



Office of the  
Quartet

**Report on the Activities of the Office  
July 2017 - December 2018**

December 27, 2018

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## Acronyms

A/KHB - Allenby/King Hussein Bridge  
AfD - French Development Agency  
AGO - Attorney General's Office  
API - Application Programming Interface  
CoGAT - The Coordination of Government Activities in the Territories  
CMWU - Coastal Municipalities Water Utility  
CSOs - Corporate Security Officers  
D2D - Door -to -Door  
DfID - UK's Department for International Development  
DCOs – District Coordination Offices  
EU - European Union  
GCDP & AW - Gaza Central Desalination Plant and Associated Works  
GEDCO - Gaza Electricity Distribution Company  
G4G - Gaz for Gaza  
GoI - Government of Israel  
GRM - Gaza Reconstruction Mechanism  
GPP – Gaza Power Plant  
HJC - High Judicial Council  
IEC - Israel Electric Corporation  
JAL - Judicial Authority Law  
MCM - Million Cubic Meters  
MIZ - Monitored Industrial Zone  
MOA - Ministry of Agriculture  
MOU - Memorandum of Understanding  
NGEST - Northern Gaza Emergency Sewage Treatment facility  
NGO – Non-governmental Organization  
NRW - Non-Revenue Water  
NSDI - National Spatial Data Infrastructure Initiative  
OQ - Office of the Quartet  
O&M - Operation and Maintenance  
PA - Palestinian Authority  
PASF - Palestinian Security Forces  
PETL - Palestinian Electricity Transmission Limited  
PCBS - Palestinian Central Bureau for Statistics  
PPA - Power Purchase Agreement  
PPP - Public Private Partnership  
PV - Photovoltaics  
PWA - Palestinian Water Authority  
RSDS - Red Sea Dead Sea

SDI - Spatial Data Infrastructure

STLV - Short Term Low Volume Desalination Plant

UNDP - United Nations Development Program

UNOPS - United Nations Office for Project Services

UNSCO - The United Nations Special Coordinator for the Middle East Peace Process

USSC - United States Security Coordinator

WG - Working Groups

WSRC - Water Sector Regulatory Council

## Foreword

This report outlines the work of the Office of the Quartet (OQ) from June 2017-December 2018, identifying those areas where progress has been realized and those where challenges remain. The office focuses on supporting the parties in their engagement, in an effort to help them realize agreements and progress in a manner that benefits Palestinians and, by extension, Israelis. Such progress is essential, but it can only support, never supplant final status negotiations aimed at achieving a two-state solution.

The past year has seen a deepening of the OQ's work with an increasing focus on brokering between the parties in the key sectors in which we work: energy, water, governance and rule of law, movement and trade and telecommunications as well as economic mapping. We have focused on those areas which potentially yield a quick dividend, have a multiplier effect, and which also represent critical steps in achieving medium and long-term goals in each sector.


While achieving progress has been an increasing challenge, over this reporting period, there are nevertheless a number of areas where the OQ, working with other key international partners has supported the parties in achieving progress:

1. Deployment of 3G for the first time in the West Bank and 2G in Gaza as well as extensive discussions on the allocation of further spectrum;
2. The ability of PASF to serve Palestinian communities in Areas B and C improved and new movement and access parameters continue to be maintained.
3. Establishment of the door to door process which smooths the movement of Palestinian private sector goods from the West Bank to Israel and indeed beyond.
4. Successful commissioning of the Northern Gaza Emergency Sewage Treatment facility (NGEST), currently operating at full capacity, due to the provision of 6MW of electricity, with additional photo-voltaic installation planned to ensure sustainability;
5. Progress in realizing the Gaza Central Desalination Plant and Associated Works program (GCDP & AW) including *inter alia*: a successful pledging conference hosted by the European Union, conclusion of arrangements for the disbursement of an estimated \$60m USD of Kuwaiti funding to build the southern connection capable enabling transmission of potable water supply in the south, including import of additional bulk water, by June 2019 and, finally, the issuance of a letter from Major General Yoav Mordechai on the entry mechanism for 'dual use' materials which specifies timelines and arrangements for entry;
6. Progress on critical work streams of the Gas for Gaza (G4G) project including planning and permitting, gas buyer identified and significant progress on project financing. Provided that progress continues in a timely manner, Gaza could be connected to a natural gas supply in 2021.
7. The partial energization of the Jenin substation allowed for an increased supply of electricity to under-served communities in the north of the West Bank. This supported the Palestinian electricity transmission company PETL to self-finance salaries for its employees which is an important step towards the commercial viability of the company.
8. Israeli approval of the issuance of biometrically enabled passports.

The report offers a fuller treatment of these issues and as, if not more importantly, reflects on those areas where progress has been slower than hoped, including *inter alia* finalizing the Red -Sea Dead

Agreement, signing the power purchase agreement, implementing the 161 kV line for Gaza and transferring customs authority from the Government of Israel to the Palestinian Authority, one of a number of issues where progress would provide much needed fiscal support to the PA. Finally, in management terms, the office has succeeded in its transition to a new, holistic sectoral approach in its work while having a slimmer and more cost-effective model with an equitable distribution of fixed and running costs between a diversified group of donors to the office.

The coming year will undoubtedly bring further challenges, but the OQ remains committed to supporting the parties to achieve progress and in supporting Quartet members and donors to achieve alignment behind shared strategic goals. To that end, I thank the United States of America, the Kingdom of the Netherlands, the United Kingdom of Great Britain and Northern Ireland, the European Union, Canada and New Zealand for their support to the office. We look forward to continuing our work with the parties, Quartet members, donors and the international community in the coming year.

A handwritten signature in dark ink, appearing to read 'John N. Clarke'. The signature is fluid and cursive, with a large initial 'J' and a stylized 'N'.

John Nathaniel Clarke  
Head of Mission

## Work by Sector

The following sections provide an update on the work of the office, organized around the strategic objectives outlined in the [OQ's strategy for 2018 -2020](#).

### **I. Energy**

1. The past year has seen limited improvement in the supply of electricity. The situation in Gaza has been particularly difficult with electricity available for only 4-6 hours per day during the majority of the reporting period. While recent efforts to increase electricity generation made a positive difference, longer term sustainable solutions that address the root causes are needed. In the West Bank, the energization of the Jenin substation allowed for an increase in electricity supply. However, the anticipated signing of a new Power Purchase Agreement (PPA) has yet to take place. The below provides an update of sector developments during the reporting period.
2. Poor access to an affordable and reliable supply of electricity constrains development and economic growth in the Palestinian territory.<sup>1</sup> The West Bank and especially Gaza are currently experiencing a significant power deficit and the need to develop new power sources is critical. A cost-efficient supply of electricity would reduce donor dependence and boost the economy by enabling income generating activities. Increased access to electricity is also critical for the development of other sectors including water.
3. The OQ works with key stakeholders, shuttling between the parties, to advance energy security in the West Bank and Gaza, seeking sector wide solutions, with a particular focus on the following re-enforcing objectives:
  - a. increasing and diversifying the generation and supply of energy;
  - b. developing enabling infrastructure and;
  - c. supporting the commercial viability of the sector.
4. While the OQ works to enable the entire sector, the office has taken on particular responsibility for three key areas that are central to the sector's development, including Gas for Gaza (G4G), a project which facilitates the construction of a gas pipeline connecting Gaza to the Israeli natural gas network, the development of renewable energy projects, particularly solar, to provide more reliable and secure electricity, and the implementation of the 2016 Electricity Agreement. Each of these are addressed below.

#### *Increasing and diversifying the generation and supply of energy*

5. The OQ launched and chairs the Gas for Gaza (G4G) Task Force which brings together all the relevant parties, including the Palestinian Authority and the Government of Israel, to facilitate the agreement and the construction of the pipeline connecting Gaza with the Israeli natural gas network. The ten full plenary Task Force meetings convened since then have enabled G4G to advance from conceptual to implementation phase.
6. During the reporting period, the following steps have been taken:
  - a. Following the GoI in principle approval of the East-West pipeline route in 2016, the formal zoning process and the selection of pipeline crossing point to Gaza is under way. Detailed design is set to commence in 2019;

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<sup>1</sup> World Bank SED Study

- b. *A Draft Proposal on Contractual and Financing Structure* was produced by the OQ in collaboration with external consultants, which highlights critical legal and commercial structuring issues and an outline of next steps for project implementation;
  - c. There have been further discussions with donors and IFIs regarding their interest in providing project financing, especially with regards to the infrastructure finance for the pipeline (e.g. through loans and grants);
  - d. Finally, the key next steps include: advancing the legal and commercial structure of the project, with respect to, among other issues, the gas buyer and the commencement of gas sales negotiations; development of an inclusiveness strategy; securing financing for the pipeline and other project related activities; and progressing the permitting and planning phases (e.g. the start of the detail design in Israel and Gaza). In addition, the OQ is also working on identifying measures to increase cost recovery in Gaza. This a critical component to ensure the economic viability of the sector in the long term.
7. The OQ will continue to work with the parties, the Netherlands, the EU, other key members of the international community and the private sector to facilitate progress on the project. This also include any other relevant sector developments required for G4G to be successful including rehabilitation and upgrades to the electricity grids and the reconversion and upgrade of the Gaza Power Plant (GPP).
  8. The development of renewables, particularly solar photovoltaics (PV), has strong potential in promoting Palestinian energy independence by expanding generating capacity and diversifying the supply mix. Solar power is important to increase the resilience of local communities when power supply drops, especially for critical infrastructure like hospitals, health clinics and schools.
  9. The OQ, in cooperation with partners in support of the Palestinians, is examining the potential for utility scale solar PV projects in Gaza. During the course of 2018, the OQ has developed a terms of reference for this study and undertaken a procurement process to select a preferred supplier to carry out the study. The first phase of the study – the identification of potential locations in Gaza for solar PV projects – scheduled to be finalized by January 2019.

#### *Enabling infrastructure*

10. During the reporting period, the OQ has continued to support the development of initiatives to secure additional supply of electricity for the Gaza strip, including
  - a. the establishment of the 161 kV line on which progress has been slow, due to lack of clarity on timelines, costs, technical and the legal requirements that are needed. The OQ is working closely with key stakeholders to obtain the needed information and agreement on the details to commence implementation.
  - b. the restoration and upgrading of the Egyptian lines to Gaza. The OQ, along with key stakeholders is encouraging the potential rehabilitation and upgrade of the connection with Egypt. In the first phase, an additional 25 MW could be secured and in the second phase a total of 50 MW could be supplied to Gaza.

#### *Supporting commercial viability*

11. Progress in implementing the September 2016 Electricity Agreement remains slower than initially hoped. However, some key milestones have been reached such as the construction of all four substations and the signing of a temporary PPA which allowed for an increase in power



supply to the north of the West Bank via the Jenin substation.<sup>2</sup> In addition, on May 1st, 2018, Palestinian Electricity Transmission Limited (PETL) and the Israel Electric Corporation (IEC) reached a preliminary understanding on many outstanding issues and initialed the PPA. Regrettably, however, the final agreement remains un-signed, impeding progress across the sector.

12. The OQ supported PETL to update its current Business Plan to reflect developments since the first Plan was developed in 2013. The updated Business Plan will serve as a tool to PETL in establishing itself as the single bulk buyer of electricity and outline its business model and communication plan. Moreover, the Business Plan will also support PETL leadership with a more cohesive vision for the company.
13. In addition, the OQ is currently working to support Palestinian efforts to update the 2017 Electricity Agreement Implementation Plan. This exercise will take account of recent sector developments and it will be completed by early 2019. The OQ will continue to work with the parties and the other key partners to support implementation.
14. A key component of all OQ activities in the energy sector is focused on cost recovery issues and commercial viability. Cost recovery is the backbone of the energy sector in both the West Bank and Gaza, and if not properly addressed, will serve as a disincentive to further investments in the sector and will ultimately result in the failure of the sector as a whole.

## **II. Water**

15. Access to water is a humanitarian need and a pre-requisite for economic development. Over this reporting period, the OQ conducted an extensive review of the water sector and expanded its strategy to focus on supporting Palestinian national objectives of securing a reliable water supply, enhancing water and wastewater infrastructure, and ensuring the commercial viability of the sector. The reporting period has seen a deepening of the OQ's support to the parties to achieve progress, and, despite the significant challenges, a number of areas where progress has been realized.
16. The OQ supported the Palestinian Water Authority (PWA) in identifying the sector's priorities for 2018-2022 and developing and disseminating the Water and Wastewater Priority Packages. The OQ works to advance these priorities by shuttling between the parties, mitigating challenges on various levels, and building consensus across the sector on developmental and technical priorities as well as political messages. Some projects made significant progress, including the successful launch of the Northern Gaza Emergency Sewage Treatment facility (NGEST) and progress with the Gaza Central Desalination Plant & Associated Works (GCDP & AW), while other projects have been hindered by a range of financial, technical and other challenges.

### *Securing Reliable Water Supply*

17. This reporting period saw noteworthy progress in the GCDP & AW program, which will produce 55 MCM of potable water in Gaza, including the mobilization and initial disbursement of funding, commencement of the tendering process, and advancement of arrangements for the entry of the program's 'dual-use' materials. The OQ supported the PWA's fundraising efforts and pledging conference for the GCDP & AW. Since pledges do not fully meet funding needs, the OQ assisted the PWA in developing analysis on disbursement scenarios and

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<sup>2</sup> Power supply from Jenin substation has recently increased from 40MW to 60MW following the construction of an additional feeder line.

prioritization of components. Full disbursement of pledges, which is a necessity to advance tendering, remains a challenge.

18. The OQ supports bilateral and multilateral discussions through facilitating the GCDP & AW technical discussions, including convening the Task Force. As an outcome of these meetings, the OQ is playing a leading role in advancing the arrangements for the entry of the program's 'dual-use' materials, building upon the existing Gaza Reconstruction Mechanism (GRM). This process has involved extensive consultations with the parties, UNSCO, UNOPS, and program stakeholders, to reach consensus on parameters that will ensure transparency, accountability, and predictability for the entry of materials for this program. In this regard, the letter from Major General Yoav (Poli) Mordechai (September 12, 2017), which sets out the timelines for approving 'dual-use' materials, was an important first step. Since then, the OQ has worked with the GoI to elaborate additional arrangements; though, at the time of writing, a successful conclusion has not yet been reached. The OQ advocated among donors and stakeholders to secure funding and ensure GRM management and monitoring arrangements for the GCDP & AW. Progress includes UNOPS' commitment to manage the monitoring of material entry and storage for the program, and a donor's commitment to fund this effort.
19. In support of sectoral efforts to advance solutions to the water crisis in Gaza and the water shortage in the West Bank, the OQ is promoting discussions on the import of additional quantities of bulk water from Mekorot. However, progress has been slower than expected. Delays can be partly attributed to the significant political challenges impacting the frequency and capacity for the parties to meet. Under such circumstance, the OQ is working with the parties to bridge challenges, encourage discussions, and advance agreements. One example includes the OQ's efforts, shuttling between parties, to advance the signing of the Red Sea-Dead Sea (RSDS) agreement, to provide 10 MCM of water to Gaza and 22 MCM to the West Bank. In November 2018, the PWA shared its comments on the latest draft of the agreement with the GoI. The OQ will continue to support bridging between the parties and advancing arrangements to meet and finalize the agreement. Supplying RSDS quantities to Gaza requires completing a pipeline on the Israeli side and advancing infrastructure upgrades in south Gaza. The OQ has been advocating for funds disbursement and timely material approvals for the necessary infrastructure, which are part of the southern components of the AW and a resolution of other outstanding issues.
20. In addition to supporting the aforementioned priority projects to increase potable water supply,<sup>3</sup> the OQ has conducted a series of analyses on supply, demand, and consumption. These analyses assess the current challenges with water supply, the impact of current priority projects on the sector, and potential scenarios to support planning for the future.

#### *Enhancing Water and Wastewater Infrastructure*

21. To advance the provision of additional water supply, the OQ supported the PWA in developing packages of priority water and wastewater infrastructure projects for 2018 -2022. For this, the OQ consults with potential donors to encourage funding for projects and advocates with GoI to secure approvals and permits. The Wastewater Package is advancing more slowly than expected, largely due to the prioritization of increasing potable water; some progress has been seen with the PA Cabinet's decision to advance wastewater treatment on transboundary streams. Due to the shortage of wastewater treatment in the West Bank on these streams,

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<sup>3</sup> Gazans consumed 22 l/c/d of potable water in 2016, while West Bank Palestinians consumed an average of 67 l/c/d. Both quantities are far below World Health Organization minimum standards of 100 l/c/d

the OQ is supporting the parties in preparing for the revival of discussions on the transboundary wastewater protocol.

22. While the launch of NGEST marks an important success, ensuring operation and maintenance costs for this facility remains a key barrier for its viability; this is a key challenge across the sector in Gaza. The OQ supported the PWA, in coordination with the World Bank, CMWU and AfD, in developing analysis on the Operation and Maintenance (O&M) costs for NGEST, identifying outstanding needs for the coming five years, in order to advocate among donors to meet the funding gap in the project's cost recovery plan. Furthermore, the OQ worked with the PWA in securing energy for NGEST by clarifying its energy needs, convening the parties to discuss energization scenarios, and pursuing the agreed arrangements. These efforts resulted in a Memorandum of Understanding (January 2018) between PWA & GEDCO on the supply of electricity to NGEST and the Southern Short-Term Low Volume (STLV) Desalination Plant. While NGEST is now receiving the allotted electricity, regrettably the MoU has not been fully implemented for the Southern STLV due to the shortage of electricity supply to Gaza. As such, the Southern STLV is not operating at full capacity. The OQ continues to work with relevant stakeholders to ensure sustainable operations by mapping energy needs of the PWA's 2019 projects and advocating with energy interlocutors to secure this supply.
23. The OQ has developed an analysis on the feasibility of Public-Private Partnerships (PPP) in the Palestinian water sector, conducting a review of main challenges and needs from an institutional and regulatory perspective and supporting a PPP study-tour led by the US Consulate General.

#### *Ensuring a Commercially Viable Sector*

24. The long-term sustainability and viability of the Palestinian water sector is dependent on its commercial and financial viability. The OQ is working with the relevant stakeholders to map the sector's commercial viability, indicating the achievements to date and required actions, on the institutional and technical levels.
25. In support of efforts to reduce non-revenue water (NRW), the OQ concluded a study to support the WSRC in developing a road map to increase the financial viability of service provision.
26. Unauthorized tapping of water networks remains a key challenge for NRW management in the West Bank. The OQ, in coordination with the PWA and relevant local authorities, has initiated a police mapping pilot to engage Palestinian security forces in reducing unauthorized water tapping in the southern area of the West Bank. Plans to implement the pilot are in final stages of approval.

### **III. Movement and Trade**

27. During the period covered by this report, the OQ supported successful trade facilitation initiatives between the West Bank and Israel. This is particularly important because approximately 82% of Palestinian exports are currently destined to Israel. The Government of Israel has committed to a goal of having 30% of all cargo shipments moving from the West Bank into Israel utilize the "door to door" mechanism. By agreeing to adapt internationally accepted best practices in the movement of low risk cargo, the Government of Israel has now taken a risk-based approach to cargo processing and acknowledges the efforts and investments companies can undertake to assure the security of their own supply chains. The door to door program, discussed below, has improved the relationship between Palestinian manufacturers and the GoI. Very little progress was realized in our efforts to expand the categories of goods allowed to be transferred from Gaza to the West Bank, but during this

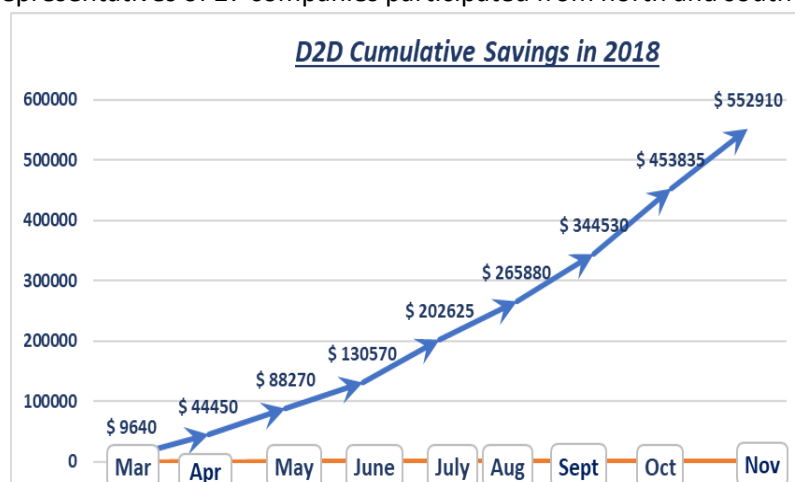
reporting period, the OQ was able to shine a spotlight on this issue and open the dialogue with both CoGAT and the Israeli Ministry of Health as well as the international community.

#### *Door to Door (D2D) and Trade Facilitation*

28. The OQ facilitated the successful launch of the Door-to-Door (D2D) pilot program at the Tarqumiya crossing on March 11, 2018 working in close coordination with the relevant parties within the GoI, the international community, the PA and the Palestinian private sector. Also in March, the OQ conducted its first supply chain security training for 33 Palestinian private sector companies' corporate security officers (CSOs). This was a critical step to enable progress in the acceptance of door to door by the GoI. Since the launch of the D2D program, the OQ arranged a second presentation on supply chain security for over 75 new and existing CSOs in preparation for the expansion of the door to door program. During the second supply chain security training, representatives of 27 companies participated from north and south of the West Bank. There

are currently five companies

participating in the program, with another five scheduled to begin participating by the end of 2018. During the first eight and a half months of this program, 3069 loaded trucks left the West Bank utilizing the D2D



program, resulting in cumulative cost savings of \$552,910 as reported by the five participating companies. The D2D program is also credited with creating 180 new jobs in three D2D companies due to increased sales brought by improved predictability in shipment delivery. The average time for a door to door truck to transit the crossing point was reduced from an average of three and half hours to an average of 5-7 minutes. After the success of the Door to Door pilot in Tarqumiya, and as of the first of August 2018, the GoI has officially approved the door to door procedure at commercial crossing points between Israel and the West Bank. The OQ will now work to expand the existing program and to apply its principles to goods crossing from the West Bank to Jordan through the Allenby Bridge.

#### *Biometrically Enabled Passports*

29. Israeli authorities approved the issuance of biometrically enabled Palestinian passports in December of 2018. This decision is consistent with the OQ's efforts over the last two years during which the OQ worked closely with the international donor community, the Government of Israel and other relevant officials to underline the benefits of biometrically enabled travel documents considering the added value they present to improving the security of Palestinian travelers, minimizing risk and allowing for the expedited movement of travelers. Additionally, the GoI proposed initiating a pilot test of facial recognition technology by the end of 2018 at Allenby/King Hussein Bridge to expedite the movement of travelers. The availability of a biometrically enabled travel document/passport will significantly enhance the effectiveness of this cutting-edge technology.

#### *Allenby/ King Hussein (A/KHB) Crossing*

30. Passenger traffic at A/KHB, the only consistently open international gateway for approximately five million Palestinians, increased by 15.7 percent in 2017. Assuming a modest increase in the number of passengers over the next four years, of ten percent annually, the A/KHB crossing will be required to accommodate 4.2 million passengers by 2022, compared to approximately 2.6 million in 2017. A/KHB also serves as the sole gateway for cargo exiting the West Bank to Jordan and beyond as well as Palestinian imports from Jordan and the Gulf. Regarding passenger movement at A/KHB, in 2017, the OQ developed a series of eight recommendations to improve the traveler experience at Allenby. One of the recommendations, aligning staff to workload, resulted in the extension of the hours of service for passenger travel to 24 hours a day five days a week during the peak summer travel period, from June through September 2017. This extension of the hours of service continued into the peak travel season in 2018. In addition, in the cargo processing arena, the OQ supported the recently acquired full container scanner at the Allenby side of the crossing for goods being imported into the West Bank.

#### *Trade Development*

31. Over the reporting period, the OQ has worked to identify new markets for Palestinian goods as well as more efficient and less costly ways to get Palestinian products to their various destinations. In February 2018, the OQ organized a Palestinian trade delegation visit to Kuwait as a possible market for Palestinian exports. Twelve Palestinian businesses from the West Bank and Gaza participated in the Kuwait visit, where Palestinian traders had the opportunity to meet with their Kuwaiti counterparts, introduce their products, share their business cards, brochures, samples and explore the opportunity of establishing trade relations in Kuwait. Several of the involved companies are continuing to work to develop long term trade relationships with Kuwaiti companies. Kuwait is a potential market for high end Palestinian marble and stones as well as fresh herbs, dates and other fresh produce. As a result of this trade development initiative, we discovered that there was a significant misunderstanding about the ability/capacity of Palestinian companies to deliver goods to the destination in Kuwait in a timely and dependable manner. The participating Palestinian companies, together with the OQ and the Palestinian Federation of Chambers of Commerce were able to dispel this myth. Additionally, during the visit, it became clear that the expertise of some of the Palestinian traders should be enhanced in several key areas, including marketing and communications. These issues have been discussed with those entities that are best equipped to address these needs in future.

#### *Grow Gaza Trade*

32. The OQ undertook a new initiative to Grow Gaza Trade in 2017. Together with colleagues from the Kingdom of the Netherlands, the OQ has been working closely with CoGAT to gain approval for processed food produced in Gaza to be transferred to the West Bank. The OQ is also socializing several other trade development initiatives pertaining to Gaza Strip, including the establishment of a Monitored Industrial Zone (MIZ) and opening another commercial crossing point in the north of Gaza or any other suitable location.

#### **IV. Effective Governance and Rule of Law (RoL)**

33. Effective governance and rule of law are pillars of democratic societies and their promotion is at the core of the OQ's mandate. During the reporting period, OQ continued to play a catalytic role in working towards sectoral solutions in the security and justice sectors and the enhancement of fiscal and financial stability in the Palestinian territory.

##### *Movement and Access of Security Forces*

34. Between 2015-2018, the OQ's GIS-mapping project resulted in several expansions of Palestinian Authority Security Forces' (PASF) movement and access. Building on these successes in 2017-2018, the OQ worked with the parties to develop an interactive digital mapping system that will improve the PASF's ability to deliver security, public order and law enforcement to communities in the West Bank. Furthermore, the OQ partnered with the United States Security Coordinator (USSC) on a pilot project to provide GPS-enabled tablets to the PASF District Coordination Offices (DCOs) for use of the interactive mapping system in the field.
35. Notwithstanding the expansion of the PASF's movement and access across the West Bank, their ability to service Palestinian communities in some areas of the West Bank remains limited. In 2017-2018, the OQ engaged stakeholders across the PASF to better assess the current state of service delivery and access to these underserved areas, namely the Jerusalem suburbs, Hebron H2 area, and the Jordan Valley. The OQ commenced development of detailed GIS maps that reflect the findings and launched the development of recommendations for proposed solutions, which if approved, will grant the PASF more flexible access in the named areas. One key area of focus was the impact of weak execution of Family Court decisions in these areas on women and children, including the challenges faced by the Judicial Police.

##### *Enhancing Fiscal and Financial Stability*

36. Technical level GoI-PA cooperation on economic issues is an important avenue for strengthening the PA's fiscal and budgetary sustainability. While the OQ has continued to shuttle between the parties as part of a larger effort to strengthen the legal framework for economic growth and reduce fiscal leakages, progress in this area has been slow.
37. Expansion of A1 List of Paris Protocol: Under the 1994 Paris Protocol, special arrangements and quotas for the importation of goods from Jordan and Egypt into the Palestinian territory enable the PA to set its own trade policy for these goods. The list of goods annexed to the Paris Protocol was supposed to have been regularly reviewed and updated, but this did not occur. As a consequence, the existing A1 list does not reflect current market needs and realities. In 2017-2018, OQ produced a study that concluded that the PA can benefit – through reduced consumer costs, gains for Palestinian producers, and increased revenue to the PA – by revising the A1 list and expanding the importation of raw materials, cement and other commodities from Jordan. The study, with specific recommendations for items to be included, is in the final stages of completion.
38. Fiscal Leakages: While progress on fiscal leakages is slow, the OQ and the international community continue to put effort towards solving outstanding issues related to economic relations between both sides. The OQ continued to analyze options for better bilateral collaboration on financial issues. Specifically, the OQ engaged the PA and GOI on the following issues:

- a. Potential Customs Transfer: the OQ continued to lay the ground for the transfer of customs authorities from the GoI to the PA. A draft Memorandum of Understanding outlining the potential new arrangement remains under discussion between the parties. OQ partnered with the UK's Department for International Development (DFID) to provide the PA with in-depth legal and technical assessments on all aspects relating to the assumption of new customs functions, including clearance, collections, valuation, human resource capacity, an adequate legal framework and the use of bonded storage. Work is ongoing to map out current and future custom procedures, evaluate the current legal framework and assess the current IT system (ASYCUDA), and make technical recommendations for the development of PA capacity in these areas. Further, the OQ will provide assistance to ensure compatibility with the Israeli and Jordanian legal contexts, to facilitate commerce that benefits the Palestinian economy.
- b. Automation of VAT Mechanism: Although the Paris Protocol mandated a shift from a paper-based clearance system for reconciliation of VAT invoices between Israel and the PA to an electronic system, this change has never occurred, resulting in significant annual financial losses. In 2018, the OQ began the process of examining technical solutions to enable the transition to an electronic VAT mechanism.
- c. Reduction of Handling Fees: While the Paris Protocol provides that the GoI will deduct a 3% handling fee to cover its administrative costs in collection and management of revenues for transfer to the PA, the PA and World Bank have suggested that the fee no longer reflects actual administrative costs. The World Bank has suggested that the fee be revised to 0.6%, "commensurate with the share of Palestinian imports in total imports handled by the Israeli customs and VAT department," which would reduce the fee by approximately USD 50 million. The PA has also argued that the handling fee should not apply to taxes on fuel. The parties have exchanged ideas to address this issue, and the OQ has continued to engage the parties and explore options to resolve the matter.
- d. Regularization of Payments: During 2017-2018, the OQ explored with the parties and with its international partners how to ensure the regularization of payments from the GoI to the PA. Such regularization of the various categories of financial transfers provided for under the Paris Protocol provides an important element of stability and predictability to the PA budget.

### *Justice System Support*

39. In 2017-2018, OQ continued to provide analyses of the trends, challenges and priority needs of the Palestinian justice sector, sharing regular updates on the Justice sector, advising the PA, and key donors to the sector, and helping guide donor strategy on Palestinian rule of law issues during a period when Palestinian civil society groups and others have raised questions with respect to the progression of the sector. Amongst the key achievements in this area are the following:
40. The OQ assisted the PA in the drafting of the Justice Sector Strategy for 2017-22, and assisted the PA Ministry of Justice, the High Judicial Council (HJC) and the Attorney General's Office (AGO) in the preparation of a list of policy reform priorities for the justice sector.
41. The OQ facilitated the gathering of key actors in the Palestinian justice sector to amend the Judicial Authority Law (JAL) and address some of the main challenges facing the Palestinian

justice sector. An amended JAL can clarify the mandates of justice institutions, reduce longstanding institutional conflicts, bolster judicial independence, and improve court efficiency. The OQ invited the members of the Presidential National Committee on the Empowerment of the Justice Sector for a three-day workshop to examine final recommendations and propose amendments and worked in close coordination with its international partners to develop consensus and align positions on these reforms. The outcomes were shared with the President and the Prime Minister and are pending implementation.

42. In an effort to strengthen the ability of the criminal justice system to more effectively investigate and prosecute a range of crimes that threaten the stability of Palestinian society, the OQ, in cooperation with EUPOLCOPPS, provided detailed analysis and recommendations at the request of the Attorney General regarding a draft law to establish a Serious Crimes Court.
43. The OQ coordinated and actively participated in drafting a law to regulate the Palestinian Justice Commission for the Security Forces (known as Military Courts). The enactment of the law in late 2017 was an important step towards the institutionalization of the military courts and the expansion of their independence and ability to hold security personnel accountable for their deeds.
44. Between 2017 and 2018, the OQ developed a key analytical resource for the courts system, utilizing GIS mapping technology. The court mapping tool aims to analyze and visualize data from the West Bank's magistrate and First Instance courts, the High Court of Justice, specialized courts and/or chambers, and judicial execution departments, by mapping out various variables including caseload, population, performance, and access. Integrated into the High Judicial Council data system, this will provide an important tool for strategic planning and analysis of the needs of the PA judiciary.

## **V. Telecommunication**

45. This reporting period witnessed an improvement in the access to mobile data technologies in the West Bank and in liberalizing the mobile voice technologies in Gaza. Since the successful deployment of 3G in the West Bank and 2G in Gaza in January 2018, in which the OQ played a significant role, the growth of the sector has contributed significantly to the economic development of the Palestinian territory. These improvements allowed for improved financial performance for both Jawwal and Wataniya, the two mobile communications operators, led to significant sources of revenue for the Palestinian Authority (PA), and fostered the creation of new mobile businesses and employment opportunities. Following these positive developments, the OQ continues to advocate for the upgrade of these technologies to increase economic growth and to address the growing demand for mobile data.

### *Deployment of 3G in the West Bank and 2G in Gaza*

46. Throughout the reporting period, the OQ engaged the parties to ensure full implementation of the November 2015 agreement on the deployment of 3G in the West Bank and 2G in Gaza. The OQ shuttled between the parties and convened meetings with key stakeholders to successfully advocate for the clearances of equipment from Israeli ports, the conclusion of the commercial contracts between the third-party company and the Palestinian companies, and the approvals required for radio sites in Area C. Despite this progress, the OQ continues to



advance discussions on the two outstanding issues for the full implementation of the agreement – 1) Palestinian companies’ passive access to their core equipment that is managed by an Israeli company, to ensure timely identification of problems in the network; 2) allocation of microwave links to strengthen the connections of networks between cities. Although there were verbal assurances to proceed with both topics, written approvals are still required.

#### *Upgrade of the existing data technologies*

47. With the deployment of 3G in the West Bank and 2G in Gaza, the OQ started to work with the parties and key stakeholders to enable the upgrade of existing technologies, beginning with an immediate deployment of 3G in Gaza and starting Joint Technical Committee discussions on the allocation of spectrum for 4G/5G data technology in the West Bank. Despite the relative progress that was made in the discussions on 3G for Gaza and 4G/5G in the West Bank, the discussions have been facing significant challenges in recent months. The OQ has been working with the parties to help overcome existing challenges and reach a successful conclusion.

## **VI. Economic Mapping**

48. Since it was launched, the economic mapping project has evolved beyond identifying opportunities for economic development and now addresses an array of data and mapping challenges in the West Bank and Gaza. In the process of iteratively acquiring and analyzing layers of information, the OQ discerned that data reporting and dissemination in the PA is not standardized. This makes data availability limited and difficult to interpret, especially for stakeholders with low data literacy. As such, the OQ focused its efforts at the local level, collecting, organizing, and analyzing large data sets to extract meaning and render actionable information.
49. After parsing through hundreds of data-sets that required clean-up, updating, and follow-up, the OQ developed a system for data verification and validation in collaboration with the Ministry of Local Government and is facilitating monthly working groups focusing on the following areas:
  - a. Geodesy: aiming to develop a geodetic reference framework for the Palestinian territory. The reference provides a uniform, effective language for interpreting and disseminating spatial data;
  - b. Geospatial data standardization: overseeing and implementing the development of geospatial data norms. The WG is responsible for creating a coherent set of standards for the NSDI (National Spatial Data Infrastructure initiative);
  - c. Systems architecture: building a clear systems architecture to enable different geospatial information systems to communicate and exchange data;
  - d. Legal: developing a legal framework around geospatial data practices including, but not limited to dissemination, privacy, and protection.
50. A ministerial committee has also been established and meets regularly to oversee these efforts and is currently building a framework and methodology for open-data policies for the wide array of software applications and independent databases held at each ministry. A seamless integration of these various tools is possible through the development of an

application programming interface (API). As such, the OQ is developing a scalable API (designing API environment, API documentation, deploying staging and production environments) with required feature replication enabling PA counter-parts and NGOs to incorporate mapping, data visualization and spatial analytic capabilities on their individual institutional websites.

51. Phase I of this dynamic tool is being tailored to develop a farmers' registry application in collaboration with the Ministry of Agriculture. In 2020 PCBS will leverage this tool in completing the agricultural census and MOA will use the application thereafter to continuously update farmers data in the different localities.
52. Phase II of this dynamic tool was recently completed at PCBS and tailored to census data visualization and publishing. This is being tested rigorously by civil servants across ministries, as well as officials in private-sector organizations and NGOs. Libraries of map and data styling features have been incorporated in the tool and OQ's team of designers and data analysts continue to build relationships between data entities and attributes as well as generate variations of infographics, dashboards, and maps. Members of the PCBS' IT team were trained on the programming frameworks and will support the development of Phase III in 2019.
53. Building on the success of the data visualization applications at PCBS and MoA, the OQ will continue to explore opportunities to build and integrate data housing and visualization applications for other ministries. Once complete, these web platforms can be leveraged for effective coordination, informed planning and strategic business decision-making.

## Management of Operations and Funding

54. During the 18-month reporting period, the OQ has been financially supported by the United States, the Kingdom of the Netherlands, UK/DFID, Canada and New Zealand, in addition to the half-time secondment of the Rule of Law Advisor by the United States Institute of Peace. A new EU contribution will come through between December and January 2019. The OQ is in advanced discussions with other donors about potential support in 2019 and beyond. Some donors are also supporting the office through strategic multi-year agreements, thus contributing to the sustainability of our work.
55. Dr. John N. Clarke who, had served as Acting Head of Mission from June 2017 was appointed by Quartet members new Head of Mission effective 1 March 2018.
56. The Chief of Staff position has remained vacant since July 2017 though short-term support was provided by a senior Dutch national for approximately five months. The OQ has now accelerated the recruitment of a Chief of Staff in order to fill the vacancy as soon as possible.
57. The OQ has shifted from UNDP to UNOPS as the administrative body, effective 1 January 2018, allowing a substantial reduction in UN administrative costs.
58. The OQ has managed the fixed costs of the office in a manner that:
  - a. they are constantly monitored, in order to ensure the highest level of efficiency;
  - b. they are fairly shared with other entities, for instance with co-tenants in the offices in both Jerusalem and Ramallah;
  - c. they are equitably distributed across the donors to the office, not to exceed 30% of the total value of each contribution.
59. Following the recruitment of two Gaza Coordinators, the OQ has increased its presence in Gaza with a small office that supports the OQ's engagement.
60. In its December meeting with the Quartet members and donors to the office, it was agreed that the office would continue its attempts to align with UNOPS policies and salary scales. In particular OQ highlighted the need for careful reform of all procedures, including salary scales to ensure competitiveness with other entities.