



Office of the
Quartet

**Report on the Activities of the Office
January 2016 – June 2017**

July 19, 2017

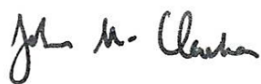
Foreword

The eighteen months between January 2016 and June 2017 represented a period of considerable change for the Office of the Quartet, including the spinoff of Shurook, with a separate governance and management structure, the departure of Kito de Boer as Head of Mission, and a re-alignment of the work of the Office. This realignment had a number of elements, as outlined below:

1. Playing a **catalytic role** in working towards **sectoral solutions** in partnership with other actors, while taking on direct responsibility for specific elements of those solutions (when the Office is requested to do and well positioned to be successful). Particular attention is paid to policies and projects that have a **multiplier effect** – that is an outcome which extends beyond the narrow output of the policy or project;
2. Focusing on **implementation of agreements reached and announcements made** by the parties, to ensure that they are translated as quickly as possible into results that have a positive impact in people's lives;
3. **Bridging between the parties** and providing creative solutions that enable progress on the ground;
4. Maintaining the **vertical depth** of our work from the most granular, technical level to the strategic and political level while engaging the broad array of actors required to make progress, including the parties, members of the international community and others;
5. Ensuring **complementarity** of the OQ's work with that of other key actors, including those which also play a convening role, including UNSCO, the Netherlands, Norway, the World Bank and the Local Aid Coordination Secretariat more broadly;
6. **Streamlining our operations**, to achieve cost efficiencies, reducing our overall costs by a total of 20 percent from June 2016 -June 2017, while sustaining the high performance of the Office;
7. **Diversifying our donor base** in a manner that both reduces the burden on any one country, but which also reduces our vulnerability to funding shocks. We are also seeking multi-year commitments to make funding more predictable and the work of the OQ more sustainable, including restructuring the manner in which the fixed costs of the Office are met;
8. **Improving the transparency of our work**, through the preparation of this report, the development of a new strategy for the Office, and twice annual consultations with Quartet envoys and donors on the work of the Office.

The coming year will undoubtedly bring further challenges, but the Office remains committed to supporting the parties and other key partners in realizing the type of transformative change that will both benefit those most in need, and provide a platform for the economic growth that will also help ensure the fiscal sustainability of the Palestinian Authority. We will also work, as needed, to continue to support the objectives of the Quartet itself, as it continues to work towards a final status agreement between the parties. To this end the Office is now preparing its new 24-month strategy, covering the period from July 2017-July 2019, which replaces the previous 2015-2016 strategy.

The OQ's work during the reporting period has been supported by a core group of donors which have been able to align behind shared strategic goals. These include the United States of America and the Kingdom of the Netherlands, as well as the United Kingdom, the World Bank, the European Union and Canada.



John N. Clarke
Acting Head of Mission

Introduction

1. The Office of the Quartet (OQ), focuses on increasing Palestinian economic and institutional development and empowerment, as a support towards achieving a two-state solution.¹ It therefore plays a catalytic role in advancing work that is of a potentially transformative nature. The Office works with a range of actors, including the parties, the international community, and the private sector to help realize progress in five key sectors, (energy, water, telecommunications, rule of law and movement and trade), each of which benefit Palestinians and provide the foundation for economic growth. This is accomplished in the following five ways:
 - a. *Advocating* for sector-wide strategies and solutions along with key partners as embodied, *inter alia* in the OQ's last two reports to the Ad Hoc Liaison Committee (convened by Norway).²
 - b. *Playing a catalytic role* in furthering key projects which have a multiplier effect and which are essential to support private sector growth.
 - c. *Acting as a neutral broker* between the parties.
 - d. *Identifying solutions* to major challenges in each sector – which are technically, financially and legally feasible.
 - e. *Facilitating meaningful progress* by convening, informing, supporting and mobilizing key stakeholders to achieve progress on the ground. This is accomplished with other bodies that also play a convening role, such as UNSCO, the Netherlands, Norway, the World Bank and the Local Aid Coordination Secretariat.
2. Particular attention is paid to ensuring that agreements and announcements by and between the parties are implemented. This requires engagement in order to identify and promulgate the next steps required for both the parties and the international community.
3. This report provides an overview of the OQ's activities and progress in its key sectors between January 2016 and June 2017. It also highlights the Office's efforts to increase and diversify donor support and to contain costs and improve operational efficiency.
4. The OQ's work during the reporting period has been supported by a core group of donors which have been able to align behind shared strategic goals. These include the United States and the Kingdom of the Netherlands, as well as the United Kingdom, the World Bank, the European Union and Canada.

¹ The mandate is as defined by the Quartet, to “help the Palestinians as they build the institutions and economy of a viable Palestinian State that is able to take its place as a peaceful and prosperous partner, at peace with Israel and its other neighbors” (Quartet Statement, June 27, 2007). In 2011 the Quartet's was further instructed to enable “significantly greater independence and sovereignty for the Palestinian Authority over its affairs.” (Quartet Statement, September 23, 2011).

² [“Office of the Quartet Report to the AHLC – May 2017”](#) and [“Office of the Quartet Report to the AHLC – September 2016”](#).

Work by Sector

I. Energy

5. Energy security is essential for addressing humanitarian needs and enabling basic services, including *inter alia* the provision of water and healthcare.³ It is also key for enabling businesses to function effectively and for sustained private sector-led economic growth, without which the Palestinian economy will not be able to eliminate donor dependency. The OQ works with all key stakeholders to enable sector wide energy solutions (outlined in its two most recent reports to the AHLC), but has a particular focus on two strategic initiatives, in which it supports the parties. One is the implementation of the September 2016 “Principles for financial clearance, resolution of the Palestinian electricity debts and establishment of a new energy market in the Palestinian sector”, which, if implemented in full will transfer significant authority and responsibility of the electricity sector from Israel to the Palestinians. The second is the establishment of a gas pipeline connecting Gaza to the Israeli natural gas network, which is a central component of fulfilling Gaza’s long-term energy needs and unlocking short-medium term measures.

Electricity Agreement Implementation

6. The signing of the electricity agreement, “Principles for financial clearance, resolution of the Palestinian electricity debts and establishment of a new energy market in the Palestinian sector”, (hereafter referred to as ‘the agreement’) in September 2016 is a significant achievement by the parties. If implemented in full it will transfer substantial control of the sector from Israel to the Palestinian Authority (PA). This will bring greater efficiency and significant cost savings to the sector, supporting the establishment of a sustainable and commercially viable Palestinian electricity market. This, in turn, will result in reduced reliance on donor aid.
7. In October 2016, the Palestinian Energy and Natural Resources Authority (PENRA) requested the OQ’s support in developing an implementation plan for establishing an economically viable Palestinian electricity market in the West Bank.⁴ This body of work was encouraged by the US government. The plan was completed in March 2017 and presented by Prime Minister Rami Hamdallah at a meeting of international donors.⁵ The plan identifies what actions need to be taken for the agreement to be implemented and highlights where the international community can support the PA. Implementation of the plan is now crucial to ensure that the full benefits of the electricity agreement can be realized. The energization of the Jenin substation on July 10, 2017 is welcome and represents an important first step in energizing all remaining substations. In addition, the full power purchase agreement between Palestinian Electricity Transmission Company (PETL) and the Israeli Electric Company (IEC) must be signed. The OQ will continue to work with the parties and the other key partners including the US Government and the Government of Norway to ensure implementation.

³ Energy Security is defined by the International Energy Agency (IEA) as - *the uninterrupted availability (i.e. **reliability**) of diverse energy sources at an **affordable** price*. A key aspect of energy security is **sustainability**. A secure and sustainable sector is one that can meet the needs of the population in the long term, is financially viable, and is based on cleaner forms of energy (gas, renewables, etc.), while also being able to address short-term changes in the supply-demand balance. (<http://www.iea.org/topics/energysecurity/subtopics/whatisenergysecurity/>)

⁴ The Implementation Plan was developed in conjunction with PricewaterhouseCoopers (PwC).

⁵ <http://www.quartetrep.org/page.php?id=5e68c6y6187206Y5e68c6>

Gas for Gaza (G4G)

8. The supply of natural gas to Gaza has been identified as the central and indispensable component in any long-term solution to Gaza's energy crisis. Natural gas is approximately half of the price of diesel (per MWh generated) and is a more efficient and cleaner fuel for generating electricity. The availability of reliable and cost-efficient natural gas in Gaza will allow the Gaza Power Plant to be converted to gas operations, increasing the availability of cost efficient electricity in Gaza. It will generate direct savings of USD ~120 million annually. In addition, much wider savings will be achieved across the economy.⁶ This will help ensure the commercial viability and sustainability of the sector in Gaza. The supply of gas also has substantial indirect economic benefits, which will result in a multiplier effect for the Palestinian economy. The construction of the gas pipeline will also open-up the possibility of making natural gas available in Gaza for other large-scale infrastructure projects, such as the Gaza Central Desalination Plant, which is discussed further below.
9. At the request of the parties, the OQ Chairs the Gas for Gaza 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. The Task Force was first convened in August 2015 and the Government of Israel announced the approval, in principle, of the project at the September 2015 AHLC. The eight Task Force meetings convened since then have enabled G4G to advance from conceptual to implementation phase. Thus, during the reporting period, the following steps have been taken:
 - a. A technical feasibility study for the pipeline was concluded, which allowed the Task Force to identify the optimal route for the pipeline. This was approved by the Government of Israel in the third quarter of 2016.
 - b. The planning and permitting processes within the Israeli system commenced in May 2017.
 - c. Commercial and legal feasibility studies have also been undertaken, which identify the optimal commercial and regulatory structures for the project and highlight key issues in their implementation.
 - d. Finally, the key next steps have been identified, focusing particularly on advancing the commercial structure of the project, progressing the permitting and raising finance for the project.

The OQ will continue to work with the Palestinian Authority and the Government of Israel, the Netherlands, other key members of the international community supporting the project to date as well as the private sector parties involved the project.

II. Water

10. The OQ has worked with the Palestinian Water Authority (PWA) to identify priority projects that would contribute to addressing the water challenges in the West Bank and Gaza and would move the water sector and the economy towards sustainable development, and has focused particular attention on the implementation of the Gaza Central Desalination Plant. It has also worked with a range of implementing partners as well as UNSCO and UNOPS to address issues related to the entry of "dual use" materials for the water sector. More broadly, the OQ supports implementation of agreements reached by the parties and announcements of specific approved works.
11. The Palestinian Territory faces major challenges regarding water, particularly in Gaza where much of the population is without reliable drinking water and where the aquifer is already heavily overexploited. Due to seawater intrusion, most water sourced from Gaza's Coastal Aquifer is saline and polluted, and the provision of drinking water is effectively limited to sale by private vendors, bulk water sale from Israel's Mekorot company,

⁶ Based on operation of the GPP at 140 MW and assumes gas will be taxed at a similar level to diesel

and the recently completed, partially operational Short Term Low Volume Desalination plant. Long-term measures underway to address the water and sanitation crisis include the construction of a large-scale desalination plant, the further development of the wastewater treatment infrastructure and the import of additional bulk water. The West Bank also faces significant challenges in providing potable water and treating wastewater. The establishment of infrastructure to provide and treat water in the Palestinian Territory should be accompanied by the policies and practices required to create a commercially viable water sector.

Gaza Central Desalination Plant

12. Construction of the Gaza Central Desalination Plant (GCDP) would improve the supply of potable water supply to Gaza, and is a primary long-term focus of the PWA, the international community and the OQ. The OQ has been supporting the parties to agree on a mechanism that would enable the timely, transparent and predictable entry of materials that are classified as “dual use” and the monitoring of plant construction and operations. Further communications and meetings are to be undertaken between the parties to discuss the details of the mechanism and agree on the main topics that will impact the Engineering Procurement Construction contracts, so the necessary provisions can be included in the tender documents. At the request of parties, the OQ facilitates a Task Force of the project’s core stakeholders, including the Palestinian Water Authority, the Government of Israel, the World Bank and the EU. The OQ also works closely together with the Union for the Mediterranean which leads the International Coordination Committee for the GCDP. A number of key policy decisions remain to be addressed by the Palestinian Authority and the Government of Israel before a pledging conference for the GCDP, including the mechanism for the entry and monitoring of materials to Gaza, ensuring the availability of adequate energy to run the plant, as well as guarantees for the long-term commercial viability of the project and the sector as a whole. The OQ is working closely with the EU on this issue, particularly on reaching agreement with the Government of Israel on the entry of “dual use” material.
13. The OQ has worked with key stakeholders to advance interim solutions to the water crisis in Gaza, including advocating for the import of additional bulk water, including through the Red Sea-Dead Sea agreement. On July 13, the parties, facilitated by the US Government, announced an agreement on the supply of desalinated water from the Red-Sea Dead Sea project. This would enable the supply of 32 MCM to the West Bank and Gaza, with 10 MCM going to Gaza.

III. Telecom

14. Whilst the Information Communication Technology (ICT) sector currently contributes with only 6 percent to GDP it has significant potential for growth. Deployment of new mobile communications technologies (3G and 4G) in the West Bank and Gaza, as well as the deployment of the Wataniya 2G network in Gaza, would be a significant enabler for the Palestinian economy.
15. It is estimated that the enrollment of 3G would increase GDP per capita growth rate by 1.5 percentage points, investment by approximately USD 120 million, revenues to operators by USD 58 million starting from the second year of operations and indirect employment by around 10,000 jobs.⁷ The Palestinian Authority revenues from the sector are also increasing through both license fees and taxes. The renewed Jawwal mobile communications license fees amounted to USD 260 million in December 2016 and half of this amount was paid immediately which contributed significantly to decreasing the budget deficit. It is also estimated that the Palestinian

⁷ Office of the Quartet; [Economic Impact of Mobile Communications Development on the Palestinian Economy, March 2017.](#)

Authority would receive around USD 100-120 million as annual taxes from the two mobile operators; Jawwal and Wataniya in 2017 and 2018.

16. In 2015, the OQ provided ongoing and long-term support to the USG and the parties with strategic and technical advice on the reconvening of the Joint Technical Committee and hence resuming negotiations on the file. In November 2015, following high level US Government engagement, the parties signed the agreement titled “Principles for Assignment of Frequencies in the 2100MHz Band for the Palestinian Cellular Operators”.
17. Since the signing of the agreement, the OQ supported the US Government and the parties in implementing that agreement on 2G for Gaza and 3G for the West Bank. This includes access for the necessary hardware and infrastructure into the West Bank and Gaza and allocation of needed spectrum. The US Government has remained engaged throughout. On April 5, 2017, the Israeli Ministry of Communications and the Palestinian Ministry of Telecom and IT signed an agreement on “Approval of assignment and operation of the additional frequencies for the Palestinian cellular operators”. This agreement sets the arrangements for the use of the spectrum that was identified on September 18, 2016, the role of the Third-Party Company that will manage the core Palestinian equipment and maps out the area for the Palestinian use of the Shared Spectrum.
18. On 2G, the bulk of the remaining equipment has arrived at the Israeli ports and entered Gaza. Wataniya has started building the 2G network in Gaza, with hopes of a soft commercial (or pilot) launch in October 2017. The Palestinian mobile operators Jawwal and Wataniya hope to launch commercial 3G operations in the third quarter of 2017. The OQ will continue to work with the parties and other key actors to address all outstanding issues, including the release of 3G equipment from Israeli ports, securing the approvals for radio sites in Area C and the conclusion of the commercial contracts between the Palestinian companies and the Third-Party Company. In the fourth quarter of 2017, the OQ will begin to draw down on its work in this sector, given the anticipated successful implementation of the agreement.

IV. Rule of Law (RoL)

19. The Palestinian Authority must be able to provide both effective governance structures and an empowering legal framework that benefits all Palestinians. Though substantial progress has been made, further change carries the potential to improve the daily lives of Palestinians while also creating an environment in which the private sector can drive economic growth. The OQ supports this agenda by working with the parties, the donors and other organizations to: (1) expand the legal and security footprint of the Palestinian Authority and (2) strengthen Palestinian institutions engaged in improving the rule of law. Supported by the Netherlands Representative Office which chairs the Justice Sector Working Group, the OQ aims to achieve the following objectives:
 - a. Improvements in the territorial scope of Palestinian implementation and enforcement of the rule of law in the West Bank;
 - b. Improved Palestinian-Israeli cooperation on rule of law issues;
 - c. Institutional development in the justice and security sectors;
 - d. Strengthened donor community coordination and strategy on Palestinian rule of law issues;
 - e. Better implementation of the Paris Protocol.

The following sections summarize the team’s main activities and achievements:

Justice System Support

20. One of the most pertinent issues facing the Palestinian justice sector is the need to amend the Palestinian Judicial Authority Law (JAL) of 2002 in order to clarify the mandate of judicial institutions and to improve court efficiency. During the reporting period, the OQ has continued to assist the international co-chair (Government

of the Netherlands) of the Justice Sector Working Group to lobby for a modern JAL that will eventually lead to further development of the justice sector.

21. There are a number of areas where the OQ has provided technical assistance to the parties:
 - a. Following the release of the PA's National Policy Agenda, the OQ provided technical assistance to the Ministry of Justice in drafting the Justice Sector Strategic Plan 2017-22 (JSSP).
 - b. Further improvements to a draft law on establishment of a Serious Crimes Court jointly with the EU Coordinating Office for Palestinian Police Support (EUPOLCOPPS).
 - c. Working to enable greater Israeli-Palestinian legal cooperation including, at an appropriate time, the possibility of reactivating the Israeli-Palestinian Joint Legal Committee. A draft manual on legal cooperation is under preparation and training sessions will be conducted in cooperation with EUPOLCOPPS.
 - d. Supporting the Palestinian Security Justice Commission in close coordination with the Office of the United States Security Coordinator (USSC) with the development of a draft law that was resubmitted to the Council of Ministers in May 2017.

Movement and Access of Security Forces

22. Since the first half of 2017, the OQ has worked closely with Israeli and Palestinian security officials and the USSC to further improve PASF access throughout the West Bank. OQ work, supported by EUPOL COPPS and USSC, led to a significant expansion of Palestinian security forces access and movement in the West Bank in April 2015. As a result, the number of Palestinians in the West Bank who were previously inaccessible to the police dropped by 97 percent. In total, of the total population of the West Bank, over 1.7 million people now have unrestricted access to police coverage. The OQ continues to work with parties to ensure protection, provide security and combat crime throughout the West Bank.

PA-Government of Israel Trade Cooperation/ Paris Protocol

23. As part of a larger effort to strengthen the legal framework for economic development, the OQ has worked with the parties and the international donor community, to examine the implementation of the Paris Protocol and develop specific, feasible measures for its more effective implementation.
24. In coordination with the Palestinian Authority Ministry of National Economy, the Office is developing a market study, examining the current A1 list and its impact on the Palestinian economy and consumer prices, as well as the potential impact of expanding this list. A legal analysis of the Paris Protocol has been completed to update the interpretation to allow for the implementation of the trade and fiscal provisions.
25. During the reporting period, the parties have been discussing a proposed transfer of certain functions from the Israeli Customs Authorities to Palestinian Authority Customs (the process is sometimes referred to as Bonded Warehouses). The OQ prepared a discussion paper for Palestinian Authority customs on bonded warehouses (December 21, 2016), an action plan with a timeline for deliverables and through consultations (January 10, 2017) with the World Bank, IMF and USAID, a paper was drafted analyzing the risks and benefits of the proposed transfer of customs functions. The OQ has provided guidance throughout this process in close coordination with the international partners and particularly the UK's Department for International Development which has played a leading role on this file.
26. The Office supported the Palestinian Federation of Industries (PFI) in preparatory work (including with the private sector) that will result in an application to GS1 headquarters (Brussels, Belgium) for membership of GS1, which develops and maintains global standards for business communication. A dedicated Palestinian barcode would improve business efficiency and facilitate international trade.

27. The OQ has updated the list of economic regulations which will enable economic developments to be discussed with the Ministry of Palestinian National Economy, including promoting the development of a legal framework for public-private partnerships (PPP/P3). A PPP law is needed to provide legal certainty for infrastructure projects developed in collaboration with the Palestinian private sector.

V. Movement and Trade

28. The sustainable growth of the Palestinian economy requires continued improvement in movement through the crossings as well as trade facilitation. In 2016, Palestinian imports were valued at USD 5.1 billion and exports were valued at USD 929 million – a trade deficit which must be reduced if economic growth is to be achieved. Currently, 80 percent of Palestinian exports go to Israel: the development of new markets for Palestinian products is therefore of the utmost importance. This requires improved trade facilitation at the crossings and an ability for people and goods to move into and out of the West Bank and Gaza quickly and efficiently.

Identifying new export markets for Palestinian Products

29. As a first step in expanding markets for Palestinian export, the OQ began an initiative to expand the reach of Palestinian products to new markets. Based on an analysis of opportunities, given trading patterns, and working closely with the Palestinian and Omani Chambers of Commerce, Oman was identified as the first target market. This initiative culminated in the visit by 24 Palestinian companies to Oman in December 2016, yielding contracts for two-way trade in excess of USD 4.9 million to date in the areas of marble and stone, food, and handicrafts sectors. The OQ is currently examining other markets with similar and perhaps even greater potential.

Allenby/ King Hussein Crossing

30. The Allenby/King Hussein bridge is the only reliable international border crossing available to almost five million Palestinians. The OQ has worked with the parties to improve passenger processing at Allenby Bridge. Figures for the first quarter of 2017 show a 23 percent increase in traffic, which is significant given that it represents routine traffic. Given the potential for up to 11,000 passengers per day at its peak, there is a risk of further excessive delays this summer. The OQ has worked closely with all relevant parties address these issues. The parties have agreed to the expansion of hours of service during the peak travel periods and a reservation system for travelers, leaving the West Bank headed for Jordan, is expected to be available in the beginning of July. Further streamlining initiatives have been developed by the OQ and are under discussion with the parties.

Door to Door Movement of Cargo

31. Door to door movement of cargo has the potential to reduce Palestinian traders' transportation costs by approximately 35 percent compared to the current costs incurred when moving goods from their factories in the West Bank to locations in Israel or the Israeli international gateways. The current "back-to-back" system requires Palestinian manufacturers to first move goods from their factories to the crossing points on a Palestinian truck; the goods are then transferred at the crossing point to an Israeli truck in order to complete their journey. The Government of Israel has expressed an interest in attempting a pilot test for low risk traders to assess whether such door-to-door transport is feasible. The OQ is working closely with the parties and USAID to support this concept, including collecting data on current costs and future cost savings, drafting a paper to articulate ways to secure a vehicle moving from the secure Palestinian factory to the crossing point.

VI. Economic Mapping

32. In support of the Palestinian Authority, the Palestinian private sector and nongovernmental and international organizations, the OQ is building a smart, interactive, web-based geospatial map of the West Bank and Gaza, which incorporates economic, geographic, social, security, and legal data. Accurate and holistic spatial data has been acquired through local partnerships with professional associations, chambers of commerce, and government ministries. The tool helps fill existing information gaps in key economic sectors, including agriculture, energy, Information Technology, light-manufacturing, tourism and hospitality, and water sectors.
33. Once complete, the web platform will be deployed to empower government institutions, the private sector, and nongovernmental and international organizations to make informed policy and business decisions, by providing them with key information and analytics. This will enable such bodies to take a more strategic approach to economic development in the Palestinian Territory.

VII. Fiscal Leakages

34. The fiscal leakages file is addressed through dialogue between the Palestinian Authority and Government of Israel Ministries of Finance and is central to maintaining and improving the robustness, sustainability and predictability of the PA's fiscal situation. Items addressed have the potential to generate additional annual tax revenue of hundreds of millions of NIS for the PA. The file includes key issues such as upgrading the bilateral VAT mechanism, finding a solution for Gaza VAT, addressing the handling fee charged by the Government of Israel for clearance revenues, and the establishment of a Palestinian bonded warehouse system with associated changes in customs arrangements, among others. The UK Department for International Development has played a key role on this file.
35. The OQ, has supported the parties including through the provision of technical assistance and the provision of a secondee to the Office of the Palestinian Authority Minister of Finance, helping bridge gaps and flagging opportunities for progress, and collaborating with other international missions working on these issues, including the UK Department for International Development, the World Bank, IMF, US, and Norwegian Governments.

Management of Operations and Funding

36. In 2016, the OQ undertook a process to streamline its operations, reduce costs and diversify its sources of funding in a manner that allowed for more equitable burden sharing and which made it less vulnerable to shocks resulting from changes in funding levels by any one donor. As a result, our overall costs were reduced by a total of 20 percent (or USD 1.9 million) between June 2016 - June 2017. In addition, a range of new donors funded the Office resulting in a redistribution of the costs of the Office. These changes were achieved, while sustaining the high performance of the office and retaining core capabilities, including convening, working with and between the parties, and deploying technical expertise. Our objective is to continue to rationalize our operations while retaining expertise in core areas.
37. The OQ is in advanced discussions with different donors about potential support in 2017 and beyond. With at least three of these member states, the OQ is working on building strategic multiyear agreements in a manner that diversifies and broadens the support to the Office.
38. The OQ is in the process of establishing a **new operating model**, based on the following three pillars:
 - a. A cost-effective organization, with substantially reduced fixed, administrative and security costs.
 - b. A reduction in the administrative costs charged by the United Nations, which provides the administrative umbrella, for the OQ.
 - c. A more diversified donor base, with a gradual increase in sharing of fixed costs of the Office across a wider number of donors.