Office of the Quartet

The Third Conference on Cooperation among East Asian Countries for Palestinian Development (CEAPAD III)

Bangkok, Thailand, 27 vi 18

John N. Clarke, Head of Mission

Ministers, Excellencies, Ladies and Gentlemen:

I want to start with two broad points which provide important context for the remainder of my remarks.

The first is the need to address ongoing humanitarian needs, particularly in the Gaza Strip, through much needed support for UNRWA's essential services as well as other humanitarian organisations that are working in the strip. In the immediate term this represents the most direct and immediate means of improving the lives of Palestinians.

The second, essential point, is 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, realising progress on the ground will benefit Palestinians and can support, but never supplant a final status agreement.

The question is therefore, how, working together, we might achieve the type of transformational change that is so badly needed?

The Office of the Quartet's approach is to focus on sectoral solutions which combine the short, medium and long-term actions that have the potential to fundamentally change the situation on the ground in a sustainable manner.

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 policy or project to enable something greater. For example, access to energy is not only a humanitarian need in and of itself, but also a prerequisite for the provision of water and in turn, without reliable access to energy and water, economic growth is all but impossible.

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 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 (commonly referred to as NGEST), is now working 22 hours a day and should reach its full capacity by the end of this month, a significant step that results from the hard work of many actors, but particularly, the Palestinian Water Authority and the World Bank as well as the accelerated entry of material that has been enabled through the Government of Israel.

NGEST will not only enable the reuse of water for farmers in the Northern Gaza strip, but its sustainable operations will also increase confidence that progress in the water sector more broadly is possible, though 16.5 m USD is still required to cover operations and maintenance costs.

Second, this progress is also reflected in what we hope will be the completion of four additional essential water projects: the Gaza and Deir al Balah short term low volume desalination plants, as well as the Khan Yunis and Gaza wastewater treatment plants which are expected to be operational within the next 12 months. Each project will require financial support to cover operational costs, including for the energy required to run the plants while the use of effluent from the wastewater facilities for agriculture offers the possibility of increased production and thereby much needed jobs.

Third, the last year has seen an acceleration of progress towards establishing the Gaza Central Desalination Program, which, once operational will increase the amount of potable water supplied from a projected 74 MCM to 129 MCM by 2023. Through a donor conference organised by the European Union the vast majority of the 563 m Euros has been pledged the bulk of it coming through in the Islamic Development Bank.

Donors are encouraged to meet the outstanding financing gap, which includes the 10 m USD required to complete the Al Montar mixing facility, which would enable the blending of desalinated water with groundwater, thereby doubling the amount of potable water produced.

Progress is also necessary in the West Bank, including access to potable water and addressing wastewater treatment which as in the Gaza Strip has the potential to be used for increasing agricultural production.

Shifting to energy, let me highlight a number of areas of work: First, the construction of the gas pipeline that would provide gas to Gaza remains a pre-requisite to enable domestic generation of 140 MW by 2021 and ultimately the generation of up to 600 MW of electricity. This project has seen significant progress since its inception and we have been particularly encouraged by recent indications that donors are willing to contribute towards the 80-100 m USD required to build the pipeline.

Secondly, the establishment of a 161 Kv line from Israel to Gaza has the potential to provide an additional 100 MW within 3-4 years. This is an important component of the energy mix for Gaza, in addition to large scale generation and development of renewable energy. It will also be important to look further into increasing the electricity supply from Egypt to Gaza.

Third and finally, the signature of the Power Purchase Agreement (PPA) for the sale of electricity to the West Bank as well as the full implementation of the 2016 Electricity Agreement, is an essential next step in creating a new Palestinian electricity market which has the potential to

improve services for Palestinians and reduce the fiscal burden on the Palestinian Authority. But for this to happen it is critical to bridge the financing gap of 24.5 m USD required to build Palestinian technical capacity and the infrastructure required.

These projects are central components of the sectoral solutions for energy and water, but I wish to add three important additional points:

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. In many cases this can be achieved through policy changes that, for example, enables movement and access and additional steps to make commercial transfers from Gaza to the West Bank and exports to Israel and other third countries possible. Without economic growth and the provision of jobs, particularly for those most in need, the infrastructure I have referred to above will not be financially viable and will therefore not serve its intended purpose.

Policy change that reduces restrictions on the movement of goods and people is a part of the answer. For example the recent launch of a pilot door to door trade programme has reduced the transit time for trucks entering Israel from the West Bank from several hours to less than ten minutes. This is a modest start, which is now in the process of being scaled up to increase the number of companies participating across the entire West Bank. We are also looking at ways to enable commercial transfers from Gaza to the West Bank as well as other potential areas such as the Corridor for Peace and Prosperity and the Jericho Agro Industrial Park, referred to by Foreign Minister Kono of Japan.

Second, we must focus on particular sectors where there is the potential for growth – for example the Information and Communication Technology sector (ICT). The successful and welcome launch of 2G in the Gaza Strip and 3G in the West Bank represents a step towards fuller access to spectrum, and with it, offers the potential that the ICT sector – which represents 6% of Palestinian GDP – can contribute further to sustainable economic growth. One potential area where results could be achieved in the short term is through the outsourcing of virtual services to Palestinian companies.

The third is that in the immediate term, solutions need to be found to ensure the sustainability of the PA, particularly at a time when the provision of bilateral aid is an increasing challenge. While continued direct budget support remains essential, the dialogue between the Palestinian and Israeli Ministries of Finance remains essential to improve revenues. Such changes would be further enhanced by the shift from a paper-based Value Added Tax (VAT) system to an electronic based-system that has the potential to reduce VAT leakages. Agreement and implementation of these measures has the potential to yield an enduring benefit to both the Palestinian economy and thereby support the fiscal sustainability of the Palestinian Authority.

Ladies and Gentlemen, let me conclude by thanking the organisers of this meeting for the invitation to address you. The OQ will continue to pursue 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.