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**ANNEX VI**

of the Commission Implementing Decision on the individual measure in favour of the Palestine[1] for 2021-2023

**Action Document for 'Access to self-sufficient water services'**

| **MEASURE** |
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| This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and individual /measure in the sense of Articles 23(3) of NDICI-Global Europe Regulation No 947/2021. |

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|---|---|---|
| **1. Title/basic act/ CRIS number** | Access to self-sufficient water services<br>OPSYS reference: NDICI-GEO-NEAR/2022/ACT-60720 – JAD.958080<br>financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe) | |
| **2. Zone benefiting from the action/location** | Palestine<br>The action shall be carried out at the following location: Gaza Strip | |
| **3. Programming document** | European Joint Strategy in support of Palestine 2021-2024 –Under preparation – to be adopted as soon as possible | |
| **4. Sustainable Development Goals (SDGs)** | SDG6 - Improved access to water, sanitation and hygiene<br>SDG 3 – Good health and wellbeing<br>SDG 7 – Affordable and clean energy<br>SDG 9 – Industry, innovation and infrastructure<br>Other significant SDGs:<br>SDG 12 - Responsible consumption and production<br>SDG 13 – Climate Action<br>SDG 16 - Peace, justice and strong institutions | |
| **5. Sector of intervention/ thematic area** | Pillar 4 : Climate Change, Access to Self-Sufficient Water and Energy | DEV. Assistance: YES[2] |

[1] This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

2. Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

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| **6. Amounts concerned** | Total estimated cost: EUR 582 300 000<br>Total amount of European Union (EU) contribution:<br>EUR 5 000 000 under NDICI<br>(budget line BGUE-B2022-14.020110-C2)[3]<br>To date, this action is co-financed amongst others by Algeria, Australia, Cyprus, France, Germany, the Islamic Development Bank, Italy, Japan, Kuwait, Luxembourg, Malta, Netherlands, Romania, Slovenia, Spain, Turkey, United Kingdom, World Bank. | | | |
| **7. Aid modality and implementation modality** | Project Modality<br>- Indirect management with an entrusted entity | | | |
| **8 a) DAC code(s)** | 14015 - Water Resource Conservation<br>14021 - Water supply - large systems | | | |
| **b) Main Delivery Channel** | Other – 5200 | | | |
| **9. Markers (from CRIS DAC form)** | **General policy objective** | **Not targeted** | **Significant objective** | **Principal objective** |
| | Participation development/good governance | ☐ | ☐ | ☑ |
| | Aid to environment | ☐ | ☐ | ☑ |
| | Gender equality and Women's and Girl's Empowerment | ☐ | ☐ | ☐ |
| | Trade Development | ☐ | ☐ | ☐ |
| | Reproductive, Maternal, New born and child health | ☐ | ☐ | ☐ |
| | **RIO Convention markers** | **Not targeted** | **Significant objective** | **Principal objective** |
| | Biological diversity | ☑ | ☐ | ☐ |
| | Combat desertification | ☑ | ☐ | ☐ |
| | Climate change mitigation | ☑ | ☐ | ☐ |
| | Climate change adaptation | ☐ | ☑ | ☐ |
| **10. Global Public Goods and Challenges (GPGC) thematic flagships** | Environment and Climate Change<br>Human Development/Health | | | |

**SUMMARY**

[3] A separate action under the title 'Access to self-sufficient water services' is already ongoing on the basis of Commission implementing decision C(2020)6045 and financed with the appropriations entered in the budget line BGUE-B2020-22.040104 (CRIS number ENI/2020/042-358 – EUR 25 600 000).

The proposed Action contributes to the implementation of Pillar IV 'Climate Change, Access to Self-Sufficient Water and Energy' of the upcoming European Joint Strategy (EJS) in support of Palestine 'Towards a democratic and accountable Palestinian State'. The upcoming EJS is closely aligned with the Palestinian National Policy Agenda (NPA) 2017-2022 and the Sustainable Development Goals.
This action aims to improve availability, quality, equity and efficiency in the management of water resources in Gaza through the allocation of a fourth instalment of the EU pledge for the **Gaza Central Desalination Plant and Associated Works Programme (GCDP)** whose costs are estimated to overall EUR 582 300 000. The programme comprises:
a.) the construction and operation of a seawater reverse osmosis (SWRO) **desalination plant** of 55 million cubic meter (mcm) yearly capacity, including the installation of an on-site fossil fuel and photovoltaic power plant and an off-site photovoltaic and wind power plant;
b.) **associated works**, including the construction of a north-south water carrier for transport of desalinated water, storage reservoirs for blending as well as a non-revenue water reduction plan and efforts to increase collection efficiency.
The EU contribution of EUR 5 000 000 would be used for the desalination plant component (see a.) above). Implementation method is indirect management with the European Investment Bank (EIB), following the implementation method chosen in 2018 for the previous tranches of EUR 39 800 000 to the desalination plant component.
The GCDP has been identified by the Palestinian Authority (PA) and its international partners as the best option for Gaza to secure its water supply, increase water quality and stabilise the aquifer and so respond to the current water crisis. In the September 2019 Ad Hoc Liaison Committee (AHLC) meeting in New York, HR/VP Mogherini stated that the EU now considers the financing secured while "the door remains open to other donors to participate."

## 1. CONTEXT ANALYSIS

### 1.1. Context Description

Palestine is home to 5 million people of which 3 million live in the West Bank, including East Jerusalem, and 2 million in the Gaza Strip. In addition, more than 620,000 Israeli settlers live in the West Bank. 40% of Palestinians living in Palestine are refugees and this figure goes up to 70% in the Gaza Strip. 47% of the population is under 17 years old and 71% of the population is younger than 30. Palestine is a Lower Middle Income Country. It is ranked 119 out of 189 countries in the 2018 Human Development Index, a drop of three places compared with 2016[4].

**Palestine is marked by the ongoing Palestinian-Israeli conflict**, as well as by the disruption of over fifty years of occupation and the progressive fragmentation of its territory, including the illegal de jure annexation of East Jerusalem and de facto annexation of other parts of the West Bank. There is no ongoing peace process and no realistic perspective of the resumption of peace talks. The Oslo Accords, under which the PA was created in 1994, were intended to lead to a final negotiated settlement between the parties. Twenty-five years later, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has administrative, judicial and security jurisdiction in only 18% of the West Bank, i.e. in Area A. Palestinian economic development and its political relations with Israel are inherently linked.

**Access and distribution of water in Palestine** are among the most critical and sensitive issues. The management and use of water resources in Palestine is at the forefront of the political dispute. Groundwater and surface water resources in Palestine are shared between Israelis and

4. http://hdr.undp.org/en/data.

Palestinians: whereas a specific quantity was temporarily allocated for the use of Palestinians by the Oslo Accords, the final definition of the parties' rights on water resources was left for final-status negotiations. While this interim arrangement is considered still in force, the Palestinian share is continuously declining, as resources are mostly located in Area C and groundwater abstraction and the use of surface water are strictly controlled by Israel. **The Palestinian water sector is therefore characterised by lack of control over available resources**. Economic hardship as well as lack of sufficient infrastructure and effective water resource management have led to a severe water shortage both in the West Bank but in particular in Gaza. The COVID-19 crisis has put the sector under even higher tensions, both from a supply and demand side, as the financial ressources of the PA cannot cover the running costs of the main water facilities and the population being under strong economic constraints have difficulties to pay for access to water. Furthermore the recent armed escalations with Israel in the Strip had resulted in insfrastructure damage and reduced electricity supply affecting even further the water supply to the population.

Climate change contributes to exhacerbate water shortages. Rainfall is the main resource for recharging the ground water acquifer Gaza depends on. Since the mid nineties precipitations have constantly fallen while evotraspiration has increased due to higher temperatures and heat waves, further enlarging the gap between water abstraction and recharge of the acquifer.

**In Gaza, water quality and per capita available quantity are worryingly below international standards and threatened by pollution from agriculture, solid waste and wastewater**. The supply of fresh water to the population of Gaza at present depends overwhelmingly on the groundwater aquifer. The high level of abstraction, contamination and wastewater has caused an excess of 95% of Gaza water to be unfit for human consumption according to World Health Organisation (WHO) standards. The abstraction for domestic use is around 94 million cubic meter (mcm) per year and further 105 mcm per year is estimated to be abstracted for agricultural use and industries. To compound matters, domestic water demand is projected to increase to more than 140 mcm in 2035 (population growth). The level of groundwater use which would ensure its natural recharge is instead between 55 and 60 mcm/year. As a result of this unbalance, seawater and surrounding saline aquifers intrude into the fresh water aquifer with an adverse effect on ground water quality.

### 1.2. Policy Framework (Global, EU)

The action contributes to several *Sustainable Development Goals (SDGs)*: SDG6 (clean water and sanitation), SDG 3 (good health and wellbeing), SDG 7 (affordable and clean energy), SDG 9 (industry, innovation and infrastructure), SDG12 (responsible consumption and production), SDG 13 (climate action), SDG 16 (peace, justice and strong institutions) as well as to the aspiration set out in the *EU Global Strategy* to "support governments to devise sustainable responses to food production and the use of water/energy". Access to water is internationally recognised as a fundamental human right in itself as well as key for the realisation of all other human rights, including the right to a healthy environment and the right to development.[5]

5. United Nations General Assembly Res. 64/292: "…the right to safe and clean drinking water and sanitation as a human right that is essential for the full enjoyment of life and all human rights."; Human Rights Council, Fortieth session. 25 February–22 March 2019 Agenda item 7.

The action is in line with the 2017 *European Consensus on Development*[6], which states '*the EU and its Member States will support sustainable and integrated water management as well as more efficient use of water and water recycling.'* It is also consistent with the external dimension of th European Green Deal supporting the well being of societies decoupling economic growth from resource use.

This action is aligned with the EU review of EU modalities of engagement on the ground in support of a two-state solution and illustrates EU enhanced engagement to support converging Israeli and Palestinian interests, in line with EU policy objectives.

The action is also in line with the Council Conclusions on Water Diplomacy[7], which "*encourage[…] the High Representative, the Commission and Member States to give the necessary consideration to the importance of water and sanitation in the […] financial and technical co-operation with partner countries*."

Finally, the action contributes to the overall objective for Pillar IV (Climate Change, Access to Self-Sufficient Water and Energy) of the upcoming *"European Joint Strategy in Support of Palestine "* to ensure the provision of self-sufficient, equitable, affordable and sustainable access to safe water and sanitation services for all.

### 1.3. Public Policy Analysis of the partner country

The Palestinian Authority's revised *National Policy Agenda 2017-2023* describes the strategic direction of the government in three pillars: path to independence; government reform; and sustainable development. The Agenda, and its dependent 21 sector strategies are aspirational documents which set out well the vision for the PA, but are at times not based on the constraining realities of the Palestinian context.

In addition to the NPA, the *National Water and Wastewater Policy and Strategy for Palestine 2012-2032* provides the planning and management framework necessary for the protection, conservation, sustainable management and development of water resources and for the improvement and sustainable management and provision of water supply and wastewater services and related standards in the Palestinian Territory. As such, and in order to address these key issues, the Palestinian Water Authority's (PWA) *Strategic Development Plan 2017-2022* was developed along the following five specific objectives:

i) integrated management and sustainable development of water resources;

ii) improving quality/ reliability of water supply services and ensuring fair water distribution;

iii) improving wastewater services and structures;

iv) development of water sector institutions to reinforce good governance and;

v) ensuring financial sustainability of water service providers.

In order to respond to the increasing demand for water in Gaza, PWA developed in 2016 a master plan for interventions named the *Rolling Programme of Interventions (RPI)* in which the construction of a central seawater desalination facility is part of the foreseen long-term solution, as detailed below.

[6]https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean_final.pdf

[7] https://www.consilium.europa.eu/media/37022/st13991-en18.pdf

## 1.4. Stakeholder analysis

In the water sector, the **Palestinian Water Authority (PWA)** is the main stakeholder, both with regards to its role in the policy framework and reforms and the infrastructure investments in the sector. Regarding the reform, the EU and international partners expressed some concerns about the lack of significant progress and dialogue. Commitment at the highest levels of the PWA needs to be ensured to allow for a successful process and for a parallel advancement on infrastructure projects that require a stronger institutional framework and capacity and resources for Operation and Maintenance (O&M).

The **Coastal Municipality Water Unit** (CMWU) is another major stakeholder that is part of the institutional framework. Its service provider role is crucial when it comes to operation and maintenance of the envisaged infrastructures, on a temporary or longer-term basis.

A wide range of stakeholders, representing the **international community,** is involved in the funding of the GCDP, including the European Commission, the European Investment Bank (EIB), the Islamic Development Bank (IsDB) and the World Bank (WB). **EIB** will be managing donors resources, including a Trust Fund for the construction of the desalination plant and its power supply, while the **WB** manages a Trust Fund relating to the construction of the Associated Works. As to the IsDB, it will manage the financial contributions from the Arab Gulf Donors in co-ordination with EIB and WB respectively. In addition, the Palestinian Water Authority will manage donor financing received through bilateral agreements.

In the absence of major policy changes, the **Government of Israel** for its role related to access of material, equipment and people into Gaza is a major stakeholder and it has expressed its strong committement on several occasions in the AHLC meetings as well as in the Informal Task Force meetings co-ordinated by the Office of the Quartet (OQ).[8]

Indirect **beneficiaries** of this intervention will be the whole population of Gaza (around 2 million), benefitting from expected improved performance of the water sector.

## 1.5. Problem analysis/priority areas for support

**Access, quality and fair distribution of water**, in particular in Gaza, is one of the most critical issues for economic, social and environmental reasons. The lack of sufficient infrastructure and of effective and sustainable water resource management has led to a **severe shortage of quality water** and has a **strong environmental impact on the aquifer**.

In the Gaza strip, the main water resource is the coastal aquifer stretching across the Gaza Strip. The abstraction for domestic use, agriculture and industry (together around 200 million cubic meter) significantly exceeds its natural recharging capacity (between 55-60 million cubic meter). Consequently, seawater and surrounding saline aquifers intrude into the fresh water aquifer with an adverse effect on ground water quality. On the other hand, due to insufficiently developed sewage collection networks, lack of operating wastewater treatment plants and power disruptions, wastewater is frequently released without treatment and also seeping into and polluting the aquifer. As a result, only 3.6% of the supplied domestic water in 2015 was

8 The Task Force is the primary platform for processing approvals of materials, machinery and programme personnel, and preventing or mitigating challenges related to the entry and storage of materials for the GCDP.The Task Force, chaired by the OQ, includes PWA, COGAT, EU and WB as permanent members. Other parties– EIB, UNSCO, UNOPS, UfM and consuiltants to the GCDP&AW participate as needed.

meeting WHO standards for drinking water. The demand for water is estimated to evolve from 117 mcm in 2018 to 182 mcm in 2032, making more urgent the need to develop an appropriate long-term response.

At the household level, Gazans are trying to cope with this shortage through relying for drinking water on highly expensive water distributed by trucks, using non-potable municipal water, and increasing their water storage capacity. While interventions are identified to mitigate the crisis, in the interim, the coastal aquifer continues being over-abstracted.

In this context, the construction of a large-scale desalination plant together with the appropriate supply and distribution infrastructure has been confirmed as the long-term option for Gaza to stabilise the aquifer and secure its water supply. The desalination plant as part of the Gaza Central Desalination Plant Programme will provide a sustainable water supply system to cover the bulk of the needs of the Gaza population (capacity of 55 mcm following completion of the current phase I).

Supply and demand for domestic water in Gaza 2018-2032 in mcm/y

| | **2018** | **2023** | **2028** | **2032** |
|---|---|---|---|---|
| DEMAND | **117** | **139** | **160** | **181.8** |
| SUPPLY | **95** | **136.2** | **160.2** | **179.2** |
| *Ground water* | *78.8* | *38* | *7* | *26* |
| *Short Term Low Volume Desalination* | *3.2* | *13.2* | *13.2* | *13.2* |
| *Private reverse osmosis units* | *3* | *0* | *0* | *0* |
| *Import from Israel* | *10* | *30* | *30* | *30* |
| *Gaza Central Desalination Plant* | *0* | *55* | *110* | *110* |

*Source : Office of the Quartet*

Achieving the overall objective of this intervention as well as sustainability and economic viability of the entire water sector is subject to the systematic implementation of the Water Sector Reform based on the 2014 Water Law and the reinforcement of PWA capacities.

## 2. RISKS AND ASSUMPTIONS

| **Risks** | **Risk level (H/M/L)** | **Mitigating measures** |
|---|---|---|
| Unpredictable deterioration of political/security situation. | H | The project will use decentralised implementation, using interventions at local level where possible. |
| Unpredictable Israeli policies and actions e.g. further restrictions regarding the movement of materials, goods and people. | H | Specific mechanisms for the GCDP project are developed through the Office of the Quartet, including a specific materials/personnel entry system. An |

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|---|---|---|
| | | Alliance approach tendering modality was also agreed upon to cater for Israel's security/timely information sharing requirements. |
| Donor contributions not materialising | H | Advocacy work with Donors. |
| Insuffient institutional and implementation capacities of PWA, in particular in Gaza. | M | Policy dialogue is focused on pursuing the water sector reform, including through the PEGASE programme incentive-based tranches.<br><br>External consultants will be contracted to assist PWA in the implementation of the GCDP programme.<br><br>The Project Managemnent Unit in Gaza will be beefed up with competent local staff. |
| Unsustainable cost of Operation and Maintenance (O&M) of GCDP. | M | The foreseen initial period (5 years) of O&M subsidy is supported by assistance to define a sustainable tariff structure and support increase of revenue collection.<br><br>The EU supports also G4G as the long term sustainable way of energy provision to Gaza. |
| **Assumptions** | | |
| 1. Continued engagement of international community to the GCDP funding.<br>2. Ability of PWA to operate in Gaza.<br>3. All relevant stakeholders remain committed to the action's objectives and results, including institutional and infrastructural commitments.<br>4. The electricity supply in Gaza is sufficiently stable or improves from its current level.<br>5. There is progress of water reforms, including creation of the National Water Company and adoption of necessary by-laws.<br>6. G4G progresses and comes online either in time with the finalisation of the desalination plant component of GCDP or by the latest 5 years thereafter.<br>7. Environmental impacts are addressed accordingly based on ESIA recommendations and applicable regulations | | |

## 3. LESSONS LEARNT AND COMPLEMENTARITY

### 3.1. Lessons learnt

The main lessons learnt from previous *water* projects in Gaza and the West Bank include the following:

(i) the lack of progress in the water reform sector has created ambiguous consensus on the role of different water bodies, especially in Gaza; thus special attention (also via the incentive based approach via PEGASE) will need to be given to the pursue of the reform and the leadership of PWA in the management of the programme;

(ii) economic hardship and lack of effective water resource management combined with the lack of progress on the water reform emphasised the critical importance of integration of the Operation and Maintenence (O&M) requirements into current and future projects;

(iii) In parallel, PWA/the PA shall be encouraged and supported to find sustainable solutions to the O&M issue, in particular in Gaza, where PWA is lacking capacities to deliver on its responsibilities;

(iv) importance of the water-energy nexus in Palestine and a need to factor in the energy dimension early on in the planning of water projects, especially in Gaza. The recent energy crisis in Gaza (decrease of power supply to less than 4 hours per day) had a strong impact on water infrastructure and water distribution and this was factored in early on in the planning of the GCDP. Connecting Gaza to natural gas through the Gas for Gaza (G4G) project is considered the central solution to Gaza's energy deficit, and will contribute to ensure the long term viability of key water infrastructure.

### 3.2. Complementarity, synergy and donor co-ordination

Donor interventions in the Water Sector are co-ordinated by the **Water and Sanitation Sector Working Group under the Local Aid Co-ordination Structure (LACS)** and aligned with the PWA's Strategic Development Plan. The Water Sector Working Group is chaired by the PWA, with the Netherlands as deputy chair. In November 2020, the group met with the participation of the PWA's Minister to discuss the progress in the sector and in particular the Water Sector Reform. Furthermore, quarterly meetings and *ad hoc* side consultations were carried out in 2020 in order to share information, co-ordinate annual actions plans and aid and discuss priorities and strategies of relevant PA's institutions in the sector.

The upcoming **European Joint Strategy (EJS) is expected to** provide a framework through which European support is co-ordinated with Palestinian partners, in line with the Palestinian National Policy Agenda. The EU/EU Member State approach is also co-ordinated through a dedicated informal working group.

The planned investments in the **GCDP programme** are the results of extensive co-ordination with national and international stakeholders, in primis PWA, the EIB, the World Bank, the Union for the Mediterranean and the Islamic Development Bank in representation of Arab donors. The successful pledging conference for the GCDP held in March 2018 and the follow-up event organised in the margins of the Brussels AHLC in 2019 led to the covering of 85% of the funding requirements. On the occasion of the AHLC meeting in September 2019 HR/VP Mogherini stated that the EU considered the financing secured but "the door remains open to other donors to participate."

As mentioned above, this programme is part of the **wider PWA strategy to avert a humanitarian water crisis in Gaza**. The EU is a lead partner in the implementation of several of the short-term priority components of this programme through a set of interventions such as the construction of a Short-Term Low Volume (STLV) desalination plant for the Southern Governorates, the boosting of the water supply through increasing water imports using existing connection points between the Israeli and the Palestinian networks, as well as quicker-impact measures to address equally critical issues such as the efficiency and energy sustainability of the water system and flood control. The construction of two other STLV desalination plants was completed in 2019 with USAid and Kuwaiti funding and the efficiency and energy sustainability is also on the agenda of other development as well as humanitartian donors.

In the short term, humanitarian organisations funded by DG ECHO seek to address the gradual deterioration of water and sanitation infrastructure in Gaza through targeted interventions,

including in hospitals and in vulnerable communities exposed to conflict. These small-scale interventions mitigate the impacts of shocks for poor households and help build local capacity in the short-term, pending the completion of major priority infrastructure such as the GCDP.

While there has been noteworthy progress in advancing major priority infrastructure, **meeting operation and maintenance needs** (cost-recovery, institutional capacity, energy, funding, etc) remains a major challenge. All newly constructed major water and wastewater infrastructure in Gaza require funding of O&M costs. The PA has committed to subsidising the cost of energy to these facilities and the World Bank and KfW have pledged contributions to support the O&M of water and wastewater facilities in Gaza. However the long-term viability of these facilities depends on the ability of operators to recover costs from consumers. The PWA and the Coastal Muncipalities Water Utility (CMWU), assisted by the OQ, have undertaken an analysis of the O&M costs and cost recovery scenarios to be adopted by the PA and the service providers, as well as the remaining funding gap to be supported by donors in order to ensure for the full operation of water and wastewater facilities in Gaza between 2019-2023. A set-back in the implementation of this plan is expected and is still to be quantified as a result of the COVID pandemic and recent escallations in the Strip.

The project is complementary with the Regional project 'Water and Environment Support' (WES), which aims to strengthen the efficient use of water in the region. In Palestine, the project will support the government to improve fee collection and financial sustainibility.

Further, support is needed to **address institutional weaknesses and accompany the sector reform**. The implementation of the 2014 Water Law is crucial to the performance and sustainability of the sector. The institutional architecture is to be reformed and reinforced, notably through the establishment of the National Water Company (NWC). For this purpose, EU is providing support for the West Bank Water Department (WBWD) to eventually become NWC. In addition, as part of the AW programme, the World Bank will support the establishement of the Bulk Water Supply Department in Gaza to eventually become the Gazan branch of the NWC. Further to this, a service provider improvement programme will be designed as part of the capacity building components of the WB and KfW's interventions thus addressing the performance and economic viability of the sector in its entirety.

Last but not least, the EU is supporting the reform of the Water Sector also through the **PEGASE programme** that includes incentive-based tranches. Performance indicators related to the adoption of by-laws and encouraging the sustainability in the water sector have been agreed with the PA for 2019 and 2020 and are under discussion for 2021. This programme should allow the government to conduct the reform and will be complemented by policy dialogue.

## 4. DESCRIPTION OF THE ACTION

### 4.1. Overall objective, specific objective(s), expected outputs and indicative activities

**Overall objective (impact)**:

The overall objective is to ensure the provision of self-sufficient, equitable, affordable and sustainable access to safe water services for all.

The **Specific Objectives (expected outcomes)** are:

- Improved availability, quality and reliability of piped water supply services in Gaza.

- Reduced pressure on the aquifer from reduced abstraction of water for domestic consumption.

The **Expected Output** is:

Increased (by 55 million cubic meters per year) adequate, reliable and safe bulk water supply to Gaza meeting international standards.

**Main activities**

1. Gaza Central Desalination Plant

The works comprise the construction of a seawater reverse osmosis (SWRO) desalination plant of 55 mcm/y capacity as well as the installation of an on-site fossil fuel, a photovoltaic power plant and the construction of an off-site photvoltaic and wind plant;

A first tranche of EUR 10 000 000 to the works on the desalination plant component of the GCDP Programme was committed through the Annual Action Programme 2018 and a second tranche of EUR 22 700 000 was included in Annual Action Programme 2020. A third tranche of EUR 5 000 000 is included in this Action

2. Gaza Central Desalination Plant Project Management Support Consultants[9]

At the pledging conference in 2018 the EU has pledged EUR 7.1 million to cover the costs of the Programme Management Support Consultancy (technical assistance) to assist with the Alliance tendering approach[10] agreed by the parties. A first tranche of EUR 4 200 000 to the technical assistance to the desalination plant component of the GCDP Programme was committed through the Annual Action Programme 2018 and the second tranche of EUR 2 900 000 was included in Annual Action Programme 2020, thus having concluded the required commitments to this part of the GCDP Programme in 2020.

## 4.2. Intervention Logic

Water is an indispensable pre-condition for life, a vital human right and public good, an economic cornerstone and a finite resource. The right to water requires that water supplies should be sufficient, safe, acceptable for consumption, physically accessible and affordable[11].

Access and distribution of water in Palestine are among the most critical and sensitive issues in the Israeli-Palestinian conflict, as respective water consumptions reflect stark inequalities. Due to the allocations of trans-boundary water resources agreed upon under Oslo II, Israel currently controls approximately 80% of water resources in the West Bank. Water shortages are common in the West Bank and Gaza, with the latter experiencing a dramatic situation in terms of both quantity and quality of available resources, well below international standards. To deal with the crisis, the Palestinian Water Authority (PWA) developed a rolling programme of interventions to find alternative sources of potable water. The interventions include, amongst others, increasing imported water, expansion of short-term low-volume (STLV) seawater desalination units, measures for improving the distribution efficiency and reduction of unaccounted water

9 incl. Management Support Services, Legal Advisor and Probity Auditor.

10 The Alliance approach was identified by the EIB and agreed by the parties as the most appropriate tendering modality to address simultaneously the needs of the donors, PWA and the GoI. It is defined to ensure the necessary flexibility and timely information sharing. Such modality requires nevertheless a level of effort and resources beyond traditional project delivery systems, in order to efficiently facilitate early and final reviews and approvals of the proposed design, bill of quantities and the dual-use items from two (2) prequalified bidders hence the need for dedicated procurement support.

11. http://www.un.org/waterforlifedecade/human_right_to_water.shtml.

losses, as well as construction of wastewater treatment plants with large-volumes schemes for the reuse of the treated wastewater. Increasing the supply of bulk water resources, including the construction of a central desalination plant, is one of the identified long term priorities of the programme.

Against this background the PWA, in partnership with international institutions including the European Commission, the European Investment Bank (EIB), the Union for the Mediterranean (UfM), the Islamic Development Bank and World Bank, prepared a comprehensive and integrated investment programme, the Gaza Central Desalination Plant Programme and defined its components as follows:

a.Gaza Central Desalination Plant:

- Construction and operation of a seawater reverse osmosis (SWRO) desalination plant of 55 mcm/y capacity;
- Installation of an On-site fossil and a photovoltaic power plant installed on the roofs of the SWRO buildings & Construction of an Off-site power plant consisting of a photovoltaic plant on ground structures and two wind turbines.

b. Associated works:

- Construction of a north-south water carrier including storage reservoirs for transport of desalinated water, and for blending the desalinated water with water from other, primarily groundwater sources;
- A non-revenue water reduction plan, to reduce NRW to about 20% (in the year 2030) and to increase revenue collection efficiency from the current 38% to 80% and beyond.

This action contributes to building the major bulk water system component necessary to supply an adequate, reliable and safe water supply thus providing a long-term solution to the Gaza water crisis

This action will contribute to the contruction of the Gaza central Desalination Plant (see a.) also by providing technical assistance (Programme Management Support Consultant) to PWA for managing the programme during its procurement, contracting and implementation phases. Further, it will ensure the required funds to start the construction of the desalination plant and related energy components of the programme, proportionally to the EU's pledged assistance.

With the proposed investments, the deficit of water will be relieved and the quantity and quality of water will substantially improve. This will also have a positive effect on water prices, reducing the population's reliance on highly expensive water distributed by tankers, which are now compensating for the missing and irregular piped supply. Household allocation of resources will thereby improve as will, in turn, the standard of living. Furthermore, the increased supply will remove the burden on the Gaza's coastal aquifer, reducing its depletion pace.

Through intense co-ordination work with all relevant parties over the last couple of years, the situation had matured for the tendering of the project to progress.

For the desalination plant component, the pre-qualification phase was launched in August 2019. Following the application of the Alliance Approach for the final selection of the contractor, the tendering process is expected to be completed in 2024 and the construction works on the plant to commence in the second half of 2024, with a construction period estimated to last 36 months.

In parallel a comprehensive Technical Assistance package is expected to be contracted in 2021, consisting of Programme Management Support Consultancy, Probity Auditor and Legal

Advisor to support the tendering and implementation of the Programme. Further, co-ordination efforts are ongoing towards structuring the institutional component of the programme to ensure capacity building for implementation and operation of the plant and related systems.

The construction of a first component of the Associated Works (AW) of the Gaza Central Desalination Programme (GCDP) for the southern additional water supply from Israel commenced in the south of Gaza in August 2019 and was completed in early 2021. Another component, the Southern Carrier, is in the final stages of tendering and is expected to be completed in 2023. These will provide a comprehensive upgrade of the water network used for transmission of potable water in the Middle and Southern Areas of Gaza. The North Carrier will follow with completion expected in 2024.

Re-configuration of water networks in the North, middle and South will be tendered starting 2021.

### 4.3. Mainstreaming

*Rights-Based Approach*: the action assists in ensuring basic rights for an adequate standard of living, such as access to water and essential services. With regard to access and affordability, the provision of additional water quantity will relieve the deficit and have a positive effect on the price of services, reducing the dependence on tankered water.

*Gender equality*: the EU Gender Action Plan II (2016-2020) mentions specifically the need to ensure 'equal access and control over (…), water, energy, (...) and equitable engagement in their management, enjoyed by girls and women'. The design of the project's sub-components is gender-sensitive and indicators defined to monitor them are disaggregated to the maximum extent possible. Gender will also be mainstreamed through dedicated awareness campaigns and integrating recommendations and results into the implementation of the Action.

*Civil Society*: CSOs active in the sector in Gaza have been identified and consultated on the proposed actions. Accompanying measures for involvement of civil society in project implementation will be taken into account at the implementation stage.

*Environment and climate change*: environmental sustainability and protection are addressed together with health risk mitigation, as the action aims to reduce risks from the supply of unmonitored water unfit for human consumption and to enable the protection of the aquifer. ESIA has been prepared for the desalination component and has addressed the potential environmental and social impacts of the proposed facilities during construction and operation The implementation of the Programme will assist the optimal use of available resources in a highly constrained water context. The energy dependent technology is addressed through the use of renewable energy with the aim of 15% of the overall yearly energy consumption being covered from renewable energy sources.

*Good governance principles*: the use of local systems and empowerment of local stakeholders are embedded in the design of the activities. The capacity of the water service providers will be strengthened through the action.

### 4.4. Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 6 (improved access to water, sanitation and hygiene), while also contributing to SDG 3 (good health and wellbeing), SDG 5 (achieve gender equality and empower all women and girls) SDG 7 (affordable and clean energy), SDG 9 (industry, innovation and infrastructure), SDG 12 (responsible consumption and production), SDG 13 (Climate Action) and SDG 16 (peace, justice and strong institutions).

## 5. IMPLEMENTATION

### 5.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

### 5.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### 5.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[12].

#### 5.3.1. *Indirect management with an entrusted entity*

##### *5.3.1.1. Indirect management with the European Investment Bank (EIB)*

This action may be implemented in indirect management with the European Investment Bank (EIB). This implementation relates to the achievement of the results 1 and 2 under section 4.1 and entails providing:

- the construction of the Gaza central desalination plant. This contribution is expected to be committed over the construction period of the plant, through a co-ordinated approach with other donors and stakeholders.
- the Project Management support Consultants

The envisaged entity has been selected using the following criteria: a) specific sector/thematic expertise with reverse-osmosis sea water desalination plants and renewable energy in the region; b) logistical and management capacities for pooling donors funding; c) neutrality and reliability in crisis/conflict situations.

Since 2011, the EIB has been one of the lead institutions for the GCDP project, and has developed a specific know-how and a trust relation with all stakeholders. The EIB has used the EU funds for the preparation of the desalination plant tender design.

The EIB will implement the EC's contribution to the desalination component as well as funds from other interested donors.

The EIB will manage funds related to the desalination plant and the related renewable energy component, technical assistance and a subsidy of operating costs. The Entity will implement

12. www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

the funds through procurement contracts and agreements in accordance with its rules and procedures.

In case the envisaged entity mentioned above would need to be replaced, the Commission's services may select another replacement entity using the same criteria.

### 5.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### 5.5. Indicative budget

| | | | TOTAL EU Contribution (amount in EUR) | Indicative third party contribution (amount in EUR) |
|---|---|---|---|---|
| **Indirect management with EIB, Gaza Central Desalination Plant Second Tranche** | | | **5 000 000** | **551 700 000**[13] |
| 1. Gaza Central Desalination Plant Investment Grant component | | | 5 000 000 | |
| 2. Gaza Central Desalination Plant Technical Assistance component | | | | |
| **Total** | | | **5 000 000** | **551 700 000** |

### 5.6. Organisation set-up and responsibilities

Given the involvement of many donors, a Trust Funds architecture was designed to co-ordinate administration and disbursement of funds. The Trust Funds structure is as follows:

- The European Investment Bank would manage funds related to the construction of the Desalination plant and its power supply and a Trust Fund relating to this Programme component[14].

13. The indicative third party contribution is calculated on the basis of the expected cost of the Programme, including the rest of the estimated total EU contribution.
14. The EU contribution to the desalination plant component would be managed by EIB through bilateral arrangement, outside of the Trust Fund structure.

- The World Bank would manage funds related to the construction of the Associated Works and a Trust Fund relating to this Programme component.
- The Islamic Development Bank would manage an upper Fund holding the financial contributions from the Gulf Donors.
- The Palestinian Water Authority will manage bilateral contrbutions, not going through the Trust Funds structure

The EIB, EU and PWA developed a Programme Management Architecture (PMA) to ensure the smooth implementation of the Programme, whilst emphasizing transparency, good governance and supporting capacity building and sustainability for the water sector in Palestine. Respective provisions for financing the PMA are made in the budget estimate of the Programme.

*Steering level*

The Programme Steering Committee is an inter-ministerial committee chaired by the Minister of Water and Head of PWA, with participation of the Office of the Prime Minister, the Ministry of Finance, PENRA and the Environment Quality Authority. The Programme Steering Committee will decide on the main strategic orientations of the Programme.

The Programme Steering Committee based on professional experience and merit will select the Programme Director. The Director shall report to the Chair of the Steering Committee. All major decisions shall be taken by the Steering Committee, which authorises the Director to act and implement.

*Management & Implementation Level*

A Gaza Desalination Department (GDD) in the PMU shall be established in PWA and will be dedicated to manage the desalination project in all stages (tendering, construction and O&M). A Director who will report to the PWA Head will head the Gaza Desalination Department in the PMU. The GDD shall co-ordinate all aspects of the project and have the authority to liaise with all stakeholders in Palestine, as well as the International Financial Institutions.

*Support/Co-ordination*

The International Co-ordination Committee will ensure co-ordination among international community to address any financial/technical obstacles and will meet on a bi-annual basis and as necessary. Participants include PWA (chair), UfM, EIB, IsDB, WB, EU and the other donors.

### 5.7. Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### 5.8. Evaluation

Having regard to the nature of the action, evaluations may be carried out for this action or its components via independent consultants contracted by the Commission and via the implementing partners.

A mid-term evaluation and final evaluations may be carried out for the different components of the action, contracted by the Commission.

They will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the specificity of the action components.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted.

The related budget is under ENI/2018/041-138 (that covers GCDP first tranche), if necessary the Global Allocation will be used.

### 5.9. Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted.

The related budget is under ENI/2018/041-138 (that covers GCDP first tranch), if necessary the Global Allocation will be used.

### 5.10. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission or the entrusted entity. Appropriate contractual obligations shall be included in, respectively, the financing agreement and contribution agreement.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that communication and visibility services may be contracted. during the operational implementation period. Indicatively, one or two contracts for visibility and communication activities might be concluded during the operational implementation period of this action. Following a pooling of fund approach for communication, the related budget is under several Decisions, including ENI/2018/041-137, ENI/2017/040-195 and ENI/2019/041-852.

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

| | Results chain: Main expected results | Indicators | Baseline | Target | Sources of data | Assumptions |
|---|---|---|---|---|---|---|
| **Impact (Overall Objective)** | Access to self-sufficient, equitable, affordable and sustainable access to and safe water for all (SDG 6 and ROF I.1) | Percentage of population (segregated by sex) receiving safely managed drinking water services (EU RF 2.8) | Base line: 10% (M 50.75% and F 49.25% with Gaza Strip total population mid-2019 of 1.99 million) | Target: 100% (projected total population mid 2026 of 2.48 million) | Palestinian Central Bureau of Statistics (PCBS) WHO/UNICEF | *Not applicable* |
| | | Level of water stress: freshwater withdrawal as a proportion of available freshwater resources | tbd | tbd | FAO AQUASTAT data. | |
| | | % of households capable of purchasing the safe water they need | tbd | tbd | To be explored | |
| **Outcome(s) (Specific Objective(s))** | Outcome 1 Availability, quality and reliability of piped water supply services in Gaza improved (ROF OC 1) | Safe water available for Gaza Strip residents: - Quantity of water available per capita | Base line: 15 l/c/d on average in Gaza Strip | Target: equal or exceeding 100 l/c/d by 2026 on average in Gaza Strip | PCBS quarterly indicators data PWA's specific studies data | The relevant bodies, including PWA and service providers ensure the progress of the reform of the sector. |
| | | - quality of water measured as Chloride per liter (Cl / Liter) | Base line: Cl ≥1000 mg/l weighted average in Gaza Strip | Target: Cl<400mg/l weighted average in Gaza Strip | | |
| | | - price of piped water (NIS/CM) | tbd | tbd | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Outcome 2<br>Alleviated pressure on the aquifer | Abstraction from the aquifer for domestic purposes<br>- Amount of water abstracted from the aquifer for dring purpose | Base line: 88 million m3/y in 2019 | Target:40 million m3/y by 2026 | PWA's specific studies data<br><br>WSRC reports | |
| **Outputs** | Adequate, reliable and safe bulk water supply to Gaza through the GCDP | Functional plant in place capable of producing 55 mcm/y of bulk water | | increased bulk water production in Gaza by 55 mcm/y by 2026 | Project reports | Other envisaged bulk water sources are made operational<br><br>Water supply system ensuring distribution of the bulk water is put in place<br><br>Energy availability for the functioning of the plant and related system is ensured<br><br>Ability of PWA to operate in Gaza<br><br>The electricity supply in Gaza is sufficiently stable or improves from its current level |
| | | Desalination Unit operational | | | | |
| | | Energy generator gas / diesel & RE component operational | | | | |