



Office of the
Quartet

Report to the Ad Hoc Liaison Committee

10 May 2022

Table of Contents

Table of Contents.....	2
Acronyms	3
Foreword.....	4
Executive Summary.....	5
Introduction	8
Water	8
Energy	15
Telecom.....	19
Governance and Rule of Law	21
Movement and Trade	25
Annex A: Status of ongoing water and wastewater infrastructure projects in the West Bank and Gaza	29
Annex B: G4G pipe route and energy infrastructure for Gaza and the West Bank	34
Annex C: Selected West Bank Electricity Infrastructure Map.....	35
Annex D: Comparison of spectrum needs, current utilization and proposals exchanged between the parties	36

Acronyms

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

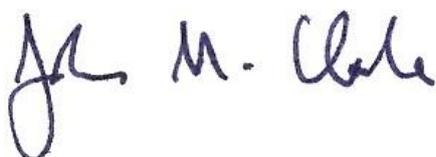
Foreword

This report is prepared in advance of the Spring 2022 meeting of the Ad Hoc Liaison Committee (AHLC), scheduled for 10 May in Brussels. The reporting period witnessed significant developments in the Palestinian territory, Israel and the region beyond, all under what appears increasingly to be the retreating shadow of the COVID-19 pandemic.

Since the completion of the last report, the situation has continued to deteriorate in both Gaza and the West Bank, with particularly acute stress placed on the Palestinian Authority's (PA) fiscal situation. The PA continued to face a serious fiscal crisis in 2021, a continuing projected deficit for 2022, a result, in part, of a continued decline in donor funding, including direct budget support. While there was renewed engagement between the parties during the reporting period (including on the establishment of an electronic VAT system, now in a pilot phase), progress on the range of longstanding fiscal files, which have the potential to help decrease the fiscal deficit, must be accelerated.

This report focuses on identifying progress achieved and the critical next steps required in order to meet the short, medium and long-term objectives which, in combination, have a potentially transformational impact in the areas of telecommunications, water, energy, rule of law and movement and trade. These changes can support, but never supplant, final status negotiations which aim to achieve a two-state solution. We thank those donors that have continued to support the Office during this challenging period and look forward to continuing our work with the parties, Quartet members and the international community in the coming months.

Yours,

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

Dr. John N. Clarke

Head of Mission

Office of the Quartet

Executive Summary

This report identifies progress achieved since the Office of the Quartet's (OQ) Fall 2021 report to the *Ad Hoc* Liaison Committee (AHLIC) and the critical next steps that are now required.

The **water** sector saw a combination of challenges and progress during the reporting period. Despite the initial quick response from the international community following the escalation in Gaza in May last year, efforts have slowed, with an outstanding funding gap of 20 million USD out of the identified need for 30 million USD. In addition, there is a need for the Government of Israel (GoI) to increase the pace of approvals for the entry of critical materials, mainly electromechanical and chemical materials. Progress in implementing the Associated Works (AW) for the Gaza Central Desalination Plant (GCDP) continued with the completion of the Bani Said and Bani Suhaila connection points, allowing for the absorption of up to 10 million cubic metres/year (MCM/Y). Supply from Mekorot over these two connection points is currently flowing at a rate of approximately 600 cubic metres per hour. The tender process for two additional components of the AW is advancing, whilst construction of the AW package for a reconfiguration system in the Middle Area of Gaza has started. There have, however, been delays in finalizing the funding and procurement processes for the GCDP. All wastewater treatment plants (WWTP) continue to operate at full capacity with the exception of Khan Younis WWTP due to limited inflow of wastewater for treatment. Funding of approximately 74 million USD is needed to enhance the capacity of the wastewater treatment infrastructure in Gaza and to bridge the funding gap for operation and maintenance costs for water and wastewater facilities. In an encouraging development, the Joint Water Committee met in January of this year, the first such meeting since 2018, and provided an in-principle approval for the Tulkarem WWTP as well as agreeing to supply an additional 18-25 MCM/Y through the As Samoua connection point from Israel. The GoI approved a needed trunkline from the Al Bireh WWTP to Al Auja to implement a proposed reuse scheme, whilst in-principle approvals from the GoI for the remaining items in the Water and Wastewater Packages, which faces a 525 million USD funding gap, are still outstanding. In order to ensure the viability of the sector, GoI facilitation is needed to enable the import of prepaid water meters while a reconsideration of the decision to impose fees on the construction of pipelines in Area C is strongly encouraged. The Palestinian Authority (PA) has advanced its water reform agenda; meeting the timetable for achieving outstanding milestones is strongly encouraged.

In the **energy** sector, progress on the Gaza for Gaza (G4G) project continued, including on the detailed design in both Israel and Gaza. The Environmental and Social Impact Assessment in Gaza is also progressing well, with the first phase being completed this quarter. Financial and political support from Qatar and the European Union for the project remains strong with commitments of 60 million USD and 20 million EUR respectively, subject to a set of conditions. Recent Memorandums of Understanding on G4G entered into by Qatar, the PA, the Gaza Electricity Distribution Company and the owners of the Gaza Power Plant (regarding guarantees, conversion and expansion of the plant, electricity payment collections and a commitment to upgrade the Gaza electricity grid) should now pave the way for a finalization of the Gas Sales and Purchase Agreement as well as the Power Purchase Agreement. Completing these agreements remains critical for gas to be supplied to Gaza by the end of 2024. Finalizing energy sector reform efforts will be important as well. In addition, a feasibility study to evaluate a gas connection to the GCDP is currently underway, led by the Palestinian Energy and Natural Resources Authority with Palestinian Water Authority support. For all energy projects in Gaza, it is critical that the electricity grid is upgraded to enable evacuation of additional electricity, including from the G4G project and other sources. To this end, a roadmap should ideally be presented in the coming weeks by the PA followed by funding commitments. The PA also continued to advance the development of renewable energy in Gaza and the West Bank with materials for the construction of

the Khan Younis solar photovoltaic (PV) site expected to arrive this quarter. Furthermore, it will be necessary to examine the electricity grid requirements in Gaza to support the establishment of utility-scale solar PV sites. In the West Bank, there is increased momentum for renewable energy projects, especially in Area C. Securing additional imports, both for Gaza (via Egypt and the 161 kV line) and for the West Bank (through additional imports from Jordan) remains important for enhancing energy security. In the West Bank, high voltage imports through the four new substations have helped reduce the cost of electricity, while also strengthening the role of the Palestinian Electricity Transmission Company in the energy sector as a central Palestinian institution.

In the **telecom** sector, despite initially encouraging discussions, limited progress has been realized towards concluding an agreement for 4G and 5G spectrum. The parties convened the Joint Technical Committee (JTC) twice during the reporting period on November 14, 2021 and April 26, 2022. In the second meeting, the GoI provided a proposal for the PA of 35 MHz¹ for 4G only (in previous discussions during the JTC of March 2020, 5G had been included as a component of the GoI proposal). The PA responded with a request for 90 MHz for 4G deployment (including the 35 MHz offered by the GoI) and reiterated its request of 215 MHz for 5G. To meet Palestinian demand for mobile data in the West Bank and Gaza, a minimum of 335 MHz immediately, and 550 MHz in the short-to-medium term is needed. Given the GoI's continued allocation of spectrum and incentives for 5G deployment to Israeli operators, a timely agreement on the allocation of frequencies for both 4G and 5G technologies in the West Bank and Gaza must be concluded to enable deployment of networks by summer 2023. The completion of the licensing and commencement of commercial deployment of 'fiber to home' networks in the West Bank and Gaza are positive developments. Fixed network reconstruction continued slowly during the reporting period. The approval of the equipment needed for the development of the fiber network, the transmission backhaul network as well as the reconstruction of the fixed telecom network, is welcome. The prompt entry of materials is essential to enable the timely completion of these projects.

The PA's dire **fiscal** situation continues to demonstrate the need for several key steps, including the resolution of a number of longstanding fiscal files between the parties that, in combination with planned internal reforms, will help close the budget gap and advance the goal of economic self-sufficiency. The GoI Ministry of Finance established committees to examine some of these files, including Allenby Bridge crossing fees and the 3 per cent handling fee, which will hopefully lead to the rapid resolution of these files. A focused engagement by the parties remains needed on these and other longstanding fiscal files, including exemption of PA fuel purchases from excise and other taxes. Launch of the eVAT pilot test on March 6, 2022 is a positive development. All Palestinian merchants have joined the program, issuing over 26,000 eVAT invoices by late April; some 400 Israeli merchants have joined the pilot program, issuing some 1,400 invoices in the same period. Expansion of the Israeli participation rate would enable a more robust pilot test and lead to inclusion of all Israeli traders at the conclusion of the six-month pilot phase. In addition, a draft Memorandum of Agreement to govern the eVAT system remains to be signed by the parties and completion of end-to-end testing is needed to move to integration and sharing of the eVAT data between the Israeli and Palestinian systems. The PA is progressing towards finalization of a new customs law in preparation for the transfer of customs authority from Israel to the PA, which could reduce revenue losses by an estimated 50 million USD.

In **banking relations**, the parties have continued to make progress towards establishment of a new correspondent banking mechanism, but much work is still required to conclude the new mechanism by the end of 2022. The parties are encouraged to accelerate progress, including *inter alia*, digitalizing the salaries of Palestinian workers as a means to address the cash surplus challenge in Palestinian

¹ Both proposals include ~7 MHz already utilized for Palestinian 2G operations and proposed to be used for 4G instead.

banks, extending the immunity and indemnity letters to the Israeli commercial banks beyond July 2022, and preparing for the Palestinian Monetary Authority mutual evaluation process which is due to take place in the coming months. Moreover, it is important to note that the PA launched several reforms in recent months that will significantly improve the landscape of digital payments in the Palestinian economy in the near term.

In the **justice** sector, recent legislative amendments signed by the President in January and February have introduced several positive reforms to improve the efficiency of the judicial process but have also raised concerns over their potential effect on the independence of the judiciary and the rights of litigants and defendants. In the **security** sector, the long-awaited appointment of a new full-time Minister of Interior is an important step for the development of the sector. Further improvements in movement and access continue to be needed to enable PA police and security forces to provide effective law enforcement to Palestinian communities in Areas B and C.

Economic growth and job creation in the Palestinian market requires the accelerated facilitation and expansion of **trade**, both locally and internationally. In this regard, efforts have remained focused on expanding the cost-effective movement of goods by further developing the door-to-door program between the West Bank and Israel through the advancement of a Joint Staging Area to serve small and medium-sized companies. Efforts to create a similar program for trade with and via Jordan also continued. This has the potential to significantly increase transport-related cost savings and competitiveness of goods, particularly for bulk and raw materials. The economic situation in Gaza has seen some improvement since the escalation last May and the subsequently applied movement restrictions, driven primarily by increased agricultural exports (which doubled in the first quarter of 2022 compared to the same period in 2021) and the facilitation of Gazan labor to work in Israel. However, focus on restoring industrial activity remains key to generate jobs and increasing Gaza's trade potential. With the increased flow of agricultural products across Gaza, the resumption of the Karem Abu Salem/Kerem Shalom crossing upgrade gains increased significance as it stands to substantially reduce damage and losses of perishable goods entering and exiting Gaza. Construction of the project is expected to begin in Q3 2022.

Introduction

1. This report provides updates in each of the Office of the Quartet's (OQ) areas of work: water, energy, telecom, governance and rule of law, and movement and trade, covering the period up to May 2022. Further details on the scope of the OQ's work are outlined in its Strategy 2021-2023, which has benefited from consultation with the parties, Quartet members as well as the donors to the Office: the United States (US), the Netherlands, the United Kingdom (UK), the European Union (EU), Canada, New Zealand and Japan.

Water

2. Water plays a key role in facilitating economic development, improving livelihoods, and addressing humanitarian needs. Gaps in water supply and wastewater treatment across the West Bank and Gaza remain large; there is an urgent need to address these shortfalls. Supply and demand figures for safe drinking water in 2020 suggest gaps of 33 million cubic meters per year (MCM/Y) and 102 MCM/Y in the West Bank and Gaza respectively. Data for 2021 shows 83 per cent of wastewater was treated in Gaza, whilst in 2019 (the most recent data available) only 30 per cent of wastewater was treated in the West Bank.
3. Whilst there has been promising progress in water and wastewater infrastructure projects across the West Bank – including approvals from the GoI, feasibility studies and renewed financial commitments from international donors – there are several programs that need Palestinian-Israeli cooperation and an estimated 525 million USD in funding to address all required water and wastewater infrastructure projects over the medium term.
4. In Gaza, reconstruction efforts are facing challenges with delays in the entry of materials and a funding shortfall of approximately 6 million USD as identified in the *Rapid Damage Needs Assessment (RDNA)* and an additional shortfall of 14 million USD as identified in the *USAID Gaza Damage Assessment Report*, that was not captured in the RDNA. Continuing the development towards full wastewater treatment and full operationalization of key water and wastewater facilities require approximately 74 million USD in funding.

Gaza Central Desalination Plant and Associated Works

5. As per the previous reporting period, there were extended delays in finalizing the financing arrangements between the Islamic Development Bank (IsDB) and the European Investment Bank (EIB), alongside delays in the procurement process for the Associated Works (AW) packages and another postponement of Phase Three of procurement for the Gaza Central Desalination Plant (GCDP) until August 2022. Once complete, the GCDP will supply 55 MCM/Y of water to Gaza, helping to bridge the critical shortfall in supply.

- To support the disbursement of funds, donors are encouraged to finalize financing arrangements to enable further progress towards tendering and construction of the GCDP.**
- The Palestinian Authority (PA) is encouraged to advance procurement for Phase Three of the GCDP to ensure timely implementation of the project.**

6. Supply of water to Gaza from Mekorot is flowing continuously through the Bani Said and Bani Suhaila connection points, with total quantities increasing to approximately 600 cubic metres per hour. It is important that supply at these rates continues to realize the full increase of 10 MCM/Y

by September 2022, which marks the one-year anniversary from the beginning of the increase over the new connection points. This was made possible through the completion of the first two components of the AW. The tender processes for two additional components of the AW are advancing, whilst construction of the AW package for a reconfiguration system in the Middle Area of Gaza has started. **Annex A** of this report presents the status of each component of the GCDP & AW program.

7. There was one meeting of the GCDP Task Force during the reporting period, held on 12 December 2021, during which the Coordinator of Government Activities in the Territories (COGAT) shared a modified draft of a letter detailing arrangements to enable works in the sea for the construction of the GCDP. The Palestinian Water Authority (PWA) provided COGAT with comments on the draft and has indicated a desire to meet with COGAT in order to address them.
8. Following the December 2021 Task Force meeting, COGAT requested that materials (Bills of Quantity (BoQ)) for the AW which have been previously approved through the Capsule Model – and any other materials that will be added or modified – go through an accelerated process for approval of the donation number, subject to a security assessment. In contrast, the PWA has requested that BoQs that require donation numbers go through one process for security clearance: either the donation number process or the Capsule Model.²

iii. Both parties are encouraged to reach a mutual agreement to finalize the letter detailing the arrangements for works in the sea in order to advance the construction of the GCDP and to advance the process for entry of materials for the totality of the program.

9. In November 2021, as part of efforts to secure a reliable energy supply for the GCDP, the PWA and the Palestinian Energy and Natural Resources Authority (PENRA) launched a feasibility study to assess the provision of a dedicated gas line for the GCDP from the Gas for Gaza project. This is a welcome development in exploring feasible energization options and needs to be complemented with studies of other energization options to ensure the most feasible energy source is utilized for the operationalization of the facility.

iv. The PWA is encouraged to undertake complimentary studies of other energization options to ensure the most feasible energy source is utilized for GCDP operation.

Construction and operationalization of water and wastewater infrastructure in Gaza

10. The three Short Term Low Volume desalination facilities (STLVs) in Gaza are currently producing a total of 6.57 MCM/Y of desalinated water out of a total design capacity of 8 MCM/Y. Wastewater Treatment Plants (WWTPs) are currently treating 62 MCM/Y out of a capacity of 66 MCM/Y. Continuing these operations and increasing them to full capacity is vital to support livelihoods and the protection of the environment and is heavily reliant on securing the funds needed to cover operating costs.
11. Phase I of the Southern STLV, funded by the EU, has been operating for 20 hours/day (producing 5,000 CM/day) since November 2021, after establishing a dedicated power line and 24-hour

² The Capsule Model involves a one-time, upfront approval of all materials, heavy machinery and personnel valid for the duration of the program. The donation number is a number issued by the PA Ministry of Finance for materials that are exempt from taxes and is approved by COGAT.

supply of electricity. Phases II and III are now expected to be completed at the end of 2022 due to delays in the entry approvals for both materials and international experts. Deir al Balah STLV has continued to operate for only eight hours a day, generating 2,000 CM/day despite a design capacity of 6,000 CM/day. Operations remain below capacity due to the lack of a dedicated power line, leaving the plant dependent on the Gaza Electricity Distribution Company (GEDCO) electrical cycle. Gaza STLV continued operations at full capacity. Despite the progress achieved, the three STLVs continue to face challenges in meeting their Operations and Maintenance (O&M) costs. **Annex A** of this report provides further details on the status of the construction and operationalization of the major water and wastewater facilities in Gaza.

- v. Donors are encouraged to bridge the critical funding gap until 2023 of an estimated 1.78 million USD for full STLV operation and 0.5 million USD to operationalize the Khan Younis WWTP.**
- vi. The PA and GEDCO are encouraged to build a dedicated electricity line to Deir Al Balah STLV to enable a 24 hour/day electricity supply.**

12. There was positive progress in the development of renewable energy supplies for Gaza's WWTPs, with the tender for the construction of a solar photovoltaic (PV) plant for the Northern Gaza Emergency Sewage Treatment plant (NGEST) awarded to a construction contractor in November 2021. Meanwhile, the 1.3 MW first phase of Khan Younis WWTP's solar PV plant is still under construction and facing delays due to challenges in the entry of construction materials. Phases 2 and 3 of the PV plant are still under tender preparation. The biogas components of NGEST and the Gaza Middle WWTP continue to be non-operational, pending the approval for entry of the biogas system analyser device and the entry of international experts to commission the Gaza Middle WWTP facility and to fix the biogas balloon at NGEST.

- vii. The GoI is encouraged to issue permits for the entry of international experts and a biogas device to enable commissioning the biogas facilities at NGEST and Gaza Middle WWTP and to issue permits for international experts for the commissioning of Phases II and III of the Southern STLV.**

13. The PWA, with support from KfW, has continued planning and has signed the contract for a solar PV system in the north of Gaza which will incorporate a swapping arrangement with PENRA whereby the solar PV system will contribute to GEDCO's energy grid in the north in exchange for increased and dedicated energy supply to water and wastewater facilities across Gaza.

14. NGEST is currently operating at full capacity with further expansion needed to satisfy growing demand, while Khan Younis WWTP continues to work below capacity due to the low quantity of wastewater it receives. The Rafah WWTP, which continues to rely on outdated technology, is facing growing operational challenges and pollution in the local area. These issues were raised during the OQ's last AHLC report and remain key asks of the international community.

- viii. **Donors are encouraged to fund the remaining needs of 22 million USD to further increase wastewater service connections in Gaza, particularly in the service area of the Khan Younis WWTP.**
- ix. **The GoI is encouraged to provide the needed approvals for the entry of chemicals into Gaza for the Southern STLV, and to expediate the approval of material entry for the Khan Younis WWTP PV project.**
- x. **Donors are encouraged to contribute towards the estimated 50 million USD financing cost to expand NGEST and replace the Rafah WWTP with a reliable facility.**

Bulk water connection points between the West Bank and Israel

15. No progress was made during the reporting period on concluding the outstanding agreement between the GoI and the PA pertaining to the supply of water to the PA within the Red Sea-Dead Sea (RSDS) project.

- xi. **The parties are encouraged to finalize an agreement which affirms previous mutual understandings on price, quality and supplied quantities of water to the West Bank and Gaza within the context of the RSDS project.**

16. Nonetheless, work is progressing with regards to constructing key infrastructure to enable the supply of RSDS quantities and other quantities, mainly the Northwest Ramallah (Aboud) connection point where the PWA is expected to issue a tender in May for the construction of the supply system and the distribution network with support from the EU and Agence Française de Développement (AFD). Construction is expected to start in early 2023 and take two years, with completion expected in early 2025. The GoI submitted some modifications to the routing of two segments in Deir Nizam and Dair Abu Mashal villages out of six in this system.

- xii. **The PA and the GoI are encouraged to finalize the routing of the two segments in Deir Nizam and Dair Abu Mashal villages.**

17. With regard to the works needed to enable the RSDS supply in the Jenin area, three years ago AFD declared its interest in allocating 10 million EUR out of the 23 million EUR that are needed for the construction of a water supply system from Al Jalameh and Salem connection points. A tender has been issued to develop a detailed design for the system and the contractor was selected; the conceptual design will be ready in July 2022 and the detailed design is expected to be ready towards the end of the year.

18. Meanwhile, the GoI has approved a new connection point of As Samoua in the south of the West Bank, expected to provide an additional water quantity of 18-25 MCM/Y. The GoI also expressed a willingness to develop the supply system earlier than planned, should the PA start development on their side. To that end, the PWA progressed a conceptual design for this system with support from AFD. The connection point is expected to cost approximately 25 million USD for constructing around 13 km of the transmission pipeline to a proposed reservoir south of Dura village, including a pumping station. These developments are welcomed in order to bridge the critical gap in water supply to the southern area of the West Bank which has the most severe water shortages. During the January Joint Water Committee (JWC) meeting (see next section), the Israeli Water Authority (IWA) emphasised the importance of the PWA securing the necessary budget for the part of the

system in the West Bank to encourage the Gol to undertake the necessary investment needed inside Israel.

- xiii. Donors are encouraged to contribute to the approximately 48 million USD required to fund construction of the water supply system from the Al Jalameh, Salem and As Samoua connection points.**

West Bank: Water and Wastewater Packages

19. To coincide with the last AHLC meeting in November 2021, the IWA and the PWA, facilitated by the Kingdom of the Netherlands, developed a Joint Concept Note to collectively advance four strategic priorities: transboundary wastewater, supply of water through bulk connection points, supply from groundwater, and reconstruction in Gaza.
20. Progress was made in advancing the first three priorities throughout the reporting period. The JWC convened a meeting on January 10, a welcome development since the last JWC was held in 2018. During the January 2022 JWC, the parties:
- a. Provided an in-principle approval for the location for the construction of Tulkarem WWTP in Area C, with proposed design capacity of 25,000 CM/day;
 - b. Agreed to the supply of an additional 18-25 MCM/Y through the As Samoua bulk water connection point and an in-principle approval for the route of the As Samoua water system; and
 - c. Agreed on starting the hydrological discussions (subsequently started in April) and agreed to consider mutual requests regarding a number of wells which are under discussion.
21. To advance the agenda on the Tulkarem WWTP, the PWA, in coordination with the Netherlands Representative Office (NRO) and the United Nations Development Programme (UNDP), began updating a feasibility study and developing detailed conceptual designs for the treatment plant. Complementing this work, the PWA, Ministry of Agriculture (MoA), Environmental Quality Authority (EQA) and OQ are conducting a feasibility study for potential conveyance and reuse schemes of the treated wastewater from the planned plant to Jenin and/or the Jordan Valley. Conceptual designs for all storage, transmission and distribution infrastructure will be finalized by the end of May, including a cost breakdown and economic analysis. The feasibility study is also considering reuse schemes for the surplus of treated wastewater from Nablus West WWTP and the treated wastewater from Salfit WWTP.

- xiv. Donors are encouraged to fund the construction of the Tulkarem WWTP along with an associated reuse scheme with the potential to irrigate 8,500 dunums.**
- xv. The Gol is encouraged to approve the conveyance infrastructure of the treated wastewater reuse scheme once the conceptual design is finalized.**
- xvi. The parties are encouraged to advance technical discussions on the provision of water supply and the development of groundwater resources for Palestinians as discussed in the JWC meeting in January 2022 and the trilateral meeting in October 2021.**

22. Furthermore, the parties agreed on the deployment of a number of flow meters to monitor the quantities of transboundary wastewater of the Beit Jala Stream. In addition, the IWA submitted a report to the PWA in January 2022 which details the costs and subsequent net lending deductions for the PA for treatment of transboundary wastewater crossing into Israel for the years 2020 and 2021. The PWA reviewed the report and requested further details and modification to some assumptions that are suggested for the cost for treatment of wastewater and pre-treatment of industrial waste. The GoI have indicated that they are now forwarding a report detailing the deductions for sewage and water treatment to the Palestinian MoF on a monthly basis.

xvii. The GoI is encouraged to detail the net lending deductions for treatment of wastewater in Israel and to continue to send reports and provide all requested details to the PWA on a regular basis.

23. There was further positive cooperation between the GoI and PA across other files from the PWA's Water and Wastewater Packages in the West Bank, including approval for the needed trunkline from the Al Bireh WWTP to Al Auja to implement a proposed reuse scheme.³ The detailed designs of the trunkline and reuse scheme are in progress and a verbal in-principle approval was reached for the reuse of treated wastewater in the Tayseer area of Tubas in Area C. However, most remaining items in the Packages document still require in-principle approvals and face significant funding challenges. An update on the Packages is provided in **Annex A**.

xviii. The GoI is encouraged to provide in-principle approvals for the other remaining projects within the West Bank Water and Wastewater Packages.

xix. The international community is encouraged to help bridge the 525 million USD funding gap in the West Bank Packages to ensure safe and reliable access to clean water and effective wastewater collection, treatment, and reuse in the medium term.

24. The Salfit Wastewater Treatment Plant became operational on February 21, 2022 and is now in the commissioning phase, currently treating 1,200 CM/day, half of its design capacity of 2,400 CM/day. However, the positive environmental impact of establishing Salfit WWTP has been offset by the discharge of raw wastewater from Ariel Settlement, which is mixing with treated wastewater flowing through the wadi near Salfit WWTP. The GoI plans to redirect the raw sewage from Ariel Settlement towards Rosh Haayin. This is an old proposal that was originally intended to be finalized by 2018. However, the GoI has confirmed they are now actively working on it.

xx. The GoI is encouraged to urgently stop the discharge of raw sewage from the Ariel Settlement to enable reuse of the Salfit treated wastewater.

25. In a recent development, the GoI began requesting fees of 1.2 NIS/meter for the installation of pipelines in Area C. Palestinians are treating this as a violation of Annex III of the Interim Agreement and an extension of Israeli law to the West Bank. Moreover, they are cautioning against the resulting financial burden which has already impacted the construction of one program in Jericho.

³ The Packages document is a document that the PWA developed to identify its priorities of water and wastewater projects in the West Bank until 2025 and which the OQ has been tracking in its reports to the AHLC.

xxi. The GoI is encouraged to reconsider the decision to impose fees on the construction of pipelines in Area C.

Sector governance

26. In a welcome step, the PWA signed an agreement with the Coastal Municipalities Water Utility (CMWU) to hand over the operationalization responsibilities of NGEST from the PWA to the CMWU. In parallel, the PWA requested a six-month extension to implement the reform measures targeting the National Water Company (NWC), including the appointment of a CEO and assignment of a Board of Directors. These measures are now expected to be achieved by June. Separately, the PWA has faced challenges in the procurement process for the creation of a Bulk Supply Unit (BSU) in Gaza, despite the World Bank previously issuing a tender.

xxii. The PWA is encouraged to advance implementation of reform measures to meet the revised timeline and enable realization of water sector reforms and to advance procurement of the BSU in Gaza.

27. Furthermore, the PA continued its efforts to advance the deployment of prepaid water meters (PWM) in the West Bank, which is expected to increase fee collection rates and assist service providers to address their debts to the government. This effort has now encountered challenges with new Israeli restrictions imposed on the import of prepaid meters, with the GoI requesting alignment with Israeli standards. In Gaza, service providers have expressed an increased interest to the PA in the large-scale deployment of PWM; 15,000 meters in seven municipalities are suggested for the first phase.

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

xxiv. Donors are encouraged to support the deployment of PWMs in Gaza with 3 million USD which covers their purchase and installation cost.

28. Moreover, outcomes of the Affordability and Willingness to Pay (AWTP) study in Gaza were presented to donor organizations as part of the Gaza Thematic Working Group (GTWG) meeting in late October 2021.⁴ Implementation of the Action Plan began with a gradual increase of water prices in Khan Younis, a plan for a price increase in Gaza City and a training on the tariff model to Gaza service providers in a workshop led by the PWA and the Water Sector Regulatory Council (WSRC). Translation of the model into Arabic and one-on-one coaching for each service provider is also planned. The tariff model will be handed over to the WSRC, which is the identified entity responsible for future monitoring on tariff model implementation.

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

⁴ GTWG is a sub-group to the Water Sector Working Group, chaired by the PWA.

29. Other efforts to improve governance include an ongoing study funded by AFD to establish a roadmap for transferring the CMWU and other water service providers in Gaza into a unified, regional water utility.

Energy

30. In the West Bank, electricity demand has grown to more than 1,200 MW.⁵ Ninety-five per cent of the current supply is provided by Israeli imports, although supply from Jordanian imports and renewables is growing. Upgrades to the Jordanian import lines were expected to increase electricity imports from 40 MW to 80 MW in 2021, however these upgrades were delayed and are now expected to be completed in the coming months.⁶ Continued investment in the grid will be required to enable increased imports, the Jenin Power Plant and solar PV sites in the West Bank.
31. In Gaza, average demand exceeds 400 MW while peak demand routinely reaches 550 MW. Supply is approximately 190 MW. This has resulted in an average availability of electricity of 12 hours per day since the beginning of the year.⁷
32. Gaza receives approximately 120 MW of electricity from Israel while the Gaza Power Plant (GPP) generates approximately 70 MW using Qatari-funded diesel.⁸ This funding has been stable over the past five years, improving the supply situation in the short term. However, the provision of natural gas to the GPP through a gas pipeline (the Gas for Gaza or G4G project) and implementation of associated infrastructure, specifically grid upgrades, remain essential parts of the broader structural solution for the Gazan energy sector.⁹

Gas for Gaza

33. Ultimately, the use of natural gas to generate electricity will be the most cost-efficient and – given the scale – the cleanest means of generation in Gaza and a cornerstone of the Palestinian energy transition.¹⁰ The transition from diesel to natural gas, which has a significantly lower carbon intensity, will reduce Palestinian carbon emissions by 6 per cent and is in line with Palestinian sustainability goals.¹¹ On the Gaza side of the project, the detailed design has made significant progress, including the adoption of pipeline design standards, system design, and selecting a recommended G4G route and installation method.¹² The PENRA-led (in cooperation with the

⁵ LACS Energy Sector Working Group September 20, 2021. 2020-2025 Load Forecast

⁶ Long term, this connection has the potential to increase to 160 MW.

⁷ The average hours per day are recorded by OCHA on their website as per information supplied by GEDCO.

⁸ Israeli imports are paid for through deductions to PA clearance revenues. A Qatari-funded diesel storage day tank is used to provide additional storage capacity at the GPP. Capacity will be increased further with a 10 million litre tank being funded by the Norwegian government. This tank is currently under commissioning.

⁹ In addition, eventually, to the launch and implementation of additional bulk supply through the establishment of a 161 kV line.

¹⁰ The construction of a gas pipeline through the G4G project will allow for the transmission of gas from Israel to Gaza. The project will enable the conversion and operation of the GPP to natural gas, supporting affordable, reliable and sustainable electricity generation. The electricity supply will also provide energy for critical infrastructure in Gaza, such as the GCDP. The transition to natural gas will significantly reduce dependence on imported electricity while reducing carbon emissions. Initially the gas supply will come from the Leviathan field but eventually, it is intended that the Gaza Marine field will fuel both Gaza and West Bank power generation.

¹¹ 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.

¹² The detailed design in both Israel and Gaza and the ESIA was made possible following a request made at the Netherlands-facilitated Trilateral meetings for the Dutch Government to fund this critical milestone.

PWA) feasibility study for the potential connection of the pipeline to the GCDP will be completed in Q2 2022.

34. The first phase of the Environmental and Social Impact Assessment (ESIA) has been completed, with the second phase commencing now. PENRA and the EQA have engaged the Netherlands Commission for Environmental Assessment (NCEA) in the review process of the ESIA scoping document. The progress made by the PA on the G4G project is commendable, particularly on the detailed design and ESIA processes in Gaza as well as the establishment of the Palestinian national gas pipeline company. Furthermore, ongoing negotiations on the Gas Sales and Purchase Agreement (GSPA) and the Power Purchase Agreement (PPA) are encouraging but should be concluded as soon as possible to avoid project delays.
35. In Israel, the detailed design of the pipeline is complete except for the finalization of some technical details at the agreed crossing point, between Israeli Natural Gas Lines (INGL) and the GoI, which is expected imminently. In January 2022, the GoI provided PENRA and the OQ with a signed official letter approving the system design including the pipeline routing and the infrastructure close to the border. This marks a significant milestone for the G4G project, reaffirms GoI support, and allows the detailed design and ESIA to progress towards their final stages. The GoI's efforts on both these fronts is very welcome. **Annex B** shows the proposed G4G pipeline route and other energy infrastructure in Gaza and the West Bank.

xxvi. The GoI is encouraged to finalize the last phase of the G4G detailed design.

36. During the 12th G4G Task Force meeting in January 2021, the EU announced that it will provide up to 20 million EUR to fund the pipeline infrastructure in Gaza.¹³ Moreover, in February 2021, the Qatari government committed to provide 60 million USD towards the cost of constructing the pipeline in Israel. Both the EU and the State of Qatar financing commitments are subject to specific conditions, including the signing of the relevant commercial agreements. In addition to the EU and Qatari financing commitments, ongoing support from the Kingdom of the Netherlands for the detailed design and ESIA and to the G4G Task Force and Trilateral Expert Meetings remains important for the project.
37. These milestones were further discussed during the 13th G4G Task Force meeting in September 2021, which was also attended by the US as an observer delegation. The US stated its continued support for the project and its desire for the pipeline to commence operations as soon as possible. The EU and the State of Qatar reaffirmed their financial and political commitment to the project and restated the importance of the conditionality for pipeline financing. The next G4G Task Force is planned for Q3 2022.
38. The OQ will continue to drive the G4G project through the completion of the current workstreams and related studies (targeted for the end of 2022), following which the OQ's formal role will diminish, accompanied by a scaling up of the bilateral engagements between the Palestinian and Israeli parties with support from the financing partners.

¹³ The G4G Task Force, established in 2015, is the official platform for the project.

xxvii. To fulfill the financing requirements of the EU and the State of Qatar, respectively, and to ensure Gaza can be connected to gas by Q4 2024, the relevant parties are encouraged to accelerate efforts to meet the necessary conditions, including concluding the commercial negotiations (the GSPA and the PPA), establishing the Hydrocarbons Framework Law and undertaking GEDCO reforms.

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

West Bank electricity

39. The four substations in Tarqumia, Ramallah, Nablus and Jenin, combined with the interim PPA signed at the end of 2020, have enabled over 250 MW of high-voltage electricity into the West Bank. The energisation of these substations lowers electricity supply costs, improves electricity reliability and has contributed to the financial sustainability of Palestinian Electricity Transmission Limited (PETL) by enabling it to cover its annual operating expenditure. It also reinforces PETL's role as a single buyer which is essential to the long-term success of the Palestinian energy sector. Finalizing the comprehensive PPA between PETL and Israel Electric Corporation (IEC) remains subject to agreement on a number of outstanding issues including tariffs, the transfer of assets to PETL and the operation of PETL in Area C.

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

40. Frequent power outages in Tulkarem governorate present a critical challenge, especially during summertime peak demand where demand exceeds the infrastructure capacity. The outages reported in August 2021 were due to a supply of 33 MW from IEC compared to a demand of 43 MW. PENRA began the construction of a double-circuit medium voltage power line to solve this issue. The line will extend from Deir Sharaf near Nablus to Einab, near Tulkarem (see **Annex C**). This follows the Israeli Civil Administration (ICA) approval issued in December 2021 and will supply 40 MW over three phases. Phase 1 was completed in late December 2021 and Phase 2 is in progress. Phase 3, which involves a connection between Tulkarem and Sarra substation, will require additional coordination between the PA and the ICA.

41. In February 2022, the PA Ministry of Finance (MoF) signed a revised agreement for a sovereign guarantee with the Palestine Power Generating Company (PPGC) for the power plant currently being developed in Jenin. The guarantee will cover the offtaker's financial obligations to PPGC. The revision now allows the offtaker to be a distribution company rather than PETL. The power plant development will also include a short natural gas pipeline connection to Afula in Israel. Ultimately, this project aims to meet 35 per cent of the West Bank's electricity demand.

42. The July 2020 agreement on Jerusalem District Electricity Company's (JDECO) outstanding electricity debts was an important step forward. However, since this agreement, subsequent IEC invoices have not been fully paid by JDECO (including due to non-payment from refugee camps). The IEC has claimed that this led them to roll out electricity cuts beginning in November 2021.¹⁴ After incurring rolling blackouts for several months in various areas within JDECO's concessions

¹⁴ IEC reported the outstanding invoices to be 360 million NIS in October 2021.

district, JDECO announced in March 2022 that electricity outages have been paused due to the company's ability to contain electricity theft. However, on April 26 JDECO received a warning from the IEC that outages will resume and intensify in each JDECO concession area as of May 8.

43. JDECO and the Jordan National Electric Power Company (NEPCO) previously signed an agreement to increase imports from 40 to 80 MW in 2020. Future infrastructure upgrades are expected to supply 160 MW. In December 2021, PENRA reached another agreement to further increase imports from Jordan by 2027 to meet 25 per cent of West Bank electricity demand, which aligns with more recent PENRA import targets of 350 MW. Fulfilment of these agreements will help diversify the West Bank's electricity supply.

xxx. The Palestinian, Israeli, and Jordanian stakeholders are encouraged to continue working together to achieve 160 MW of electricity imports from Jordan in the short term and 350 MW in the medium term.

xxxi. The PA and the ICA are encouraged to coordinate on the approval for the Tulkarem-Sarra connection.

xxxii. The parties are encouraged to work to avert the rolling electricity outages in the West Bank.

Renewable energy

44. Renewable energy has the potential to supplement baseload electricity supply sources while supporting the overall sustainability of the energy sector. The PA, with support from the OQ, has been investigating the potential for utility-scale renewable energy opportunities in Gaza. A pre-feasibility study conducted by the OQ supported the development of the Khan Younis solar PV facility. With funding from Norway, the EU, and the IsDB, this facility is currently under development to support the energization of the Khan Younis WWTP. The first phase funded by Norway is currently in the procurement phase with materials expected to arrive in the coming months.
45. It is now necessary to investigate electricity grid requirements in Gaza with the intention of supporting the establishment of utility-scale solar PV sites. Renewable energy in the West Bank, including solar PV, supports energy independence and diversification. It also reduces average electricity costs and net-lending.
46. As renewables can generate electricity at less than half the cost of retail rates, there is significant interest and capital available from the private sector. The OQ is therefore technically identifying areas in Area C with proximity to the electricity grid, suitable topography and significantly lower land costs than the rest of the West Bank for potential renewable energy projects by utilising Geographic Information System (GIS) software. This can be utilised by the PA to identify optimal sites for utility scale solar PV projects. In parallel, it is important to consider incentives for the private sector to invest in renewable energy and to that end the OQ has undertaken some high-level work to support the PA in possible policy reforms.

Gaza grid development

47. Electricity grid upgrades in Gaza are essential for improving the electricity supply. The Gaza Electricity Masterplan 2017-2035, completed by PENRA in 2019, outlines the strategy for upgrading electricity generation, transmission and distribution in Gaza. It considers increased power imports from high-voltage connections with Egypt (220 kV) and Israel (161 kV), evacuation

of the increased electricity supply enabled by G4G, and increased renewable energy production within Gaza. Specific recommendations include the construction of a new high-voltage grid backbone and new substations.

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

Gaza electricity imports

48. There was no notable progress during the reporting period on increasing imports from Israel through a high-voltage 161 kV line or from Egypt through its 220 kV network. A 161 kV line from Israel could supply 140 MW from Israel to Gaza and could reduce energy costs through a lower bulk tariff and lower system losses compared to the existing medium-voltage supply from Israel. To help advance the project, the OQ is finalizing a high-level assessment to help bring clarity to the project's technical, commercial and political challenges, as well as proposing strategies to help overcome them.
49. Egyptian medium voltage lines to Gaza have been disconnected since February 2018. Restoring Egyptian electricity imports would provide approximately 17 MW of electricity immediately, while rehabilitation of the lines would allow up to 27-30 MW of supply. Future expansions of the Egyptian lines could provide up to 100 MW of supply to Gaza.

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

Telecom

50. West Bank and Gaza continue to operate outdated telecommunication technologies; 3G is used in the West Bank while only 2G is used in Gaza with no mobile data available. Besides being obsolete, the existing mobile networks do not meet demand for data and are very expensive in comparison to the more advanced 4G and 5G technologies. Engagement between the parties was limited during the reporting period and no substantial progress was realized towards meeting Palestinian needs with respect to advanced mobile technologies including 4G and 5G.
51. The Joint Technical Committee (JTC) convened twice during the reporting period; in November 2021 and in April 2022. While spectrum was not discussed in November 2021, the Israeli Ministry of Communications (MoC) proposed a new offer to the Palestinians in April's meeting which includes 35 MHz for 4G only. The proposal represents 10 per cent of the Palestinian request for 4G and 5G technologies; noting that it includes approximately 30 per cent of that requested by the PA to enable launching 4G services,¹⁵ while it excluded 5G although this was previously offered

¹⁵ The PA request of April 2021 included 335MHz; 120MHz for 4G and 215MHz for 5G.

by the Gol in March 2020.¹⁶ The PA responded with a request for 90 MHz (including the 35 MHz offered by the MoC)¹⁷ to enable 4G deployment and reiterated its request for 215 MHz for 5G. **Annex D** includes a comparison of the proposals exchanged between the parties, the spectrum needed by the PA and that allocated to Israeli operators.

52. To conclude a feasible agreement, it is necessary that 4G and 5G are discussed jointly and in a timely manner. The Gol suggested a graduated approach whereby the JTC would discuss 4G spectrum first followed by discussions on 5G towards the end of the year. However, it is critical that both technologies are discussed together to enable a more feasible planning and deployment of networks,¹⁸ especially given that currently there is sufficient spectrum available for allocations to the Palestinians for both technologies.¹⁹ Furthermore, knowing when and what 5G spectrum the Palestinians will receive would allow for smoother discussions on 4G and offer a higher likelihood of concluding an agreement.

xxxv. The parties are encouraged to discuss spectrum for both technologies considering that both the PA 2021 request and the March 2020 Gol proposal to the JTC included 4G and 5G spectrum.

xxxvi. The Gol is encouraged to modify its April 2022 proposal considering the PA request of 90 MHz on the popular bands to enable feasible 4G deployment, as well as to reserve the requested 5G frequencies for Palestinian use.

53. Requests for more timely and intensified JTC discussions were made by the Palestinian Ministry of Telecommunications and Information Technology (MTIT) in several communications with the MoC and the international community during the reporting period. Intensified discussions would enable the conclusion of a spectrum agreement and its announcement at the September 2022 *Plenipotentiary Conference* of the International Telecommunications Union (ITU).

xxxvii. The parties are encouraged to intensify JTC discussions to finalize a 4G and 5G agreement before the ITU conference in September 2022 and to enable a technically and politically feasible commercial launch in the West Bank and Gaza by June 2023.

54. In parallel, deployment of Israeli 5G networks continued during the reporting period and new plans for spectrum allocations were announced by the Israeli MoC. Incentives for 5G deployment continued to be offered to Israeli mobile operators in the form of financial grants for accelerated network deployments, reductions in annual frequency fees as well as governmental permission for sharing infrastructure among operators.
55. Furthermore, the MoC announced planned allocations of remaining spectrum on the 1,800 MHz and 2,100 MHz bands to the Israeli operators. Finalisation of these allocations would mean that there would be no available spectrum left to the Palestinians on these bands, which are critical for the deployment of Palestinian 4G and 5G networks. It would also further challenge the

¹⁶ The Gol proposal of March 2020 included 113MHz; 33Mhz for 4G and 80Mhz for 5G.

¹⁷ Both proposals include ~7MHz already utilized for Palestinian 2G operations to be used for 4G instead.

¹⁸ According to the recommendations of the 2020 study, planning both technologies together shall allow the Palestinian mobile operators to plan their 5G networks in a manner that complements 4G operations. Planning and deploying two stand-alone networks will be very expensive and technically not feasible for the operators.

¹⁹ According to the assessment provided in the 2020 study.

Palestinian companies' operations of their 3G networks.²⁰ According to the 2020 study, Palestinian operators have a more pressing need for the two bands mentioned above than the Israeli operators, who already have sufficient spectrum to meet their projected demand. At present, Israeli operators have almost ten times the frequencies allocated to the Palestinian operators.

56. New additional spectrum on the 26 GHz band was tendered in December 2021 by the Israeli MoC to private sector non-mobile operators for deployment of small private 5G networks. It is expected that such frequencies will be utilized within small Israeli communities, including settlements.

xxxviii. The GoI is encouraged to suspend the further allocation of spectrum including on the 1,800 MHz, 2,100 MHz and 26 GHz bands to Israeli companies until agreement with the Palestinians on 4G and 5G is finalized.

xxxix. The GoI is encouraged to consider Palestinian spectrum needs in any future planning for utilization of spectrum.

57. To meet the Palestinian demand for telecommunication data, parallel development of mobile and fixed telecommunication infrastructure is essential given the complementarity of the two technologies. In a welcome step, the MTIT completed the licensing of Internet Service Providers for the deployment of fixed fiber optic networks in the West Bank and Gaza. Furthermore, construction of infrastructure and commercial services of 'fiber to home' has started in several Palestinian cities within the West Bank and Gaza. GoI approvals for connecting cities with fiber optic lines within the West Bank and willingness for further cooperation are welcome; this will enhance significantly the backhaul network throughout the West Bank.

58. In Gaza, almost 70 per cent of the fixed network reconstruction required following the May 2021 escalation has been completed. Some telecom equipment needed for the fiber network development, the transmission backhaul network as well as the reconstruction of the fixed telecom network has been approved to enter into Gaza; however, the process of entry has been slow.

xl. The GoI is encouraged to expedite the process of entry of approved telecom equipment and materials into Gaza to advance the reconstruction effort as well as the fiber optic network and transmission backhaul network projects.

Governance and Rule of Law

Justice sector

59. A series of decree laws concerning the judiciary and legal procedure were issued by the Palestinian President in January and February 2022, including amendments to the Code of Civil and Commercial Procedure, the Code of Criminal Procedure, the Law on Evidence, and the Law on the Formation of Courts. Subsequent amendments were issued to the law governing civil suits against state institutions and to the (recently enacted) Decree Law on Administrative Courts. The package of laws was published in the Official Gazette in March.

²⁰ The planned allocations of the 2,100 MHz bandwidths were previously shared between Golan Telecom and the Palestinian operators for 3G deployment pursuant to the 2,100 MHz frequency agreement of 2017. However, Golan returned them to the MoC in August 2019 due to interference challenges with the Palestinian operators.

60. These laws contain several positive reforms to improve the efficiency of the judiciary and the trial and litigation process. At the same time, however, significant concerns have been raised by civil society groups, the Palestinian Bar Association, and the international community that other provisions of these new laws will impinge upon the independence of the judiciary, expand executive power, and compromise the rights of litigants and defendants. The last of the laws noted places the Palestinian Liberation Organization (PLO) in the category of a state entity, granting it the same protections from civil suits. Concerns have also been raised that the process of drafting and enacting these laws did not include opportunities for review and input by the public or relevant institutions.

xli. The PA is urged to give due consideration to the concerns raised by relevant stakeholders, civil society and the international community with respect to these laws and to undertake their further revision to address these concerns.

Fiscal

61. The PA continues to face a dire financial situation resulting from diminished economic growth, a marked decline in donor funding and Israeli deductions from clearance revenue. In 2021, the PA's deficit reached 757 million USD – approximately 4.4 per cent of GDP – despite GDP growth of 6 per cent, an increase in gross local revenues of 1.5 billion USD²¹ and a decrease in government expenditure. In 2021, deductions by the GoI from clearance revenues reached 282 million USD, representing 37 per cent of the budgetary deficit.

62. Projections for 2022 by the PA MoF portray a similarly grim fiscal situation. Despite projecting 3 per cent growth in GDP and an 8 per cent increase in gross revenues, the PA's fiscal deficit is expected to reach 558 million USD.²² Addressing that gap will require structural change, internal fiscal reform, improved economic growth, and the resolution of a number of long-discussed but still outstanding Israeli-Palestinian fiscal files. These files will not only assist in closing the PA's immediate budget gap but are also central to the goal of Palestinian economic self-sufficiency, a complement to – but in no way a replacement for – negotiations aimed at achieving a two-state solution.

63. The parties are urged to make progress on a number of files which offer both immediate and short-term impact on the PA's fiscal position, and which, if resolved, have the potential to create additional revenue streams for the PA and help address some of their ongoing budgetary challenges. The establishment of committees by the Israeli MoF to examine some of these files, including Allenby Bridge crossing fees and the 3 per cent handling fee, is a positive first step which should lead to prompt resolution of these files.

xlii. The GoI is encouraged to waive the 3 per cent handling fee, or at a minimum significantly reduce it to reflect actual administrative costs. In 2021, this fee reached approximately 282 million NIS.

xliii. The GoI is encouraged to allow the PA to purchase fuel from Israel without excise tax and VAT, which will both reduce the overall handling fee charges by some 150

²¹ Source: Ministry of Finance, Overview 2021 Fiscal Situation, Challenges and Reform Actions. Presentation to the International Community, February 24, 2022.

²² Draft General Budget Law for the Fiscal Year 2022.

million NIS per year and help maintain much-needed liquidity in the Palestinian economy.²³

xliv. The parties are encouraged to resolve the dispute over past Allenby Bridge crossing fees and the Gol is urged to transfer to the PA its share of these fees.²⁴ The parties are further encouraged to agree on a formula for setting and sharing of the crossing fee going forward.

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

Electronic VAT clearance mechanism

64. Launch of the eVAT pilot program on March 6 by both sides is welcome as an important step in addressing this longstanding file. The PA's system was launched to all merchants engaged in bilateral trade with Gol merchants and was made mandatory for issuing the 'P' invoice. By late-April, over 26,000 electronic invoices were issued by PA merchants. This came following a nationwide media and training campaign which targeted major corporations, accountants and accounting firms and small and medium enterprises in both the West Bank and Gaza to introduce them to the new system, its use, and various features. This campaign was funded by the UK's Foreign, Commonwealth and Development Office (FCDO) through their Tasdeer Project.

65. The Gol eVAT system launched with a limited user base, with participation optional for Israeli merchants. During the first week, some 25 Israeli merchants (out of 11,000) issued approximately 100 invoices; by late-April, there were 400 Israeli merchants participating in the pilot, who had issued some 1,400 eVAT invoices. In a press release issued on the day of the launch, the Israel Tax Authority explained that if the program is deemed successful at the conclusion of the six-month pilot period, its use will be extended to all transactions between Israeli and Palestinian dealers. To ensure success of the pilot and effective performance of the new system, the parties are encouraged to adopt the following measures:

xlvi. The parties are urged to sign the draft Memorandum of Agreement on eVAT. This would incorporate 'Document 4', the principal document negotiated by the parties which establishes the policy guidelines and business and technical rules governing the eVAT system.

²³ Waiving taxes on fuel (allowing them to simply be charged and collected by the PA) would reduce the funds included in the monthly clearance process and thus subject to the handling fee by nearly USD 100 million. This adjustment was previously discussed at length between the parties, but to date has only applied on a one-off basis to a single transfer of revenue in 2019.

²⁴ The Paris Protocol provides that exit fees are to be divided between the PA and the Gol on a 46/54 per cent basis. In 2008, the Gol increased the exit fees unilaterally from 26 to 40 USD without increasing the PA's share.

- xlvi. The Gol is encouraged to conclude development of necessary application program interfaces (APIs), and the parties are urged to complete end-to-end testing to enable integration and sharing of data between the Israeli and Palestinian systems.²⁵**
- xlvi. The Gol is encouraged to expand the user base beyond the current 400 in order to enable a more robust testing of the eVAT system during the pilot phase and to lay the groundwork for the subsequent scaling up of the program.**
- xlix. The Gol is encouraged to advance the necessary legislation or regulation to make use of the eVAT system mandatory for all Israeli merchants at the conclusion of the pilot phase in September.**

Customs transfer

66. Although the PA and the Gol have both repeatedly stated their intent to transfer customs authority with respect to Palestinian imports to the PA, little progress has been made in negotiating this transfer. The parties are urged to clarify points of difference and expedite resolution of this file. The World Bank has previously estimated that customs transfer will reduce revenue loss to the PA by 53 million USD.²⁶
67. In preparation for the transfer of customs authority, the PA MoF has drafted a new Customs Law. The draft was prepared by a committee of technical and legal experts established within the MoF and tasked with reviewing and upgrading the existing legal framework to enhance the PA's ability to assume responsibility for customs functions, with assistance from the OQ.
68. During the reporting period, the committee revised the draft law based on comments received from relevant ministries. The MoF plans to hold a further round of consultations in May to receive input on the draft from private sector stakeholders, following which it will be submitted to the Council of Ministers for adoption. The MoF will also begin the drafting of two complementary by-laws to regulate bonded warehouses and customs brokers.

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

Banking relations

69. In recent months, the Palestinian Monetary Authority (PMA) and the Bank of Israel (BoI), as well as the two correspondent service companies on both sides, have continued to make progress on the establishment of the new correspondent banking mechanism that was agreed in November 2020. Bilateral coordination on the new mechanism has improved following the appointment of the new CEO of the Palestinian correspondent service company in March. Much work is still

²⁵ At the time of the release of the systems, automatic synchronization, automatic reconciliation of invoices or the exchange of data in real-time between the two sides was not enabled due to technical challenges in completion of the Israeli system.

²⁶ Customs transfer involves the transfer of certain functions and authorities in the sphere of customs clearance from Gol to the PA, including establishing customs clearance facilities and bonded warehouses at various locations in the West Bank, to enable PA customs officers to exercise greater customs control on goods destined to its markets to detect undervaluation and smuggling of goods.

required, however, in order to finalize the new mechanism by end of 2022, including concluding the working modalities and commercial agreements between the two sides, and establishing the technological infrastructure.

- ii. The parties are encouraged to accelerate their discussions with the goal of finalizing the new correspondent banking mechanism by the end of 2022.**
- lii. Alongside ensuring timely progress on the bilateral dialogue, the parties are encouraged to finalize their separate undertakings, including the digitalization reform (currently underway, as a key strategy to alleviate the cash surplus in Palestinian banks), extending the immunity and indemnity letters for the Israeli commercial banks beyond July this year (until the new correspondent banking mechanism is established), and preparing for the mutual evaluation of the PMA by MENA FATF²⁷ in the coming months. Other bilateral issues, such as the cash center that was included in the 2020 roadmap, should also be resolved.**

70. Furthermore, in an effort to halt and reverse the accumulation of Israeli shekels in Palestinian banks, while strengthening the digital economy and fostering financial inclusion, the PMA has announced and launched several noteworthy reforms in the last few months that will significantly enhance the landscape of digital payments in the Palestinian economy; most prominent among them are the point-of-sale transactions service, the new payment system for credit card clearing (sets a maximum commission of 0.5 per cent of transaction value on businesses, instead of more than 3 per cent previously), lowering the entry barriers for new competitors in the digital payment arena, launching the regulatory sandbox for testing innovative financial solutions and technologies, and calling upon commercial entities to favor the use of electronic payments over cash payments (along with an intent to impose a certain cost on the latter in the coming period).

Security sector

71. The appointment in January 2022 of a new Minister of Interior was a significant and long-awaited step for the PA security sector. Various parties have long urged that the shift of this responsibility from the Prime Minister to a full-time minister was important to improving oversight and professional development of the security sector, while discussions continue regarding the question of enhancing civilian oversight of the sector.

72. A significant number of Palestinian communities remain deprived of adequate protection by police and security forces, although the recent period has seen some minor improvements in this movement and access. PA Security Forces (PASF) remain severely restricted in their ability to provide law enforcement services, execute court orders, or combat crime in these communities.

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

Movement and Trade

73. Overall Palestinian trade continues to grow, with total exports from West Bank to Israel increasing by 20 per cent between July and December 2021, reaching 708 million USD compared to 588 million USD between January and June 2021. Total imports from Israel to the West Bank increased

²⁷ Middle East and North Africa Financial Action Task Force.

by 21 per cent between July and December 2021, amounting to 1.90 billion USD compared to 1.57 billion USD between January and June 2021. This growth in trade is accompanied with an increase in the number of truckloads processed at Israeli crossing points. Exports to third countries also increased by 28 per cent from 71 million USD to 91 million USD during the same period.²⁸

74. In support of increasing trade and reducing transactions costs, the OQ has continued to work on expanding the door-to-door (D2D) program with the aim of better serving small and medium-sized companies, while also advancing efforts around adopting a similar door-to-door type process at Allenby/King Hussein Bridge (A/KHB).
75. The number of passengers travelling across A/KHB between July and December 2021 reached 652,404 compared to just 50,094 passengers during the same period in 2020, a period heavily affected by the COVID pandemic. Despite this increase, passenger numbers remained at less than half the pre-pandemic level of 1.5 million for the same period in 2019.²⁹ The PA announcement on the issuance of Palestinian biometric passports by early May 2022 is expected to facilitate and expedite movement and travel processing for Palestinian passengers.
76. During the reporting period, the movement of goods in and out of Gaza nearly returned to levels seen before the May 2021 Gaza-Israel escalation. Additionally, some construction materials are now allowed entry into Gaza through 'normal coordination' and no longer require monitoring through the Gaza Reconstruction Mechanism (GRM). Israeli authorities also issued 12,000 permits for Gazans under the 'financial needs' criterion.³⁰ While these are all positive developments, more needs to be done to increase economic activity in Gaza.
77. The OQ, in collaboration with the Palestinian Federation of Industries (PFI), has conducted an extensive study to map the current state of industry in Gaza to help guide efforts to revive and develop the industrial sector and generate additional labor opportunities. This expands the trade-related work of the OQ in Gaza and builds on ongoing efforts to restore the transfer of processed food products from Gaza to the West Bank as part of the 'Dutch initiative'.

Door-to-door and trade facilitation

78. The D2D program continues to generate savings for participating companies in the West Bank. While the number of companies has not increased since the last reporting period, there was an increase in the number of shipments. Twenty companies currently utilize D2D, with an average of 1,600 shipments per month, and an average monthly value of 12.8 million USD between July and December 2021. This compares to an average of 1,505 trucks per month and an average monthly value of 12 million USD between January and June 2021.
79. Efforts to expand D2D by enabling small and medium-sized companies to utilise the program through the use of Joint Staging Areas have progressed following receipt of an in-principal approval from ICA in January 2021. Work is underway to compile the first batch of companies to participate in the pilot phase which will be followed by the articulation of technical aspects of the facility to allow for the design phase and resource mobilisation. Setup of the proposed facility is targeted for Q4 2022.

²⁸ Palestinian Central Bureau of Statistics (PCBS)

²⁹ Israeli Airports Authority (IAA)

³⁰ As of 25 March 2022, several news reports indicated that the Gol intends to raise the number of permits allowing Gazans to work in Israel to a total of 20,000: <https://www.i24news.tv/en/news/middle-east/palestinian-territories/1648355550-israel-to-raise-work-permit-quotas-for-gazans-to-20-000>

Trade facilitation with Jordan

80. Commercial traffic over A/KHB continues to grow significantly with the number of shipments processed in 2021 reaching 75,488 truckloads compared to 57,144 in 2020, an increase of around 32 per cent.³¹ This growth is expected to continue in view of a Palestinian-Jordanian agreement on expanding trade volumes between the two markets. The significant increase in international shipping costs to Haifa and Ashdod ports has also seen Palestinian importers redirect some imports to Aqaba port in Jordan and from there to the West Bank via A/KHB. A pilot program to facilitate the movement of containers at A/KHB launched by the EU and the Palestinian Ministry of National Economy (MoNE) in February 2022 is expected to increase the volume of imports even further.
81. In this vein, the OQ continues to engage the parties on advancing a D2D type process at A/KHB, including the generation of analysis of trade data at A/KHB to help inform stakeholder discussions on the potential scope, possible prioritisation and related technical aspects. This effort will also benefit from the findings of a comprehensive study commissioned by FCDO (through the Improving Trade Facilitation and Customs Support or TFCS program) currently being completed. Following the conclusion of this study, discussions with the GoI will be required on the technical aspects of such a program, including security parameters.

Standards-related trade impediments and costs

82. In November 2021, the GoI introduced import and standards-related reforms to facilitate trade and remove trade barriers. As part of this reform, pre-shipment testing and documentary requirements for goods entering Israel have been reduced. The changes will also impact imports destined to the Palestinian market and, as a result, are expected to have a significant impact on the Palestinian economy. In light of this development, there is a need to revitalise the Mutual Recognition Agreement between the Israeli Standards Institute (SII) and the Palestinian Standards Institute (PSI) so as to enable PSI to effectively perform a range of functions, such as market surveillance. This would be best carried out as part of a wider agreement that includes the transfer of standards testing functions to PSI.

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

Sustainable economic development in Gaza

Karm Abu Salem upgrade project

83. Faced with delays pertaining to the May 2021 escalation as well as the global rise in the prices of raw material, the Karm Abu Salem (KAS) upgrade project commenced actual physical works during Q2 2022. The construction works are expected to take six months with completion scheduled for the end of 2022. Annual savings of 1.6 million USD are expected as a result of the shading area in the first year, with the potential for this estimate to be exceeded due to the increased trade volumes of perishable goods (particularly agricultural produce) being registered as of December 2021.

³¹ Israeli Airports Authority (IAA)

Restoring Gazan food sector exports

84. As part of the Dutch-led initiative to support the transfer of processed food production from Gaza to the West Bank, only two Gazan ISO 22000 certified companies have been allowed to market a limited number of items to the West Bank to date. In collaboration with the NRO and the Palestinian Processed Foods Union (PFIU), a list of possible candidate companies and an expanded catalogue of items to be considered for inclusion in the initiative were shared with COGAT in early 2022.

iv. The parties are encouraged to expand the list of companies and products that can be facilitated through the Dutch initiative.

Gaza industrial support effort

85. The rejuvenation of Gaza's industrial sector is key to improving economic conditions and job creation. Over the course of the past 15 years, the industrial sector has experienced a depletion of resources and has been lagging in terms of technology and know-how, with a consequential impact on production capacity.

86. In collaboration with the PFI, the OQ has commissioned a mapping and analysis study of the current and potential industrial capacity across ten sectors so as to generate a comprehensive and current analysis of the state of Gaza's industry.

87. The OQ will build on this exercise to work with the relevant industrial unions in Gaza as well as other stakeholders to articulate interventions that have the potential to increase industrial output in Gaza and with it increase sale of Gazan products to the West Bank.

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

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

Gaza Central Desalination Plant and Associated Works

Component	Key developments (September 2021 – April 2022)
Gaza Central Desalination Plant (Lot 1) GCDP	<ul style="list-style-type: none"> • Technical proposals submitted for the Invitations for the Competitive Dialogue Process for GCDP Lot 1 stage two are still under evaluation, the evaluation deadline is extended to Q3 2022 • A feasibility study is underway on the provision of a dedicated gas line for the GCDP from the Gas for Gaza project. Submission of the final copy was received in April 2022 and is under review.
The Additional Water Supply Network Improvement Works - Middle + Khan Younis (Kuwait)	<ul style="list-style-type: none"> • Construction for this package was completed on 27 October 2021. • Water is being supplied from Mekorot through Bani Suhaila and Bani Said connection point as of September and November 2021; respectively. The system now has the capacity to absorb 10MCM/Y.
Southern Main Carrier (Kuwait)	<ul style="list-style-type: none"> • Due to tendering challenges, the original contract has been divided into two separate contracts, and tender documents are being finalized. Bidders submitted proposals in August 2021 for evaluation and selection. The construction contractor will be selected by Q2 2022 and should proceed directly with procurement of materials and constructions.
Reconfiguration in Gaza and Northern Governorates and Al Montar system	<ul style="list-style-type: none"> • PWA finalized the financing arrangements with KfW for the reconfiguration system. In parallel, an implementation agreement was signed in October 2021 between the EU and KfW for implementing the Al Montar system along with the reconfiguration system through KfW. KfW should now sign a Grant and Implementation Agreement with the Palestinian Ministry of Finance and with the PWA. • KfW and the PWA are currently in the process of finalizing a tender for contracting an international supervising company which will be responsible for verifying the existing design, developing the tender document for this package and supervising its procurement, construction and commissioning works, expected to start Q4 2022.
Reconfiguration in Middle and South (World Bank)	<ul style="list-style-type: none"> • Designs and tender documents have been finalised. • Construction contractors submitted proposals in February 2022, for reconfiguration of the water distribution system in the South, but there has been no selection yet. • The reconfiguration of the water distribution system (Middle Governorate) awarded to a local contractor for 5.3 USD in March 2022, with the construction planned to be complete by Q1 2023.

Water and Wastewater Facilities in Gaza

Component	Key developments (September 2021 – April 2022)
Northern Gaza Emergency Sewage Treatment Plant (NGEST)	<ul style="list-style-type: none"> The construction contractor was selected in Q1 2022 for a 7.5 MW renewable energy system, funded by Irish Aid through AFD. The reuse scheme project for NGEST (5,000 dunams) started in October 2020 and the expected completion date is planned for Q4 2022. However, the project is expected to be delayed mainly due to delays and challenges with the land use. Ongoing support to all O&M needs for the facility provided up until 2024 by the World Bank multi-donor trust fund. The Agreement between the PWA and GEDCO on the net-metering of electricity has been signed. Ongoing discussions between PWA and CMWU to handover operation responsibilities to the CMWU.
Gaza and Middle Area WWTP	<ul style="list-style-type: none"> Construction was completed in December 2020. It started receiving wastewater from Gaza and Middle area gradually and reached its full capacity (60,000 cubic meter per day) in mid-September 2021. The facility reached self-sufficiency in energy supply from the solar PV panels in August 2021. 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. An MOU between the PWA and GEDCO for swapping of electricity is due to be signed in Q2 2022, following the completion of a study on the ability of GEDCO's grid to receive capacity from the PV system. Operating the biogas system pending entry of equipment and international experts. Since the facility's operationalization, it has been facing challenges with receiving approvals from Gol for chemicals to test the quality of the effluent.
Khan Younis WWTP	<ul style="list-style-type: none"> The facility continues to operate at half of its capacity due to the limited household connections in the area. The Kuwaiti Fund, through the IsDB, contributed 0.6 million USD in March 2021 to expand household connections in the Khan Younis area, which was finalised in March 2022. Further 22MUSD are needed to expand the network connections in Khan Younis area, The facility is facing financial constraints; approximately 0.5 million USD is needed to cover O&M costs for the period until 2023. Khan Younis municipality couldn't reallocate part of its staff to operate the facility as initially agreed with the CMWU, hence CMWU is currently operating the facility with minimum staff due to insufficient O&M funding. A local consultant was selected for the design of a 7 MW solar PV system for the facility. The construction contractor for the first phase of 1.3 MW, funded by Norway, was selected in May 2021 and construction is underway. Completion is expected by Q2 2022. The remaining 3.7 MW and 2 MW funded by the Kuwaiti Fund and the EU, respectively, will follow. Reuse scheme: Funded by the EU through Oxfam. Oxfam released the bid for an external consultant to develop the scheme design on 20 September 2020. The study and the design were completed in October 2021. The process for procuring a contractor to implement a pilot reuse scheme is currently underway and will utilize surplus funding from the design phase. This process will also identify and fundraise the outstanding financial gap for completing the reuse scheme. The awarding process and selection for the contractor are underway.
Rafah Wastewater Treatment Plant (WWTP)	<ul style="list-style-type: none"> The Rafah WWTP, built in 1992 with initial capacity of 2,000 cubic meter /day, was expanded in 2011 to reach 15,000 cubic meter /day (funded by ICRC). However, Rafah WWTP is currently receiving about 20,000 cubic meter / day. The plant has deteriorated significantly. There is a plan to expand Khan Younis WWTP to treat Rafah's wastewater and to continue to use the facility location as a sewage collection site. However,

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

Water and Wastewater Facilities in the West Bank

Component	Key developments (September 2021 – April 2022)
Hebron WWTP, Wadi Saman Trunk Line and Reuse Scheme	<ul style="list-style-type: none"> • Construction of the WWTP has made good progress and is around 80 per cent complete. It is expected to be complete by September 2022. • The PA disbursed an initial 8 million USD for developing the trunk line for advancing this project. Design (funded by AFD) of the trunk line is complete. The construction of the trunk line is ongoing (around 60% is completed). • Expressions of Interest for a detailed feasibility study including engineering designs for a reuse scheme are finalized and a consultant was selected. The feasibility study is scheduled to start soon, although no specific date has been set. be starting soon. Funding is needed for construction of the reuse scheme.
Ein Jariot WWTP	<ul style="list-style-type: none"> • KfW committed 30 million USD for this WWTP. • The pre-qualification for a consultant to validate the design of the Ein Jariot W-WTP was finalized in August 2020. • The detailed design is currently under development, and it is expected to be completed by the end of 2022. Construction works are expected to begin by mid-2023. It is expected that this project will be completed by 2025. • Approvals from JWC and ICA have been acquired and the no-objection announcement was provided.

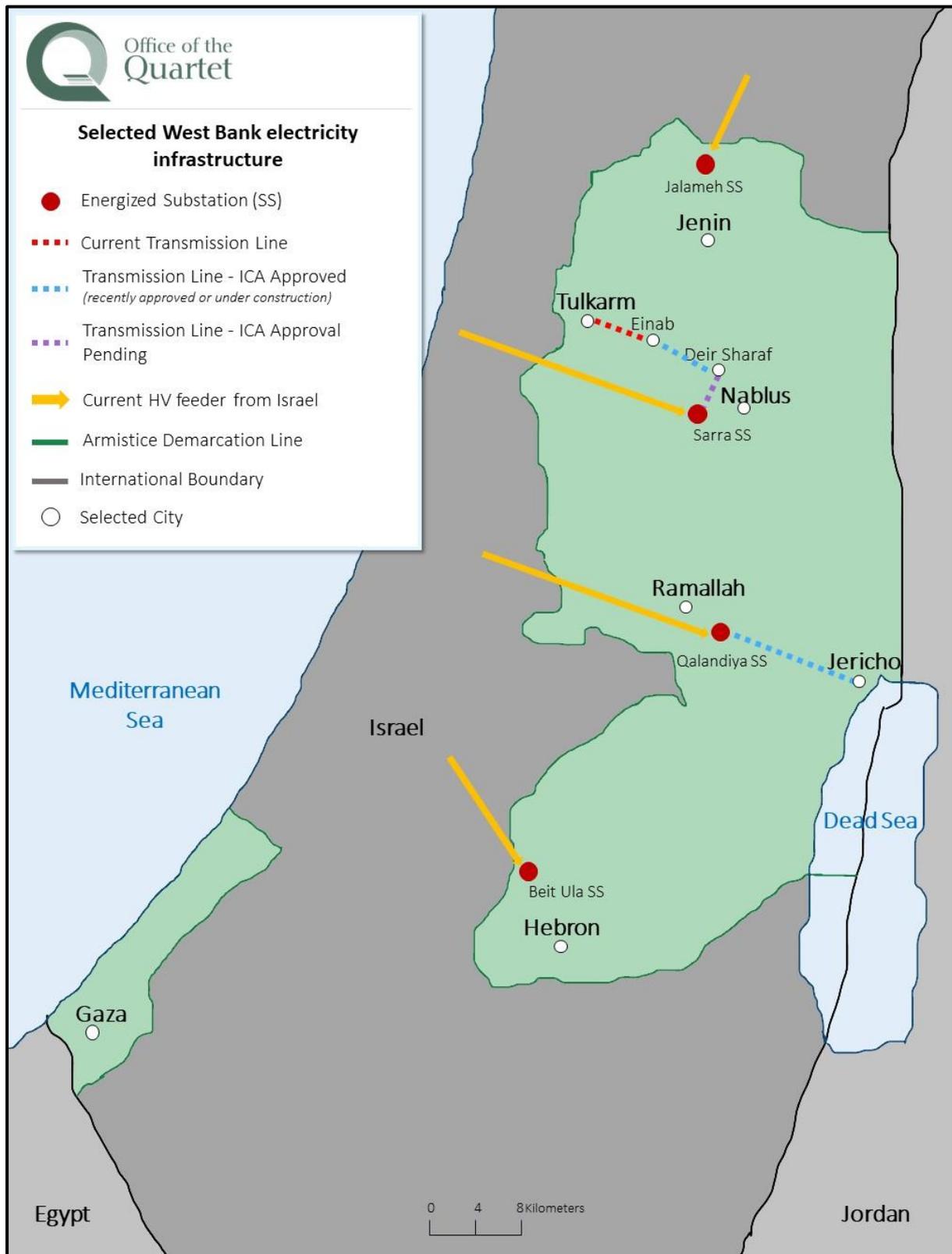
	<ul style="list-style-type: none"> The project is in the land acquisition phase (in process).
North-East Ramallah Sewage Project	<ul style="list-style-type: none"> A feasibility study was undertaken in 2004 by the World Bank and the EIB. With EIB funding, an updated feasibility study was completed in July 2020. During the reporting period, the project documents were discussed and submitted to different donors for funding. The estimated cost is around 33 million EUR (36 million USD) to develop the detailed design and for implementation of the sewage network, WWTP and the reuse scheme. EIB has offered a loan of around 50 per cent of the needed funding.
Jericho WWTP and Reuse Scheme	<ul style="list-style-type: none"> With funding from the Japanese International Cooperation Agency (JICA) and the PA, two parallel projects in Jericho are advancing to improve sewage collection and increase the quantities of sewage treated at the Jericho WWTP to 3,000 m³/day. It is expected that 800 m³/day will be collected as additional quantity. In order to utilize the additional quantities of effluent generated by the treatment plant, further investment in the reuse scheme is required. Expansion of the wastewater collection network, funded by JICA and the PA, was completed in July 2020, increasing the flow to the Jericho WWTP by an additional 2,300 m³/day. Despite some delays in construction during the COVID-19 pandemic, the original works of the expansion of the Aqbat Jabr sewage network, funding by Japan through the United Nations Relief and Works Agency (UNRWA), were completed in April 2021. Additional funds were recently committed by Japan through UNRWA to expand the network by 400 meters and to advance household connections. These works will be completed by the end of September 2021. Funding of 3 million USD remains outstanding for expanding the internal wastewater network in Ein Sultan Camp.
Al Bireh Reuse Scheme (and trunkline to Al-Auja)	<ul style="list-style-type: none"> A feasibility study was developed in 2016 with EU funding PWA approved the ICA alternative routing of the trunkline. Detailed designs are ongoing now and will be completed by end of May 2022 based on the approved routing Funding of 9.6 million USD is still outstanding for the implementation of the trunk line and reuse scheme.
Nablus West WWTP	<ul style="list-style-type: none"> The Asira a-Shamaliya municipality contributed 0.5 million USD in 2020 for the expansion of the wastewater network and trunk line feeding the Nablus WWTP. Funding of 4 million USD is still needed for the detailed design as well as for construction of a sewage network, trunk line to the Nablus West WWTP, and reuse scheme.
Tubas Sewage Project	<ul style="list-style-type: none"> The treatment plant was commissioned in October 2020 with a design capacity of 4,400 m³/day. The facility is operating at around 23% (1,000m³/day) due to the limited household collection network. The PA secured 1.8 million EUR for the development of household connections in Tubas city (0.5 million EUR from the Nexus Project funded by the EU which was completed in December 2019, 0.5 million EUR funded by Tubas Joint Service Council for water and sanitation which was completed in January 2020, and 0.8 million EUR from the development budget of the PWA which will be finalized by the end of 2021). The development of the household connections is ongoing. Further funding of around 7 million EUR is still needed to complete the sewer collection system and installing household connections in other nearby communities and villages that should be served by the treatment plant. This will enable the WWTP to be operated according to its design capacity. 2 million EUR is needed for a detailed design and construction of a reuse scheme.
Tulkarem Al Sha'arawiya Sewage Project	<ul style="list-style-type: none"> The first phase (Baq'a Sharqia & Al-Nazlat) of the project, funded by NRO, was completed in December 2020. It includes a wastewater collection system, transmission pipeline from the collection point to the Green Line, and 5 flow meters for monitoring the transboundary wastewater flow inside Israel.

	<ul style="list-style-type: none"> The second Phase (Ateel and Deir El Ghoson), also funded by NRO is currently under construction, it could be completed by end of 2022. It includes a wastewater collection system, pipeline line to the boundary, and flow meters for monitoring near the boundary.
Yatta Water Network	<ul style="list-style-type: none"> Progress continues in completing the Yatta Water Network following funding cuts by USAID in 2019. Through NRO funding, UNICEF hired a consultant to assess and evaluate the existing construction works. This work was finalized and confirmed that all USAID built-up infrastructure are in good condition and identified an additional 2 million EUR to complete all project components. Based on the above, the consultant will start the second stage under his assignment to prepare the tender documents to complete the construction of the infrastructure. Tender documents were published on Feb 25 for the provision of construction works of Yatta water network.
Janzur Well	<ul style="list-style-type: none"> AFD committed 750,000 EUR in 2019 towards the first phase of the well in Janzur (this includes only drilling the well and conducting pumping tests). The drilling process is delayed due to technical problems and is expected to be completed by Q2 2022. If pumping tests prove the productivity of the well, an estimated 3.5 million USD will be needed for completing the second phase of the project, which includes equipping the well. It is expected that the well will supply approximately 1.3 MCM/y.
North-South Carrier for West Bank Water Distribution	<ul style="list-style-type: none"> As part of the West Bank and Gaza Water Security Development Program, the World Bank will fund the development of a masterplan and a conceptual design for a north-south water carrier in the West Bank. The procurement process was started in December 2020. Procurement of developing the Master Plan for the regional water supply system (World Bank) was concluded and a contractor was selected in March 2022.
Northwest Ramallah Project (Abud Connection Point)	<ul style="list-style-type: none"> Tendering for constructing the Ramallah connection point and its distribution network for supplying RSDS quantities has started, co-financed by AFD and the EU (31 million EUR). Construction works are expected to begin in early 2023. PWA/IWA/ICA engagement is underway to finalize two outstanding segments of the distribution network in Deir Nizam and Deir Abu Mashal.
Al Samou CP	<ul style="list-style-type: none"> The connection point has an in-principle approval from the JWA to be installed to supply additional quantities of 18 - 25 MCM/y from Mekorot to the southern and southwestern communities of Hebron. The targeted timeframe for implementing this connection point is 2027. Around 13km transmission pipeline from the proposed connection point of Al Samoua to proposed reservoir south of Dura including pumping station needs to be constructed. Funding of around 25 million USD is still outstanding for the implementation of the transmission line and pump station from the Israeli supply point.

Annex B: G4G pipe route and energy infrastructure for Gaza and the West Bank

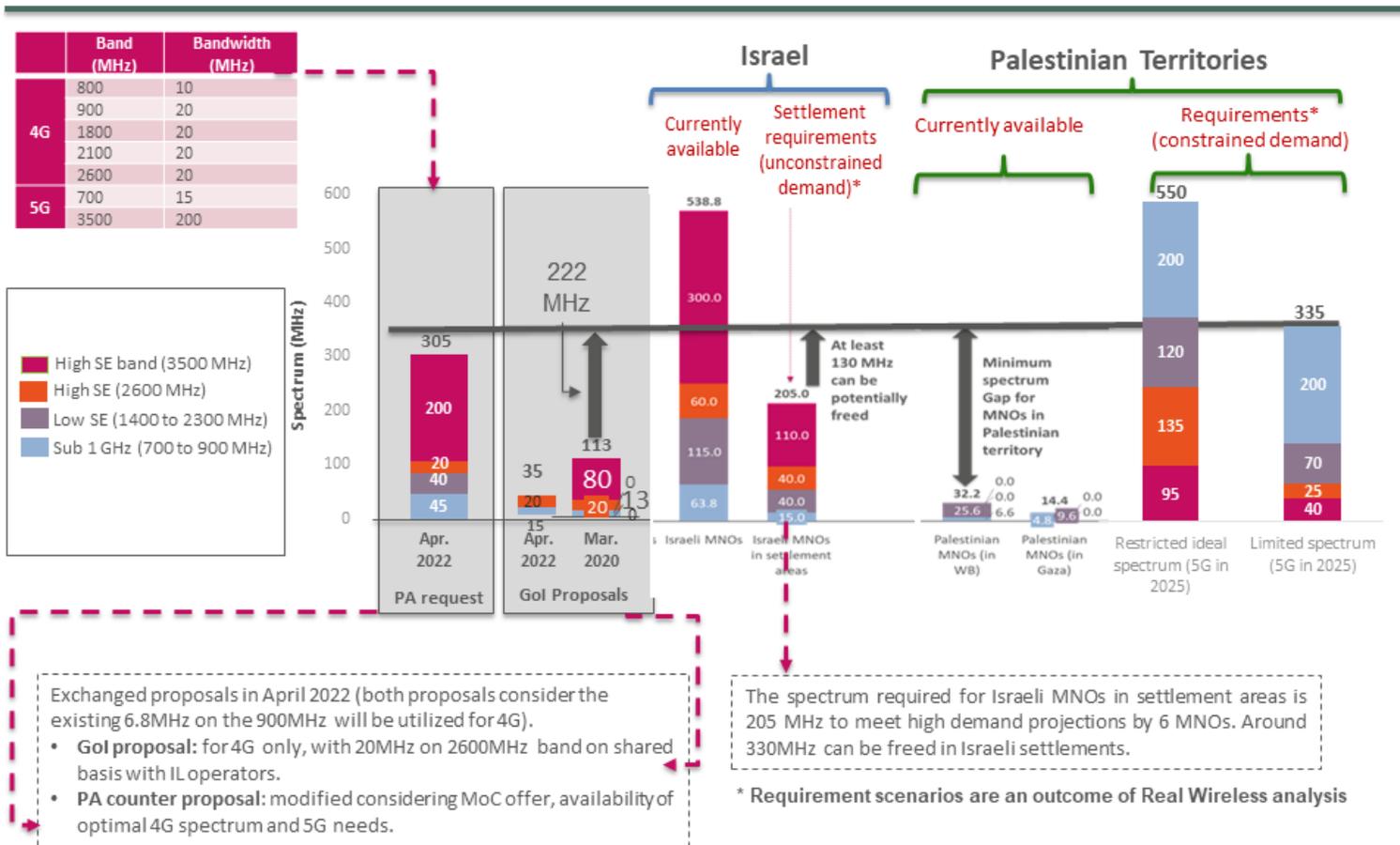


Annex C: Selected West Bank Electricity Infrastructure Map



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

Existing spectrum and requirements by 2030



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