacking a common roadmap with concrete steps and an agreed timetable for implementation. Parties remain in agreement on providing connectivity for Palestinian banks by way of an intermediating special purpose vehicle model. An inaugurating step, the set-up of a government-owned commercially-operated Israeli correspondent banking company has, in principle, already been taken, but its progress thus far has been stalled for, amongst other things, awaiting an enabling Israeli correspondent banking company legislation.
73. The parties continue to diverge on the need for a phased implementation of services. The BoI continues to put forward an arrangement whereby only Palestinian banks already using CBR services would be given preference from the outset following a due diligence process based on Israeli and international standards. Conversely, the PMA has argued for concurrent inclusion of all thirteen operating banks on an equal and level playing field in the financial sector, and to have secure guarantees for future operators. Modalities of due diligence have not been agreed among parties.
74. Cash management, in particular the challenge of excess physical cash accumulation in Palestinian bank vaults and limited cash services, remains an ongoing matter of concern to both the PMA and BoI, hampering Palestinian bank liquidity and reducing profitability, while serving as an ongoing AML/CFT concern to the BoI. In 2022 the BoI authorized exceptional cash shipments of NIS 7.5 billion above the regular quota of NIS 18 billion per year. With the PA already entering 2023 holding a significant excess cash surplus, a PMA request a 2023 quota increases of 10 billion NIS, this was declined by the BoI, although the BoI has agreed to accept the Q2 quota shipment already in Q1, according to the PMA.
75. Nevertheless, cash accumulation improvements are expected to emerge in the medium term with the 1 January 2023 launch of a salary digitalization program. Initiated by the GoI in cooperation with other institutions in 2022, cooperation by both regulators has enabled the rollout of a program whereby Israeli employers are now obliged to pay salaries of Palestinian workers in the Israeli economy directly to Palestinian banks by digital means.
76. Applying only to permitted workers, both regulators acknowledge a comprehensive initial uptake, with Palestinian banks receiving a reported 66,000 transfers in February 2023 for a total 450 million NIS, but still note that the bulk of transferred salaries across all sectors appear consistent with those triggering the lowest tax rates, suggesting employers are continuing to pay a portion of salaries in cash. Salary digitalization represents a meaningful step in tackling a primary source of shekel accumulation. The Palestinian financial sector has set up measures to induce enrolment of new banking users, thus also boosting financial inclusion, witnessing a significant number of new account openings, while promoting digital payments through reduced interchange fees on domestic point of sale terminal transactions. Importantly, the PMA also regards the measure as having possible implications for boosting PA income tax compliance, noting that this will require a mechanism for information sharing between the MOF and financial institutions. The PMA and MOF will be exploring options for enhanced information sharing between the PA and the

Palestinian financial sector with due regard to information privacy and banking secrecy considerations.

77. The West Bank/Gaza Middle East and North Africa Financial Action Task Force (MENA FATF) Mutual onsite evaluation, scheduled to assess and present recommendations on combatting money laundering and the financing of terrorism efforts in February 2023, was once again postponed. The PMA is currently exploring a new date set at the earliest opportunity in 2023 and this remains an important confidence building measure for the Gol.

The PMA and the Bol are encouraged to accelerate their discussions with the goal of finalizing a workable model for the new correspondent banking mechanism. This effort may be assisted by putting in place a sequenced roadmap of work.

The PMA is encouraged to finalize a new date to ensure a timely conclusion of its FATF onsite evaluation.

The Gol is encouraged to adopt enabling correspondent banking company legislation to facilitate the operation of the new Special Purpose Vehicle (SPV), capable of protecting transactions between the parties.

Movement and Trade

78. Palestinian imports and exports have grown significantly in 2022 compared to 2021, with overall trade amounting to 9.8 billion USD in 2022 compared to 7.9 billion USD in 2021, a 24% increase. Imports from Israel have experienced a 33% increase, from 3.47 billion USD in 2021 to 4.64 billion USD in 2022. Palestinian exports to Israel have also grown from 1.3 billion USD in 2021 to 1.4 billion USD in 2022, amounting to a 7% increase. Additionally, imports from other countries have also grown by approximately 24%, rising from 2.9 billion USD in 2021 to 3.6 billion USD in 2022. Exports to other countries grew from 162 million USD in 2021 to 189 million in 2022, a 16% increase.⁶³
79. A/KHB has witnessed a noticeable growth in passenger travel during 2022, with the number of passengers traveling through the crossing rising from around 586,600 passengers between January and September 2021 to approximately 1,596,000 for the same period in 2022, an increase of 170%.⁶⁴
80. Gaza imports in 2022 by volume, measured in truckloads, totalled around 118,000 of which around 80,000 truckloads entered via Kerem Shalom crossing and 38,000 truckloads via Salah Eddin Gate. This constitutes a 5 per cent decrease in the volume of imports via Kerem Shalom and a 90 per cent increase in the volume of imports via Salah Eddin gate in comparison to 2021 data. Access of goods to the West Bank and export to Israel and beyond increased in 2022 by 42 per cent, from 4,055 truckloads in 2021 to 5,770 truckloads in 2022. Exports to Egypt via Salah Eddin gate also increased from around 500 truckloads in 2021 to around 1,700 truckloads in 2022, a 240

⁶³ Palestinian Central Bureau of Statistics (PCBS)

⁶⁴ Israeli Airports Authority (IAA)

per cent increase.⁶⁵ With respect to Gazan laborers working in Israel, the number of issued permits has remained at around 17,000⁶⁶ since June 2022.

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

Door-to-door and trade facilitation

82. The Door-to-Door program continued to expand in 2022 with the number of shipments processed increasing by 14.4 per cent from 18,529 shipments in 2021 to 21,195 in 2022, generating around 2.7 million USD in savings. Cumulatively since March 2018 around sixty-four thousand shipments have been processed generating cost savings of over 8.9 million USD.⁶⁷
83. As of September 2022, ICA approved the utilization of Palestinian plated trucks and West Bank ID holders for five companies as part of a three month pilot, that has since been extended.
84. Efforts to expand the program to facilitate the more effective participation of small and medium sized companies through the adoption of a SJSF, pursued in partnership with the Palestinian Federation of Industries (PFI), continue with the development of a business model that includes supply chain security measures acceptable to all stakeholders. Upon successful completion, the pilot facility is expected to lend itself to replication in other locations in the future.

Trade facilitation with Jordan

85. Imports via A/KHB increased considerably during 2022, with the number of truckloads processed growing by 27 per cent compared to 2021, increasing from 52,110 to 66,221 truckloads.⁶⁸ Considering current and historical trade data at A/KHB, the volume of trade with and via Jordan is expected to continue at this rate, provided processing capacity is increased commensurately.
86. This growth, coupled with the limited processing capacity and the cumbersome back-to-back process, has resulted in heavy congestion leading to prolonged delays and the consequent cost increases incurred by the Palestinian private sector. Additionally, the Palestinian private sector anticipates a substantial increase in cement imports from Jordan to offset a reduction in supply from the Israeli market⁶⁹ that will further exacerbate the congestion. The adoption of a direct transfer process at A/KHB is expected to enable both the more cost-efficient movement of goods, particularly for bulk materials such as cement and help increase processing capacity.
87. The OQ will continue collaborating with the Palestinian Ministry of National Economy and other stakeholders to develop the technical conceptualization necessary to enable technical discussions between relevant stakeholders, including the Jordanian Government.

Sustainable economic development in Gaza

Gaza industrial support effort

⁶⁵ GISHA - Movement and access to and from the Gaza Strip monthly reports.

⁶⁶ Reliefweb - Movement in and out of Gaza: update covering November 2022.

⁶⁷ As calculated by the participating companies.

⁶⁸ Israeli Airports Authority (IAA)

⁶⁹ Nether Co., main Israeli cement producer, is planning to reduce overall supply to under 50 per cent to comply with anti-monopoly regulations, which is expected to mean a reduction of around 1 million MTs available to the Palestinian market.

88. Building on previous work, carried out jointly with the Palestinian Federation of Industries (PFI) on assessing the state of industry in Gaza and the means to restore industrial activity at scale, efforts are currently focused on supporting a range of relevant stakeholders such as MoNE, PFI and other relevant umbrella organizations and agencies to advance a robust industrial development outlook. This can serve as a common road map in addressing a range of challenges, including technical capacity building, financing, access to markets, and access to materials classified as ‘dual-use’ and the associated policy measures required by the parties.

Restoring Gazan food sector exports

89. As of July 2022, new Israeli procedures on transferring Gazan processed foods to the West Bank have enabled the transfer of a limited range of processed food products based on Palestinian Standards Institute (PSI) certification. While a positive development, the range of products allowed access to the West Bank is still limited to non-sensitive dry products, restricting effective economic development to this industrial sector.

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.

Annex A: Status of ongoing water and wastewater infrastructure projects

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

Gaza Central Desalination Plant and Associated Works

Component	Key developments (September 2022 – April 2023)
The Additional Water Supply Network Improvement Works - Middle + Khan Younis (Kuwait)	Water is being supplied from Mekorot through Bani Suhaila and Bani Said connection points. Along with Al-Montar connection point, a total of 18.4 MCM was supplied in 2022 to Gaza from Mekorot.
Southern Main Carrier (Kuwait)	Contract was signed in Q1, and the construction is expected to start towards the end of Q2 2023.
Reconfiguration in Gaza and Northern Governorates and Al Montar system	The consultant is working on verifying the existing design, procurement, construction supervision, and commissioning for this package. The tender is expected to be ready by end of Q2 2023.
Reconfiguration in Middle (World Bank)	The construction works is ongoing with interruptions due to challenges in the procurement process. The completion date is expected by June 2023.
Reconfiguration in South (World Bank)	Construction works started. An updated list of materials was submitted in March by the PWA to Gol for approval.

Water and Wastewater Facilities in Gaza

Component	Key developments (September 2022 – April 2023)
Northern Gaza Emergency Sewage Treatment Plant (NGEST)	<p>The facility operates above its capacity. An expansion is needed with an estimated cost of 15 million USD.</p> <p>The reuse scheme project for NGEST was completed in December 2022, and pumping to farm is expected in Q2 2023. The second phase of the reuse scheme and the recovery scheme will be tendered in Q2 2023.</p> <p>The plant is energized from the grid, and the construction of the 7.5 MW PV plant is underway delays were faced and the PWA had to hire a company to clean the area to enable the contractor to start the land levelling. Further, a detailed assessment is being done to identify the requirements to re-operate the biogas system.</p> <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>Ongoing discussions between PWA and CMWU to handover operation responsibilities to the CMWU.</p>
Gaza and Middle Area WWTP	<p>The facility operates at its full capacity since 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 was signed. The biogas system was repaired and started operation in February 2023.</p> <p>Expansion of facility is needed with an outstanding funds of 40 million USD by 2030.</p>
Khan Younis WWTP	<p>The facility operates at half of its capacity due to limited household connections in the area. A 4.4 million USD project funded by the Kuwaiti fund, through the IsDB, for connecting the eastern villages is underway, to be completed in Q1 2024. To connect remaining households, approximately 15 million USD are needed.</p>

	<p>In terms of <u>O&M</u>, the facility is facing financial constraints; approximately 3.44 million USD are needed from 2023 until 2031. CMWU continues to operate the facility with minimum staff due to insufficient O&M financial availability.</p> <p>The facility is <u>energized</u> from the grid and the first phase of a PV plant of 1.3 MW which was constructed last year. The construction of the second phase PV (3.7 MW) is underway - to be completed by Q4 2023, while the remaining 2 MW funded by the EU, will follow.</p> <p><u>Reuse scheme</u>:. The EU, through Oxfam, funded the construction of two recovery wells in Al Fakhoury. The contract was awarded in May 2022 to develop two wells and irrigation system for 300 dunams. Construction in progress and expected to be completed by Q2 2023. On to of this development 26 million USD is needed for reuse scheme.</p>
Rafah WWTP	<p>The plant has deteriorated significantly. PWA is suggesting construction of a new treatment plant at the same location of the existing plant with a total estimated cost of 30 million USD. An additional 1.5 million USD is needed to complete the master plan and design of the facility.</p>
Southern STLV	<p><u>Phase I operates</u> at full capacity. <u>Phase II is constructed</u> following significant delays due to CoVID-19 lockdowns, delays in Gol's permits for international experts to enter Gaza to commission operations, and delays in Gol's approval for entry of chemicals, amongst other materials. <u>Phase II</u> is currently in commissioning of operations to be completed in Q2 2023. PWA is planning another expansion of the facility (<u>Phase III</u>) by 7.3 MCM at an estimated cost of 26 million USD; funding is outstanding.</p> <p>For <u>energizing</u> phase II, a dedicated power line was constructed with EU funding last year, and an agreement between the PWA and GEDCO was concluded in February 2023 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 <u>O&M costs</u>; the estimated outstanding financial gap is 1.60 million USD needed up to 2031.</p>
Gaza City STLV	<p>The <u>facility operates</u> at full capacity with power from the grid. A tender (for 2 million USD) is in preparation to be issued for the expansion of the facility into Phase II to increase the capacity by 2,500 m³/day with a fund from the IsDB.</p> <p>The facility is still facing a challenge with <u>O&M costs</u> and the estimated outstanding financial gap is 1.07 million USD until 2031.</p>
Deir al Balah STLV	<p>The <u>facility operates</u> at a third of its capacity as it requires the construction of a <u>dedicated power line</u> with an estimated cost of 50,000 USD to enable operations at full capacity. 3.5 million USD is needed for installation of pumps / spare parts within 2 years.</p> <p>The facility is still facing a challenge with <u>O&M costs</u>; the estimated outstanding financial gap is 0.77 million USD for the period until 2031.</p>

Water and Wastewater Facilities in the West Bank

Component	Key developments (September 2022 – April 2023)
Hebron WWTP, Wadi Saman Trunk Line and Reuse Scheme	<p>Construction of the plant is expected to be completed by December 2023.</p> <p>A trunk was designed and is under construction (60% progress) with funding from the World Bank, AFD, EU, as well as PA contributions of 8 million USD. The trunk line will be used for transmitting wastewater until the plant is operational, afterwards it will transmit the treated wastewater.</p> <p>A feasibility study including engineering designs for a reuse scheme started in July 2022 and is expected to be finalized by June 2023. 15 million USD funding is needed for the development of the reuse scheme.</p> <p>Hebron Municipality is developing a tender for a consultant to assess the technical solutions that were developed for the permanent facility for treating slurry generated at the stone cutting industrial zone and the temporary plans for slurry sedimentation is still challenged with lack of agreement between the parties on the sedimentation area/s.</p>
Ein Jariot WWTP	<p>KfW committed 30 million USD for this WWTP.</p> <p>Approvals from JWC and ICA have been acquired and the no-objection announcement was completed. The detailed design is currently under development and construction works are expected to begin by mid-2023, and to be completed by 2025.</p>

North-East Ramallah Sewage Project	In March 2023, the PWA announced that the project will be funded by 50% with soft loan and with a grant from the EU for the remaining 50%. The estimated cost is around 40 million USD to develop the detailed design and for implementation of the sewage network, WWTP, and the reuse scheme.
Jericho WWTP and Reuse Scheme	Funds were committed by Japan through UNRWA to expand the collection network in Jericho city by 400 meters and to advance household connections. These works have been completed. Funding of 3 M USD remains outstanding for expanding the wastewater network in Jericho city, Ein Sultan Camp, and nearby communities.
Al Bireh Reuse Scheme (and trunkline to Al-Auja)	The detailed design was completed in mid-June 2022 based on the approved routing. ICA approval was secured and is valid for one year until July 2023. Funding of 9 million USD is still outstanding for the implementation of the trunk line.
Nablus Northwest sewage project	The Asira a-Shamaliya municipality contributed 0.5 M USD in 2020 for the expansion of the sewage collection network and trunk line feeding the Nablus West WWTP, the project was completed. The KfW secured 10 M EUR for the detailed design and construction of a sewage collection network, trunk line to the Nablus West WWTP, and reuse scheme. Construction of tertiary treatment, trunk line, and reservoirs will be completed by July 2023.
Tubas Sewage Project	The facility operates at around 23% of its capacity (1,000 m ³ /day) due to the limited household collection network. The PA secured 1.8 million EUR for household connections in Tubas City. The project is still ongoing. Further funding of around 7 M EUR is still needed for installing household connections in other nearby communities and villages served by the treatment plant. Further 2 million EUR is needed for a detailed design and construction of a reuse scheme.
Tulkarem Al Sha'arawiya Sewage Project	The first phase (Baq'a Sharqia & Al-Nazlat) of the project, funded by NRO, was completed in December 2020. The second Phase (Ateel and Deir El Ghoson), also funded by NRO with a cost of 5 million USD is currently under construction and is expected to be completed by Q4 2023. It includes a sewage collection network, pipeline line to the boundary, and flow meters for monitoring near the boundary.
Tulkarem	The PWA updated the feasibility study for the WWTP in May 2022 through UNDP, with funding from NRO and completed the feasibility study and conceptual design for the reuse scheme (Tulkarem – Nablus West – Jordan Valley) in October 2022. Israeli approvals for construction of the WWTP and conveyance system (reuse scheme) were provided in January and July 2022 respectively. The PWA is developing plans for preparing the detailed design for the different components of the program. Further, the Wadi al Zomer Joint Service Council started the construction of Irtah pumping station and the remaining wastewater connection system as well as rehabilitating the lagoon in Tulkarem area; with USAID funding. Completion is expected by Q3 2024.
Yatta Water Network	Following funding cuts by USAID in 2019, the NRO is providing funding through UNICEF to complete the remaining works for Yatta water network. Construction works started in Q2 2022 and are expected to be done by end of Q3 2023.
Janzur Well	Since the first well location was not developed due to technical problems, a substitute well needs to be developed. It is expected that the well will supply approximately 1.3 MCM/Y. 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.
Northwest Ramallah Project (Abud Connection Point)	Tendering for constructing the Ramallah (Aboud) connection point, co-financed by AFD and the EU (31 million EUR), was reissued in Q1 2023. Construction works are planned to begin in Q3 2023, with an expected completion date at the end of 2025. The GoI submitted some modifications to the routing of two segments in Deir Nizam and Deir Abu Mashal villages out of five in this system and the PWA finalized its decision regarding the suggested modifications.

Al Samou Connection Point	<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 connection point is planned to be completed by 2027, in two phases. The first phase includes a pumping station at the connection point and a transmission pipeline of around 13 km from the proposed connection point of Al Samoua to the proposed Yatta reservoir and the existing system. The second phase includes a new reservoir and pipeline to Adh Dhahriya.</p> <p>The project's detailed design and Environmental, Social, and Health Impact Assessment (ESHIA) are in tendering through the World Bank's funding.</p> <p>The World Bank showed interest in funding around 35 million USD for the implementation of the transmission line and pump station from the Israeli supply point.</p>
Salem and Al Jalameh water Connection Systems	<p>Funding of Salem and Al Jalameh connection system (RSDS component) was committed in February 2023 by the World Bank. The PWA proceeded with the tendering in Q2 2023 for the construction based on the detailed design that was developed by the AFD. The water distribution system for the villages located in the northeast of Jenin governorate is pending funding.</p>

Annex B: Energy infrastructure map

