Office of the Quartet

Ad Hoc Liaison Committee Plenary Meeting
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John N. Clarke,
Head of Mission

High Representative Mogherini, Foreign Minister Søreide, Ministers, Excellencies, Ladies and Gentlemen:

Let me start by echoing the point raised by previous presenters, but which bears repeating – that Palestinians will only be able to achieve their full potential with the realisation of a final status agreement. In the absence of such an agreement, however, realising progress on the ground now will benefit Palestinians and can support, but never supplant a final status agreement. So while pushing as hard as we can for change on the ground, we must recognise the limits of this agenda.

The question is therefore how best we might achieve the type of transformational change that has already been referred to?

In the last extraordinary meeting of the Ad Hoc Liaison Committee, and indeed, today, many statements have emphasised the need to focus on achieving immediate progress on the ground while others emphasised medium and long term sectoral goals.

Our view is that there is an essential link between the short, medium and long-term actions that have the potential to fundamentally change the situation on the ground.

Identifying the right combination of actions, requires consideration *inter alia* of three factors:

First, will the policy or project achieve a short term impact and a material effect on people's lives, while also contributing to a broader strategy for achieving progress in the sector as a whole?

Second, is there a multiplier effect: that is, a result that extends beyond the impact of the project to enable something greater. Thus, access to energy is not only a humanitarian need, but also a prerequisite for the provision of water and in turn, without access to energy and water, it is difficult to imagine the economic growth that is needed in both Gaza and the West Bank.

Third, is there a common desire between the parties to achieve progress? This does not mean that we focus only on those areas where the parties agree, but rather, that we give due consideration to this factor as providing an indication that progress may be more readily achieved.

So, with these three factors in mind, let me offer a number of illustrative examples of areas of work which we feel should be prioritised:

First, the Northern Gaza Emergency Sewage Treatment Plant (or NGEST), where the World Bank and the Palestinian Water Authority (PWA) have made impressive progress, and the Government of Israel has enabled the entry of dual use material, is now commissioned. NGEST will enable the reuse of water for farmers in the Northern Gaza strip, but its completion will also increase confidence that progress in the water sector more broadly is possible. It is also worth noting that the PWA has not only developed a cost-recovery model that has the potential to make the project sustainable, but has also offered its own contribution to the Operation and Maintenance costs, a best practice that could usefully be applied across both the energy and water sectors. A gap of 16.5 m USD for operations and maintenance costs, however remains which we would encourage donors to support.

Second, the Gaza Central Desalination Program which represents an essential component to address the water crisis and offers a solution for the supply and transmission of potable water. The project also helps to address the financial viability of wastewater treatment through its Non-Revenue Water component. Once operational, it will double the amount of potable water supplied and will introduce an integrated supply system that would ensure reliability and access for all Gazans. Meeting the eighty percent mark for pledging towards the program during this morning's donor conference was a welcome development, as was the decision to proceed with with the tendering process next month. Nevertheless, much work remains if we are to bring this programme to fruition in a timely manner.

One component of the associated works, the Al Mintar mixing facility, carries with it the potential for a short-term impact as it will enable the blending of desalinated water provided through the Red Sea Dead Sea agreement with groundwater, thereby doubling the amount of potable water available to residents of Gaza city in the short term.

Shifting to energy, I want to highlight a number of illustrative projects consistent with the three factors I raised above:

In the medium term, the construction of the gas pipeline (often referred to as the G4G project) is a necessary pre-condition for the sustainable generation of power in the Gaza Strip and represents a central element of the solution to the energy crisis enabling domestic generation of 140 MW by 2021 and ultimately up to 600 MW. I want to thank the Kingdom of the Netherlands for the support that they have provided to our work in support of the PA in this area, but also to

the EU for Commissioner Hahn's announcement of financial support for the costs for construction of the Gaza component of the gas pipeline.

Short term progress, however is also essential. The establishment of a 161 Kv line has the potential to provide an additional 25 MW of electricity within a year, and an additional 100 MW within four years. This is an essential component of the energy mix for Gaza, in addition to large scale generation and development of renewable energy.

Finally, the signature of the Power Purchase agreement and its implementation together with the 2016 Electricity Agreement is an essential next step in creating a new energy market which has the potential to improve services for Palestinians and reduce the fiscal burden on the Palestinian Authority. But for the this to happen it is critical to bridge the financing gap of 24.5 m USD, which we encourage donors to support.

These projects are central components of the sectoral solutions for energy and water, but there are two important caveats:

The first is that for these services to be commercially sustainable there needs to be economic growth that will allow individuals the funds to pay for the services provided. This means changes in movement and access and additional steps to enable commercial transfers to the West Bank and exports to Israel and other third countries. Without this growth, the infrastructure I have referred to above will not be financially viable and will therefore not serve its intended purpose.

The second is that in the immediate term, solutions need to be found to ensure the sustainability of the PA, particularly at a time when bilateral aid budgets are diminishing. The first and most obvious route to such sustainability is through continued and predictable direct budget support. The second, perhaps more sustainable option is that the parties continue to address the fiscal issues that are currently part of the dialogue between the Palestinian and Israeli Ministries of Finance. Agreement and implementation of these measures, some of which are identified in the Annex to the Palestinian Authority's report have the potential to yield an enduring benefit to the Palestinian economy and thereby the Palestinian Authority's fiscal sustainability.

In conclusion, we are committed to this holistic approach which seeks to deliver immediate benefits to civilians, but which also takes us a step closer towards full sectoral solutions and the sustainability of the PA. We look forward to continuing to support the parties and the international community in this endeavour.