

THE PERFORMANCE OF PALESTINIAN LOCAL GOVERNMENTS

AN ASSESSMENT OF SERVICE DELIVERY OUTCOMES
AND PERFORMANCE DRIVERS IN THE
WEST BANK AND GAZA

June 2017



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Abbreviations and Acronyms

CAPEX	Capital Expenditure
CoM	Cabinet of Ministers
CSC	Citizen Service Center
DISCO	Distribution Company
EQA	Environment Quality Authority
FCS	Fragile and Conflict-affected situations
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GoI	Government of Israel
ICA	Israeli Civil Administration
IEC	Israel Electric Corporation
JSC	Joint Service Council
KII	Key Informant Interview
km	Kilometer
km ²	Square Kilometer
LGPA	Local Government Performance Assessment
LGSIP	Local Governance and Services Improvement Program
LGU	Local Government Unit
MDLF	Municipal Development Lending Fund
MDP	Municipal Development Program
MoEHE	Ministry of Education and Higher Education
MoFP	Ministry of Finance and Planning
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoNE	Ministry of National Economy
MoPWH	Ministry of Public Works and Housing
NGO	Non-Governmental Organization
NIS	New Israeli Shekel
NPA	National Policy Agenda
NSP	National Spatial Plan
O&M	Operations and Maintenance
OPEX	Operating Expenditure
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PENRA	Palestinian Energy and Natural Resources Authority
PERC	Palestinian Electricity Regulatory Council
PWA	Palestinian Water Authority
RDP	Regional Development Plan
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine
VC	Village Council
VIP	Ventilated Improved Pit Latrine
WASH	Water, Sanitation, and Hygiene
WDI	World Development Indicators
WHO	World Health Organization
WSRC	Water Sector Regulatory Council

An aerial photograph of a residential area on a hillside. In the foreground, a paved road curves through a landscape of green trees and dry, yellowish-brown vegetation. Several multi-story apartment buildings are visible, some with red-tiled roofs and others with flat roofs. In the background, more buildings are visible on the hillside, and a church with a tall spire can be seen in the distance. The sky is clear and blue.

EXECUTIVE SUMMARY

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Why does the performance of Palestinian Local Governments matter?

1. Palestinian local governments represent a key pillar of the future Palestinian state. Predating the Palestinian Authority, many have long and proud histories, including some of the oldest inhabited cities in the world. With increasing political and geographical fragmentation over the last two decades, Local Government Units (LGUs) have become of paramount importance regarding the provision of services to the local population, particularly in areas where the relatively young central government is politically, geographically, and fiscally constrained. Some existing LGUs were created as early as the second half of the 19th century, and over the decades, they have performed under the complexities of disparate political and legal regimes. As the lowest level of governance, Palestinian local authorities fulfill a critical role, not only as a key public service provider but also as the government tier closest to citizens, with elected councils critical for representation and accountability to citizens. The most recent local elections were on May 13, 2017, and in October 2012, only in the West Bank; following the most recent local elections in both the West Bank and Gaza in 2006. Strengthening LGUs and enabling them to perform as fully functional local governments accountable to citizens are key priorities for the Palestinian Authority.

2. A high level of fragmentation with large variations in fiscal and institutional capacity affects local service delivery performance. In 1997, there were 350 local authorities; today there are 417. This may not be financially viable and could adversely affect allocative efficiency in a highly financially constrained environment. In short, Palestinians could be paying for a large but inefficient local government sector that is draining scarce public resources and external aid at the cost of eroding infrastructure, declining services, and suboptimal development. However, there is currently no evidence to substantiate this claim, and it is important to get a better understanding of the drivers of service delivery performance and the most effective ways to support LGUs to better perform for the benefit of the Palestinian people.

3. A lack of comprehensive data that is representative at the LGU level has made it impossible to assess and compare service delivery outcomes across Palestinian LGUs. Data on service coverage and basic governance indicators in Palestinian LGUs exists, but it does not cover all local services and is collected from the supply side, i.e., local authorities and service providers. Although the Palestinian Central Bureau of Statistics (PCBS) conducts regular household surveys, which would allow for assessing service outcomes from the demand-side, i.e., citizens and service users, the data is not representative at the level of individual LGUs. Those constraints have limited the possibilities for a comprehensive performance assessment in the past. However, it is important to understand what drives the service delivery performance of Palestinian LGUs in order to make meaningful policy recommendations, address the issues that are fully under Palestinian control, and highlight the adverse impacts that externally imposed constraints have on the living standards of the Palestinian people. However, to date, no robust evidence base exists to answer those questions.

How do Palestinian Local Governments perform and how can it be measured?

4. The analysis presented in this report has the objective to fill this critical knowledge gap and help targeting interventions to improve service delivery in the West Bank and Gaza. The Palestinian Local Government Performance Assessment (LGPA) establishes the quantitative basis for analysis and a performance baseline for future benchmarking. Existing local service delivery data has been very limited, despite substantial external support to the sector over the last decades. Generally, the scope

of existing data only covers select supply-side information collected from LGUs or household data, which is not representative at the LGU level. Hence, under the LGPA, a comprehensive household survey, covering more than 380 Palestinian municipalities and village councils, was conducted, providing the quantitative basis for the following analysis. In addition, data available from earlier analyses conducted by the World Bank was used to better understand the supply side of service delivery, including local government financing, performance of Joint Service Councils (JSCs), and institutional data collected under the Municipal Development Program (MDP). Complementary qualitative analysis and case studies were implemented to allow for a more comprehensive understanding of performance drivers and determining factors related to institutional capacity, governance, and political economy.

5. Service outcomes vary substantially both across LGUs and sectors. The LGPA assesses service delivery outcomes for the key public services under the responsibility of local authorities, i.e., water supply, sanitation, solid waste management, and local roads. The assessment reviews outcome variations across sectors, individual LGUs, and geographic areas. Data on electricity supply, education and health was also collected by the LGPA household survey, but are not subject to this analysis. Although data for those service sectors will be important for follow-up analysis, the LGPA limits itself to the four basic services mentioned above. LGUs have no or only limited role in delivering education and health services, which are administered and operated by the national authority, international agencies or non-governmental organizations, or in electricity distribution, which falls under the responsibility of electricity distribution companies.

6. Outcome variations alone, while important to understand, do not allow for better targeting of interventions and policy recommendations. A more comprehensive measure is needed to assess LGU service delivery performance based on citizen access and satisfaction with service outcomes that would allow for comparisons of LGU performance across the West Bank and across Gaza. A performance index was therefore developed for policy makers and Development Partners as a tool to identify and target interventions in municipalities and village councils.

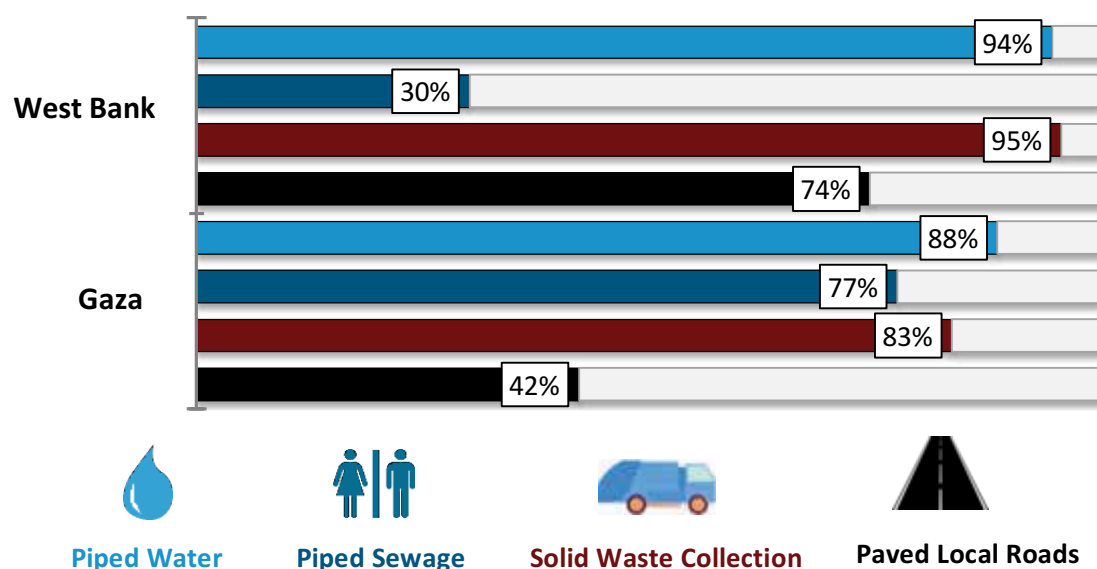
7. The LGPA Performance index uses ten indicators to measure overall LGU performance. The ten indicators represent the three dimensions of access, quality and reliability for piped water, piped sewage, and waste collection, and a joint measure for local roads. The LGPA Performance index ranks LGUs according to their performance scores and allows for an analysis of key drivers for service delivery performance, including geography size, wealth, fiscal strength, institutional capacity, governance, and modes of service delivery.

How satisfied are households with service delivery outcomes?

8. Palestinians have achieved high rates of access, although services are not always available and quality differs. Palestinian LGUs have achieved remarkable levels of access to basic services, particularly given the challenging circumstances of occupation and an overall context of fragility, conflict and violence. Piped water supply connections have reached almost universal coverage at 94 percent in the West Bank and 88 percent in the Gaza Strip. Over 80 percent of households in Gaza and up to 95 percent in the West Bank have access to regular solid waste collection. Around 77 percent of households in the Gaza Strip are connected to a piped sewage network. At 30 percent, access to piped sewage is much lower in the West Bank, although this is largely a reflection of the more rural character of West Bank villages compared with the highly urbanized Gaza Strip: in the West Bank, access to piped sewage is at 8 percent in Village Councils, compared to 37 percent in municipalities. For those households connected to a piped sewage network, around 80 percent report that the quality and reliability of services is acceptable, suggesting that waste water priorities should focus on increasing treatment capacity and access to those households not yet connected. Comparing outcomes in the waste water sector to other countries, coverage with improved sanitation facilities is clearly higher in the Palestinian territories (96 percent) than in Lebanon (80.7 percent) and the average of fragile and conflict-

affected situations (FCS; 43.5 percent), slightly higher than the average for the region (89.6 percent), and just below neighboring Jordanian (98.6 percent).¹

Figure ES-1: Service Access across Sectors



Source: LGPA 2017

9. Only 1 percent of Gaza's population has access to an improved source of drinking water. Despite high access rates, decades of underinvestment, protracted rehabilitation and repeated episodes of violent conflict and war have affected the quality of services, particularly in Gaza. The rapidly deteriorating quality of groundwater caused by seawater intrusion and discharge of untreated sewage has made most of the piped water undrinkable. Only one percent of households in the Gaza Strip report to have access to improved drinking water and more than 97 percent have to rely on drinking water delivered by tanker trucks. Also overall satisfaction rates for piped water supply are lowest in Gaza across the Palestinian territories. Only 36 percent of households in the Gaza Strip are satisfied with the quality and reliability of piped water, compared with 54 percent in the West Bank. This finding is confirmed by qualitative interviews, which show that despite high connection rates, water shortages and quality remain critical challenges. Comparing service outcomes in the water sector to those of neighboring countries and countries of similar structural characteristics, access to improved drinking water sources in the Palestinian territories (57 percent) is lower than in both Jordan (96.9 percent) and Lebanon (99 percent), as well as the region (92.6 percent; excluding high income countries), and other fragile and conflict-affected situations (67.8 percent).²

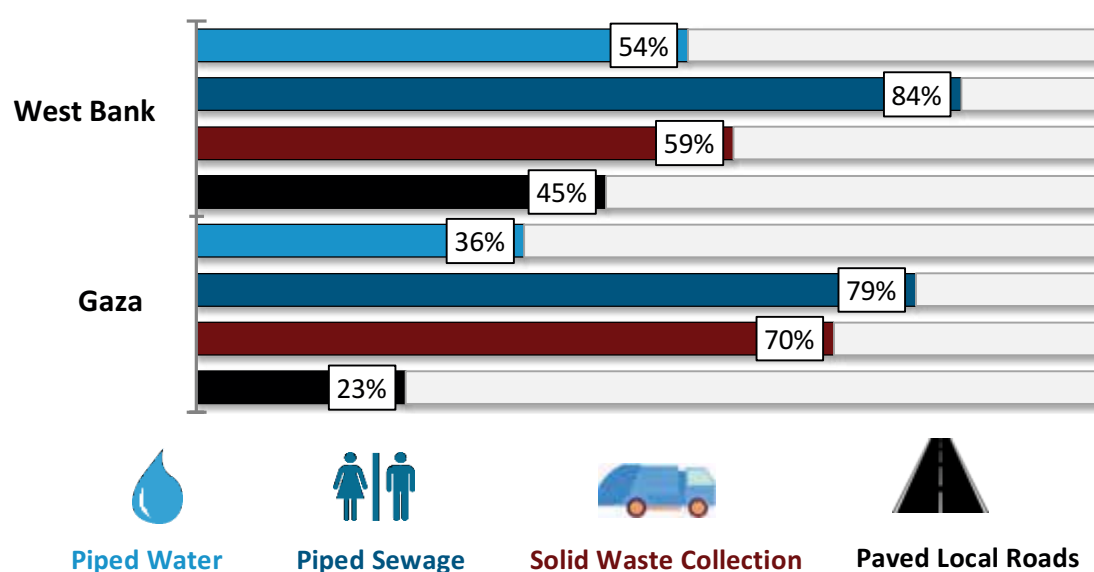
10. Across sectors, access rates are lowest for local roads. Fewer than 2 in 3 Palestinian households have access to paved roads. Only 42 percent of households in Gaza report having immediate access to a paved road from their home, compared with around 74 percent in the West Bank. This finding is consistent with the high share of roads investment projects prioritized in local development plans across Palestinian LGUs, suggesting that investment needs for local roads will remain high in the foreseeable future. It also reflects the shortage of funding LGUs have available for the rehabilitation, extension, and maintenance of roads. Compared to revenue-generating services, such as solid waste collection and water supply for which service providers generally charge user fees, LGUs have no direct income source to cover road rehabilitation and maintenance cost. Instead, LGUs have to rely entirely on own or shared taxes, grants from the central government, or from external donors which, however, tend to prioritize other sectors or investments in their support programs.

¹ World Development Indicators.

² *ibid.*

11. The quality of solid waste collection has room to improve. Only 59 percent of households in the West Bank, and surprisingly 70 percent of households in Gaza express satisfaction with the quality and reliability of solid waste collection services. Despite the increasing coverage of collection services and substantial investments in sanitary landfills in both the West Bank and Gaza, LGPA findings suggest room for improving service outcomes. Investing in disposal infrastructure and collection equipment alone will not suffice. Experience from an output-based investment program in the southern West Bank targeting LGUs in the Hebron and Bethlehem Governorates provides good lessons how user satisfaction can be increased through improving the timeliness of collection services, cleanliness at collection points, and effectiveness of feedback and complaint mechanisms. Strengthening the management capacity and improving responsiveness of service operators should be a priority for support.

Figure ES-2: Satisfaction with Service Quality and Reliability



Source: LGPA 2017

12. Overall, municipalities achieve consistently higher service outcome levels than village councils. In general, service outcome levels are declining in line with LGU size groups. This holds for both access and satisfaction ratings across sectors, except water supply. But size alone does not explain the difference in outcomes. Interestingly, households rate access and satisfaction with water supply services highest in small municipalities, while large and medium size municipalities have outcomes more comparable to those of village councils. This may be driven by the more rapid demographic growth in municipalities outstripping the availability of bulk water and adversely affecting water quality and availability. However, with this exception, LGPA findings confirm that service outcomes are generally lower in village councils. Villages tend to struggle to provide and maintain the same level of services compared to municipalities. The current status quo is not sustainable and more needs to be done to consolidate service delivery in village councils to bring them at par with municipalities.

13. Service outcomes vary across regions. For the most part, LGUs in the central and north West Bank achieve higher outcomes than the south West Bank and Gaza. This finding is consistent, except for piped sewage, for which access is higher in Gaza as a result of the high level of urbanization; and satisfaction is the highest in the south for those households who are connected to the sewage system. There is greater access to solid waste collection services in the north West Bank, with almost universal coverage, but satisfaction rates with the service is the lowest; this is somewhat counterintuitive given the long-standing support to improving solid waste management in the northern West Bank. There is

no straightforward explanation for the regional variations, beyond the more pronounced divide between the West Bank and the Gaza Strip. However, some have argued that a larger number of movement restrictions and proximity of LGUs to the separation barrier and Area C might be among the determinants for regional variations in service outcomes.

14. While the likelihood for access to piped water is lower for poorer households, gender is not a determining factor driving service outcomes. Households at the bottom 40 percent of the wealth distribution are more likely to be affected by low access rates compared with higher income groups, particularly in the West Bank and for piped water supply. Non-poor households in the West Bank are almost two times more likely to have access to piped water than those in the bottom 40 percent of the wealth distribution. Findings also suggest that poorer households in the West Bank are less satisfied with waste collection services than the non-poor are. The likelihood of being connected to the piped water network is slightly higher for households in the upper three wealth quintiles in Gaza, but this gap is not statistically significant. LGPA findings also suggest that there is no significant gender gap in basic service delivery. Service outcomes for female-headed households are statistically not significantly different from male-headed households, except for access to piped water and satisfaction with piped sewage in Gaza. Overall, Palestinian LGUs have achieved remarkably equitable service provision, despite significant needs to improve service quality and reliability.

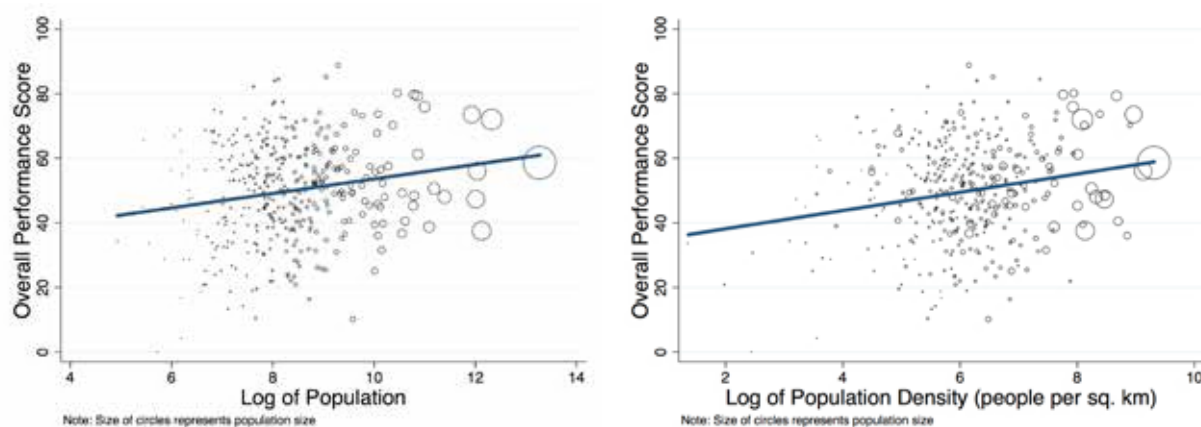
What is driving the performance of Palestinian local governments?

Size, Density and Location

15. While population size and location matter, municipalities perform better than village councils even when ruling out differences in LGU size and geography. Size and location affect overall performance of Palestinian LGUs, but, importantly, the performance differences identified in the LGPA go beyond a pure size or regional effect. This is an important finding, underlining that other crucial factors drive the performance gap between municipalities and village councils. While households in villages clearly rate service outcomes lower than in municipalities, a focus on merging LGUs into larger entities will not necessarily improve service delivery performance by itself. Additional policy instruments, capacity development, and incentives, that go beyond size and ‘amalgamation’ are required to achieve better performance in Palestinian LGUs.

16. Higher population density is strongly associated with better performance outcomes. Population density varies substantially across Palestinian LGUs, ranging from less than four people per square kilometer (km^2) in one of the small villages in the West Bank, the Village Council of Marj al Ghazal in the Jericho Governorate, to more than 11,000 people per km^2 in Gaza City. In more than 75 percent of LGUs in the West Bank and Gaza, the average population per km^2 is less than 1,000, and in 34 municipalities and village councils, it is below 100. These wide gaps are severely affecting service delivery outcomes, because LGU population density and service delivery performance are strongly correlated. The most populated 20 percent of LGUs on average perform 6.2 points higher than the least populated 20 percent of LGUs. On average, a 1 percent increase in population density corresponds to a 3.3-point higher performance score. This finding is consistent with global experience, since the cost of infrastructure and service provision declines on a per capita basis with increasing densities. Palestinian LGUs should aim to achieve higher levels of population density and avoid costly sprawl that is hampering service delivery performance.

Figure ES-3: Population Size (left) & Density (right) as Performance Drivers



Source: LGPA 2017

17. Remote and marginalized LGUs perform significantly worse. Most Palestinian LGUs are located within a 5–10 km radius of their governorate capital, but distance quickly translates into lower performance. Using the geographical spread of LGUs relative to their governorate as a proxy for remoteness reveals a strong correlation with service delivery outcomes: the most remote 20 percent LGUs on average perform 11 points lower than the least remote 20 percent LGUs. On average, a 1 percent increase in distance corresponds to the statistically significant decrease in performance outcomes of 5.2 points. Economic activity and fiscal capacity tend to be concentrated in the urban centers, explaining part of the performance variations associated with distance. However, Palestinian LGUs suffer from additional layers of marginalization associated with the movement restrictions imposed by the Government of Israel, magnifying the adverse impact of remoteness and distance to the urban centers observed elsewhere in the world.

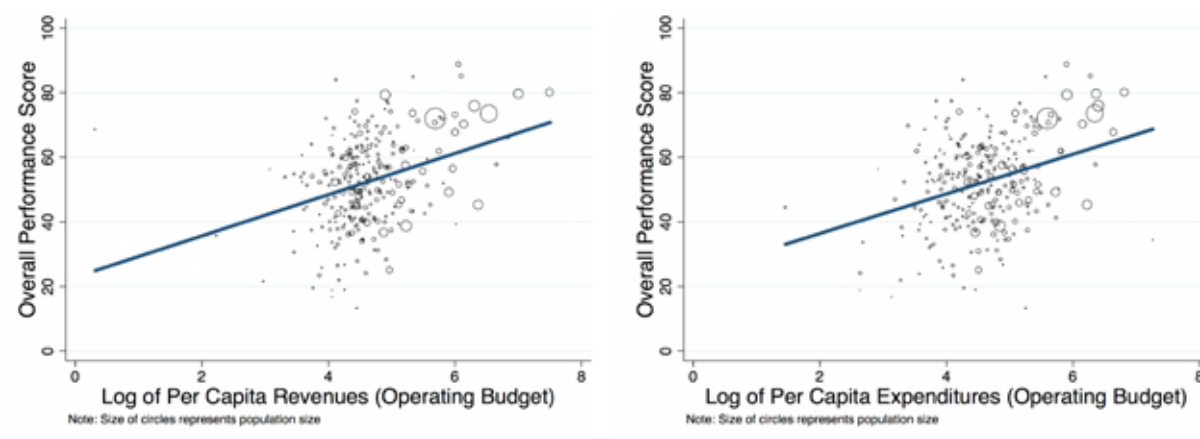
18. In general, households in Area C or close to the separation barrier are less likely to have access to basic local services. Satisfaction with quality and reliability of services is also notably lower in Area C and near the barrier. In comparing the likelihood of service access for households that live within a 1 km radius of the separation barrier, no statistically significant coefficients are observed. However, if the distance considered is narrowed, significant differences emerge in the water sector: households living 500 or even 250 meters from the separation barrier are on average just half as likely to have access to piped water than those living farther away. This effect is statistically significant for both the entire West Bank sample and the subsample of LGUs that are intersected by the barrier. While the coefficients for the Area C indicator suggest that, on average, households living in Area C are less likely to have access to all of the four basic services, only the indicator for solid waste collection yields a statistically significant result: the odds to be covered by a waste collection service of households that live in Area C are only one-third as large as those of households that live in Areas A and B.

19. Overall, Area C is associated with lower LGU performance scores. This finding holds even when controlling for important performance drivers, such as remoteness and size of LGU. On average, LGUs serving areas where at least 60 percent of the built-up area is in Area C have a statistically significant performance score, which is 5.8 points lower than the other West Bank LGUs. LGUs with a developed Area C area share of more than 70 and 80 percent perform 8.0 and 8.5 points lower on average. Palestinian LGUs have little means to improving service delivery outcomes of communities living in Area C, given their limited mandate beyond Areas A and B. Development Partners have stepped up their support to communities in Area C. Since 2012, around 113 masterplans have been prepared to support capital investment and service delivery improvements in 77 LGUs with Palestinian communities living in Area C. However, to date, only five of the plans have been approved by the Israeli Civil Administration (ICA). The other masterplans submitted to the ICA for approval are still awaiting a decision, 81 of them have been pending for more than 18 months.

Fiscal Capacity and Responsiveness

20. Fiscal capacity is a main driver of LGU performance. Overall, per capita revenues are strongly associated with higher LGU performance and a robust relationship between per capita expenditures and LGU performance exists, disproportionately constraining smaller municipalities and village councils due to their limited revenue base and institutional capacity. A 1 percent increase in per capita operating revenues on average corresponds to a 4.7-points higher performance score; and a 1 percent increase in per capita operating expenditures to a performance score increase of 5.2 points. This effect is even more pronounced among municipalities, where a 1 percent increase in per capita revenues is associated with an average 6.5 higher performance score, and an 8.9 higher score for per capita expenditures. Fiscal capacity can be identified as one, if not the strongest driver of LGU performance, even when ruling out differences due to size and location. Eroding local budgets limit the funding available to invest in extending, upgrading or even maintaining services at satisfactory levels. This finding urges giving highest priority to advancing local government financing reform and addressing the large imbalances of fiscal capacity across LGUs, in particular between village councils and municipalities, but also across municipalities. The current inter-governmental fiscal architecture in Palestine is characterized by local revenue assignments that are insufficient to cover the operational expenditure needs of LGUs; and lack of a fiscal transfer from the central government that would include equalization elements to correct imbalances across local authorities characterized by varying fiscal capacity. Without addressing those horizontal and vertical fiscal imbalances, only limited progress can be envisioned for improving Palestinian local government performance.

Figure ES-4: Operating Revenues (left) & Operating Expenditures (right) as Performance Drivers



Source: LGPA 2017

21. Citizens' willingness to pay and actual payments vary significantly, suggesting that LGUs need to improve both efforts to collect revenues and service outcomes. Given the limited resources made available from transfers and shared taxes, LGUs have to rely mostly on own-source revenues. However, LGPA findings suggest large variations in the willingness to pay for local services and actual collection across local authorities. For example, average monthly piped water payments are higher in municipalities than in village councils, and the highest in medium-sized municipalities in the West Bank (136 New Israeli Shekel (NIS)). In the West Bank, citizens in municipalities also pay more for waste collection services (NIS 24) than citizens in village councils (NIS 21). Across the Palestinian territories, more than half of the households (52 percent) report a maximum willingness to pay for piped water that is lower than their actual payment. These results correspond to a considerable number of households reporting dissatisfaction with piped water costs: 39 percent of households in Gaza and 1 in 4

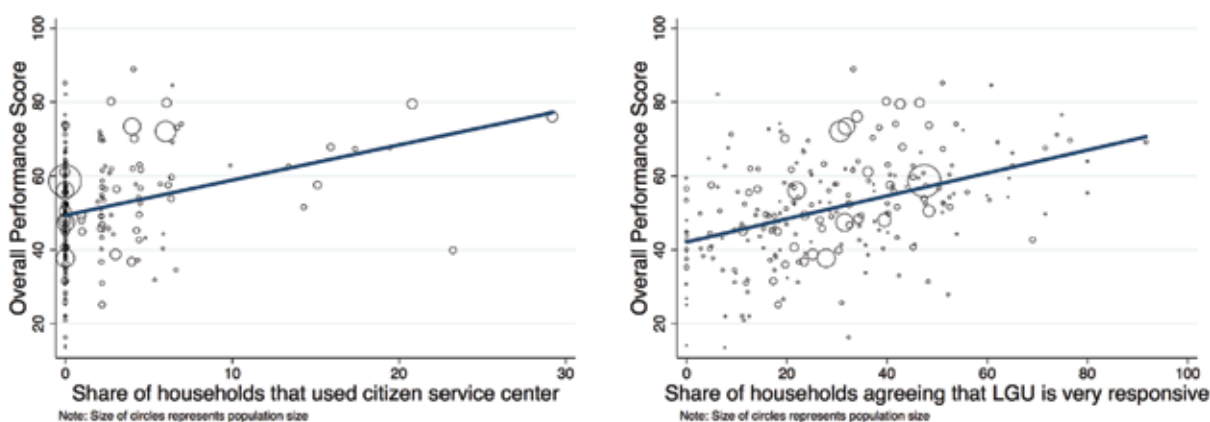
households in the West Bank are dissatisfied or very dissatisfied with the cost of piped water. In line with global experience, enhancing local revenue collection needs to go hand-in-hand with improving service delivery outcomes since user satisfaction tends to be driving willingness to pay for services.

22. Citizens are more likely to pay their bills on time if they are satisfied with service reliability and LGU responsiveness. On average, Palestinian households that agree their LGU is very responsive to citizens' concerns or complaints have about 1.75 times higher odds to pay on time for piped water supply and solid waste collection. Assuming that a reform of the Palestinian local government financing system would yet have to evolve over time and is likely to be implemented only in the medium-term, as a priority LGUs will need to increase own-source revenue collection to enhance their fiscal capacity as the main driver of service delivery performance. Compared to all other measures, results from the LGPA suggest one shortcut for LGUs to collect more revenues from user fees: increase responsiveness to citizens' needs.

23. Higher LGU responsiveness corresponds to better performance. Responsiveness helps increasing citizens' willingness to pay. However, in addition, households that have used a citizen service center, or generally agree with the statement that their LGU is very responsive to citizen concerns and complaints, also rate service outcomes higher. Regardless of the size or location of a LGU, the LGPA finds a positive relationship between responsiveness and service delivery outcomes: on average the 20 percent of LGUs with the highest share of households reporting their LGU is very responsive to citizen concerns and complaints perform 16.4 points higher.

24. Less than one-third of Palestinians agree that their LGU is very responsive. There is plenty of room to make local authorities more responsive, increase citizen satisfaction, and enhance local revenue collection. Government responsiveness has also been found to be a key factor in the participatory behavior of citizens and believed to be a key driver to encouraging responsible citizenry, regaining trust in government, and enhancing political participation. In the Palestinian territories, the overall satisfaction rate with the responsiveness of LGUs is low: less than one-third of households agree that their municipality or village council is very responsive to citizen concerns and complaints. The rate in the West Bank (30 percent) is only slightly lower than in Gaza (37 percent), but it varies substantially across governorates: in Tubas, only 1 in 10 households agree that their LGU is very responsive, while in Tulkarm and Qalqilya, almost half of the households agreed with the statement. Comparing satisfaction rates across types of LGUs in the West Bank, the share of households agreeing is higher in municipalities (31 percent) than in village councils (24 percent).

Figure ES-5: Citizen Service Center Use (left) & LGU Responsiveness (right) as Performance Drivers



Source: LGPA 2017

25. While citizen service centers correspond to higher LGU responsiveness, only few citizens seem to know that they exist. The relationship between LGU responsiveness and service outcomes is also pronounced when assessing the role of citizen service centers. The quintile of LGUs with the highest share of citizens who used a citizen service center, including one-stop-shops, on average have a 5.39 higher performance score.

26. LGUs need to reach out more actively to their citizens and promote the existence and use of a citizen service center. In West Bank municipalities where citizen service centers exist, only 16 percent of surveyed households report knowing about it, 37 percent report not knowing whether or not it exists, and 46 percent report not believing in its existence. Knowledge about feedback instruments is slightly higher in large municipalities, where at least 1 in 5 households report knowing that a center exists. In medium and small municipalities, only about 15 percent of households know about citizen service centers. Given the efforts and resources provided to establish one-stop-shops and other service centers in Palestinian LGUs, Development Partners, the Palestinian Authority, and local authorities need to give much more attention to promote their existence and use by the public.

Institutional Arrangements

27. Institutional arrangements for service delivery vary across the basic service sectors, but tend to be fragmented. Functions are distributed across central and local authorities with a variety of stakeholders involved in the policy making, priority setting, financing, operation and monitoring of services. LGUs have full authority over local roads and are responsible for the planning, development, and maintenance of the network, with the Ministry of Public Works and Housing responsible for regional roads outside the municipal masterplans. LGUs also have full authority over solid waste management services, although disposal functions, and to a lesser extent primary collection and transfer functions, are generally delegated to a JSC. The Ministry of Local Government is the policy making authority and also monitors LGU performance in the solid waste sector. However, the water and sanitation sector is characterized by a high level of fragmentation, with policy making and sector investment planning functions at the Palestinian Water Authority, regulation and performance monitoring at the Water Sector Regulatory Council, and service operation at the local level. In total, there are more than 100 municipal water departments, and more than 160 village councils operating water services. 13 JSCs deliver water and sanitation services, but there are only 3 operating water utilities, 2 in the West Bank and 1 in Gaza. The high level of fragmentation causes high inefficiencies and a constraint to generating economies of scale.

28. Joint service provision can help in reaching economies of scale, increasing financial sustainability, and improving service delivery performance. The establishment and development of JSCs has been crucial to improving service delivery in Palestine since the adoption of the Local Government Act in 1997 and is an important element of the Palestinian Authority's consolidation effort to leverage economies of scale and sustain many existing village councils in recent years. Broadly, there are three types of JSCs: those providing a single service, those providing multiple services, and those that were established for planning and development. The Joint Services Provision Assessment carried out by the World Bank in 2015 identified that out of the 82 existing JSCs in the West Bank and the 10 in Gaza, only 55 are active. Most (32) active JSCs are categorized as planning and development, 16 as solid waste management, and 7 as water supply and sanitation services. Some JSCs provide multiple services to their member LGUs.

29. JSC capacity and governance arrangements are critical to delivering better results. The current institutional framework and governance structure for service provision by the JSCs have several limitations. The management and decision-making structure, accountability framework, financing arrangement, public participation, and social accountability systems are generally inadequate or unclear. As part of the 2015 assessment, a more detailed review of the active councils was conducted

based on a good governance framework assessing performance across six thematic areas: rule of law, effective and efficient service delivery, transparency, accountability, responsiveness, and participation. Findings of the assessment confirmed large performance variations, with only 16 councils scoring at an acceptable level. The water sector had the best score; the scores for solid waste management and planning and development JSCs were lower on average.

30. Membership in a JSC does not in itself improve service delivery outcomes in LGUs, but it does appear to have a positive impact, particularly for village councils. LGPA findings suggest that a member of a planning and development JSC achieves an average 4.0-point higher performance score than a nonmember, regardless of population size and location. The performance gain is higher for village councils, performing an average of 5.2 points higher compared with municipalities, which see average performance gains of 4.1 points. This finding confirms that pooling resources, including for better institutional capacity in basic planning and development functions, has a positive impact on LGU performance. It is critical to reach a minimum scale in order to achieve adequate institutional capacity for operating services at satisfactory levels, which is particularly important for village councils. However, because many planning and development JSCs have also been established at the request of Development Partners to channel and manage donor funds, performance gains might also be related to the additional financing that is available to them. Scale alone is not enough.

31. With increasing degrees of specialization, the technical and institutional capacity of JSCs drives service delivery outcomes. In the water sector, membership in a JSC does not guarantee satisfactory service delivery outcomes. However, remarkable performance gains can be observed, for example, in Jenin, which was rated one of the best performing JSCs in the 2015 assessment. In general, membership in a water supply and sanitation JSC does not yield better outcomes in the sector, but when limiting the sample to the Jenin Governorate, where some LGUs belong to a JSC and others do not, membership in a JSC corresponds to a very strong and statistically highly significant performance gain in water service outcomes, scoring more than 30 points higher than the average. It will be imperative to continue and accelerate consolidating the water sector, since operating individual municipal and village water departments is neither sustainable nor viable in the long run. However, significant investments in reducing technical and commercial losses, in parallel to targeted utility reform and institutional strengthening programs, are required to improve service performance.

32. For solid waste services, the effect of JSC membership on performance outcomes varies across regions in the West Bank. On average, membership in a solid waste management JSC seems to suggest slightly lower service delivery outcomes. However, this might be a reflection of the fact that only a small number of LGUs can be used as control group. A more disaggregated analysis is required to understand the differences. For example, focusing on performance-level variations between LGUs in Salfit and Qalqilya governorates that belong to a solid waste JSC, and those LGUs that do not, JSC membership corresponds to a notable, however statistically not significant, performance gain in solid waste collection performance scores.

Governance and Accountability

33. More than 3 out of 4 Palestinian households think that voting in municipal elections can have a positive impact on local service delivery. This reflects a very strong belief in the importance of basic accountability mechanisms to improve LGU performance, but also suggests significant room for improvement. Households' trust in the role of elections for service delivery differs across the Palestinian territories. In Gaza, almost a fifth of the households do not believe in such a relationship, and almost a third of the households in the West Bank do not think that voting and service outcomes are interrelated. Overall, trust in the role of voting is slightly higher in municipalities (69 percent) than in village councils (66 percent).

34. Building more responsive LGUs strengthen citizens' trust in the impact of voting and their willingness to vote in future election. Citizens who are satisfied with LGU responsiveness on average report more often that voting has an impact on service delivery. Among the households who strongly agree their LGU is very responsive, 86 percent believe that voting has an impact on public services. In contrast, among those households who strongly disagree, only 59 percent think that elections and service delivery outcomes are connected. As a result, among citizens who believe that voting in municipal elections influences service delivery outcomes, 80 percent planned to vote in the next elections, compared to just 28 percent among those who think voting and public services are not related. Overall, at the time of the LGPA survey, more than 4 out of 10 Palestinian citizens in the West Bank did not plan to vote in the next municipal elections, as was reflected in the voter turnout of the latest West Bank elections in May 2017.

35. Basic accountability mechanisms need to improve to enhance citizen satisfaction with their LGUs. Not many Palestinian households use a feedback or complaint mechanism and satisfaction is only moderate. Overall, despite their existence in some LGUs, few households use available mechanisms to provide feedback or file a complaint. Only 16 percent of households in the West Bank and 8 percent in Gaza report having used either a citizen service center, municipal website, LGU or service-provider feedback system, or a booklet to address a service issue. Only 6 percent of West Bank households have used a feedback system or LGU website compared with 3 percent and 5 percent in Gaza respectively. None of the surveyed households in Gaza claim to have used a service center; in the West Bank, the figure is around 4 percent. Only 40 percent of those who have used a feedback mechanism reported being satisfied with it. The vast majority of citizens would rather file a complaint directly to their LGU rather than working through a citizen service center or a feedback or complaint system.

Conclusion and the Way Forward

36. Palestinian local governments have almost achieved universal coverage in terms of access to basic services. This is a remarkable achievement, particularly given the context of fragility and conflict in the Palestinian territories. Although satisfaction rates vary across LGUs and sectors, and the bottom 40 percent experience an overall somewhat lower quality of services, household income is not a main determinant of service delivery outcomes, and there is no gender gap. These are very positive achievements under extremely difficult circumstances in a highly challenging environment.

37. Increasing access to improved drinking water should be given the highest priority, particularly in Gaza. With almost the entire population in Gaza dependent on potable water delivered by tanker trucks, solving the Gaza water crisis will remain the greatest challenge for local service delivery for years to come. Improvements in LGU performance will not solve the crisis, which goes well beyond local government issues and requires critical actions from the Palestinian Authority, the Government of Israel, and the international community, such as support to increasing bulk water supply to the Gaza Strip, including through purchase from Israel and private water purifiers to address the short term needs of a growing Gaza population, reducing technical and financial losses in a moribund water distribution network, treating and promoting the reuse of waste water, and increasing local desalination capacity.

38. LGUs must strive to converge quality and reliability standards for basic services. While the local government mandate is broader than basic service provision, citizen satisfaction levels will not increase unless local governments deliver on their main tasks of supplying reliable drinking water and sanitation services, collect the garbage from households, and ensure a well maintained local road network. Key elements of good governance and professional management will be critical to making LGUs more responsive to the needs of citizens, and will also help make LGUs more reliable partners for private enterprises and promoting local development. Lack of reliable basic services rates among the highest of the concern for investors. In addition, targeted policies to support citizens in marginalized

communities need to be developed. Local government sector support alone will not suffice to address the disparate living standards across Palestine. A significant group of LGUs have received substantial external support, but service delivery outcomes remain at low levels of, including marginalized LGUs with high rates of poverty and/ or those that are deeply affected by the prevailing restrictions to movement and access.

39. Addressing vertical and horizontal fiscal imbalances is critical to improving local service delivery performance. While size and location matter, their impact on LGU performance is limited compared with local fiscal capacity. Palestinian LGUs are largely dependent on service fees and charges to cover their operational expenditures, not to mention critical capital investments. Although Palestinian municipalities and village councils are responsible for providing critical public services, they have not been assigned sufficient revenue sources. On average, charges and service fees account for 50–70 percent of total revenues, mostly from public utility services, such as electricity and water. As a critical first step, Ministry of Local Government needs to review and revise LGU revenue and expenditure assignments. The current revenue assignments are not sufficient to deliver even on the core LGU functions. The property tax could provide a large potential revenue source for municipalities, but collection needs to be extended to all LGUs and should be decentralized from the Ministry of Finance and Planning at least to the largest municipalities. Finally, establishing a fiscal transfer mechanism that effectively addresses imbalances is long overdue and requires highest attention from both Ministry of Local Government and the Ministry of Finance and Planning.

40. Changing the financial incentive structure for service provision must be at the core of the reform agenda. Due to chronic underfunding, LGUs have developed a practice of diverting revenues from service fees to meet their expenditure needs. Cross-subsidies and payment arrears are widespread and common practice across municipalities and village councils. Current incentives are strong: data for the years 2011–13 shows that total revenues per capita for village councils in charge of electricity distribution can be up to four times higher than those without that responsibility. Village councils with electricity distribution functions were able to spend over twice as much in per capita operating and development expenditures than those without the responsibility for each year during the period of 2011–13. For municipalities, there is a difference of almost 100 percent between the two groups of municipalities in terms of total revenue per capita. Despite the recent separation of electricity distribution from local governments, LGUs continue to receive dividends from electricity revenues that they request from distribution companies in their role as shareholders. Incentives and current practices are similar in the water sector.

41. Breaking this vicious circle will require decisive action at local and national levels. Key priorities include: (1) increase local revenue collection; (2) improve transparency of payment flows, including interagency arrears; (3) sanction entities that divert funds for nonessential or unproductive use; and (4) provide financial support to LGUs without the fiscal capacity to ensure basic service provision. Absent a regular fiscal transfer from the central government, improving local fiscal capacity will require enhancing revenue collection and expenditure efficiency. However, our knowledge about the cost of service provision remains limited. Although a new budget format distinguishing between functional categories has been introduced, the majority of LGUs do not report actual revenues and expenses, which makes efficiency assessments difficult. More emphasis needs to be given to correct reporting during the budget review and approval process, including as a condition for allocating capital investment grants.

42. Responsive and accountable local governments are critical to better performance. Regardless of the size and location of a LGU or the institutional arrangement for service provision, the LGPA shows a consistently better performance by responsive and accountable local governments. There is a large and growing number of LGUs that have achieved higher levels of service delivery performance

through strengthening citizen engagement, improving transparency and accountability, and enhancing local revenues. More attention must be paid to supporting effective governance arrangements that engage citizens at all stages of development planning, investment prioritization, and feedback on service delivery performance. This should be a priority for the PA but also for Development Partners. Given the dual positive impact on LGU performance from higher citizen satisfaction and willingness to pay, supporting more responsive and accountable LGUs promises the highest return on investment in parallel to a local government financing reform overhauling the inter-governmental fiscal architecture.

43. A clear policy needs to be developed for more professional and corporatized service delivery. JSCs play a critical role in consolidating service delivery because they can gradually assume service operation functions from small and mostly weak LGUs, provide the necessary scale, and develop into the nucleus of future regional public utilities. However, JSCs do not guarantee improved performance in service delivery if they are not matched with more professional management and strong accountability mechanisms in terms of service users and the local authorities they represent. Overall, Palestinian policy makers should aim to integrate villages and municipalities into more densely populated urban areas to achieve better performance outcomes. Public utilities are an effective means of regional integration. There is an urgent need to establish a clear action plan to separate and professionalize service operation, with clearly assigned revenue streams and measurable performance standards. Given the high fragmentation in the water sector, this initiative should be launched jointly between the Ministry of Local Government and Palestinian Water Authority. A first critical step to disentangle financial flows and understand expenditure efficiency would be to establish separate cost accounts for utility services, particularly for water, waste water and solid waste management.

44. Finally, performance benchmarking should be made an integral instrument for evidence-based policy making. The LGPA has developed an instrument to track performance trends and improvements, assess efficacy of policy measures, and evaluate donor support on a regular basis, which can be replicated. Palestine has unique and successful experience in managing a performance-based grant mechanism and providing targeted capacity-building support to municipalities, implemented by the Municipal Development and Lending Fund (MDLF). In parallel, Ministry of Local Government has started developing an online citizen portal for all LGUs through their GeoMOLG Department. This experience, in addition to the new data from LGPA, can assist in the scaling-up the systematic linking of capital grant allocations to clear performance targets in LGUs and measuring expenditure efficiency to better understand the use of scarce public resources at the local level. LGUs can also use the LGPA to produce and publish citizen score cards, while Development Partners may consider using the baseline established by the LGPA to monitor progress and measure impact of their support to Palestinian LGUs. These are tremendous assets that Palestinian local governments can rely and build on as they strive to continue improving performance to benefit their citizens.

I. Introduction



I. Introduction

1.1 Country Context

1. Palestinian local governments are a key pillar of the future Palestinian state. They predate the Palestinian Authority (PA) and many have a long and proud history, including some of the oldest inhabited cities in the world. With increasing political and geographical fragmentation over the last two decades, Local Government Units (LGUs) have gained paramount importance providing services to the local population, particularly in areas where the relatively young central government was politically, geographically, and fiscally constrained. Some of the existing LGUs were created as early as the second half of the 19th century and over decades, LGUs have performed under the complexities of different political and legal regimes. As the lowest level of governance, Palestinian local authorities fulfill a critical role not only as a key public service provider, but also as the government tier closest to citizens, with elected councils critical for representation and accountability to citizens. The most recent local elections took place on May 13, 2017 and in October 2012 in the West Bank only, while the last local elections in both the West Bank and Gaza were in 2006.

2. However, Palestinian LGUs operate in a challenging and deteriorating environment. Lacking a permanent peace agreement, prospects for social and economic development are heavily affected by fragmentation and restrictions on access to land and resources. The PA was initially established for a five-year interim period after the Oslo Accords in 1993 with responsibility for the administration of the territory under its jurisdiction. However, the Oslo accords were never fully implemented and came to full halt with the beginning of the second Intifada in 2000. The consequence today is a multi-layered system of physical, institutional and administrative restrictions, which have fragmented the Palestinian territories into small enclaves. The fragmentation goes beyond a divide between the West Bank and Gaza, with the West Bank further divided into Areas A, B and C. Effectively, the PA only has full civil and security control over 18 percent of the West Bank (Area A), and manages civil affairs in around 21 percent of the West Bank (Area B), with security under Israeli control. The remaining 61 percent of the West Bank are under full Israeli military administration (Area C).³

3. A well-functioning local government sector is critical to ensure basic service delivery and create a conducive environment for private-sector driven growth. The Palestinian economy is failing to generate the jobs and incomes needed to improve living standards. Restrictions on trade and the access to resources, along with a decade long blockade of Gaza, have led to a continuing decline in the productive base of the economy. Unemployment is high at 30 percent on average, with youth unemployment in Gaza even higher, reaching around 60 percent. The PA is under severe fiscal stress, experiencing a major downturn in budget support from donors which dropped from 32 percent of GDP in 2008 to 5 percent in 2016. Despite a decline, the deficit in 2016 amounted to USD1.09 billion, equivalent to 8 percent of GDP.

³ Area C is defined by the 1995 Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip as “areas of the West Bank outside Areas A and B, which, except for the issues that will be negotiated in the permanent status negotiations, will be gradually transferred to Palestinian jurisdiction in accordance with this Agreement”. Source: World Bank. 2013. West Bank and Gaza: Area C and the Future of Palestinian Economy.

1.2 Sector Context

4. Strengthening LGUs and enabling them to perform as fully functional local governments accountable to citizens are key priorities for the PA. The Palestinian National Policy Agenda (NPA) 2017-2022 “Putting Citizens First” assigns a critical role to LGUs to achieve its ambitious objectives. Responsive Local Government has been identified a national priority, along with improving services to citizens, strengthening transparency and accountability, and building resilient communities. Both central and local level authorities will need to work in tandem to deliver on this agenda.

5. The Ministry of Local Government was established by the PA in 1994. Increasing the territorial administration under the PA’s autonomous control was among the Ministry of Local Government’s (MoLG) initial objectives, which resulted in creation of several new LGUs. By 1997, the number of LGUs increased from 139 to more than 350. Today, 417 LGUs exist in total, out of which 142 are classified as municipalities and 275 as Village Councils (VCs). However, except for slight differences in revenue assignments, i.e., VCs are not assigned property tax revenues but collect education tax instead, there is no distinction in the functional assignments between those two groups of local authorities. In practice, population size is the distinguishing factor, although without clear principles. Most municipalities have a population above 5,000 inhabitants while generally VCs are smaller than that, although there are several exceptions and population alone does not define the administrative classification.

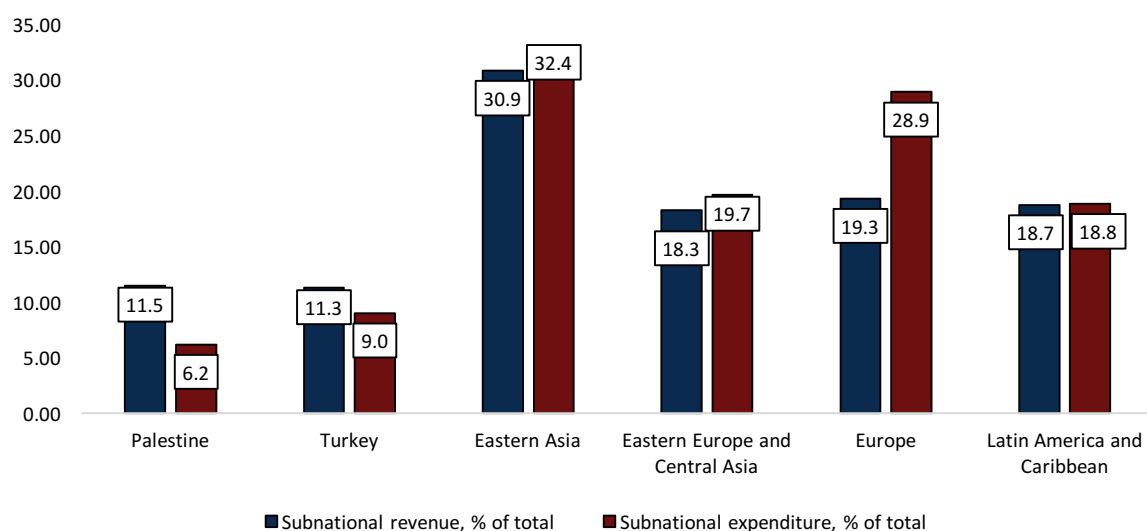
Table I-1: LGUs in the West Bank and Gaza

	West Bank	Gaza	Palestinian territories
Municipalities	117	25	142
Villages	275	-	275
Total	392	25	417

6. Overall, Palestine is highly urbanized at 74 percent, with almost 1.9 million living in the 12 largest cities. Around half a million Palestinians live in medium-sized municipalities between 25,000 to 50,000 inhabitants, while the second largest group lives in small municipalities of the size between 4,000 to 25,000 inhabitants. VCs are home to only around 600,000 people, although they comprise the biggest share of LGUs.

7. However, decentralization has made only modest progress. Palestinian local government revenues amount to 11.5 percent of total revenues, equivalent to around 4 percent of GDP; while local government expenditures account for only 6 percent of expenditures, slightly more than 3 percent of GDP. Although in line with other countries in the region, compared to other world regions, the local government sector in the Palestinian territories is rather small, with fiscal decentralization still being in the early stages.

Figure I-1: Fiscal Decentralization in the Palestinian territories and World Regions



Sources: PA and IMF Government Finance Statistics 2012

8. LGUs are assigned 27 functional responsibilities, but only deliver a fraction of those. With increasing political and geographical fragmentation, LGUs have gained paramount importance providing services to the local population, particularly in areas where the relatively young central government was politically, geographically, and fiscally constrained. In the Local Government Act (LGA) of 1997, some 27 functions and responsibilities for LGUs were outlined, which include most but not all of the public services that are commonly delivered at the local level in countries at a similar stage of development. Despite large disparities in population size and administrative and financial capacity, the LGA assigns the same set of functions and responsibilities to municipalities and VCs alike, and does not distinguish between delegated and own responsibilities.⁴ In the case of delegated responsibilities, the PA would be ultimately responsible for the regulation and financing, while implementation would be under the responsibility of LGUs.⁵ In contrast, in the case of own responsibilities, LGUs would be generally responsible for all stages of service provision.⁶ The absence of conditional grants or transfers from the PA to LGUs, apart from intercepted partial revenue sharing and emergency grants in the current system of intergovernmental finance, indicates that the LGA of 1997 had little intention to foster the delegation of responsibilities.

9. LGUs' budgets are insufficient to provide the funding necessary to fulfill the functions assigned to municipalities and VCs. Despite the comprehensive roles and functions of LGUs, local government revenue and expenditures constitute only a minor share of the overall public budget, indicating that fiscal decentralization is still at an early stage in the Palestinian territories.⁷ The only sources of shared revenues and transfers for LGUs include the Property Tax (not levied in VCs), Professional Licensing Fees, and the Transportation Fee, which is centrally collected and then split between LGUs and the central government.⁸ As a consequence, vertical and horizontal fiscal imbalances remain large and local government budgets are rather small compared to other countries and world regions: in

⁴ Article No. 1 of the LGA; see Annex 8 for a list of functions assigned to VCs.

⁵ Examples in other countries include education, health, and social welfare services.

⁶ Examples include street lighting, local roads, and parks.

⁷ World Bank. 2016. Public Expenditure Review - Palestinian Territories

⁸ The Transportation Fee is collected by Ministry of Transportation and 50 percent of the total revenue collected is to be allocated to the LGUs on per capita basis—however, in reality, the majority of the 50 percent share is intercepted by the MoFP to recover the arrears LGUs owe to their electricity suppliers.

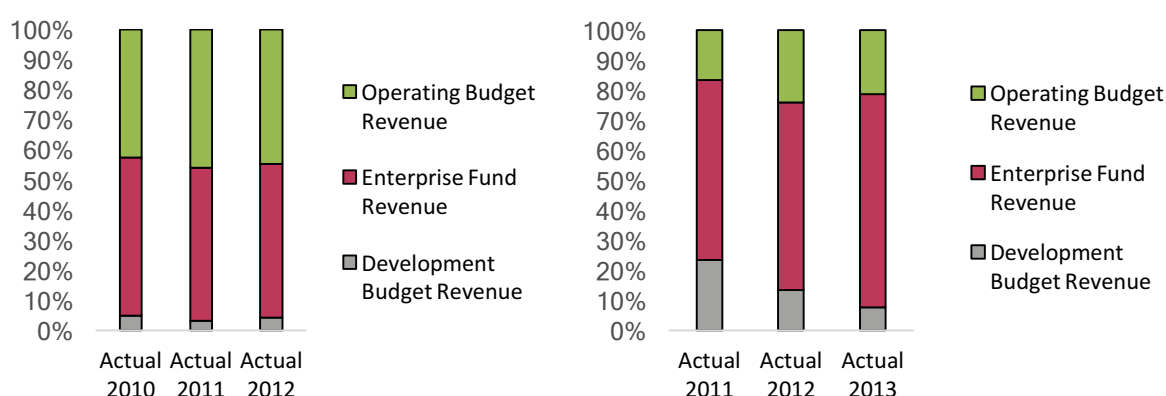
2012, revenues and expenditures of municipalities accounted for 10 percent of total government revenues and 5.5 percent of total expenditures, while the revenues and expenditures of the 275 VCs constituted for less than 2 percent of the overall government budget.

Table I-2: Shares of Government Budget by Administrative Tier in 2011 and 2012

	Municipalities	VCs	Central Government
Revenues	10%	1.5%	88%
Expenditures	5.5%	1%	93%

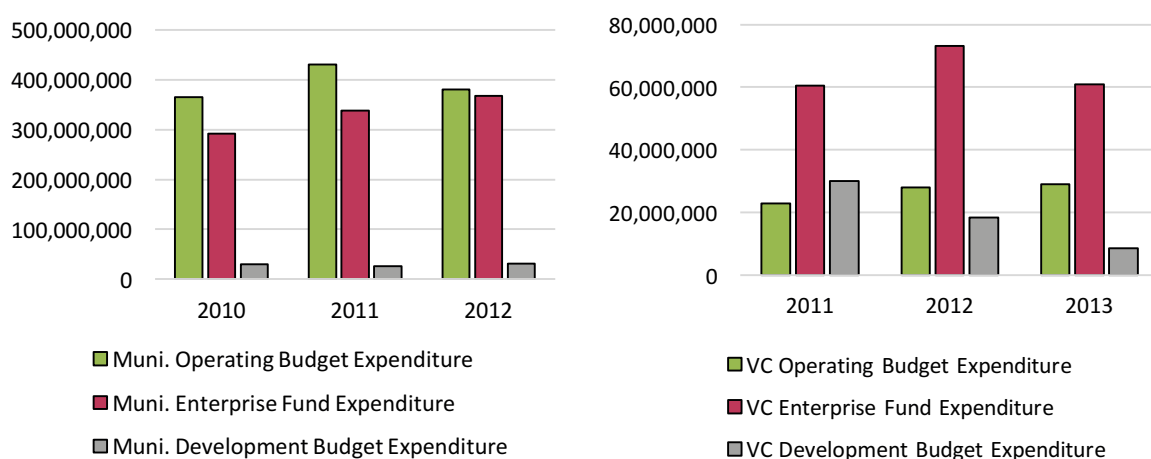
10. Local budgets are dominated by revenues from user fees and severely constrained capital investment funds. Local fees and service charges represent more than 50 percent of total revenues, but are diverted away from the service sectors and mostly cross-subsidize general operational expenditures. As a result, service network rehabilitation and maintenance is largely neglected, leading to declining service standards and asset depletion. Overall, capital investment funds are very limited, and overall LGUs largely depend on external sources for their development expenditure.

Figure I-2: Revenues by Type in Municipalities (left) and VCs (right)



Sources: PA and IMF Government Finance Statistics 2012

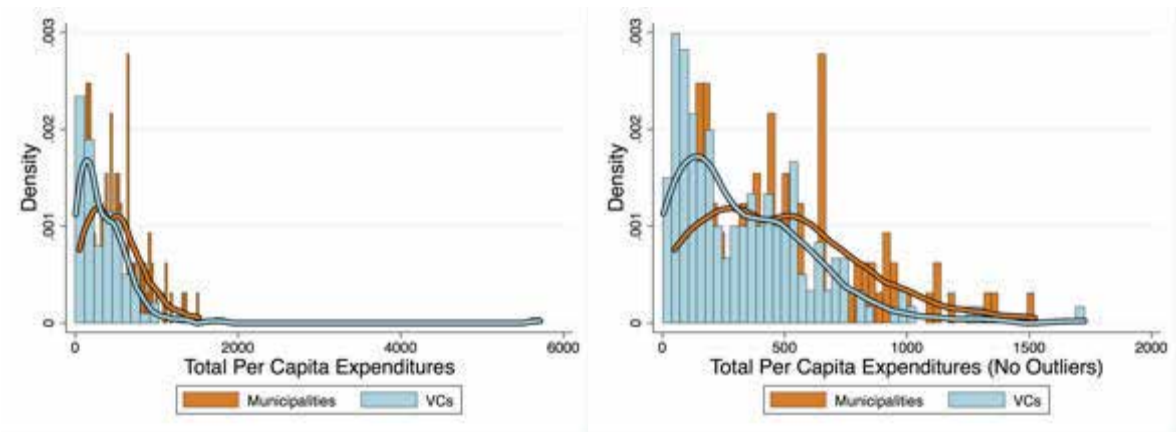
Figure I-3: Expenditure Allocation by Budget Type in Municipalities (left) and VCs (right)



Sources: PA and IMF Government Finance Statistics 2012

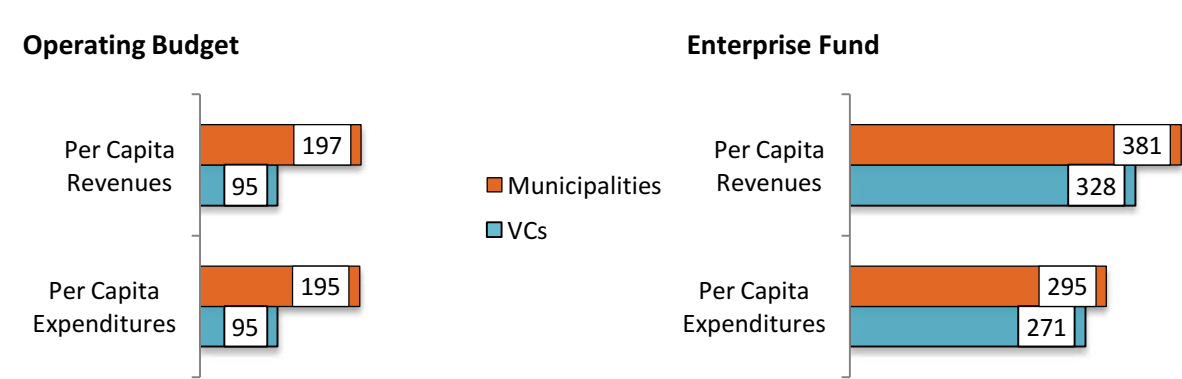
11. A distorted system of inter-governmental relations causes large horizontal and vertical fiscal imbalances. No regular fiscal transfer exists to supplement for the shortage in own-source revenues and many LGUs have engaged in large-scale diversion of service fee revenues owed to Israeli suppliers in the electricity and water sectors, causing the so-called “net lending” (see Box I-1). This diversion of revenues further distorts existing inequalities in the local fiscal capacity, leading to a high concentration of per capita revenues and expenditures in a few LGUs. For example, municipalities’ per capita own-source revenue was more than twice that of VCs’ in 2010 and 2011; and VCs with access to electricity distribution revenues were able to spend almost twice as much in per capita operating and development expenditure per year compared to those without during the period 2011-2013.

Figure I-4: Total Per Capita Expenditures with (left) and Without Outliers (right)



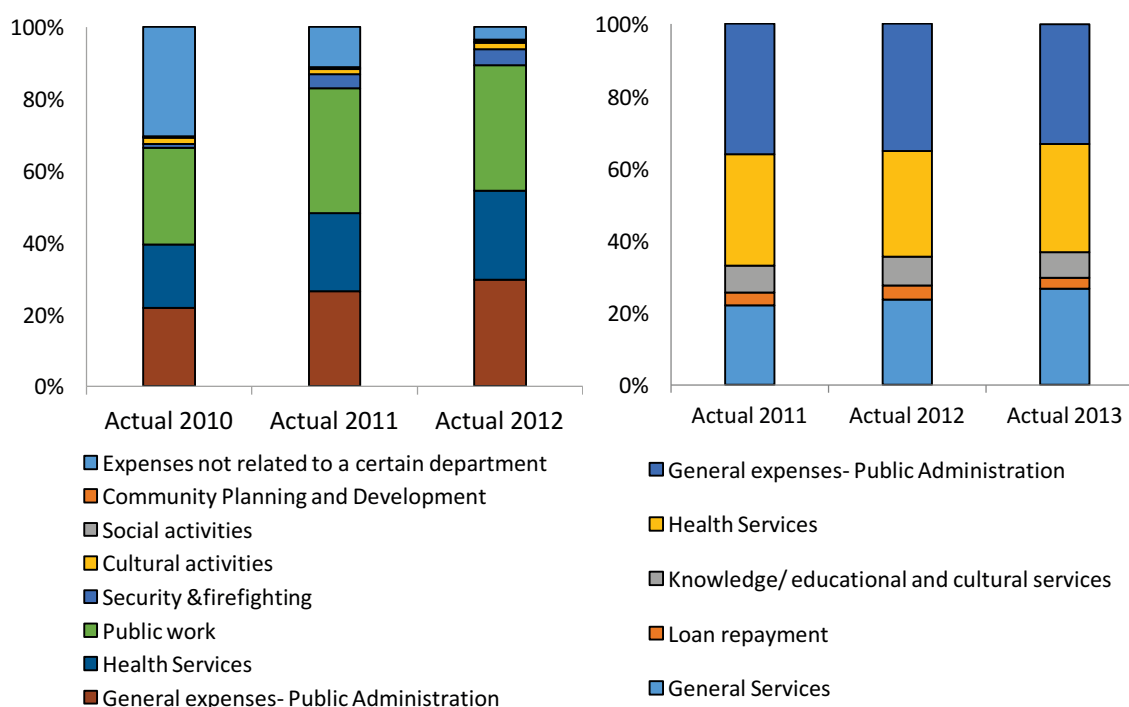
Sources: PA and IMF Government Finance Statistics 2012

Figure I-5: Average Per Capita Expenditures in Operating Budget (left) and Enterprise Fund (right)



12. The high level of fragmentation has potential implications on local service delivery performance, given the huge variations in fiscal and institutional capacity. In addition, a large number of local authorities, that cannot be financially viable by themselves, is costly and may adversely affect allocative efficiency in a highly financially constrained environment. In short, Palestinians might be paying for a large but inefficient local government sector that is draining scarce public resources and external aid at the cost of eroding infrastructure, declining services, and sub-optimal development. However, no evidence exists to date to substantiate this claim and it is important to get a better understanding of the drivers of service delivery performance and most effective ways to support Palestinian LGUs to perform better for the benefit of the Palestinian people.

Figure I-6: Operating Budget Expenditure Categories in Municipalities (left) and VCs (right)



13. Several attempts have been made in the past to consolidate Palestine's fragmented local government system. A policy of amalgamation, adopted in 2010, has aimed at merging municipalities and VCs to larger entities. However, this policy has yielded only mixed results to date and overall, the total number of municipalities increased during the last two decades from 350 in 1997 to 417 in 2017. In parallel, the PA has increasingly focused on consolidating service delivery arrangements through inter-municipal cooperation and the establishment of Joint Service Councils (JSCs). The objective is to harness economies of scale and improve basic services across Palestine, without getting tangled up in the challenging process of tackling local political dynamics, difficult questions of local identity, and the overall desire of establishing and maintaining Palestinian representation across the territories. Such an approach has the potential to improve the financial sustainability of service delivery while maintaining a broad base of political representation and participation in local planning and investment prioritization. In addition, this approach is in line with sectoral policies, namely in the critical basic services of electricity supply, water supply and sanitation, that are undergoing or aiming at a commercialization and regionalization of service operation. However, to date, no data has been available to track and support performance improvements across the local government sector.

Box I-1: Population Discrepancies

Internal migration to leading urban centers in the West Bank have added significantly to the load on service delivery in some LGUs. As certain areas have gained economic prominence, internal migration to these locations has drastically increased, particularly in the Ramallah-Al Bireh urban area, which hosts the seat of government for the PA. Migratory population bulges have added pressure to financially constrained LGUs and overburdened services, affecting service delivery quality and availability. Infrastructure in many of the areas is not sufficient to accommodate the added load, especially since LGUs have not adequately planned for the long-term effects of the population influx. This has led to: (i) heightened traffic congestion; (ii) increased Operations & Maintenance (O&M) costs; (iii) installation of unplanned off-site infrastructure; and (iv) opportunity costs for investing in other needed municipal services.

Potentially sizeable discrepancies in official population figures cause resource constraints for some large municipalities in the Palestinian territories. LGUs have reported that inaccurate national population figures further exacerbate the situation. The shared revenues to support LGU budgets are based on the Palestinian Central Bureau of Statistics (PCBS) population data. It is a key factor determining the transfer amounts to LGUs from the Transportation Fee, which is shared between the MoFP and LGUs. Fifty percent of the total revenue collected from transportation fees is to be allocated to the LGUs on a *per capita* basis. Additionally, municipal grants from the Second Municipal Development Program (MDP-II), one of the only reliable sources of financial support municipalities receive, is partially (30 percent) based on PCBS population figures. The PCBS population records for the LGUs are based on the registered residency of citizens' national identification cards. Often residency, however, is not updated when people relocate, as it is a difficult process with very few inducements for updating. Unlike PCBS, LGUs calculate their population based on service user fee and tax collection figures. Al Bireh's population for 2016, for example, is 48,887 according to PCBS estimates, however the municipality estimates their residents at around 81,000 based on water and electricity user rates and tax collection.

Various procedures should be considered to update residency and support LGUs dealing with population discrepancies. While this is not a widespread issue for all LGUs, the PA should consider measures, which can be taken to support those affected. Procedures for establishing residency should be reassessed and eased to encourage proper registration. Currently, unless a citizen has a tenancy contract in his/her name it is very difficult to request a change of residency. The use of a simple registration form to be filed at the local LGU could be introduced as an alternative way for citizens to establish residency. This is common practice in many countries. Additionally, updated residency is not a mitigating factor for access to general services, however it could be linked to the national ID database. After a significant period of usage and access for services in an area differing from official residency, a call to update residency could be triggered. LGUs and service providers could collaborate on this. Furthermore, as the fiscal transfer amount is determined by the MoLG, they can consider alternative procedures where LGU population is determined by registered service users and taxpayers, rather than PCBS population data. This course of action would also encourage LGUs to crack down on illegal service connections to ensure all users are in the officially counted numbers.

1.3 Key Challenges

14. LGUs are responsible for the provision of critical local services but do not fulfill the full spectrum of assigned tasks and responsibilities. The role of LGUs in public service delivery falls far short of what is prescribed in the 1997 LGA. Available data from household surveys and budget documents indicate that most municipalities only provide up to four core services, which are shown in Table I-3: Access to Core Services. For other important functions such as public transportation provision, capital investments in public infrastructure, firefighting, primary health, local school maintenance, and social welfare programs, the mandate and funding remains unclear. Often, these functions, primarily public infrastructure, are not implemented unless international donor programs exist to specifically finance them.

Table I-3: Access to Core Services

	West Bank	Gaza	Palestinian territories
Piped Water Supply	94%	88%	91%
Solid Waste Collection	95%	83%	91%
Waste Water Management	30%	77%	48%
Paved Local Roads	87%	46%	62%

15. Identifying means to address the challenge of excessive local fragmentation will need to be a key step in improving service delivery. Facing severe fiscal constraints, small and remote VCs in the West Bank belong to the lowest performing LGUs in the Palestinian territories, often falling short of guaranteeing services of satisfactory quality or not providing access to the core services at all. Although a clear policy directive exists for the establishment of joint administrative structures among both VCs and municipalities in the form of Joint Service Councils (JSCs) to address capacity limitations, sufficient incentives remain to be built into the system to facilitate the formulation, financing, and implementation of such initiatives. Moreover, selected VCs with the size and capacity to evolve into viable local authorities need further institutional support. Such support would need to be provided through a combination of incentives and capacity building that will enable VCs to function as accountable and financially sustainable local governments. However, quantitative results presented in this report suggest that a careful assessment of performance outcomes for LGUs part of a JSC is detrimental before aiming for a wider application of the JSC model.

16. Local government sector reform will be a crucial key condition to improve basic local service delivery, particularly in the water sector. Securing sustainable water supply in the Palestinian territories will require collective action across sectors and stakeholders, but cannot advance without well-functioning and more efficient local governments. Existing resource constraints and geopolitical challenges are among the main challenges to securing sustainable water in the Palestinian territories. Declining aquifer yield paired with rapid population growth has resulted in a decrease of internal resources for domestic supply in the West Bank from 190 liters per capita per day to only 100 liters in 2013.⁹ More than 95 percent of the water from the Gaza main aquifer is non-drinkable because of pollution and sea water intrusion. In order to meet internal demand, the PA increasingly relies on water purchases from Israel. However, while increasing bulk water supply to the West Bank and Gaza will be critical to meet the growing demand and address the Gaza water crisis, improving the efficiency

⁹ World Bank. 2017. West Bank and Gaza WASH Poverty Diagnostic.

and reducing losses in the Palestinian water distribution system is equally important. With more than 230 water service providers, mostly embedded in VC and municipal water departments, addressing the widespread performance issues in the water sector will not advance without a parallel reform effort in the local government sector that addresses the underlying issues of fragmentation and lack of financial sustainability.

17. Breaking the vicious circle of poor service quality and reliability, consumers' limited willingness to pay, and unstable LGU finances, will require a multi-level approach. The prevailing net-lending issue poses a significant fiscal drain for the PA and creates perverse incentives for LGUs that contradict reform initiatives to improve service delivery. Particularly in the water sector, service providers are entrapped in a vicious circle of service provision. Across the West Bank and Gaza, unsatisfactory service outcomes are closely related with consumer disengagement and failure to pay. This is posing a serious risk to the financial position of water service providers and LGUs, further undermining the capacity to finance regular maintenance let alone investment in capital replacement and network rehabilitation, eventually affecting overall performance. Breaking this spiral of degrading service provision will require targeting: (i) demand side factors, e.g. by confronting citizens' deficient payment behavior through innovative best practices, such as pre-paid service delivery, pro-poor subsidies or payment plans; as well as (ii) supply side factors, e.g. by limiting unsustainable budgetary practices, such as cross-subsidization of LGU activities with enterprise budget funds.

18. Extending access and raising awareness for accountability and feedback tools is detrimental to enabling LGUs to respond to citizens' needs. The establishment and use of public feedback and accountability tools, such as citizen service centers (CSC), one-stop-shops (OSS) and LGU websites, enhances transparency and responsiveness to citizens, and enables citizens to participate and monitor local government performance. However, the majority of LGUs provides none or only one such feedback channel. Moreover, evidence from both quantitative and qualitative research suggests that only a minor fraction of citizens in LGUs with such mechanisms know of their existence, let alone used them to redress grievances about service delivery. Nudging citizens to provide feedback through interaction with local representatives or service providers allows LGUs to effectively target existing service delivery bottlenecks, while increasing citizen satisfaction with both service outcomes and LGU responsiveness, which are empirically shown to be closely related to citizen payment behavior and willingness to pay.

Box I-2: The Net-Lending Issue

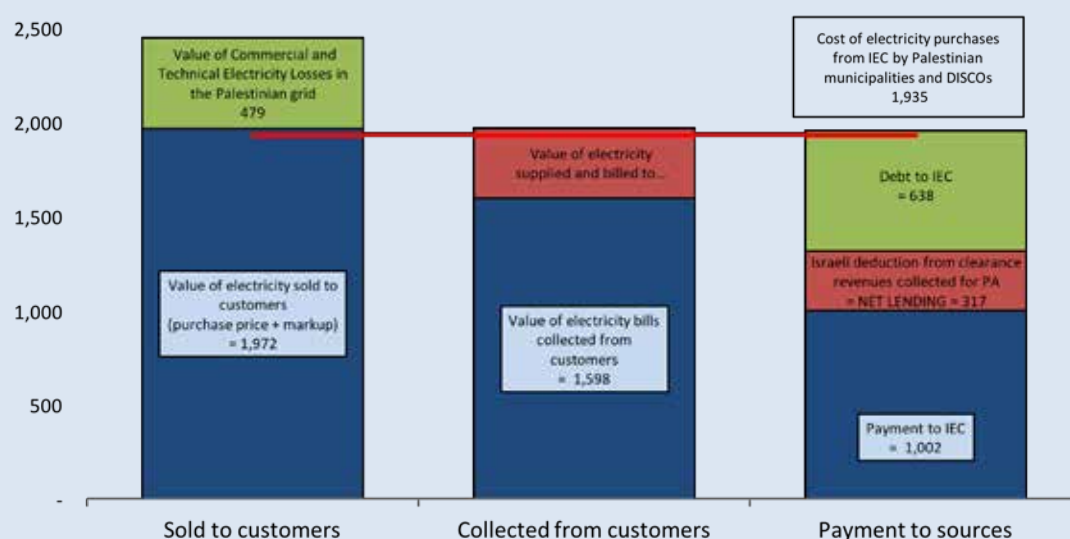
The Palestinian territories are highly dependent on energy imports from neighboring countries due to the lack of domestic energy sources. The Israel Electric Corporation (IEC) is the largest energy supplier providing 88 percent of electricity consumed in the Palestinian territories. Electricity distribution in the Palestinian territories is carried out by Palestinian municipalities, village councils, and distribution companies (DISCOs).

Net lending arises when Palestinian entities functioning as distributors of electricity and water services collect service fees from residents and rather than using those revenues to pay water and electricity suppliers, make only partial or no payment at all, thus accumulating arrears. LGUs see collected fees as a necessary source of revenue and clearly use them to cross-subsidize other activities, including their operating and development budgets.

Outstanding payments owed to the IEC, including late payment fees, are either; 1) deducted by the Israeli Ministry of Finance from revenues that the Government of Israel (GoI) collects on behalf of the PA (clearance revenues) and are recorded in the PA's budget as "net lending"; or 2) accumulated as debt owed to the IEC. As a result, the PA finds itself providing unplanned subsidies of over US\$200 million per year (2 percent of GDP) to the LGUs. The MoFP attempts to recover those losses by withholding revenues otherwise due to LGUs (municipal property tax, professional permit fees, transportation tax etc.), but these intercepts by no means offset utility non-payments and lead to a complicated, opaque and distorted intergovernmental fiscal relations system.

One reason for the persistence of the net lending problem is that it has all the features of a "perverse" equilibrium. First, Israeli authorities eventually get their funds plus a fine, which means higher revenues. Many LGUs prefer to keep the "cash in hand" from electricity fees, as opposed to the promised transferred funds from local taxes, which are likely to be smaller in size, as some Bank computations also seem to confirm. The PA gets sandwiched in the middle but gets to retain the property tax, professional permit fee, and transportation tax, thus at least temporarily minimizing the blow.

Figure Error! No text of specified style in document.-1: The Dynamics of Net-Lending in the West Bank



1.4 Objective and Methodology

19. This report establishes the quantitative basis for analyzing performance of Palestinian local governments and a baseline for future benchmarking to target investment and policy interventions.

Different hypotheses are determining government interventions and policy decisions to strengthen Palestinian local governments, driven by the ultimate objective of enabling LGUs to provide better services. However, without reliable data it is difficult to assess the interrelation between inputs, outputs, and outcomes of service delivery. This report focuses on an assessment of the ‘demand side’ of service delivery outcomes, such as access, quality and reliability, responsiveness, and willingness to pay for services mandated to municipalities and VCs. The analysis is based on a comprehensive household survey and an index developed to assess overall LGU performance. The analysis is further extended with insights from qualitative interviews and focus groups, and matched with factors influencing the ‘supply side’ of service delivery, such as LGU institutional and fiscal capacity. The results allow for a robust understanding of the factors that influence LGU performance, and provide for strong evidence-based policy recommendations for future interventions in municipalities and VCs.

20. As existing municipal data is very limited in its scope and only covers minimal inputs into service delivery, a household survey covering more than 380 Palestinian LGUs was conducted.

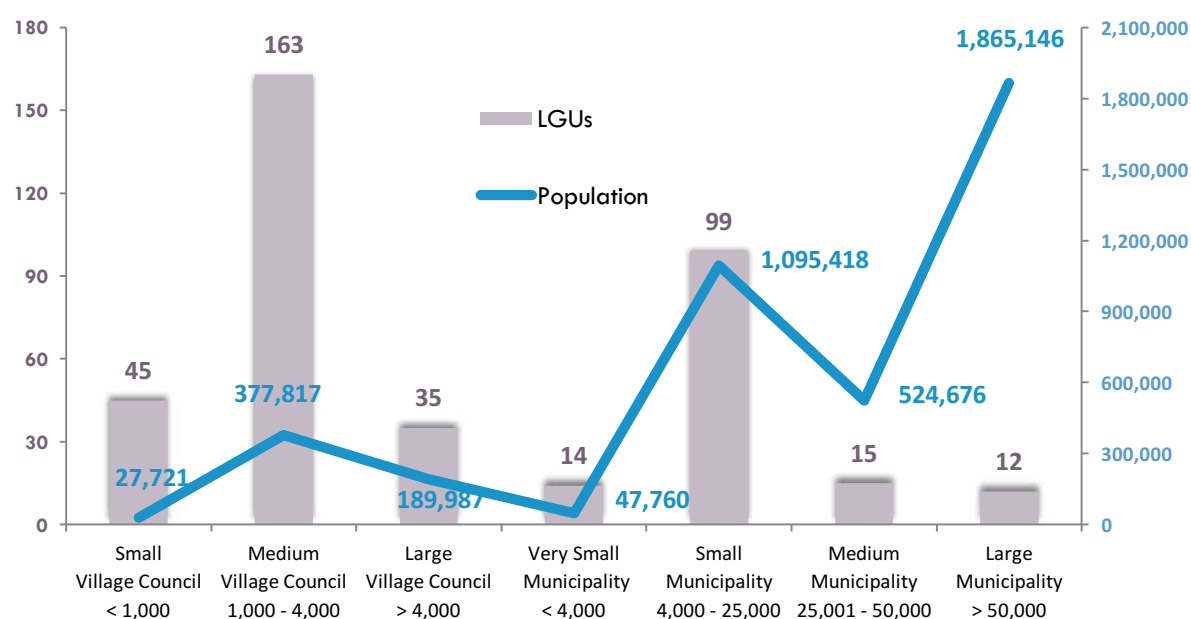
The household survey data focuses on access to public services, quality and reliability of service delivery, and citizens’ participation and willingness to pay, which allows for an in-depth analysis of the drivers of LGU performance in service delivery. The study includes a poll on service delivery outcomes for all LGUs in the Palestinian territories¹⁰, establishing a baseline dataset for both future analysis, e.g. on whether the bottom 40 percent are disproportionately affected by existing limitations, and development programs in the local government sector. The survey modules include a service delivery assessment of the following sectors: (i) water supply; (ii) waste water; (iii) electricity; (iv) solid waste collection; (v) education; (vi) public transport; (vii) health care; and (viii) local roads. In addition, the modules also collected data on: (ix) household demographics and socio-economics; (x) citizen participation; and (xi) willingness to pay. Detailed information on the survey setup can be found in Annex 1.

21. Parallel qualitative analysis allows for a more comprehensive understanding of performance drivers related to institutional capacity, governance, and political economy.

The qualitative analysis conducted for the LGPA draws on both Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs). KIIs were conducted with a sample of municipal administrations, civil society organizations, and other relevant stakeholders. KIIs provide insights into: (i) which sectors are best covered; (ii) provide a more complete narrative of the LGU performance drivers; and (iii) present insights into the financial challenges faced by LGUs. In addition, FDGs were conducted to gain insight into citizen perceptions on the current state and existing challenges regarding service access, quality, affordability, and trends in the quality of services, which allows for the formulation of priorities for the expansion and improvement of service delivery. The discussions also examined the qualitative dimension of participation, transparency and accountability, investigating how citizens would like to engage with their LGU. Moreover, the discussions explored current feedback mechanisms with local policy makers and how quality and access problems with service delivery are currently being addressed. Focus groups were held in Nablus, Hebron, Gaza City, Jabalya, Khan Yunis, Rafah, Ramallah, and Bethlehem, and an additional 10 FDGs were conducted in smaller municipalities and selected villages in the West Bank and Gaza. The methodological framework applied in the qualitative analysis is described in detail in Annex 2.

¹⁰ In total, 20 LGUs could not be accessed due to security restrictions. See Annex 1 for a detailed description.

Figure I-8: LGPA Survey - Municipality and Village Council Size-Groups and Population



22. The analysis focuses on the drivers for local service delivery performance. Existing hypotheses can be expressed in statistical models with several determinants, including: the size of local authorities (economies of scale); the level of income (GDP per capita); fiscal strength (revenues per capita, total revenues, expenditure per capita, total expenditure); institutional capacity (planning, financial management, etc.); governance arrangements (transparency, accountability, participation); modes of service delivery (individual LGU, JSC, utility); but also consider the enabling environment and institutional framework, e.g., revenue and expenditure assignments, sector policy and strategies, and service standards. While all mandated services will be analyzed, the emphasis will be on the core services, (i) piped water supply, (ii) waste water management, (iii) solid waste collection and (iv) local roads.

II. The State of Basic Service Delivery in Palestinian Local Governments

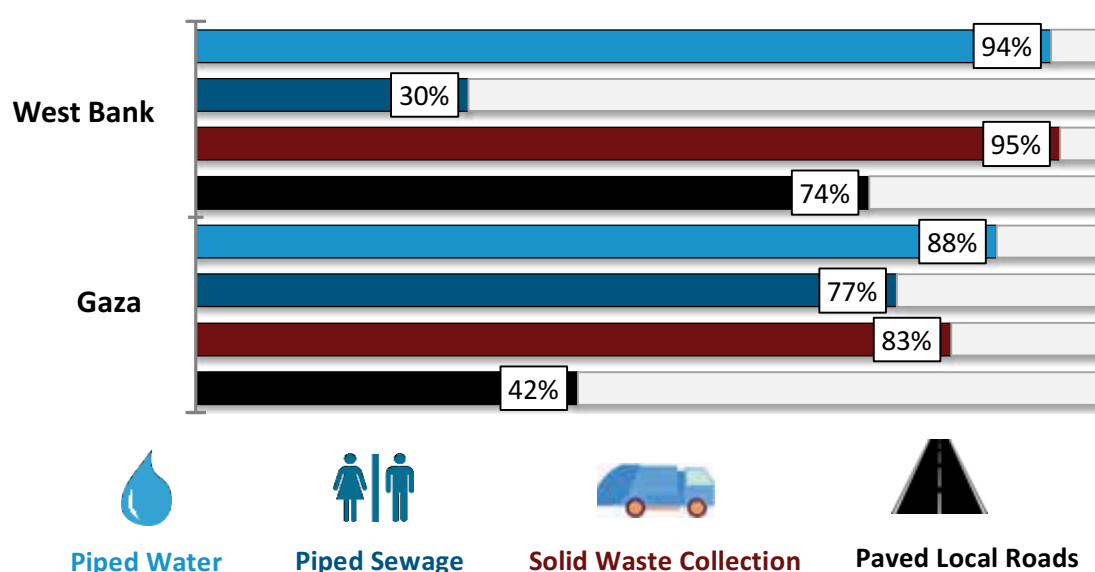


II. The State of Basic Service Delivery in Palestinian Local Governments

23. Service access and satisfaction rates vary substantially both across LGUs and sectors. Access and satisfaction with the four basic services, (i) piped water supply, (ii) waste water management, (iii) solid waste collection, and (iv) local roads, is generally higher in the West Bank than in Gaza, and the highest in large municipalities in the central West Bank. Overall, the vast majority of households in the Palestinian territories is connected to the piped water network (91 percent), even though actual water availability is limited and quality insufficient in many LGUs. 91 percent of Palestinian households have access to a waste collection service, while only 2 out of 3 Palestinian households reports immediate access to paved roads (62 percent), and less than half a connection to a piped sewage network (48 percent).

24. Comparing service delivery outcomes between the West Bank and Gaza, notable gaps in access rates emerge. In the West Bank, 95 percent of households have access to solid waste collection services and 74 percent to local roads, compared to just 83 percent and 42 percent in Gaza, respectively. Also in the water sector, access rates are higher in the West Bank than in Gaza. 94 percent of the households in the West Bank have access to a piped water network, compared to 88 percent in Gaza. Comparing access to improved drinking water sources, coverage is almost universal in the West Bank, while only 1 percent of the households in Gaza is covered, and 97 percent rely on water delivered by tanker trucks. In contrast, overall coverage with sanitation services is higher in Gaza than in the West Bank. Access to piped sewage is more than twice as high in Gaza, where 3 out of 4 households are connected to a sewage network (77 percent), compared to less than 1 out of 3 in the West Bank (30 percent), which is mainly driven by a high degree of urbanization in Gaza. Access to improved sanitation facilities is universal in Gaza (99 percent), and similarly high in the West Bank (94 percent).

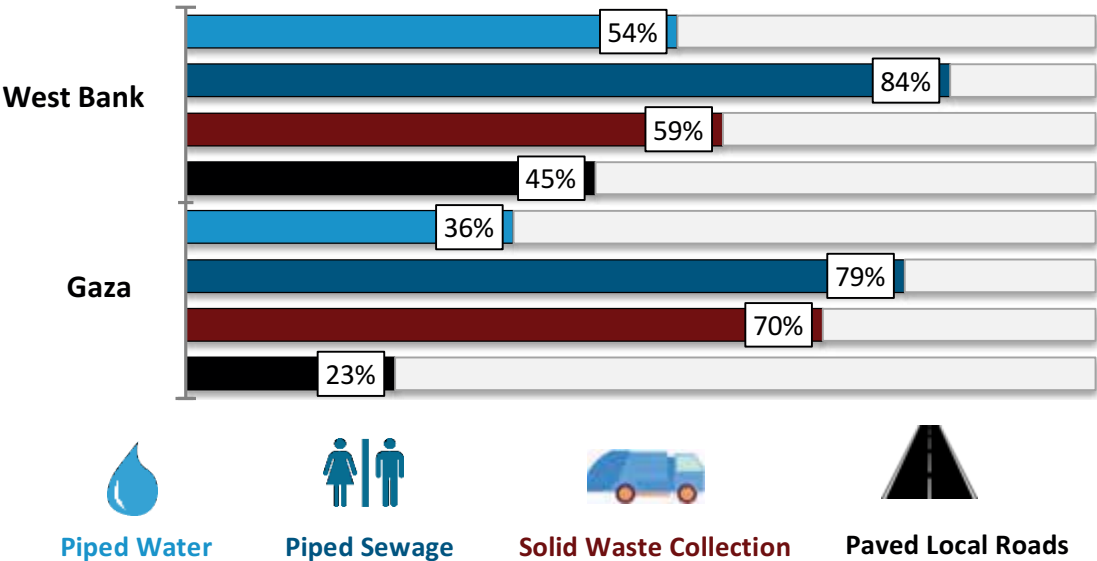
Figure II-1: Service Access across Sectors



25. Somewhat unexpectedly, access rates to core services are relatively high, while availability, quality and reliability of services fluctuate significantly. On the positive side, the required infrastructure investments for piped water and solid waste collection services are largely available in both the West Bank and Gaza, especially in large municipalities in the West Bank. However, in practice, services are not available throughout, and citizens in many LGUs are affected by interruptions and lack of service delivery, as expressed by satisfaction levels with quality and reliability.

26. Overall, satisfaction rates are the highest for waste water services, and the lowest for local roads. In the West Bank, 54 percent of households are satisfied with quality and reliability of piped water services, compared to just 1 out of 3 in Gaza. Taking only satisfaction with reliability into account, the gap between the West Bank and Gaza is slightly narrower: 60 percent of the households in the West Bank are satisfied with piped water reliability, compared to 45 percent in Gaza. In the waste water sector in contrast, in both the West Bank and Gaza, roughly 4 out of 5 households are satisfied with service quality and reliability. Somewhat surprisingly, Gaza outperforms the West Bank in terms of satisfaction with solid waste collection services. While in the West Bank only 59 percent of households state to be satisfied with service quality and reliability, more than two-thirds (70 percent) of households in Gaza are satisfied with service delivery outcomes in the solid waste sector. The lowest satisfaction rates are reported for local roads. In the West Bank, only every other household, and in Gaza only 1 out of 4 households is satisfied with both the physical condition and the water drainage during rain of the road outside their house.

Figure II-2: Satisfaction with Service Quality and Reliability



27. Following a description of the sector-specific institutional arrangements, this section gives an overview of the geographic and socio-economic variations in service outcomes across sectors. Notable gaps in service delivery outcomes across LGUs exist for all sectors, especially for access to waste water services and paved roads. Socio-demographics at the household level play a considerable role when predicting service outcomes, particularly in the water sector, but cannot fully explain existing differences in service delivery outcomes. In this section, first the institutional arrangements across service sectors are discussed (Chapter 2.1), then the geographical variation in service outcomes for water and waste water (Chapter 2.2), solid waste management (Chapter 2.3), and local roads (Chapter 2.4) is evaluated, differences in service outcomes across household socio-demographics are analyzed (Chapter 2.5), and finally citizen willingness to pay is assessed (Chapter 2.6).

2.1 The Institutional Framework Governing Local Service Delivery

28. Institutional arrangements differ across sectors, with functions distributed across central and local authorities. A variety of central and local stakeholders are involved in the policy making, priority setting, financing, operation and monitoring of basic service delivery. A number of laws and bylaws governs service delivery across sectors. Institutional arrangements are fragmented and in many cases, LGUs have very limited authority over the services they are mandated to provide based on the LGA. For example, education and health are critical public services delivered at the local level, but with no involvement of the local authorities. Similarly, LGUs used to play a role in the distribution of electricity and collection of service fees, but have ceded this function to the DISCOs. Hence, the analysis in this report focuses on the four basic services under the direct control of LGUs: water supply, sewage, solid waste management, and local roads. Table II-1 provides an overview of the current institutional arrangements by service sector.

29. De-facto assignments do not always reflect the legal institutional framework. At times, the distinction in jurisdictional coverage from central to local authorities results in service provision gaps for citizens living outside LGU and JSC jurisdictions. The PA has come to recognize the problems stemming from confusing and overlapping mandates, and some sectors have attempted to address this through updated laws and bylaws. However, in most sectors the delegation of functions in the laws, policies, and strategies does not address or account for the lack of fiscal and technical capacity at the designated agencies. Therefore, and as a result of the mismatch between institutional framework and capacities, a number of agencies are *de facto* unable to deliver on the designated functions.

30. In the water and waste water sector, responsibilities are distributed across several actors. At the central level, the principal state actors include (i) the Palestinian Water Authority (PWA), in effect the Palestinian water ministry; (ii) the Water Sector Regulatory Council (WSRC), set up under the 2014 Water Law with the mandate of sector regulator; (iii) the MoLG, supporting, monitoring, and regulating LGUs, including their water and sanitation services; and (iv) the Ministry of Finance and Planning (MoFP), allocating sector finance and managing financial flows. At the sub-national level, the state actors are LGUs: municipal water departments provide water and/or sanitation services (76 in the West Bank and 25 in Gaza). In addition, a number of municipalities and VCs have joined together to form JSCs (13 single-service water supply and sanitation JSCs to date), which provide water and/or waste water services. Some 162 VCs also deliver water and waste water services. In addition, there is a large number of donors that operate in the sector, and numerous national and international non-governmental organizations (NGOs) that very actively support development and service delivery in the water sector.

Table II-1: Overview of the Current Institutional Arrangements by Service Sector

Function	Description	Water & Sewage	Solid Waste	Roads	Electricity	Health	Education
Policy making	Who sets the main policy guidelines?	Palestinian Water Authority (PWA)	MoLG; Environment Quality Authority (EQA); Ministry of Health (MOH); National Committee on Solid Waste Management (in addition to the above includes: MoFP; PWA; Ministry of National Economy (MoNE); Ministry of Education and Higher Education	Ministry of Public Works and Housing (MoPWH); MoLG (within LGU jurisdiction)	Palestinian Energy and Natural Resources Authority (PENRA)	MoH; Supreme Medical Council	MoEHE; Higher Council of Education
Legislation	What are the key legal parameters in the sector?	2014 Water Law; 2017-2022 (SDP); Local Government Act (LGA) of 1997; JSC Bylaw 2016; Tariff Regulations Bylaw 2013; Unified Regulation for Water and Wastewater Tariff and Connection Services Fees 2017 (draft)	Local Government Act (LGA) of 1997; Environmental Law No. (7) of 1999; Public Health Law of 2004; JSC Bylaws 2016; Palestinian Ministerial Cabinet Decisions No 53 (2008), 49 (2010), 50 (2015), 108 (2016), 150 (2017); JSC Bylaw 2016; National Solid Waste Management Bi-Law (draft);	Local Government Act (LGA) of 1997; Draft Road Law 2000; Road Traffic Law (No. 5)	General Electricity Law 2009; Renewable Energy and Energy Efficiency (RE&EE) Law 2015	Council of Ministers	Commission for Developing Teaching Profession; Accreditation and Quality Assurance Commission for Higher Education

Function	Description	Water & Sewage	Solid Waste	Roads	Electricity	Health	Education
Policies & Plans	What are the plans and strategies for the sector?	2009 Action Plan for Reform; Water Sector Policy and Strategy 2012–2032; Water Sector Reform Plan 2016–2018; Water Sector Strategic Development Plan;	2009 Action Plan for Reform; National Strategy for Solid Waste Management in Palestine (2010-2014); Updated National Strategy for Solid Waste Management in Palestine (2017 – 2022) (draft);			2011-2013 National Health Strategy;	Education Development Strategic Plan (2014-2019)
Regulation	Who regulates the sector incl. the licensing regime, permits, standard setting, sanction mechanisms, etc.	WSRC (<i>du jour</i>), Gap (<i>de facto</i>); PWA (standard setting); MoLG, LGU water departments (within LGU jurisdiction)	MoLG; Cabinet of Ministers; EQA; MoH; MoNE (Industrial waste)	MoPWH	Palestinian Electricity Regulatory Council (PERC); PENRA	MoH	MoEHE; UNWRA
Supervision	Who monitors compliance with the sector regulation incl verification of licenses, data analysis, regular inspection, and other control measures.	WSRC (<i>du jour</i>); *Supervision gap (<i>de facto</i>);	MoLG; EQA; MoH; JSCs (within JSCs jurisdiction); LGUs (within LGU jurisdiction) *Note there is a discrepancy between the role as stated in legislation versus in practice.	MoPWH; MoLG; LGUs	PERC; PENRA	MoH	MoEHE; UNWRA
Enforcement	Who enforces sanctions in case non-compliance?		JSCs and LGUs (within own jurisdiction) in cooperation with law enforcement e.g. police;		PERC; PENRA	MoH	MoEHE; UNWRA

Function	Description	Water & Sewage	Solid Waste	Roads	Electricity	Health	Education
			MoH (within LGU boundaries for public health issues);				
Planning	Who plans implementation? Who approves plans?	PWA in consultation with stakeholders (Sector strategy) LGUs (through SDIPs); Utilities (Local Strategies)	National Committee on Solid Waste Management (National Plans), MoLG, LGUs, & JSCs (Local and District Plans)	MoPWH; LGUs; Higher Planning Council; PECDAR	PENRA Planning Department	MoH	MoEHE; UNWRA
Financing	Who finances service provision? Who is responsible for budgeting incl. capital investments, wages, operation & maintenance.	MoFP; PWA (National Budgeting); Service Providers (local budgets); LGU and JSC user fees & net lending subsidies (OPEX); CAPEX ≥ 76% external financing *OPEX & CAPEX funding gap in waste water (no user fees)	LGU/ JSC User fees (OPEX); External financing (CAPEX)	MoFP; LGU resources (transportation tax; projects budget); External Financing (CAPEX)	User fees; External Sources; Clearance revenues	MoFP; UNWRA; local NGOs; private sector service providers; external sources	MoFP; UNWRA; private sector service providers; external sources
Administration	Who administers the service? This includes bidding, contracting, & daily responsibilities	LGU water departments; JSCs; Service providers	LGUs; JSCs; MoLG; MDLF (on behalf of external financing - Gaza)	MoPWH; LGU; PECDAR	Palestinian Electricity Transmission Company Ltd (once they become opera-	MoH; UNRWA; local NGOs; private sector service providers;	MoEHE; UNWRA

Function	Description	Water & Sewage	Solid Waste	Roads	Electricity	Health	Education
					tional); Distribution Companies (DISCOs)		
Operation	Who delivers (“produces”) the service? Public or private operators, or a mix.	Public (LGU/ JSC water departments, utilities) Bulk Supply: West Bank Water Department purchased from Mekorot; LGU wells	Public; private operators	MoPWH; LGU; Hired Private Contractors (construction & maintenance work)	Public (DISCOs, LGUs); Private (JDECO; GPP)	MoH; UNRWA; NGOs; Private Sector	MoEHE; UNRWA; Private Sector
Monitoring	Who monitors service delivery incl. regular reporting, evaluation of outputs, data collection, statistics, & consumer feedback mechanisms.	WSRC	MoLG (mainly Grievance Redress); MoH and EQA (Outside LGU jurisdiction); JSCs (within jurisdiction); LGUs (within jurisdiction)	MoPWH; MoLG; LGUs	PERC; individual DISCOs	MoFP; UNRWA; NGOs; Private Sector; Palestinian Central Bureau of Statistics (PCBS with MoH regularly conducts the National Health Accounts and other national health surveys); Palestinian Public Health Institute	MoEHE; National Institute for Educational Training; Higher Education Institutes; UNRWA; PCBS

31. In the West Bank, two-fifths of bulk water is supplied from internal resources, largely managed by the West Bank Water Department, and three-fifths is purchased from Israel.¹¹ Bulk water provision in the West Bank is the responsibility of the West Bank Water Department, which manages wells and purchases water from the Israeli bulk supplier, Mekorot, and distributes and sells bulk water to service providers. In Gaza, the Coastal Water Management Utility operates as a water provider to the municipalities and as a project implementer. Water and sanitation retail service providers fall into several categories. There are only two formally established autonomous “utilities”: (i) the Jerusalem Water Undertaking provides water services to East Jerusalem and surrounding communities, and to much of the Ramallah and Al Bireh Governorates; and (ii) the Water Supply and Sanitation Authority provides water services to the Bethlehem area. The other main providers are departments of municipalities, VCs, and JSCs. Services to some refugee camps are provided by the United Nations Relief and Works Agency for Palestine (UNRWA). In both the West Bank and to a greater extent in Gaza, there is an active private sector of water purifying plants and private water tankers. Involvement of civil society and the served population is through citizen groups and individual consumers who engage on water issues, although in a limited way.

32. Institutional assignments for solid waste management involve both central and local stakeholders. The main actors in the solid waste sector at the central level include: (i) the MoLG, which is responsible for the National Solid Waste Management Strategy and regulates and monitors LGU performance in the sector; (ii) the Environmental Quality Authority (EQA), overseeing environmental protection and ensuring enforcement of environmental laws, primarily through licensing, regulations, and monitoring solid waste management facilities including land fill sites; and (iii) the Ministry of Health (MoH), which coordinates with the EQA and MoLG to regulate the disposal of certain waste and the closure and/or rehabilitation of dumpsites. Also involved at the central level in legislation, policy, and strategy development is the National Committee for Solid Waste Management, which reports to the Cabinet of Ministers (CoM). This body includes in addition to the MoLG, EQA, and MoH, the MoFP, and recently added the PWA, Ministry of National Economy (MoNE), and the Ministry Education and Higher Education (MoEHE). The Committee has recently prepared an updated draft of the Solid Waste Management Strategy for 2017 – 2022, and a draft Solid Waste Management Bylaw proposed for approval to the CoM and public disclosure in summer 2017. Waste management at the local level, including collection, transport, and final disposal, is administered by both LGUs and JSCs within their respective jurisdictions. Examples include the Jenin JSC for the Jenin and Tubas Governorates and the Hebron-Bethlehem Higher JSC for Solid Waste Management. However, there is a gap between what is proscribed in the policies regarding assigned roles and tasks, and what de facto takes place. The new draft bylaw will address the conflicting roles and provide clarity to the institutional and implementation arrangements for the stakeholders in the sector.

33. Similarly, LGUs share mandates in the road sector with central authorities. At the central level the Ministry of Public Works and Housing (MoPWH) is responsible for the development, maintenance, and rehabilitation of the main and regional roads outside the jurisdiction of municipalities and VCs. At the local level, municipalities and VCs are responsible for the roads within their immediate jurisdiction (masterplans), which includes planning, development, and maintenance of the network. In the West Bank, the authority of these agencies is limited to the PA controlled areas (Areas A and B), while the GoI has full administrative control of Area C including management of the road network, which represents a bulk of the existing roads. Currently, there is a limited role for the private sector in managing and investing in the public road network in the Palestinian territories.

¹¹ World Bank. 2017. West Bank and Gaza WASH Poverty Diagnostic.

34. The road network, which is the most important and dominant mode of transport in West Bank and Gaza, faces numerous challenges. The study found that better roads remain one of the most desired services in West Bank (47 percent) and Gaza (74 percent). Further indication roads remain a high priority for Palestinians living in the West Bank and Gaza, under the MDP, which pools funding from the Bank, international donors, and the PA,¹² 51 percent of Cycle 1 and 71 percent of Cycle 2 funding for municipalities went to roads¹³. The sector however faces institutional, fiscal, and external challenges. The current institutional arrangements, with the responsibilities for road planning, construction, maintenance, and funding split between multiple ministries and agencies depending on the type of work, funding source, and road category, are confusing and overlapping.¹⁴ The sector lacks a comprehensive Road Masterplan, which could streamline the organizational management of the multiple projects by assorted stakeholders and facilitate the coordination of maintenance activities. Similar to the other core services, the sector also lacks the sufficient funds for executing necessary projects and maintenance. Roads represent the biggest public capital asset, and there is a complete reliance on the public sector for the development of the network, since commercial infrastructure financing is not utilized. Lastly, the role of the geo-political situation cannot be ignored. The GoI severely restricts the Palestinians ability to upgrade roads or construct new routes in Area C without previous consent, most often not given. This has left areas cut off with limited access to services (e.g. solid waste collection, health and education services) and constrained access to other areas of the West Bank. The situation has also created a reliance on the donor community to upgrade roads in Area C as it is easier for them to obtain Israeli permission for the infrastructure work needed.

2.2 Water and Waste Water

35. Lacking access to improved drinking water sources for households in Gaza remains a key challenge. Figure II-3 demonstrates that across regions in the Palestinian territories, significant differences in access to drinking water sources considered improved by the WHO / UNICEF Joint Monitoring Programme exist.¹⁵ Following a sharp deterioration of access to water services in all five governorates, mainly due to over-exploitation of the Coastal Aquifer, Gaza's only internal renewable water source, only 1 percent of the households in Gaza has access to an improved drinking water source. The World Bank's 2017 WASH Poverty Diagnostic finds that the majority of the 260 municipal wells in the Gaza strip do not meet the salt and nitrate maximum thresholds set by the World Health Organization (WHO), forcing 97 percent of the population in Gaza to acquire drinking water from private tanker trucks. In the West Bank in contrast, access to improved drinking water sources reaches 94 percent, with VCs having slightly higher access rates (95 percent) than municipalities (93 percent). However, when defining access as continuous access without interruption for a full day during the previous two weeks, access to improved drinking water drops to 81 percent, mainly driven by large decreases in Jenin, Nablus, and Hebron.

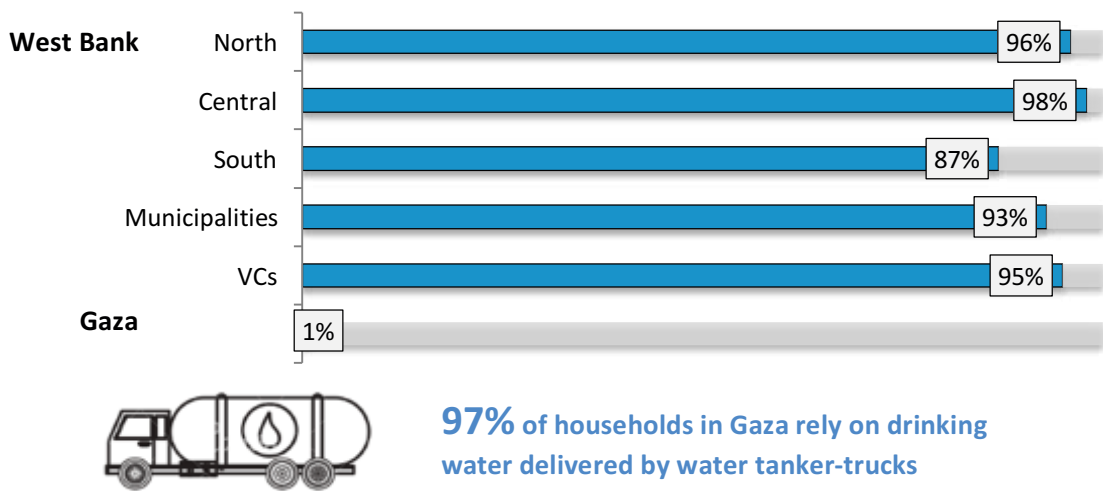
¹² A program which pools funding from the Bank, international donors, and the PA that incentivizes the development of municipal management capacity through performance-based grants to municipalities.

¹³ MDLF. 2016 Annual Report.

¹⁴ World Bank. 2007. West Bank and Gaza Transport Sector Strategy Note.

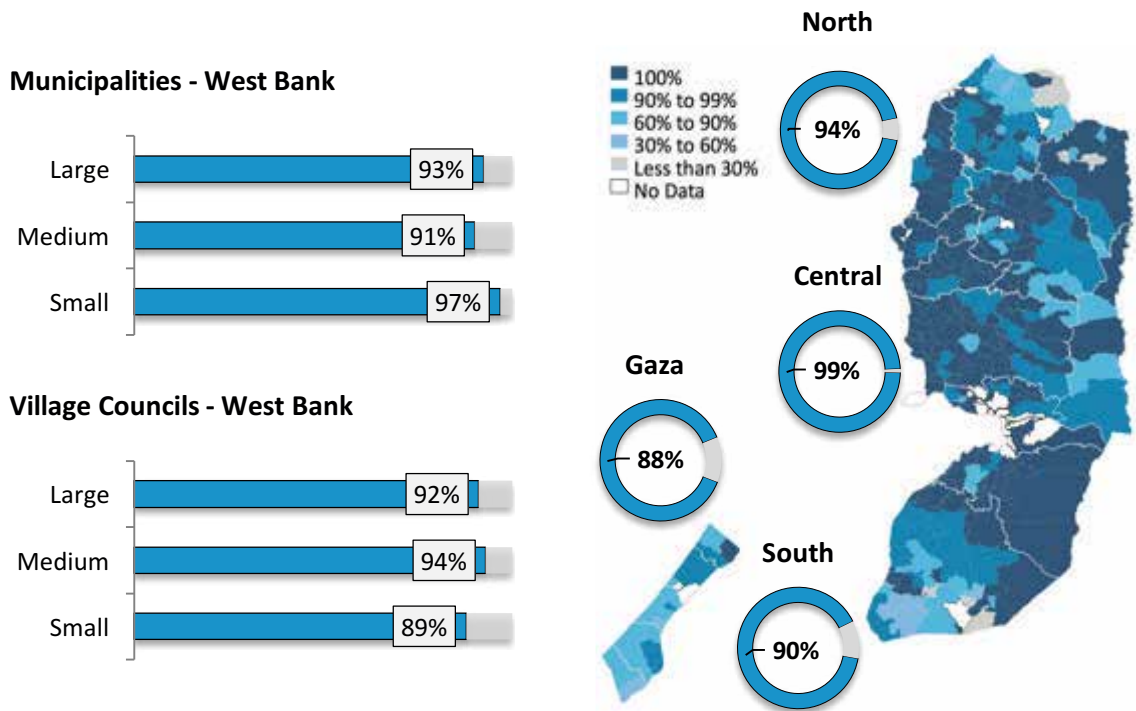
¹⁵ The following drinking water sources are considered improved: Piped water into dwelling, yard, or plot; public tap or stand-pipe; tubewell or borehole; protected dug well; protected spring; rainwater collection; bottled water.

Figure II-3: Geography of Service Provision: Access to Improved Drinking Water



36. Access to piped water is the highest in municipalities in the central West Bank. Figure II-4 provides an overview on spatial differences in access to piped water, measured at the LGU level. Access rates are the highest in LGUs in the central West Bank, with an average coverage of 99 percent, and the lowest in the south West Bank and Gaza, where on average 1 out of 10 households lacks a connection to a piped water network. However, in neither between the West Bank and Gaza, nor between regions within the West Bank, does the outcome gap exceed 10 percentage points. Across LGUs in the West Bank, access rates are slightly higher in municipalities (94 percent) than VCs (92 percent) but no clear structural relationship between LGU size group and access to piped water emerges.

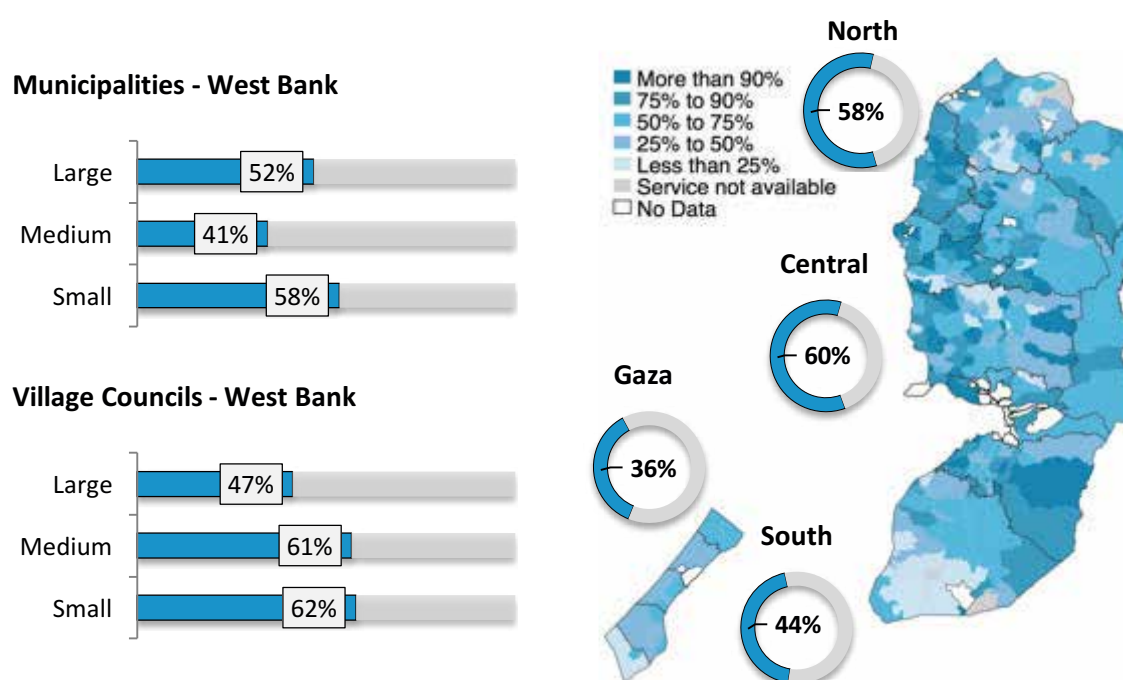
Figure II-4: Geography of Service Provision: Access to Piped Water



37. The Gaza water crisis is further aggravated by the lack of regular energy supply. Gaza suffers from frequent power cuts and rationed supply which only provides around 8 hours of electricity per day to citizens. However, the lack of coordination between electricity and water distribution schedule further affects household water supply in addition to electricity restrictions affecting the operation of wells that feed the piped network. Most of FGD participants in Gaza complained because they “do not receive water and electricity at the same time”¹⁶ or because of what some citizens called “the lack of coordination between ‘water supply schedule’ and the ‘provision of electricity schedule.’” A FDG participant from Gaza explained why this matters to a large number of Gaza residents: “People need electricity to operate their water pumps and store water in tanks located on their roofs. However, they cannot do this when they have water without having electricity. Sometimes, people stay up at night waiting for electricity to be able to fill their tanks...” These findings are confirmed by the mayor of Gaza City who explained there is a “difficulty of operating some water wells due to power outages.”

38. Satisfaction with the quality and reliability of piped water is higher in the north and central than in the south West Bank and Gaza, and differs notably with LGU size. Figure II-5 provides an overview on spatial differences in satisfaction with the quality and reliability of piped water, conditional on being connected to the piped water network. In the north and central West Bank, on average 2 out of 3 citizens are satisfied or very satisfied with piped water quality and reliability, compared to only half of the households in the south West Bank. Satisfaction rates are the lowest in Gaza, where only 36 percent of households state they are satisfied with the quality and reliability of their piped water connection. Both across municipalities and VCs in the West Bank, satisfaction is the highest in small LGUs.

Figure II-5: Satisfaction with Quality and Reliability: Piped Water

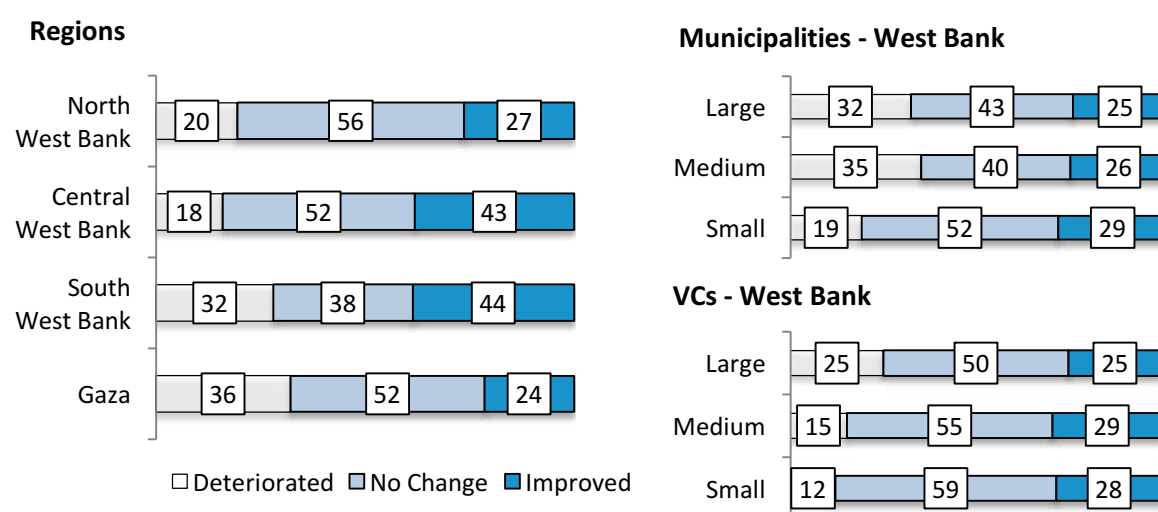


¹⁶ Quotes throughout the report are from Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs), and are translated from Arabic. See Annex 2 for a detailed description of the methodology and an overview of the quotes used in this report. Araj, Bader. 2017. Qualitative Research Report Focus Group Discussions and Key Informant Interviews.

39. Qualitative analysis underlines survey findings that despite high connection rates to the water network, water shortages and quality remain critical challenges. Most affected is the southern West Bank (e.g. Hebron, Bethlehem and Beit Sahour) where some residents report receiving piped water, on average, once every three weeks. In comparison, the poor quality of water is the most challenging issue in Gaza, because of the lack of fresh water available from the overdrawn coastal aquifer and limited waste water treatment capacity causing further pollution from infiltration of untreated sewage. In addition, most LGUs in the West Bank and Gaza suffer significant water-losses from old leaking water networks that require expensive maintenance and renewal.

40. A third of the households in the south West Bank and in Gaza report a deterioration in the quality of piped water during the last 3 years. Figure II-6 demonstrates that while the majority of households across LGUs in the Palestinian territories did not experience a change in the quality of piped sewage services, quality in the south West Bank and in Gaza deteriorated for a third of the population. In contrast, 44 percent of the households in the south West Bank and 43 percent in the central West Bank report an improvement during the last 3 years. In contrast to the sewage and solid waste sector, service quality improved in smaller VCs and municipalities in the West Bank, relative to larger LGUs. In small municipalities and VCs, only 1 out of 5 and 1 out of 8 households report a deterioration, respectively, compared to 1 out of 3 in large municipalities, and 1 out of 4 in large VCs.

Figure II-6: Trends in Service Delivery: Change in Quality of Piped Water in Last 3 Years



41. The vast majority of households in the Palestinian territories have access to an unshared improved sanitation facility. Figure II-7 illustrates that access to improved unshared sanitation facilities as defined by the WHO / UNICEF Joint Monitoring Program exceeds 90 percent in all regions of the Palestinian territories.¹⁷ With 99 percent and 97 percent coverage, access to improved sanitation facilities is universal in Gaza and in the south West Bank, respectively. In the north and central west Bank, 92 percent of households are covered by an improved sanitation facility. In the West Bank, access rates are higher in municipalities (95 percent) than in VCs (88 percent).

¹⁷ The following types of sanitation facilities are considered improved: flush or pour-flush to piped sewage system, septic tank, or pit latrine; ventilated improved pit latrine (VIP); pit latrine with slab; composting toilet. All sanitation facilities that are shared with individuals not belonging to the own household are considered unimproved.

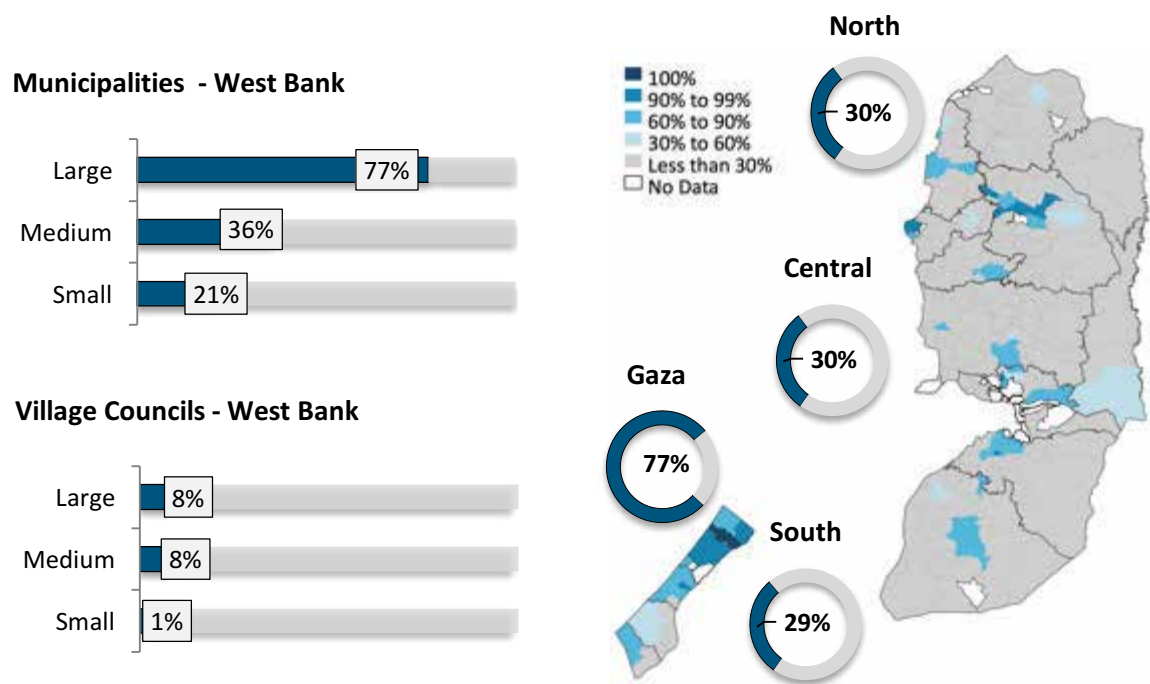
Figure II-7: Geography of Service Provision: Access to Improved Sanitation Facilities



96% of Palestinian households have access to an improved sanitation facility

42. While coverage with improved sanitation facilities is almost universal, piped sewage coverage is low, differing significantly by LGU type and size, and is notably higher in Gaza. Figure II-8 demonstrates the sharp contrast to the distribution of piped sewage coverage. 77 percent of the households in Gaza and only 30 percent of the households in the West Bank are connected to a piped sewage network. Driven by high access in its large cities, Gaza clearly outperforms the West Bank: in the five largest cities in Gaza, access rates reach 93 percent, compared to just 76 percent in the five largest cities in the West Bank. Across the three regions of the West Bank, on average slightly less than a third of citizens have access to piped sewage, with access rates differing notably by LGU type and size. The best performing LGUs are large municipalities with access rates over 70 percent, while in VCs, less than 1 out of 10 citizens is connected to piped sewage system.

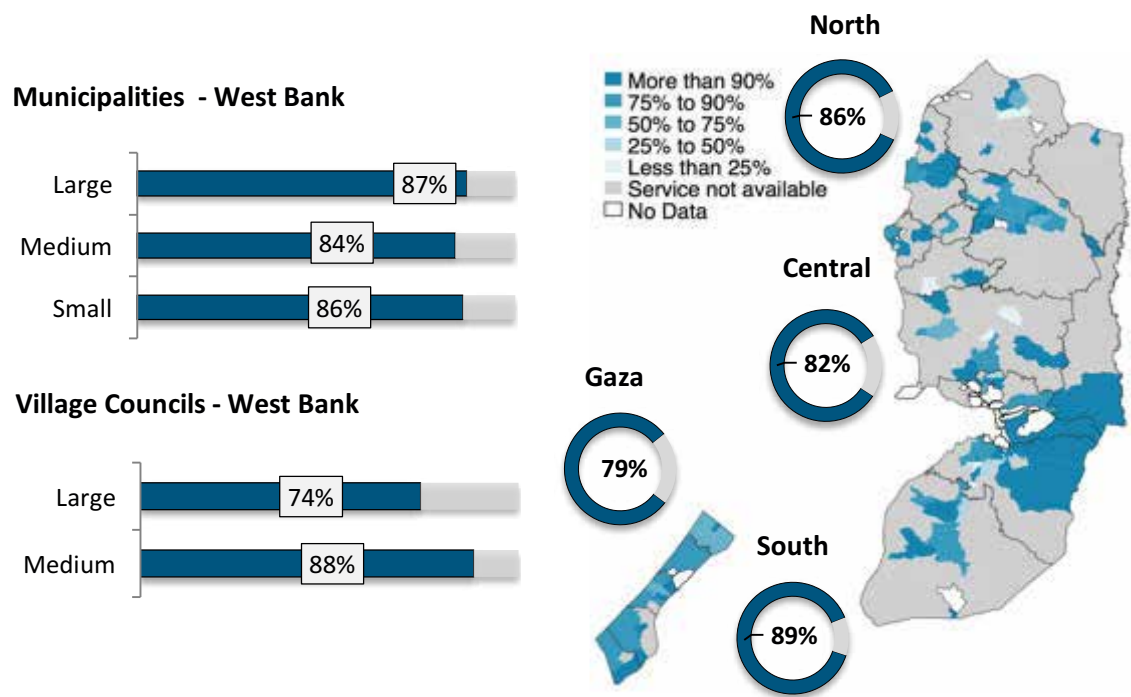
Figure II-8: Geography of Service Provision: Access to Piped Sewage



In the smallest LGU size group, VCs with less than 1,000 inhabitants, piped sewage is virtually not available. The municipalities in the West Bank where piped sewage is predominantly only available include Nablus, Qalqiliya, Salfit, Ramallah, Bethlehem, and Hebron, as can be seen in Figure II-8

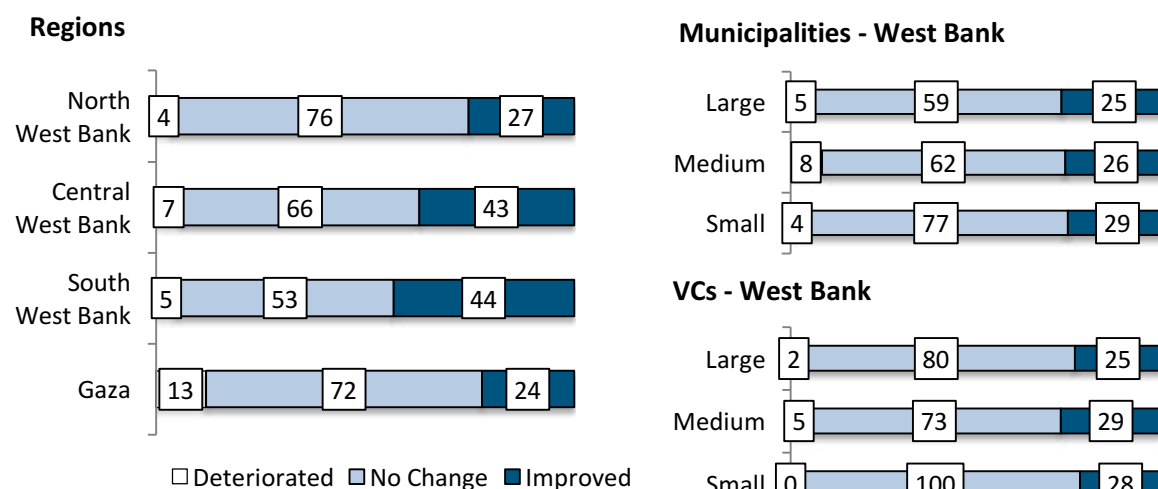
43. Among households that have access to a piped sewage system, satisfaction is the highest in the north and south West Bank. Figure II-9 shows the geographical variation of satisfaction with the quality and reliability of piped sewage services for households that are connected to the sewage network. Satisfaction is higher among citizens in the West Bank (86 percent) than in Gaza (79 percent) and the highest in the south West Bank (89 percent). A main determinant of satisfaction with the quality and reliability of piped sewage is the reliability of sewage pipes: while of the households that do not experience an overflowing or clogged pipe on a regular basis, state 91 percent to be satisfied with piped sewage quality; only 17 percent of the households that experience an overflow or clog of sewage pipes at least once per month report to be satisfied with quality and reliability of sewage services.

Figure II-9: Satisfaction with Quality and Reliability: Piped Sewage



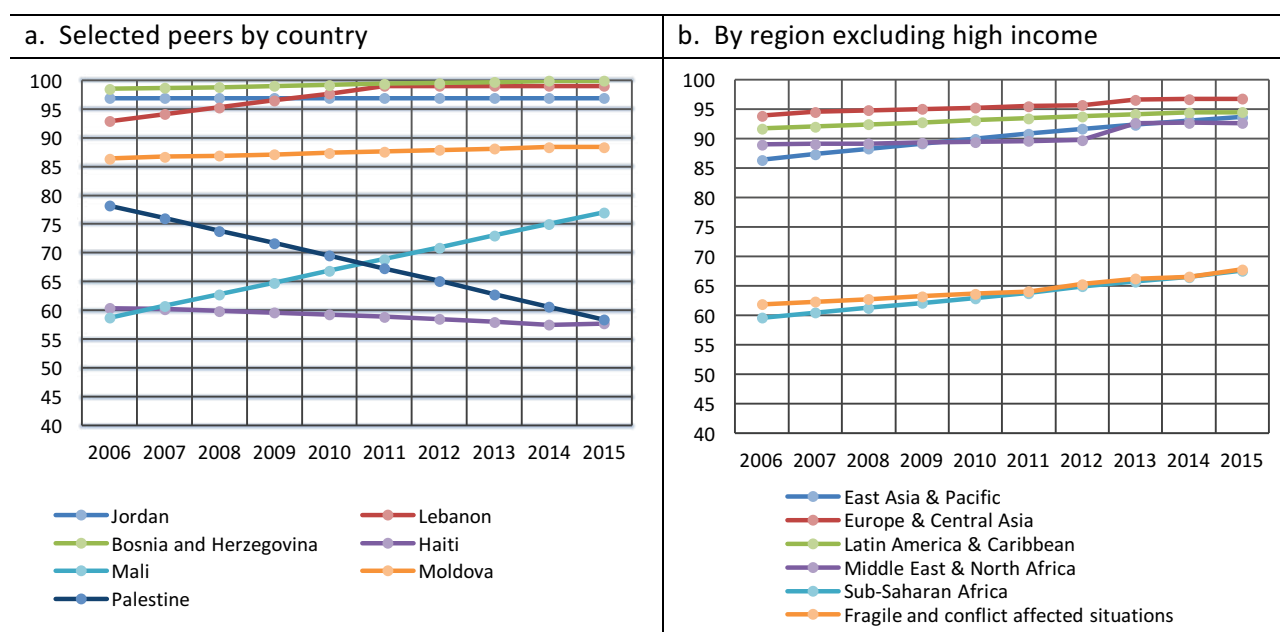
44. The broad majority of the households in the West Bank and Gaza reports an improvement or no change in the quality of piped sewage services in the last 3 years. Figure II-10 demonstrates that the vast majority of households across LGUs in the Palestinian territories did not experience a change in the quality of piped sewage services. In the south West Bank, more than 4 out of 10 households report an improvement, while only 1 out of 4 households in both the north West Bank and in Gaza experienced an improvement. Compared to the outcomes for piped water and solid waste collection, only small shares of households report a deterioration for piped sewage services. Across LGUs, households report higher rates of improvement in municipalities (30 percent) than in VCs (29 percent), and in larger LGUs.

Figure II-10: Trends in Service Delivery: Change in Quality of Piped Sewage in Last 3 Years



45. Comparing trends in water and sanitation across countries, the Palestinian territories have seen a substantial decline in access to improved drinking water sources in the ten years leading up to 2015. Through the World Bank's World Development Indicators (WDI), information on access to improved drinking water and sanitation is presented below in Figure II-11 and Figure II-12, respectively. The service access rates for the Palestinian territories were compared to the neighboring countries of Jordan and Lebanon as well as to regional averages including for fragile and conflict-affected situations (FCS). Countries of similar structural characteristics including size, geographical location, landlocked nature, having low labor force participation rates, and a high dependency on aid and remittances were also considered.

Figure II-11: Access to Improved Drinking Water Sources (% of Population with Access)



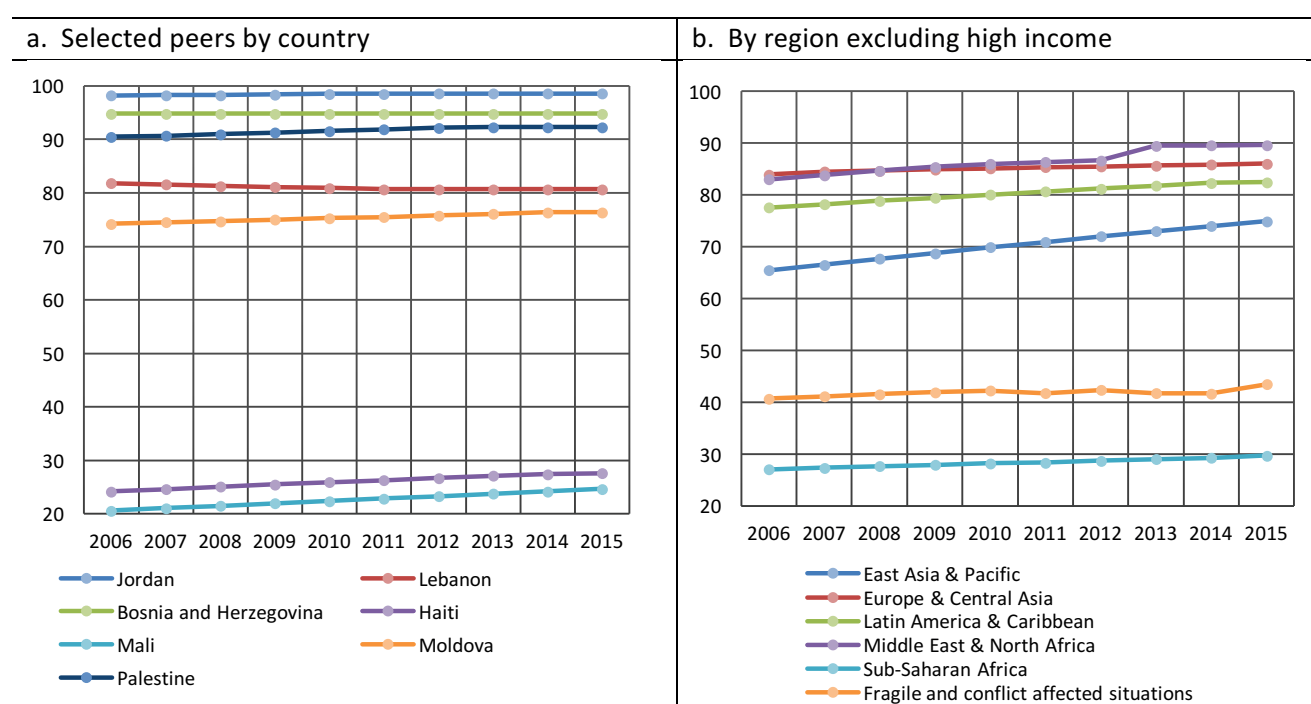
Source: World Development Indicators as of March 15, 2017.

Note: Countries were selected by neighboring location and by which have similar structural characteristics such as size, geographical location, landlocked, and having low labor force participation rates in addition to a high dependency on aid and remittances. Regions exclude high-income countries.

According to the WDI's latest figures, the percent of the population with access to improved drinking water has declined from 78.2 percent in 2005 to only 58.4 percent with access in 2015. This is significantly much lower than for Lebanon (99 percent) and Jordan (96.9 percent), and the region (92.6 percent excluding high income countries). The rate is also lower than the 67.8 percent average for FCS. This is predominantly attributable to the deteriorating quality of urban water supply in Gaza.¹⁸ While the LGPA survey found higher access rates to piped water, access to drinking water remains significantly low for the Palestinian territories.

46. In contrast, access to improved sanitation facilities in the Palestinian territories has slowly been on the rise. The WDI numbers indicate that the population's access to improved sanitation has increased from already high numbers to 92.3 percent by 2015, 10 percentage points higher than Lebanon (80.7 percent) and closer to Jordanian access rates (98.6 percent). This is very similar to the LGPA's finding that 96% of Palestinian households have access to an improved sanitation facility. Access rates in the Palestinian territories are significantly higher than the FCS average (43.5 percent) and slightly higher than the average for the region (89.6 percent).

Figure II-12: Access to Improved Sanitation Facilities (% of Population with Access)



Source: World Development Indicators as of March 15, 2017.

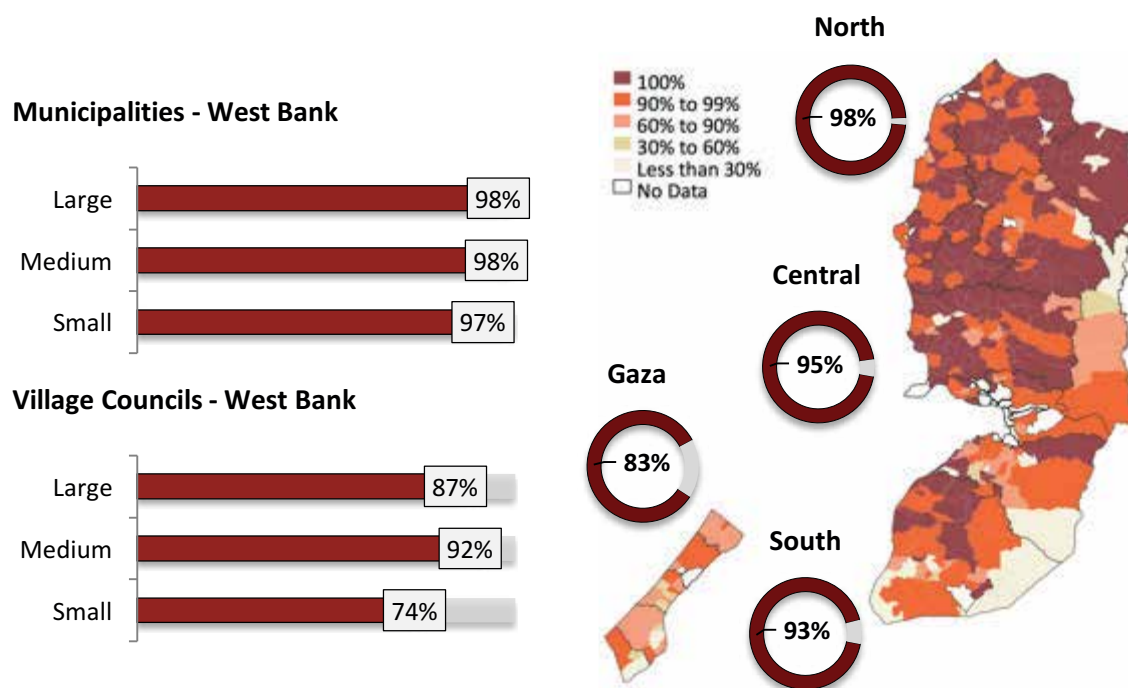
Note: Countries were selected by neighboring location and by which have similar structural characteristics such as size, geographical location, landlocked, and having low labor force participation rates in addition to a high dependency on aid and remittances. Regions exclude high-income countries.

¹⁸ World Bank. 2017. West Bank and Gaza WASH Poverty Diagnostic.

2.3 Solid Waste Management

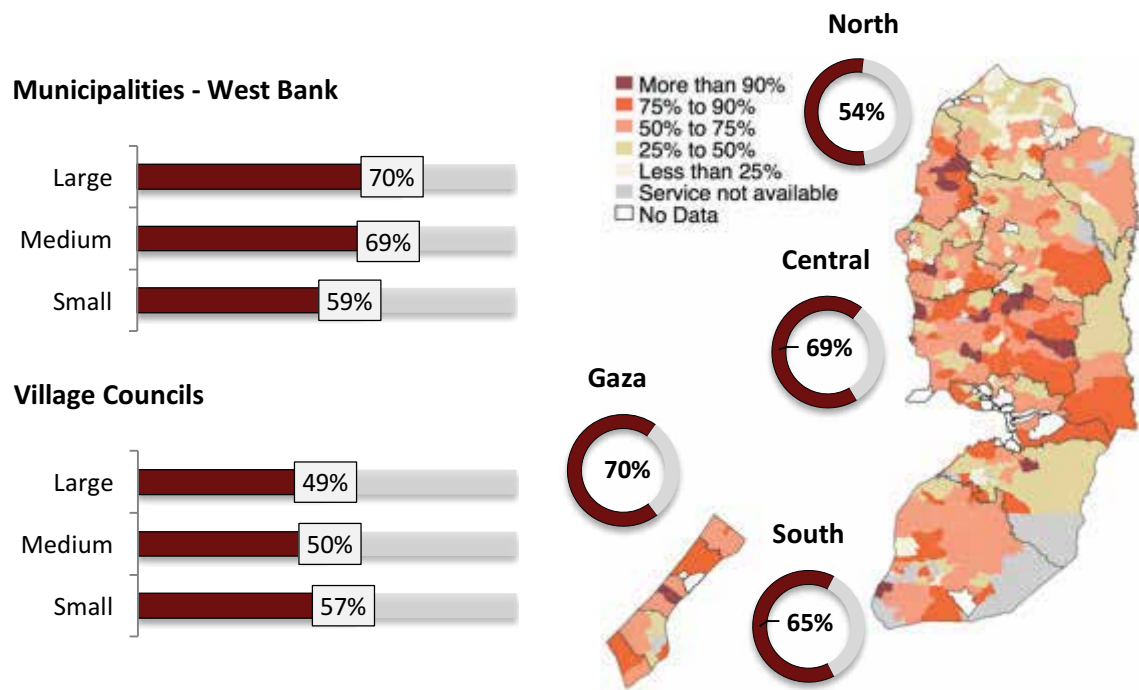
47. Availability of solid waste collection services is higher in larger LGUs and the highest in the north West Bank. Figure II-13 shows the geographical distribution of the availability of solid waste collection services at the LGU level. While in the West Bank, over 90 percent of households are covered by a waste collection service, almost 1 out of 5 households in Gaza is not covered (17 percent). In the West Bank, nearly 100 percent of households in municipalities, and 90 percent of households in medium and large VCs have access to waste collection services. In small VCs however, one out of four households still lacks access to any form of waste collection service. There is a noticeable correlation between low access to solid waste collection and low access to paved local roads, particularly in the southern West Bank and areas in Gaza. It would be difficult for solid waste collection trucks to access areas without paved roads, which highlights again the interdependence of the core services and the coordination needed for their provision.

Figure II-13: Geography of Service Provision: Solid Waste Collection



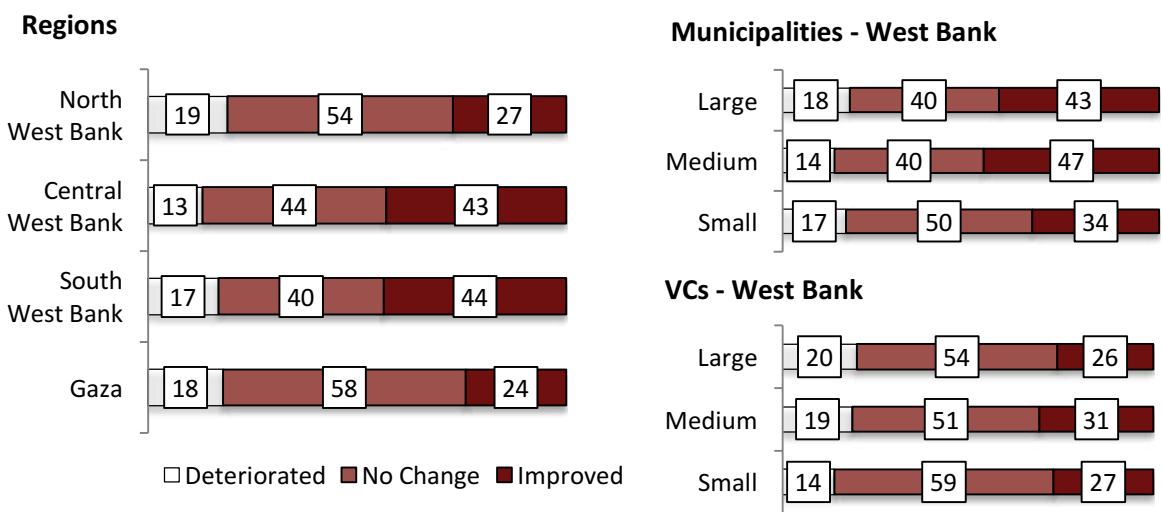
48. Satisfaction with the quality and reliability of solid waste collection services is low in the north West Bank and in small LGUs. In Gaza, and in the Central and south West Bank, 2 out of 3 households are satisfied with waste collection services, compared to only every second household in the north West Bank. These results are mainly driven by differing frequencies of solid waste collection across regions and LGU size groups: in West Bank VCs solid waste is collected less than 2 times per week, compared to 4 times in municipalities in the West Bank and 5 times for municipalities in Gaza.

Figure II-14: Satisfaction with Quality and Reliability: Solid Waste Collection



49. On average, more than a third of the households in the West Bank, and a fourth of the households in Gaza experienced an improvement in the quality of solid waste collection services in the last 3 years. Figure II-15 demonstrates that the majority of households across LGUs in the Palestinian territories did not experience a change in the quality of solid waste collection services. While in the north West Bank and in Gaza, only 1 out of 4 households reports an improvement, a clearly larger share of households experienced an improvement in the central West Bank (43 percent) and in the south West Bank (44 percent).

Figure II-15 : Trends in Service Delivery: Change in Quality of Solid Waste Collection in last 3 Years

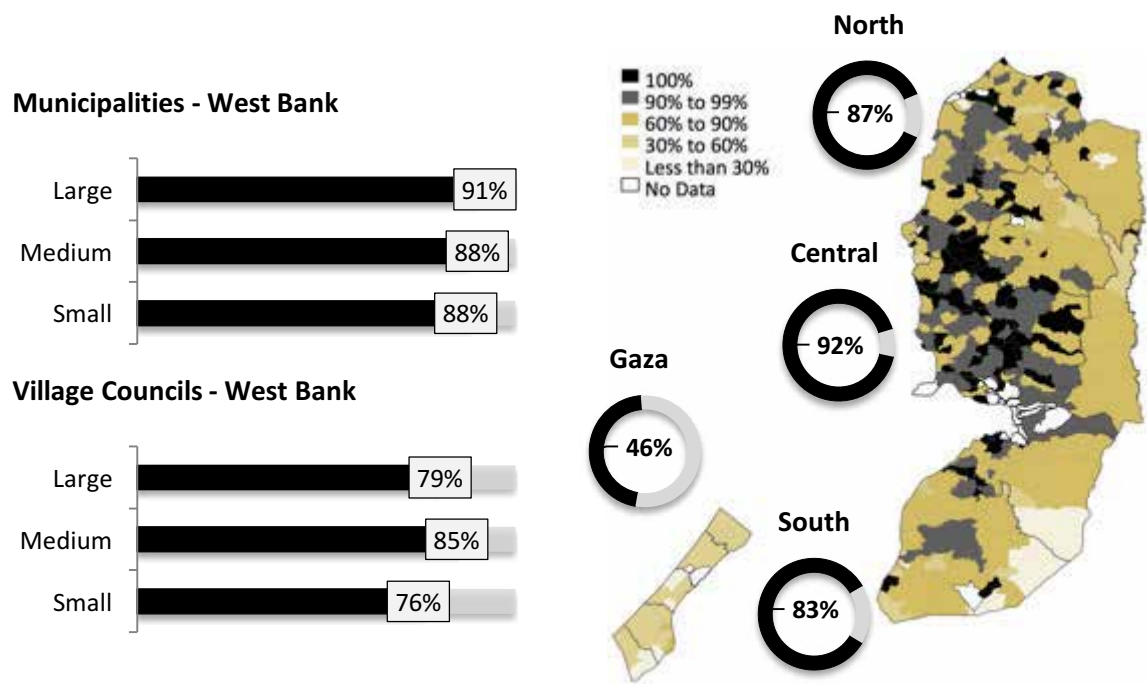


The share of households that experiences a deterioration in service quality ranges from 13 percent in the central West Bank to 18 and 19 percent in Gaza and the north West Bank, respectively. Across LGUs, households report higher rates of improvement in municipalities (39 percent) than in VCs (29 percent), and in larger LGUs.

2.4 Local Roads

50. Access to paved local roads is twice as high in the West Bank than in Gaza. In the West Bank, 9 out of 10 households are located by a paved road, while less than half of the households in Gaza have direct access to paved roads. As a consequence, almost three quarters of the citizens in Gaza desire better roads. Access to paved roads is 26 percent higher in municipalities than VCs, with the highest percentage of access found in the central West Bank. Results also indicated concerns with the operations and maintenance of existing roads.

Figure II-16: Geography of Service Provision: Paved Roads



Over half of the households (60 percent) report that they are not satisfied with the conditions of roads outsides their houses. The number is significantly higher in Gaza, where only a quarter of households report satisfaction. In the West Bank 49 percent report to be satisfied with roads, with more households in municipalities (40 percent) reporting satisfaction than in VCs (34 percent). Half of the households in Gaza report that the road outside their house cannot be used during heavy rain for walking and driving, and one out of three households surveyed in Gaza mention drainage during rain as one of the main problems with roads in their communities. In the West Bank in contrast, only 1 out of 4 households do not have access to a road which can be used even during heavy rain, and only 1 out of 5 households mention drainage during rain as a main problem with local roads. The poor situation for roads in Gaza was exacerbated by the significant damage to infrastructure during the 2014 Gaza War.

51. Despite the provision of roads being a shared service between central government and LGUs, there remain a number of road issues in addition to infrastructure which LGUs are responsible for. Households in both the West Bank and Gaza report no/irregular street cleaning as the most important problem with roads in their community. However, at the LGU level, VCs (22 percent) report that pot-holes/ bad road surface as the most important issue over no/irregular street cleaning (20 percent). Both categories fall under the mandates of the LGUs to address. Access to streetlights is high (71 percent) but again similar to paved road access, there is a large gap between the West Bank and Gaza. Only 51 percent of households in Gaza report that the road outside their house has functioning streetlights, compared to 84 percent in the West Bank. A higher percentage of households in VCs (79 percent) report the road had functioning streetlights to than in municipalities (71 percent), with the north West Bank reporting the highest presence of streetlights (87 percent).

Box II-1: Spaces of Exception

Rapid urban growth is putting substantial pressures on service delivery systems. The Palestinian territories are facing rapid urbanization and spatially concentrated development with limited space to expand. Already today, 74 percent of the West Bank and Gaza is considered urban. Frequently, spatial expansion outpaces administrative growth and capacities, coupled with incomplete and outdated local government laws, regulations, and systems. Building often precedes planning and service delivery, resulting in inefficient land use and infrastructure development.

LGUs are mandated to provide services within their masterplan boundaries, however there remain built-up areas requiring core services outside the boundaries. LGU administrative boundaries (city limits) govern the expanse LGUs are responsible to provide services to, and these correspond with the approved masterplan borders.¹⁹ However, in most cases the LGU masterplan boundaries do not cover the full land area of the LGU, nor do they align and link with neighboring LGU masterplans as is typically standard for municipal demarcation. These boundaries also differ from the electoral boundaries which encompass further districts than the masterplans. This has resulted in sizeable *in-between* areas or *spaces of exception* across the West Bank, totaling 1,225.65 km² (22.44 percent).²⁰ The lands of these *in-between* areas, originally designated as “green” or for agricultural use, are associated with certain municipal or village lands, but do not fall within the LGU masterplans. Therefore, they do not come under the jurisdiction of the LGUs who in turn are not responsible to provide services to the areas.

Much of the land outside the masterplans was designated as green or agricultural use, however they are increasingly being used for multi-purpose use. According to the Town, Village and Building Planning Law, No. 79, 1966, since these areas were originally considered green land or for agricultural use, only agricultural buildings and roads were allowed. Services for the areas come under the administrative authority of the assorted PA line ministry departments or directorate offices – MoLG, MoPWH, PWA’s West Banks Water Department, and the EQA.²¹ In practice however, these locations are now going through more expanded development with building permits provided by the MoLG Directorate Offices.²² The core services should be connected to the closest LGU by the corresponding line ministry.²³ The sites vary in levels of built environment. Some may be indistinguishable from city centers which have built out to them, but as more often is the case, most of the land tends to be located on LGU peripheries. Additionally, regional planning is weak in Palestine; if the corresponding line ministries have regional plans including these spaces, which many do not, they are not developed or detailed for residential and mixed land-use.

¹⁹ This is a policy remaining and adopted from the British Mandate for Palestine’s Regional Master Planning Schemes of 1942 Jerusalem District RJ/5 and Samaria District 1945 S15.

²⁰ Source: GeoMOLG

²¹ This excludes portions within Area C for which Israel has full control of security matters and all land-related civil administration, including land allocation, planning and construction, and infrastructure.

²² There are also situations in which people build without permits in these areas and then pay a building fine post-construction.

²³ Palestinian Authority. 1994. Town, Village and Building Planning Law, No. 79, 1966.

Due to the lack of affordable centrally located urban land particularly in Area A, citizens of urban centers are opting to build in the peripheries of major urban centers. Much of the unbuilt and unplanned areas where expansion is taking place falls within the *in-between* spaces; however, line ministries and LGUs do not have the financial capacities nor investment interest to provide off-site infrastructure to the areas. Citizens or private developers building in the unplanned peripheries cover the burden of installing the needed offsite infrastructure and coordinate with line ministries and LGUs to connect to the main service lines. Despite the regulation requiring connection to the closest LGU, the process is in actuality done at the discretion of the individual citizens or private developers, and has resulted in service provision by different LGUs to one neighborhood and in extreme cases to the same home. This happens for various reasons, including: (i) interest in connecting to the more prominent LGU, which is perceived as providing more reliable services; (ii) weak service availability at the closest LGU requiring the service provision to be connected to another LGU or shared by multiple LGUs²⁴; and (iii) interest by an LGU to increase its user fee revenue. Examples can be seen in: (i) the new neighborhoods between the Nablus Municipality and the VC of 'Iraq Burin; (ii) the land area between Beit Kahil VC, Hebron Municipality, and Taffuh Municipality; and (iii) Al Rehan neighborhood between Ramallah Municipality and Surda-Abu Qash Municipality.

Despite some LGUs interested in increasing their user base, many are forced to respond to expanding peripheries and unplanned built-up areas with costly *ad hoc* service and infrastructure provision as well as post-construction, *de facto* planning within outdated masterplans. Some see the provision of services to spaces beyond their masterplan boundaries and mandate, as additional burdens to over utilized, under capacitated services. Also, LGUs, which provide the services, may not benefit from the property tax of these residents if they are on another LGU's land. This further adds to municipal resource constraints, especially for smaller LGUs with very limited financial sources.

Masterplan boundaries are hindered from sorely needed extensions due to Area C restrictions. A significant lag in the extension of the masterplan boundaries is compounding the situation. Most require coordination and approval from the Israeli Civil Administration, and LGUs wait years for approval to expand, and if given, it is often lacking the needed extent. This is because the majority of proposed municipal and VC expansions partially include Area C. It is very difficult for urban centers to proceed with natural expansion, since most are partially or entirely surrounded by it with a significant portion of unbuilt lands located there.

The PA can take steps to improve coordination and sectoral policies at the central level to address the spaces beyond masterplan boundaries. The situation will become increasingly problematic for the future, as the population continues to grow with limited available space and the geopolitical spatial divides of the West Bank remain unresolved. However, there are steps the PA can take to improve the situation. At the central level, the NPA that provides two- to five-year sector strategies and policies should have coordination and alignment with the National Spatial Plan (NSP). At this stage the NSP only provides an environmental protection layer, and does not link with the existing built-up areas or infrastructure networks

²⁴ As reported by the PWA.

at the local or regional scales. Additionally, while the NPA is regularly updated²⁵, the NSP does not have a defined timeframe for development. This is a setback for short- to long-term development planning. Without an NSP in place, it becomes challenging to spatially analyze national sector policies holistically and their implications on the ground. Equally important is the need for clearly defined policy on the reclassification of agricultural lands to residential and mixed-use, which should take place at the central level in line with long-term strategic plans.

Regional and local level policies and procedures could be put in place to address the situation. Line ministry coordination and regional planning also play an important role in addressing the development of these transitional areas. There is no institutional structure to manage and implement regional development plans (RDPs), which could govern the lands outside of LGU masterplans. Additionally, there are conflicting and unclear mandates for the line ministries, their regional offices, and the governorates. This vacuum has allowed for the irregular, ad hoc service delivery for these places. A clear cross-sectoral joint policy to govern regional development of these spaces needs to be agreed on by the PA. At the local level, a service delivery provision plan agreed upon or certified by the line ministries, and surrounding LGUs and JSCs, should be a prerequisite for the issuance of building permits in these locations. Until such a system and policy can be put in place, the MoLG Directorate offices should involve concerned LGUs and JSCs in the current permitting process. A joint committee of the involved LG stakeholders should predetermine the optimal course of service provision before approving building permits within these transitional areas.

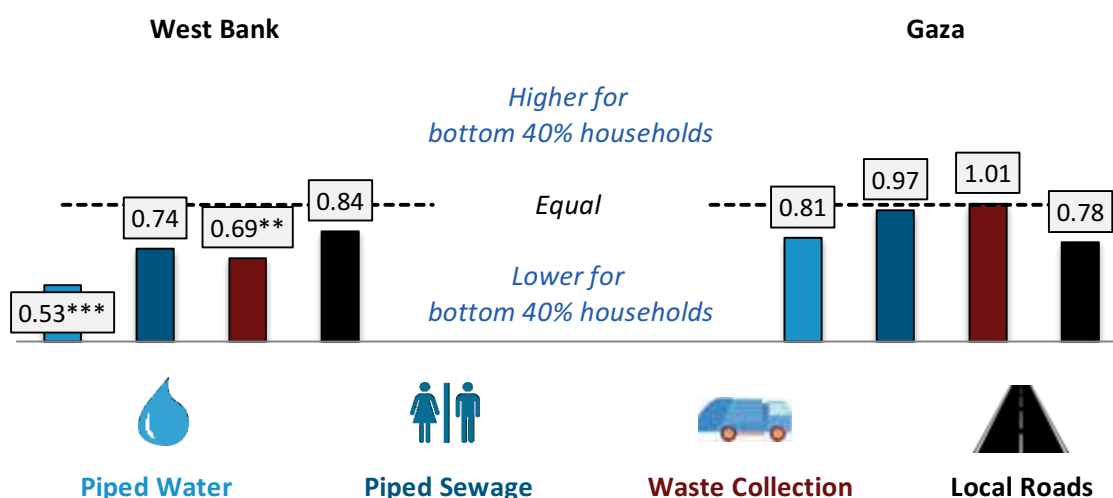
²⁵ Formerly known as the National Development Plan, the National Policy Agenda was presented in 2016 as the follow-up to the NDPs of previous years.

2.5 Socio-Demographics of Service Provision

52. Access to core services is lower for the bottom 40 percent of the wealth distribution, particularly in the West Bank. For the poverty analysis, a wealth index based on 10 durable assets was constructed to identify the bottom 40 percent of the wealth distribution. To account for the divergent distribution of assets, and to allow for a clear identification of the bottom 40 percent, two separate indexes were constructed for both the West Bank and Gaza. Figure II-17 shows the results of logistic regression models that measure the odds of service access for poor households and for female-headed households, compared to the odds of service access for non-poor and for male-headed households, respectively, when controlling for service delivery outcomes at the LGU level and VC and regional effects in the West Bank.²⁶

53. In both the West Bank and Gaza, statistically significant differences in the odds of access to piped water and local roads between poor and non-poor households exist. In the West Bank, when predicting access, non-poor households are more than twice as likely (115 percent) to have access to piped water than households that belong to the bottom 40 percent of the wealth distribution. In Gaza, the likelihood of being connected to the piped water network is more than 1.6 times higher for households in the upper three wealth quintiles. While in the West Bank, non-poor households are 24 percent more likely to be located at a paved road, the difference between poor and non-poor households amounts to more than a third in Gaza.

Figure II-17: Impact on the Poor: Likelihood of Service Access



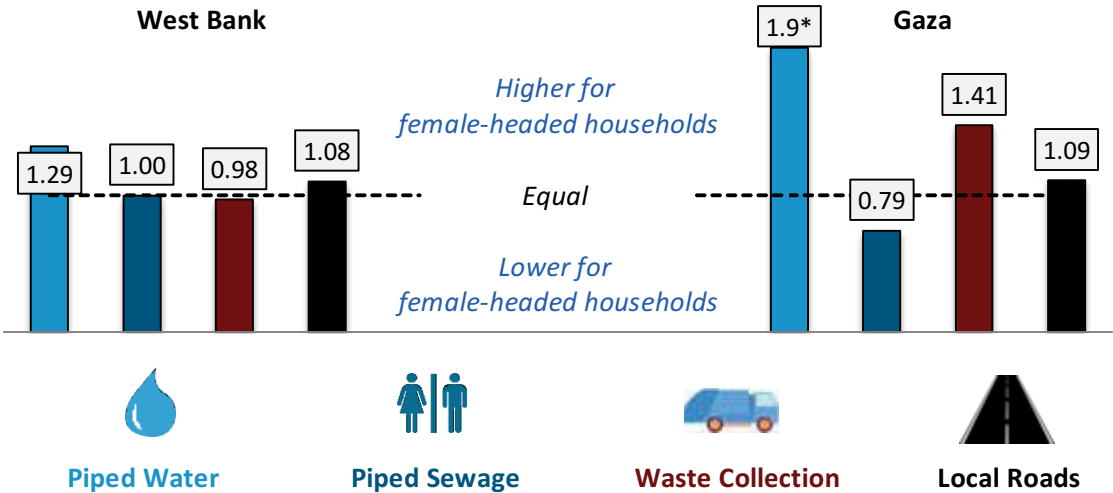
54. Access to core services for female-headed households is statistically not significantly different from male-headed households, except for piped water in Gaza. Figure II-18 shows the results of the same regression models as above, measuring the likelihood of service access for male-headed households compared to female-headed households, while controlling for service delivery outcomes at the LGU level.²⁷ In the West Bank, small differences in the likelihood of access to the core services exist,

²⁶ Estimates are the odd ratios from weighted logit regressions of an indicator for service access on an indicator for households that belong to the bottom 40 percent of the wealth distribution, and an indicator for female-headed households, controlling for LGU performance (measured with a performance score for the respective service as outlined in section IV), indicators for the north and south West Bank, VCs and female-headed households. Standard errors are clustered at the Governorate level. Detailed outputs for all regressions can be found in Annex 4.

²⁷ Estimates are from the same regression as above.

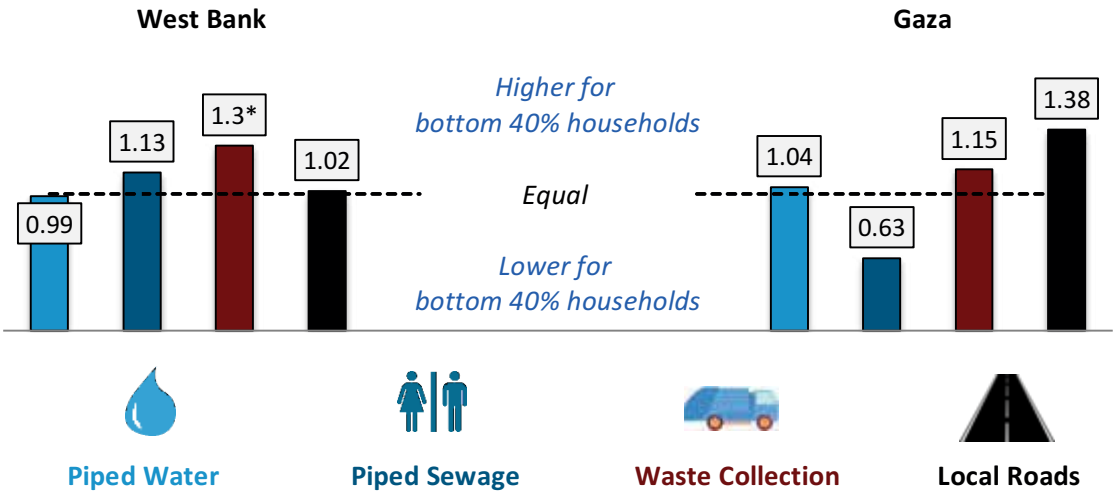
which are however statistically not significant. Male-headed households on average have 1.58 higher odds to have access to paved roads. Differences in service access between genders is more pronounced in Gaza but hardly statistically significant: female-headed households are on average almost 1.5 times more likely to have access to piped water, which is the only statistically significant gender gap across sectors.

Figure II-18: Gender Gap: Likelihood of Service Access



55. Besides waste collection services in the West Bank, satisfaction with service quality and reliability is statistically not different for households of the bottom 40 percent. Figure II-19 shows the results of regression models that measure the likelihood of satisfaction with service quality and reliability for non-poor households compared to poor households, when controlling for service delivery outcomes at the LGU level.²⁸

Figure II-19: Impact on the Poor: Likelihood of Satisfaction with Quality and Reliability

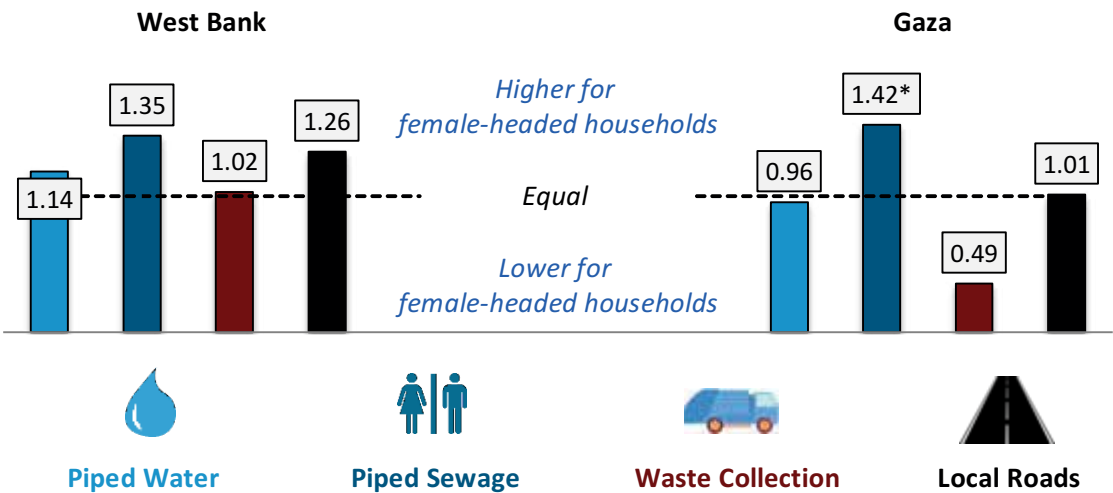


²⁸ Estimates are from logit regressions of an indicator for satisfaction with quality and reliability of the respective service on an indicator for female-headed households, bottom 40% households, LGU performance, and indicators for the north and south West Bank, and VCs. Standard errors are clustered at the Governorate level.

Only for satisfaction with waste collection services in the West Bank and Gaza, statistically significant differences in the likelihood of satisfaction exist: poor households are 13 percent more likely to be satisfied with quality and reliability. Comparing satisfaction with piped sewage systems, poor households have a smaller likelihood of being satisfied with quality and reliability in both the West Bank (17 percent) and Gaza (40 percent).

56. Satisfaction with core services is statistically not significantly different for female-headed households. Figure II-20 shows the results of regression models that measure the likelihood of satisfaction with service quality and reliability for male-headed households compared to female-headed households, when controlling for service delivery outcomes at the LGU level.²⁹ In the West Bank, female-headed households are on average more likely to be satisfied with quality and reliability in all four core sectors, statistically however not significant. In Gaza, differences in the satisfaction likelihood for piped water (8 percent), roads (5 percent), and sewage (31 percent) are low to moderate, while a strong gender gap in satisfaction with waste collection services exist: male-headed households are almost 2 times as likely to be satisfied with service quality and reliability compared to female-headed households.

Figure II-20: The Gender Gap: Likelihood of Satisfaction with Quality and Reliability



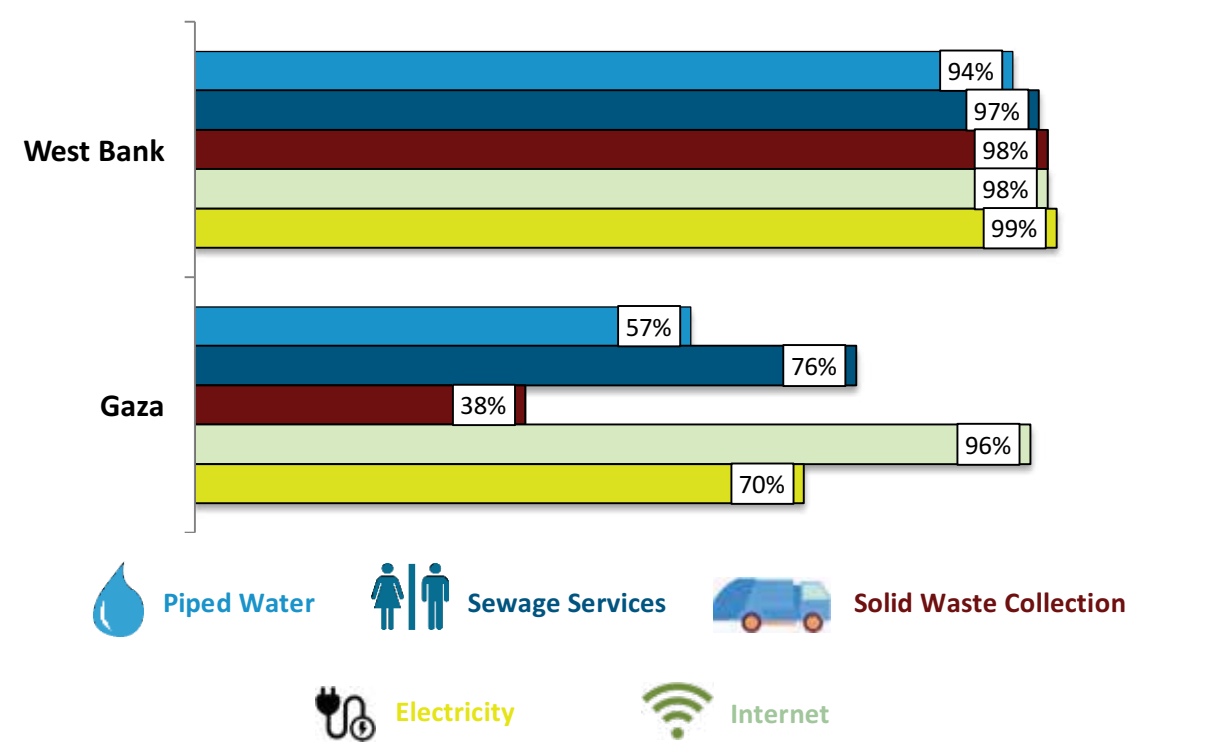
2.6 Citizen Willingness to Pay

57. Investigating the drivers of LGU collection efficiency and citizens’ payment behavior is of major importance to improving both LGU budgets and public service delivery. As demonstrated in Chapter 3, insufficient budgets, often due to low collection efficiency, are strongly associated with low performance outcomes and pose a major constraint for LGUs in enhancing service delivery outcomes. Given that the largest share of LGU revenues, about half of municipalities’ revenues and two thirds of VC’s revenues, come from the enterprise budget, is made up primarily by bills paid for public utility services, such as water and electricity; investigating citizens’ payment behavior and finding means to improve collection efficiency provides a crucial step to achieve sustainable LGU financing and thus better service delivery outcomes.

²⁹ Estimates are from the same regression as above.

58. While the vast majority of households in the West Bank pays for services, large shares of households in Gaza do not. Among the households in the West Bank with service access, only a minor fraction of 6 percent (piped water) to 1 percent (electricity) reports to not pay for services. In Gaza in contrast, the non-payment shares are much higher for all services except internet: 43 percent of households report no payment for piped water, despite being connected, and only every third household reports to pay for waste collection services. Also, 1 out of 4 households in Gaza does not pay for sewage services, and for sewage services included jointly with water bills, the share of nonpayment rises to 6 out of 7 households (86 percent). In sharp contrast to the water, waste water, solid waste, and electricity services, willingness to pay for internet is at similar levels in Gaza as in the West Bank, with a 96 percent share of households paying.

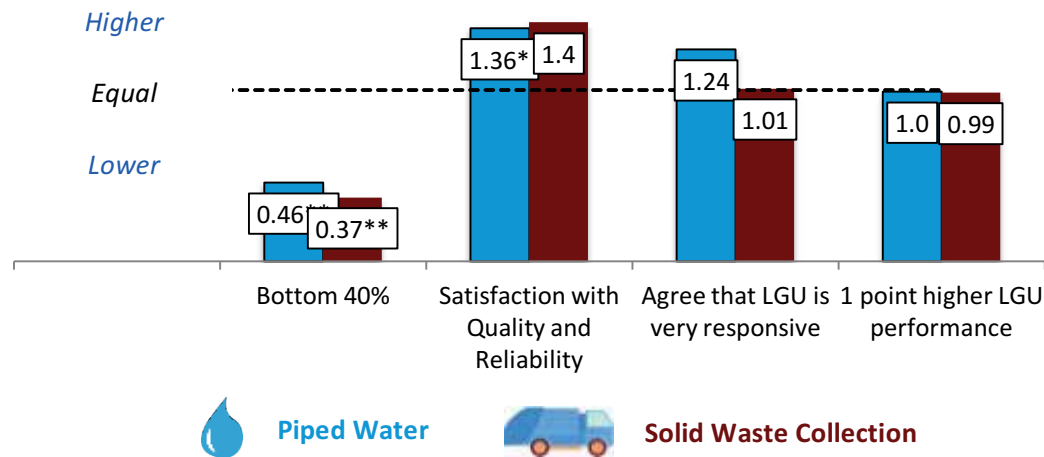
Figure II-21: Payment across Sectors



59. Satisfaction with service quality and reliability, and household wealth are key drivers for the likelihood of citizens to pay for services. Figure II-22 shows the results from regressions measuring the average effect of several covariates on the likelihood that households’ pay for piped water and solid waste collection, when controlling for geographical attributes.³⁰ Households that belong to the bottom 40 percent of the wealth distribution of the West Bank and Gaza are on average only half as likely to pay for piped water and solid waste collection services, respectively. Stronger but statistically not as significant, satisfaction with service quality and reliability also corresponds to a higher likelihood for service payment. In the water sector, satisfied households have 1.29 times larger odds to pay, compared to 1.41 times in the solid waste sector. Interestingly, household satisfaction with LGU responsiveness to citizen concerns and complaints corresponds to a higher likelihood of payment, the effect is however statistically not significant. LGU performance in the respective sector does not have a notable impact on the willingness to pay for piped water and solid waste collection.

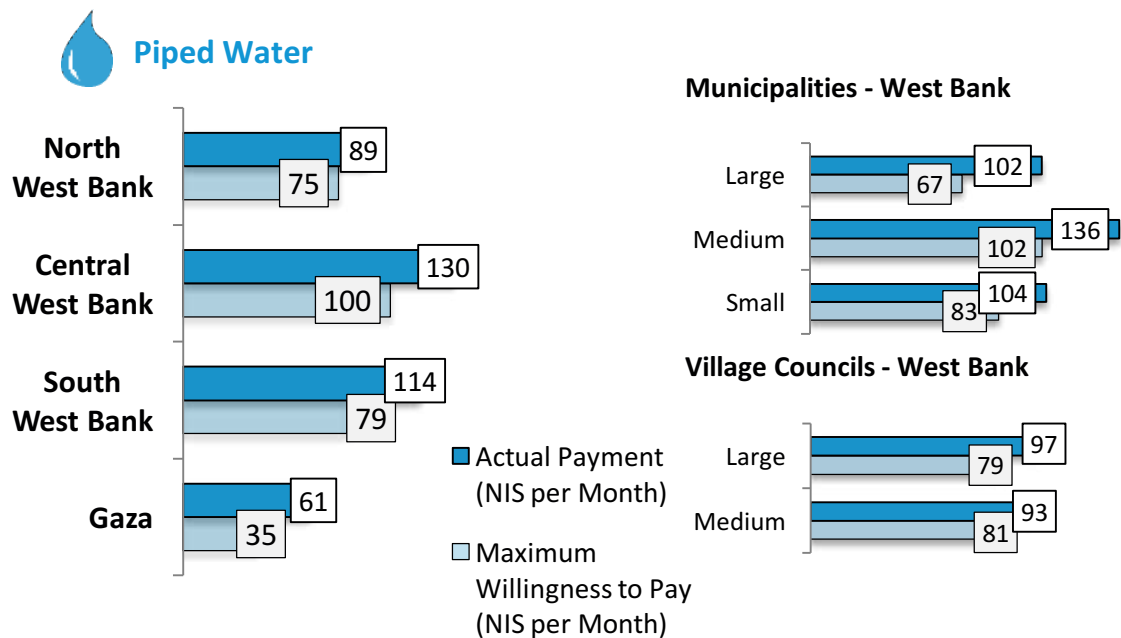
³⁰ Estimates are from logit regressions of an indicator for payment for 1) Piped Water and 2) Solid Waste Collection, indicators for households that belong to the bottom 40 percent, are satisfied with service quality and reliability, and agree that their LGU is very responsive, and the LGU performance score for piped water and solid waste collection, respectively, and for Gaza, and the north and south West Bank, and VCs.

Figure II-22: Likelihood of Payment: Piped Water and Solid Waste Collection Services



60. Across regions and LGU types, payments for water and solid waste differ notably, and are higher than households’ maximum willingness to pay. This may potentially reflect low levels of satisfaction with service quality, reliability, and costs. Comparing average monthly payments for piped water across regions, households in the central West Bank spend on average two times more (130 NIS) than in Gaza (60 NIS). Piped water payments are higher in municipalities than in VCs, and the highest in medium-sized municipalities (136 NIS).

Figure II-23: Maximum and Actual Willingness to Pay: Piped Water

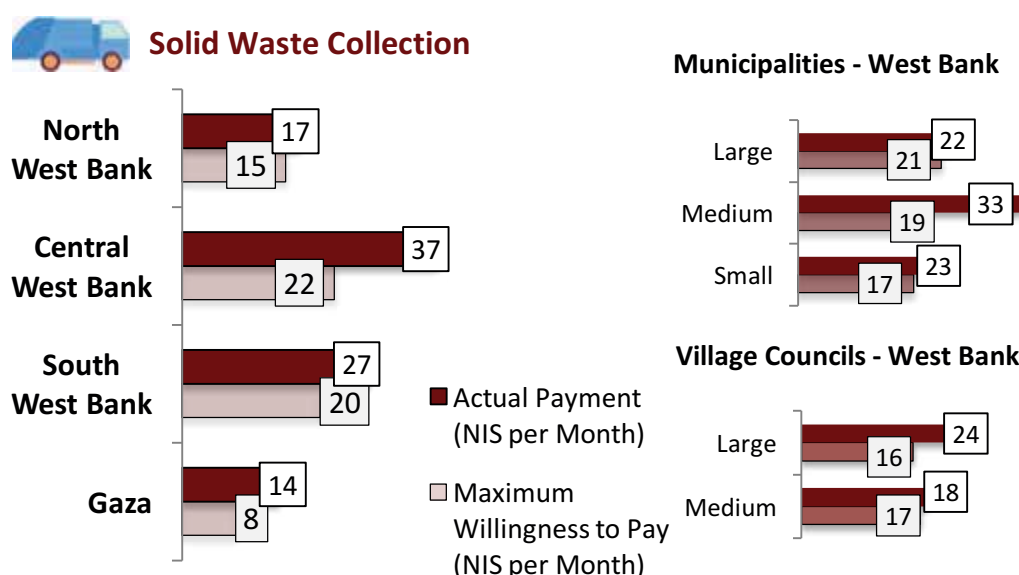


61. Across the Palestinian territories, more than half of the households (52 percent) report a maximum willingness to pay for piped water that is lower than their actual payment. The gap is the largest in Gaza and in large municipalities in the West Bank, where actual payments are almost over 50 percent higher

than the reported maximum willingness to pay. These results correspond to a considerable amount of households reporting dissatisfaction with piped water costs: 39 percent of households in Gaza and 1 out of 4 households in the West Bank are dissatisfied or very dissatisfied with the cost of piped water.

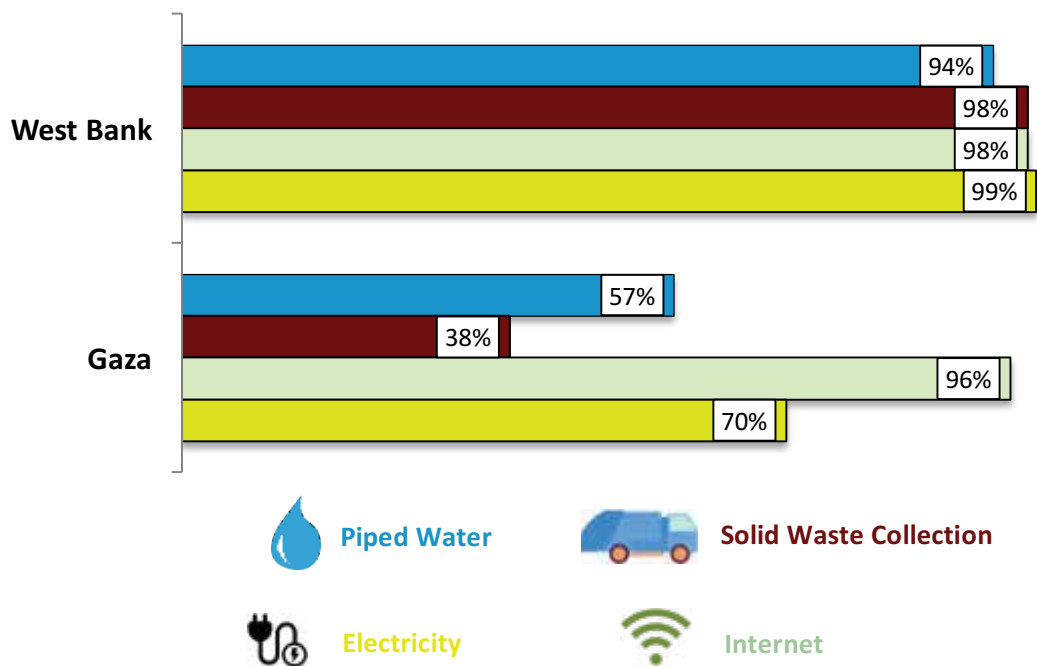
62. Also in the solid waste sector, payments are higher in the West Bank than in Gaza and in municipalities than in VCs, and tend to exceed households' maximum willingness to pay. Comparing maximum and actual willingness to pay for solid waste collection services across Palestinian regions, equally striking differences are observed: in the West Bank, the average amount spent (37 NIS) is more than two times higher than in Gaza (14 NIS). Within the West Bank, both maximum and actual willingness to pay is the highest in the central West Bank (37 and 22 NIS, respectively), and the lowest in the north West Bank (17 and 15 NIS). Comparing municipalities and VCs, citizens in municipalities are both willing to and currently spend more (19 and 24 NIS) than citizens in VCs (16 and 21 NIS). Similarly to the water sector, households report higher actual payments than maximum willingness to pay, which is potentially associated with 1 out of 5 households being dissatisfied with each quality, reliability, and cost of waste collection services.

Figure II-24: Maximum and Actual Willingness to Pay: Solid Waste Collection



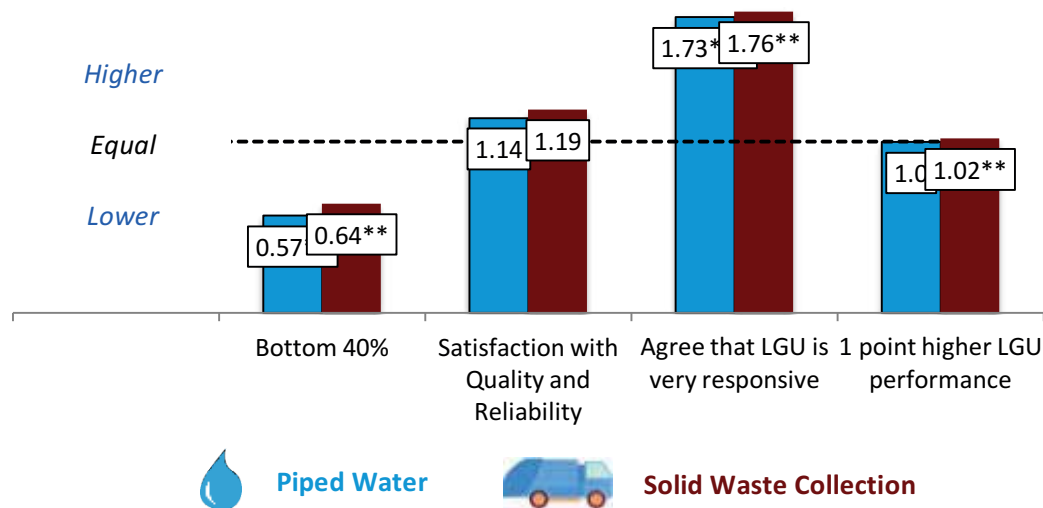
63. Reported payment timeliness is higher in Gaza than in the West Bank, and higher for internet than for any other service. Among the households in the Palestinian territories that have access to piped water, electricity, solid waste collection services and internet, for each service at least 2 out of 3 households report paying on time without major problems. In both the West Bank and Gaza, payment timeliness is the lowest for piped water (68 percent and 80 percent, respectively) and the highest for internet (82 percent and 89 percent, respectively). In the solid waste and electricity sector, 1 out of 4 households in the West Bank reports to at least sometimes face difficulties in paying service fees on time, compared to just 1 out of 7 households in Gaza.

Figure II-25: Timely Payment without Major Problems



64. Household wealth and satisfaction with both service quality and reliability, and LGU responsiveness are key drivers for citizen likelihood to pay on time for services. Figure II-26 shows the results from regressions measuring the average effect of several covariates on the probability that households report to pay for piped water and solid waste collection on time, when controlling for geographical attributes.³¹ Households that belong to the bottom 40 percent of the wealth distribution of the West Bank and Gaza, on average have 0.57 times and 0.64 times smaller odds to pay on time for piped water and solid waste collection services, respectively.

Figure II-26: Likelihood of Timely Payment: Piped Water and Solid Waste Collection Services



³¹ Estimates are from logit regressions of an indicator for timely payment for 1) Piped Water and 2) Solid Waste Collection, indicators for households that belong to the bottom 40 percent, are satisfied with service quality and reliability, and agree that their LGU is very responsive, the LGU performance score for piped water and solid waste collection, respectively, and for Gaza, and the north and south West Bank, and VCs.

Moreover, payment timeliness is strongly associated with citizens' perception of LGU responsiveness: households that are satisfied with the responsiveness of their municipality or VC to concerns and complaints, on average have 1.73 times and 1.76 times larger odds to report to pay on time for piped water and waste collection services. Both satisfaction with quality and reliability and the LGU performance score for solid waste collection correspond to statistically significantly higher likelihoods of timely payments in the solid waste sector.

III. Drivers of Service Delivery Performance



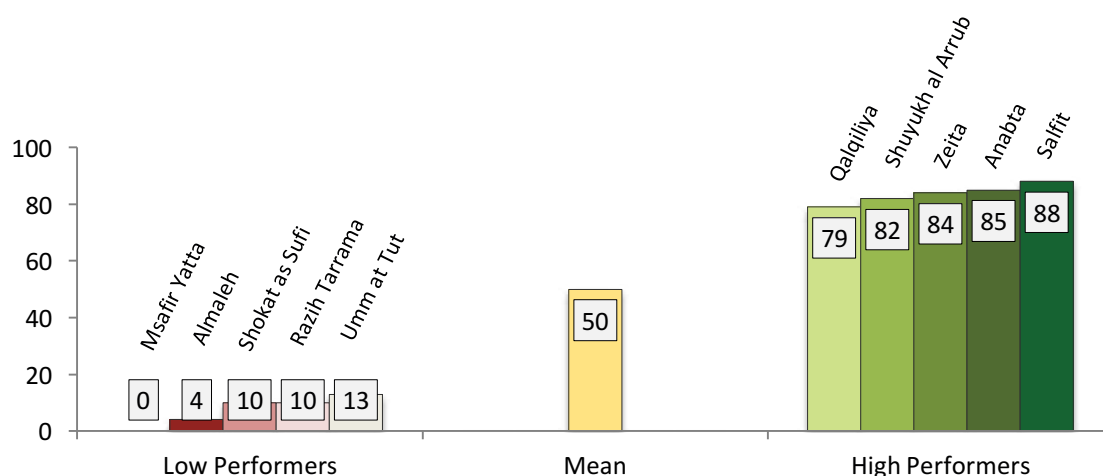
III. Drivers of Service Delivery Performance

3.1 The LGPA Performance Index

65. The LGPA Performance Index uses ten indicators to measure overall LGU performance in four sectors. The key objective of the LGPA performance index is to conduct comparisons of local government performance across all LGUs in the West Bank and Gaza, in order to gain better insights into the main drivers of service delivery and how to close existing gaps in LGU performance. The aim of the Index is to provide a tool for both policy makers and Development Partners to identify and target interventions in VCs and municipalities. Three dimensions are used to construct a comprehensive measure: methodologically, the LGU performance is modeled as a Cobb-Douglas-style function, taking into account citizen satisfaction with both service quality and reliability. The performance outcomes at the LGU level are weighted by the share of citizens with service access, thereby rewarding LGUs with higher access rates, while penalizing LGUs, in which only small shares of citizens are provided access to the core services.³²

66. Performance outcomes differ significantly across Palestinian LGUs. Figure III-1 illustrates that the LGU Performance Scores range from 0 to 88. LGUs in Gaza perform significantly lower than LGUs in the West Bank. Within the West Bank, LGUs in the central West Bank outperform LGUs in the north and south. Comparing differences between municipalities and VCs, municipalities perform better, also when ruling out differences in LGU size. The following sections review in more detail what drives Palestinian Local Government Performance.

Figure III-1: LGU Performance Index: High and Low Performers



67. Large differences in LGU performance across regions and between municipalities and VCs exist. The lowest performing VC is Msafir Yatta in the West Bank, where citizen lack access to all of the four key services; the highest performing municipality is Salfit, where the vast majority of citizens has access to all four key services and is satisfied with both service quality and reliability. Chapter 3 aims to

³² The LGU Performance index for LGU i can be written as $LGU\ Performance\ Score_i = Access_i (Quality_i \times Reliability_i)$, where Access refers to the share of citizens in LGU i that has service access, and quality and reliability to the share of households that is satisfied with service quality and reliability, respectively. The sub-index for local roads is based on the access rate only.

identify the drivers of the substantial variation in LGU performance, by conducting a regression-based assessment of key LGU characteristics starting with geography and administrative setup (West Bank/Gaza, urban/rural, remoteness) (Chapter 3.2).

68. Economies of scale, household wealth, and population density drive better service outcomes in larger LGUs and municipalities. Larger LGUs perform significantly better, particularly when comparing VCs in the central West Bank. The effect is not as pronounced in Gaza and for municipalities. Moreover, LGUs with higher population density have on average better performance ratings. Finally, service delivery outcomes are driven by a strong wealth gradient at the household level (Chapter 3.3).

69. Mayors and citizen frequently refer to the impact of Area C and restrictions on movement when explaining service delivery outcomes deficits. The results show that households in Area C or close to the separation barrier are less likely to have access to basic services. Moreover, satisfaction with quality and reliability of core services is also notably lower in Area C and near the barrier. Finally, Area C is associated with lower LGU Performance Scores, even when controlling for important drivers of performance, such as remoteness and LGU size (Chapter 3.4).

70. Joint service provision can serve as a tool of improving service delivery outcomes, particularly for small and remote VCs. Excessive fragmentation of local service delivery is a key challenge for public services in the West Bank and Gaza: 163 VCs, corresponding to more than a third of the LGUs in the Palestinian territories, have a population of 4,000 or less, and 45 VCs below 1,000 even. As VCs have on average 40 percent less per capita operating revenues compared to municipalities, many lack the capacity that would enable them to serve as accountable and financially sustainable local governments. To affront LGU fragmentation, joint administrative structure in the form of JSCs, both among several small VCs and with municipalities, have increasingly become a viable solution for meeting existing development needs and improving service delivery. While the number of active and functioning JSCs is still limited, overall JSC membership seems to benefit individual LGUs. For example, membership in a JSC for planning and development corresponds to strong performance gains, particularly for VCs. For more specified services, institutional capacity and professional management of individual JSCs become more important, however membership can significantly drive service delivery performance. For example, in the water sector, JSC membership does not guarantee satisfactory service delivery outcomes across JSCs, but remarkable performance gains can be observed, e.g., in Jenin (Chapter 3.5).

71. As budgets are insufficient to fulfill the functions assigned to LGUs, improving collection efficiency is of major importance to improve public service delivery. Fiscal sustainability is shown to be a key driver of LGU performance, critically affecting the ability of LGUs to provide services. Overall, per capita revenues are strongly associated with higher LGU performance and a robust relationship between per capita expenditures and LGU performance exists, disproportionally constraining smaller LGUs and VCs due to their limited revenue base and institutional capacity. Given that the largest share of LGU revenues, about half of municipalities' revenues and two thirds of VCs' revenues, come from the enterprise budget primarily made up by bills paid for public utility services including water and electricity, assessing and improving collection efficiency is a crucial step towards more sustainable LGU financing (Chapter 3.6).³³

72. Low satisfaction with LGU responsiveness and limited levels of political engagement are strongly associated with lower performance outcomes. This leaves room for improvement in LGU responsiveness to citizens' complaints and concerns. In the literature on citizen engagement, government responsiveness is often named the key determinant for citizens' participatory behavior and believed to be a pre-condition for encouraging responsible citizenry, regaining trust in government, and enhancing

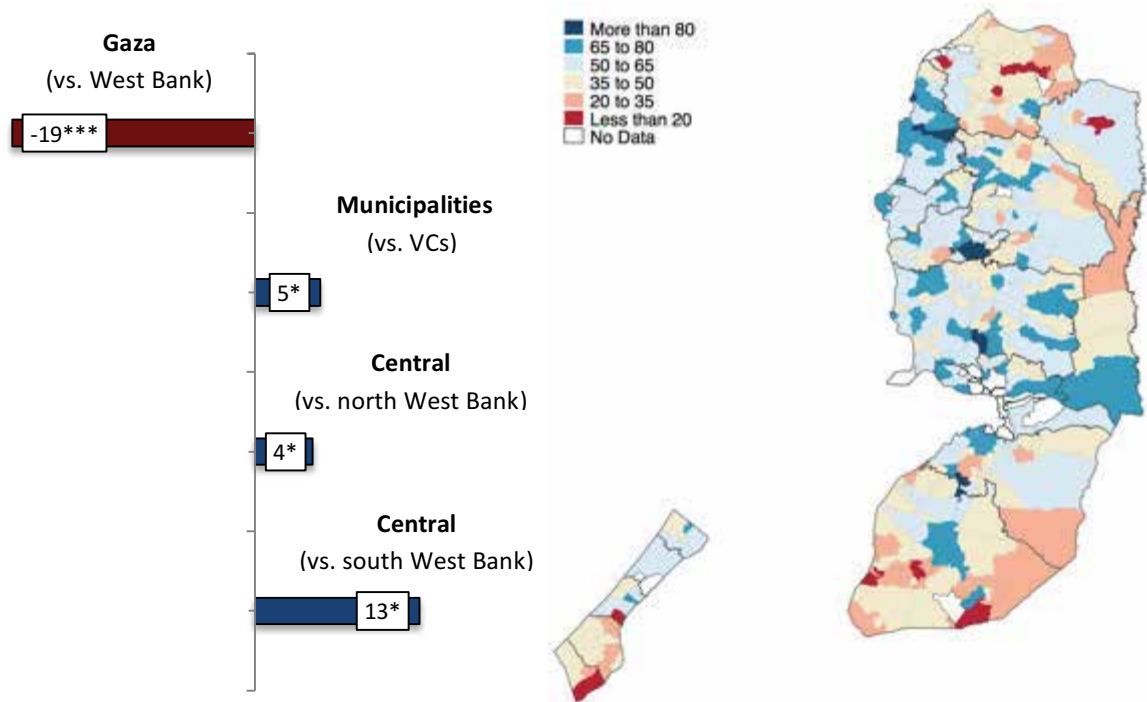
³³ World Bank. 2016. Public Expenditure Review – Palestinian territories.

political participation. A third of the households in the Palestinian territories do not believe that its local government is very responsive to citizen concerns and complaints. As a consequence, equally high shares of citizens do not believe that local elections can positively impact service delivery outcomes and indicated that they do not plan to vote in the next municipal elections. Given that LGU responsiveness and citizen participation indicators are strongly associated with better LGU performance, addressing the disinterest of major shares of the Palestinian population in participating in their local political system is a key factor for improving service delivery (Chapter 3.7).

3.2 Geography and Administrative Set-up

73. A large performance gap between the West Bank and Gaza, and across regions in the West Bank exists. LGUs in the West Bank on average have a 19-point higher performance score than LGUs in Gaza, even when accounting for performance differences attributable to population size and LGU type.³⁴ The size of the remaining performance gap is striking, particularly given that access rates for piped sewage are significantly higher in Gaza than in the West Bank. Also when comparing performance outcomes across regions in the West Bank, while controlling for both LGU size and status (municipalities and VCs), ample performance differences become visible: LGUs in the north West Bank have a 4-point lower performance score than LGUs in the central West Bank, and the performance gap between LGUs in the central and south West Bank amounts to 13 points.

Figure III-2: Differences in LGU Performance across Regions and LGU Types



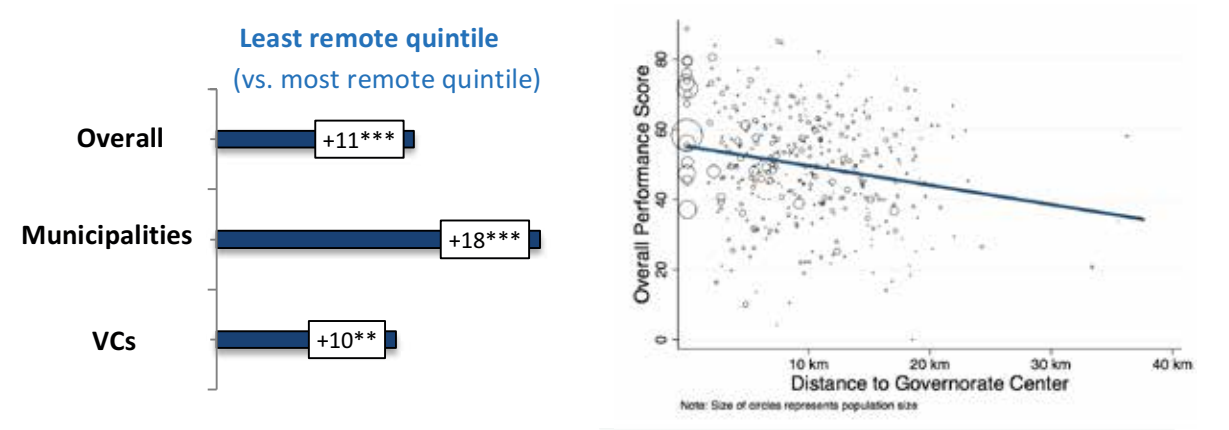
74. Municipalities perform better than VCs, also when ruling out differences in LGU size. Holding LGU size fixed, municipalities on average have a 5-point higher LGU performance score than VCs, when controlling for geographical differences in LGU performance between Gaza and the north, central, and south West Bank. It is important to point out that in the given analytical framework, this performance

³⁴ Estimates are from OLS regressions of the LGU Performance Score on the, the log of LGU population (based on PCBS 2016 projections) and indicators for Gaza, the north and south West Bank, and VCs.

difference goes beyond a pure size effect, underlining that a more in-depth analysis is crucial to determine the factors that drive the performance gap between municipalities and VCs.

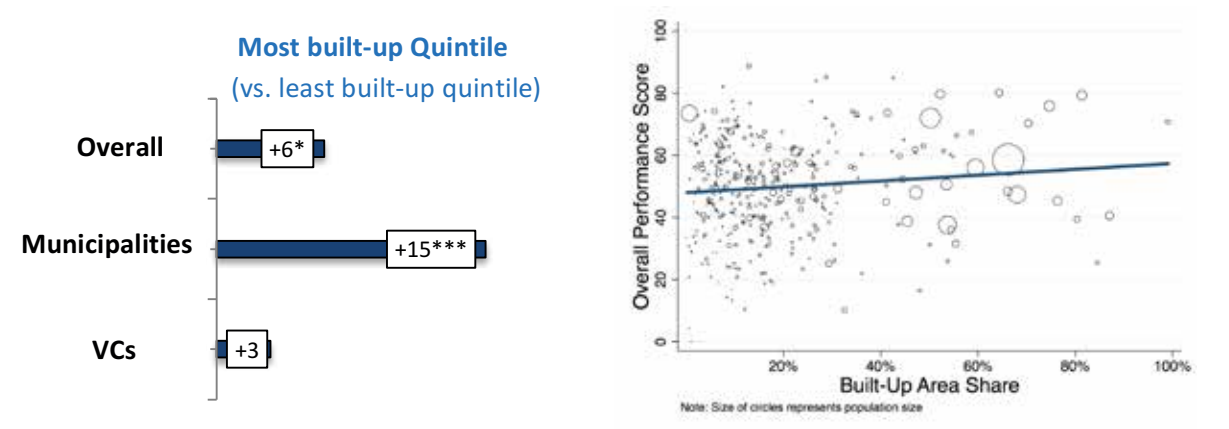
75. Remote LGUs perform significantly lower. While 1 out of 5 Palestinian LGUs is within a 5 km radius of its governorate capital, and more than half are 10 km or closer, the distance between the most remote VCs and its governorate capitals amount to more than 30 km. Using the geographical spread of LGUs relative to their governorate as remoteness proxy reveals a strong correlation with service delivery outcomes: the 20 percent most remote LGUs on average perform 11 points lower than the least 20 percent.³⁵ The effect is statistically more significant and more pronounced in municipalities (18 points) than in VCs (10 points).

Figure III-3: Remoteness - Distance to Governorate Center and LGU Performance



76. The correlation between built-up LGU area and performance is positive but moderate. Using built-up LGU area share as proxy allows for an analysis of the relationship between the degree of urbanization and service delivery outcomes. Across the Palestinian territories, the share of LGU built-up area ranges from 0.2 percent in the least urbanized VC, Marj al Ghazal in Jericho, to more than 99 percent in Ad Doha in the West Bank.³⁶

Figure III-4: Remoteness - Built-Up Area and LGU Performance



³⁵ Estimates are from OLS regressions of the LGU Performance Score on the distance between the LGU and Governorate center, the log of population and indicators for Gaza, the north and south West Bank, and VCs.

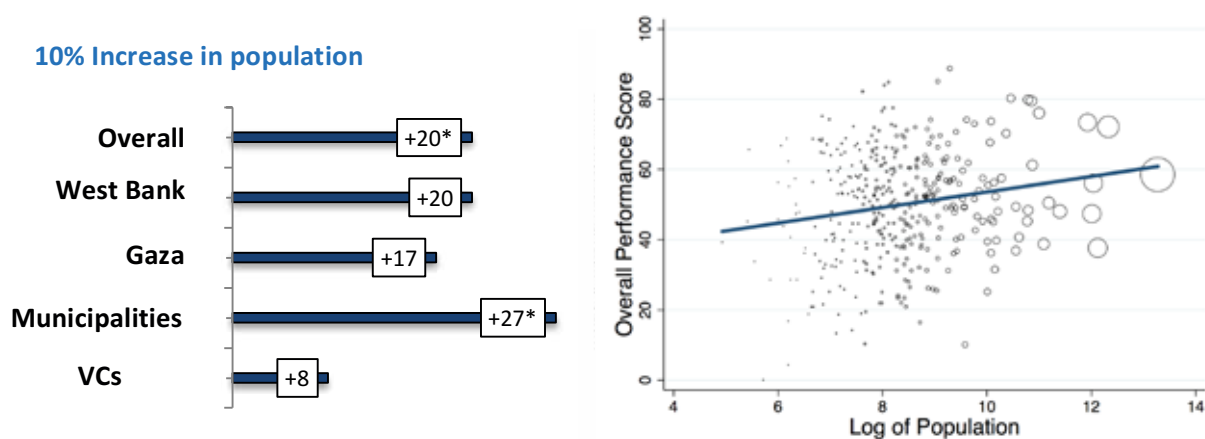
³⁶ The built-up area classification follows the GeoMOLG definition and includes all buildings in LGUs. In some instances, small un-populated areas that are enclosed by built-up areas are included.

The second proxy for remoteness indicates that a statistically significant negative relationship between LGU remoteness and performance outcomes exists.³⁷ A 10 percentage point higher share of LGU area that is covered by built-up constructions corresponds to a 5.7-points higher performance score. Similar to the population density and distance to governorate capital proxies, the effect is stronger and statistically significant only among municipalities.

3.3 Population Size, Density, and Wealth

76. Larger LGUs perform significantly better, particularly when comparing VCs in the central West Bank. Across LGUs in the West Bank and Gaza, a 10 percent increase in LGU population on average corresponds to a 20-point higher LGU performance score, when controlling for regional differences in LGU performance between Gaza and the north, central, and south West Bank, and between municipalities and VCs.³⁸ The results suggest that the marginal effect of LGU size on performance outcomes in the four core sectors is higher in the West Bank than in Gaza, and stronger among municipalities than VCs.

Figure III-5: LGU Population and Performance



77. Population density is strongly associated with performance outcomes. Figure III-6 shows the results from regressions assessing the relationship between LGU performance and remoteness, proxied by population density, when holding population size and geographical attributes fixed.³⁹ Population density varies substantially across Palestinian LGUs, ranging from less than 4 in the small VC Marj al Ghazal in the Jericho Governorate, to more than 11,000 people per square km in Gaza City. In more than 75 percent of LGUs in the West Bank and Gaza, the average population per square km is less than 1,000, and in 34 municipalities and VCs, it is below 100. These wide gaps are severely affecting service delivery outcomes, as population density and LGU performance are strongly correlated: the most populated 20 percent of LGUs on average perform 6.2 points higher than the least populated 20 percent of LGUs. Assessing differences in the effect by municipalities and VCs, the performance difference is stronger across municipalities (20 points) than VCs (7 points), and statistically more significant for municipalities. This is due to the 40 times higher standard deviation in population, and more than 5 times higher standard deviation in population density across municipalities. Overall on average, a 1 percent increase in population density corresponds to a 3.3-points higher performance score.

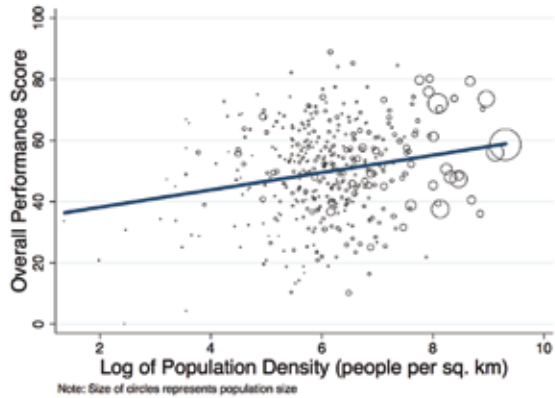
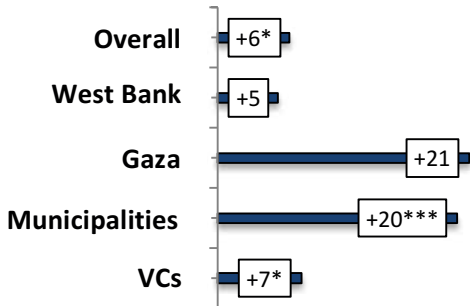
³⁷ Estimates are from OLS regressions of the LGU Performance Score on the share of built-up LGU, the log of population and indicators for Gaza, the north and south West Bank, and VCs.

³⁸ Estimates are from OLS regressions of the LGU Performance Score on the log of LGU population (Based on 2016 population projections by the PCBS), and indicators for Gaza, the north and south West Bank, and VCs.

³⁹ Estimates are from OLS regressions of the LGU Performance Score on the log of people per square kilometer LGU area, controlling for the log of population and including indicators for Gaza, the north and south West Bank, and VCs.

Figure III-6: Population Density and Performance

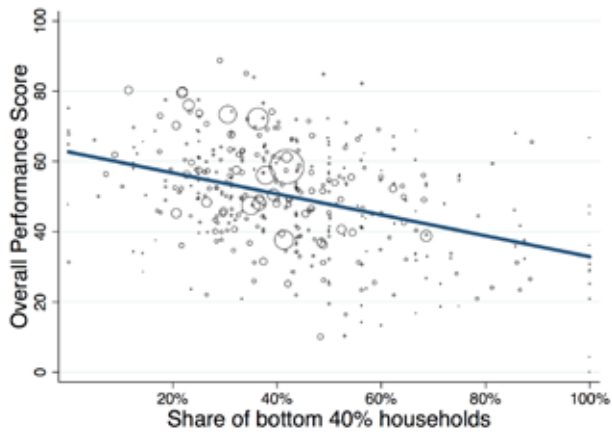
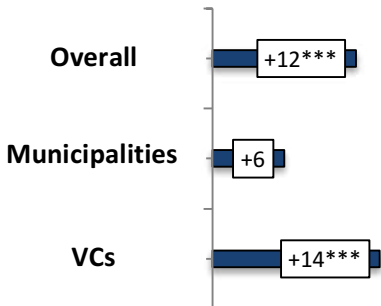
Most densely populated quintile
(vs. least densely populated quintile)



78. A strong positive relationship between household wealth and LGU performance exists. Figure III-7 shows the results of regressions measuring the association between the share of households that belong to the bottom 40 percent of the wealth distribution and LGU performance, when controlling for LGU size and regional effects.⁴⁰ The quintile of LGUs with the lowest share of the bottom 40 percent households, on average has a 12-points higher performance score, compared to the top quintile. On average, a LGU with a 1 percent higher share of bottom 40 percent households has a 2.4-points lower performance score. The wealth gradient exists in both the West Bank and Gaza but is statistically significant in the West Bank only. The effect is largely driven by an urban-rural gap in wealth levels: the share of bottom 40 percent households is notably larger in VCs than in municipalities.

Figure III-7: Household Wealth and LGU Performance

Quintile with lowest share of poor households
(vs. quintile with highest share)

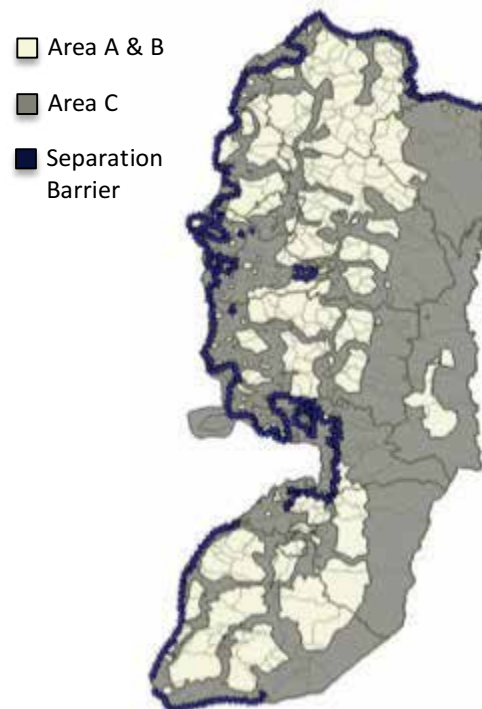


⁴⁰ Estimates are from OLS regressions of the LGU Performance Score on 1) the share of households belonging to the bottom 40 percent of the wealth distribution, controlling for the log of population and including indicators for Gaza, the north and south West Bank, and VCs.

3.4 Area C and Separation Barrier

79. Area C provides a number of barriers to the provision of services for the Palestinian citizens living in the West Bank. Sixty-one percent of the West Bank, Area C, is under complete Israeli military administration and authority. Any construction or maintenance work in these areas requires a permit and approval from the ICA, which is extremely difficult, often impossible, to obtain.⁴¹ The Israeli control of Area C and the inability to carry out legal construction there have direct impacts on service provision. Palestinians living in Area C, numbering approximately 279,000⁴², have less access to services, and poorer quality for those available. They rely on outdated, deteriorated infrastructure and, when granted, the limited number of additions and upgrades, which are wholly insufficient to address Palestinian's needs. According to the latest West Bank and Gaza WASH Poverty Diagnostic⁴³, households in the West Bank unconnected to water are largely in Area C, where movement and access restrictions prevent network connections. It is estimated, that over 100,000 Area C residents do not have water network access.

Figure III-8: Area C and Separation Barrier



80. Service provision in Areas A and B of the West Bank is also highly constrained by Area C restrictions. The remaining 39 percent of the West Bank is spatially divided into an archipelago of urban and peri-urban land pockets territorially disconnected from one another by Area C. Integrated service networks across LGUs are difficult to establish due to the inability to physically connect infrastructure across Area C. Local councils and line ministries are unable improve or maintain service networks, or install needed infrastructure in areas affected by Area C. This includes lands within LGUs categorized as Area C and Area C lands between and dividing LGUs. (See Box III-1) Typical urban development needs and best practices become untenable, for example: (i) the establishment of access and ring roads to connect LGUs, ease traffic, facilitate solid waste collection; (ii) installation of water and sewage pipes in line with the physical natural environment (e.g. along slopes); (iii) upgrade and/or repair of faulty or broken network lines affecting the entire network and quality of service provision; and (iv) the establishment of and connections to service treatment plants. The separation barrier exacerbates the situation by creating additional physical barriers (e.g. concrete wall, double fencing, ditches) between LGUs severing natural and historical connection routes. LGUs and line ministries are prevented from building on economies of scale to improve service delivery in areas heavily permeated by Area C.

81. The PA, line ministries, and LGUs also lose out financially due to Area C. Under the 1995 interim agreement, the ICA is expected to collect revenues and taxes in Area C and remit them to the PA, including property tax, income tax, and VAT from individuals and businesses operating in Area C.⁴⁴ Although the ICA continues collecting these taxes from Palestinians in these areas, it does not remit them

⁴¹ UNOCHA. 2009. Restricting Space: The Planning Regime Applied by Israel in Area C of the West Bank.

⁴² UNOCHA. 2013. In the Spotlight: Area C Vulnerability Profile. The Vulnerability Profile Project (VPP).

⁴³ World Bank. 2017. West Bank and Gaza WASH Poverty Diagnostic.

⁴⁴ World Bank. 2016. Economic Monitoring Report to the Ad Hoc Liaison Committee.

to the PA. Property tax in particular represents one of few taxes and revenues shared with LGUs, and Area C deprives them of the potential increased source of revenue, which is sorely needed. The situation of Area C also discourages private sector investment in public infrastructure projects and service provision PPPs, such as solar panel projects, large scale road projects, and service treatments plants. A 2015 PPP assessment found that the restrictions on access, control over natural resources, land management, and permitting particularly in Area C pose significant challenges to the development and implementation of infrastructure PPPs.⁴⁵ LGUs and line ministries as a result miss out from service provision alternatives which would ease the financial burden on them.

Box III-1: Rawabi City Development Constraints from Area C⁴⁶

Rawabi is a new, planned city north-west of Ramallah, and the largest real estate investment ever made in the Palestinian territories. It was built almost entirely in Area A (95%), however, the development of the city faced a number of constraints to establishing service connections related to Area C. The project's investors along with the PA and the international community spent much political capital to obtain a temporary permit from the ICA for the main access road to the south of the city, which runs for 3.8km through Area C. The permit must be renewed every year, and the temporariness of the permit creates uncertainty over the future access to the city. Other utility services are also affected, including water and waste water treatment. The water connection was drastically delayed and increased development costs significantly. Part of the 9 km stretch connecting Rawabi to the existing piped system (in the village of Aboud) lies in Area C. Rawabi applied for a permit through the Joint Water Committee, but waited six years to receive approval, and the opening of the city was delayed for two years. Also, the most efficient solution for the waste water treatment for the city would be a regional waste water treatment plant servicing 18 villages around the area. This plant would allow the exploitation of economies of scale, which are key for this type of utility. However, the site where the plant should be located is in Area C, which would require permit from the ICA.

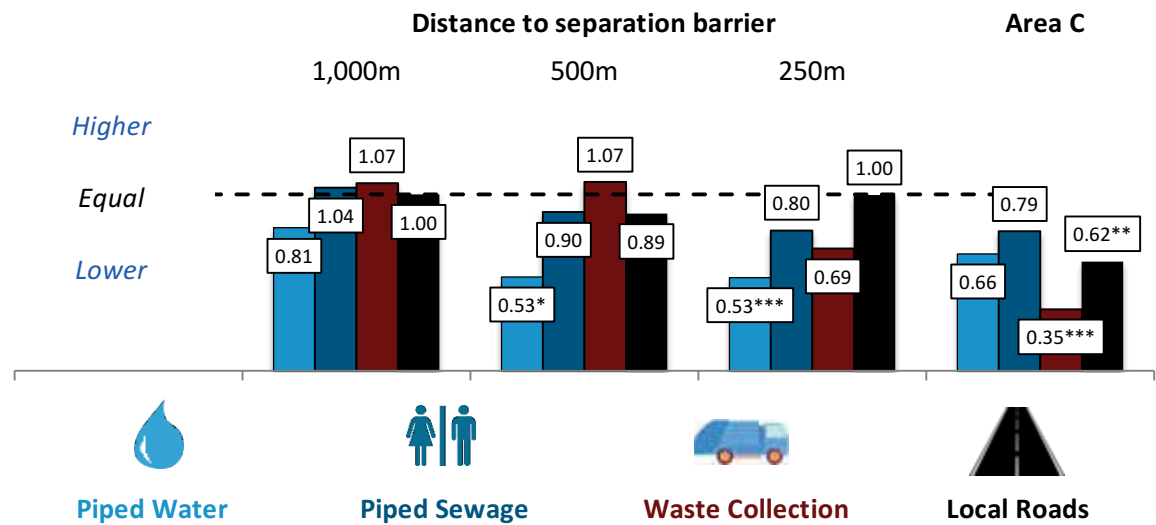
82. Households living in Area C or close to the separation barrier are less likely to have access to basic services. Figure III-10 show the results of regressions measuring the likelihood of service access and satisfaction of households that are impacted by the Israeli restrictions, proxied by proximity to the wall and a dummy for Area C.⁴⁷ When comparing the likelihood of service access for households that live within a 1km radius of the separation barrier, the models do not yield statistically significant coefficients. However, when narrowing the distance, significant differences in the water sector emerge: households that live within a 500m or even 250m distance are on average just half as likely to have access to piped water, compared to households that live do not live as close to the barrier. This effect is statistically significant for both the entire West Bank sample, and the sub-sample of LGUs that are intersected by the barrier. While the coefficients for the Area C indicator suggest that on average, households living in Area C are less likely to have access to all of the four key services, only the indicator for solid waste collection yields a statistically significant result: households that live in Area C are only a third as likely to be covered by waste collection service.

⁴⁵ IFC/PPIAF. 2015. West Bank and Gaza - Assessing the Potential for Public-Private Partnerships.

⁴⁶ Adapted and updated from the report: World Bank. 2013. Area C and The Future of the Palestinian Economy.

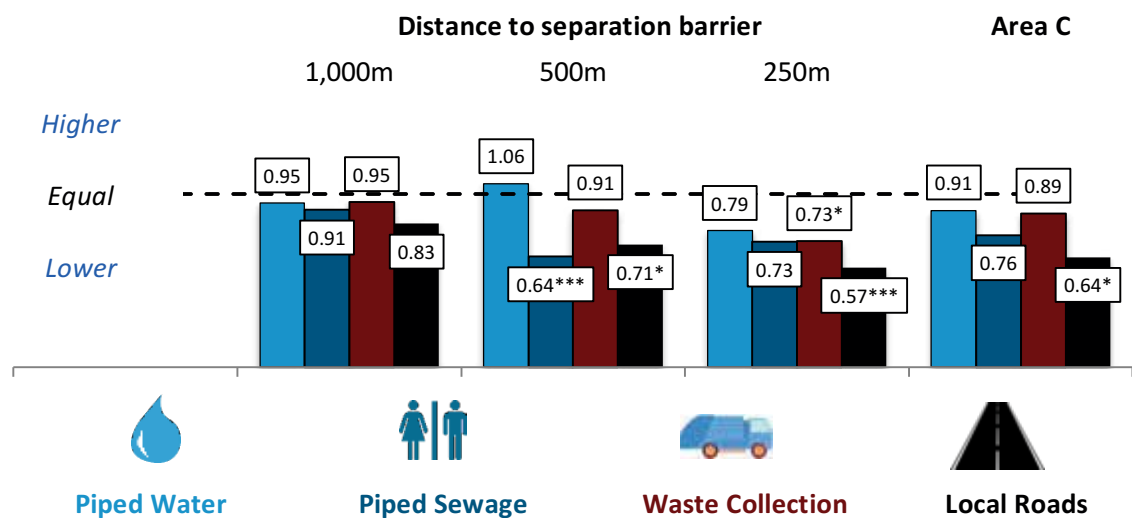
⁴⁷ Estimates are from separate logit regressions of an indicator for households A) with service access and B) that are satisfied with service quality and reliability, on indicators for LGUs that are 1a) 1km, 1b) 500m, 1c) 250m or closer to the wall, and 2) in Area C, the LGU performance index for the respective sector, and indicators for bottom 40 percent households, and the north and south West Bank. The sample is limited to households from the West Bank and standard errors clustered by Governorate.

Figure III-9: Area C and Separation Barrier: Likelihood of Service Access



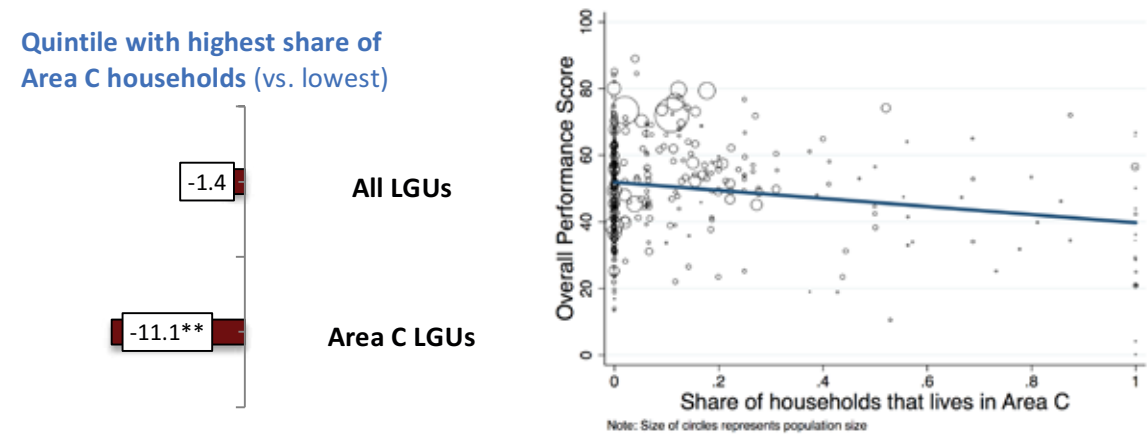
83. **Satisfaction with quality and reliability of core services is notably lower in households living in Area C or close to the barrier.** Similar to the models for service access, the effect of proximity to the separation barrier is not significant for households living 1km or closer to the wall. Among households that live within a 500m radius, however, the likelihood of satisfaction with the quality and reliability of piped sewage and roads is 38 percent and 28 percent lower, respectively. Reducing the range to 250m, the models yield significant results for both solid waste collection and local roads: households that live 250m or closer to the wall, on average are 28 percent less likely to be satisfied with the quality and reliability of solid waste collection services, and 41 percent less likely to be satisfied with local roads. Assessing the impact of Area C, the models suggest that households in Area C are also less likely to be satisfied with service quality and reliability. However, only the coefficient for the roads sector is statistically significant: households in Area C are 45 percent less likely to be satisfied with local roads.

Figure III-10: Area C and the Separation Barrier: Likelihood of Service Satisfaction



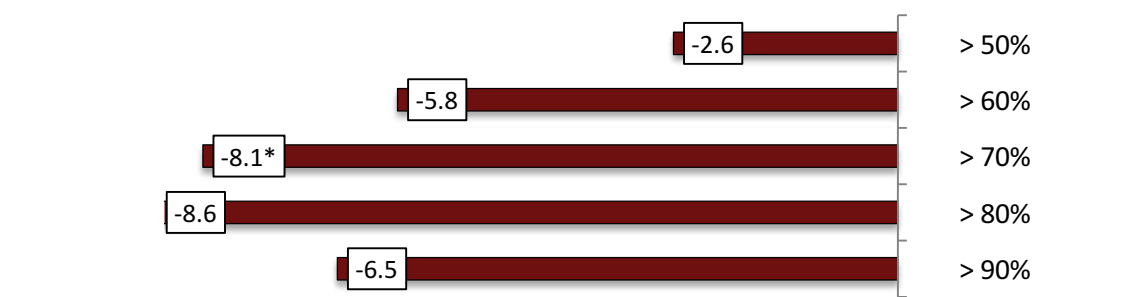
84. **Service delivery outcomes are significantly lower in LGUs with higher shares of households living in Area C.** Figure III-11 shows the results of regressions assessing the impact of Area C on LGU performance.⁴⁸ Comparing the 20 percent of LGUs with the highest share of households that live in Area C with the 20 percent with the lowest share, including LGUs that are not part of Area C, the regression results do not yield statistically significant performance differences. However, when limiting the sample to LGUs that at least partly belong to Area C, the regressions indicate that the quintile of LGUs with the highest share of Area C households on average perform 11.1-points lower.

Figure III-11: Share of Households in Area C and LGU Performance



85. **LGU performance is lower in LGUs with higher shares of built-up area that belongs to Area C.** Measuring the impact of Area C with the share of built-up LGU area that is part of Area C, notable differences in LGU performance are observed. The results suggest that higher shares of built-up LGU Area that is part of Area C correspond to lower performance outcomes. However, only when comparing LGUs with a share of Area C households higher than 70 percent with LGUs with a share below 70 percent, the regressions yield a statistically significant performance difference of 8.1 points.

Figure III-12: Share of Built-up LGU area in Area C and LGU Performance



86. **Mayors see service delivery further complicated by the external governance structure, especially for the water sector.** Many mayors report receiving water directly from the national water company of Israel, Mekorot. For example, the mayor of Salim reports that water from Mekorot “is delivered to us through a pipe that feeds three villages, Salim, Uzmout, and Deir al-Huteb. The Israelis control the amount of water we consume....we suffer especially in summer....there are households in Salim that do not receive water for 3-4 days a week.” In addition, maintenance is challenging in Gaza due to the 10-

⁴⁸ Estimates are from regressions of the LGU performance index on 1) the LGU quintiles for the share of Area C households, and 2) on 1c) 250m or closer to the wall, and 2) dummies for LGUs with shares of built-up LGU area that is higher than a) 50 percent, b) 60 percent, c) 70 percent, d) 80 percent, and e) 90 percent, indicators for the north and south West Bank, and VCs, the log of LGU population, and the log of the distance between a LGU’s center and its governorate capital.

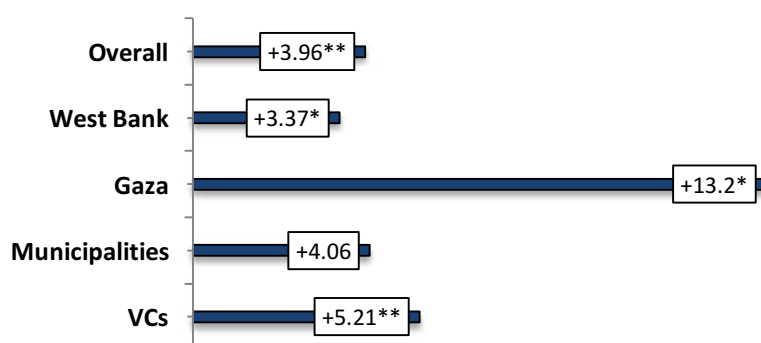
year-long Israeli blockade, which severely limits the availability of equipment and needed parts in the strip. As the Gaza City Director explained: *"We have 75 water wells which lack [...] spare parts."* The Mayor of Khan Yunis also mentioned that *"there are 2,500 water meters that are broken down and need replacement [...] however, the import restrictions for Gaza make it hard to obtain these parts and other equipment needed."*

3.5 Joint Service Councils Capacity

87. JSCs provide a promising means for addressing LGU fragmentation and improving service delivery outcomes, particularly in small and remote VCs. The 1997 LGA established the option for LGUs to join forces in planning and service provision under the umbrella of a JSC, aimed at scaling up access, quality, and reliability of local public services. Since 1997, more than 80 JSCs have been created. Broadly, there are three types of JSCs, either providing a single service, multiple services, or those being established for planning and development. A Joint Services Provision Assessment carried out by the Bank in 2015 identified that out of the 82 existing JSCs in the West Bank and the 10 JSCs in Gaza, only around 55 are active. Most of the active JSCs, i.e., 32 in total, are categorized as Planning and Development JSCs. 16 JSCs were established for solid waste management, and seven JSCs provide water supply and sanitation services. A respondent from the city of Khan Yunis spoke enthusiastically about the importance of JSCs and their positive impact on service delivery: *“I see the existence of JSCs as something important and useful...for example, [...] some services are better if we deal with them jointly such as waste collection which needs huge infrastructures, trucks, machines, and transfer stations.”*

88. Membership in a JSC can have significant impact on performance, particularly for VCs. Figure III-13 shows the results from regressions measuring the average impact of membership in a JSC for planning and development on LGU Performance Scores, controlling for both LGU size and geographical attributes.⁴⁹ Comparing outcomes between JSC-members and non-members across the West Bank and Gaza, the model yields strongly significant results, suggesting that JSC-members on average have a 3.96-points higher performance score. The performance gain is higher in Gaza, where LGUs on average perform 13.2-points higher when being a JSC-member, than for the West Bank, where LGUs see average performance gains of 3.37 points. Moreover, the average increase in performance for member LGUs is higher across VCs (5.21) than municipalities (4.06), and significant for VCs only.

Figure III-13: Joint Service Councils I: Membership in JSC for Planning & Development



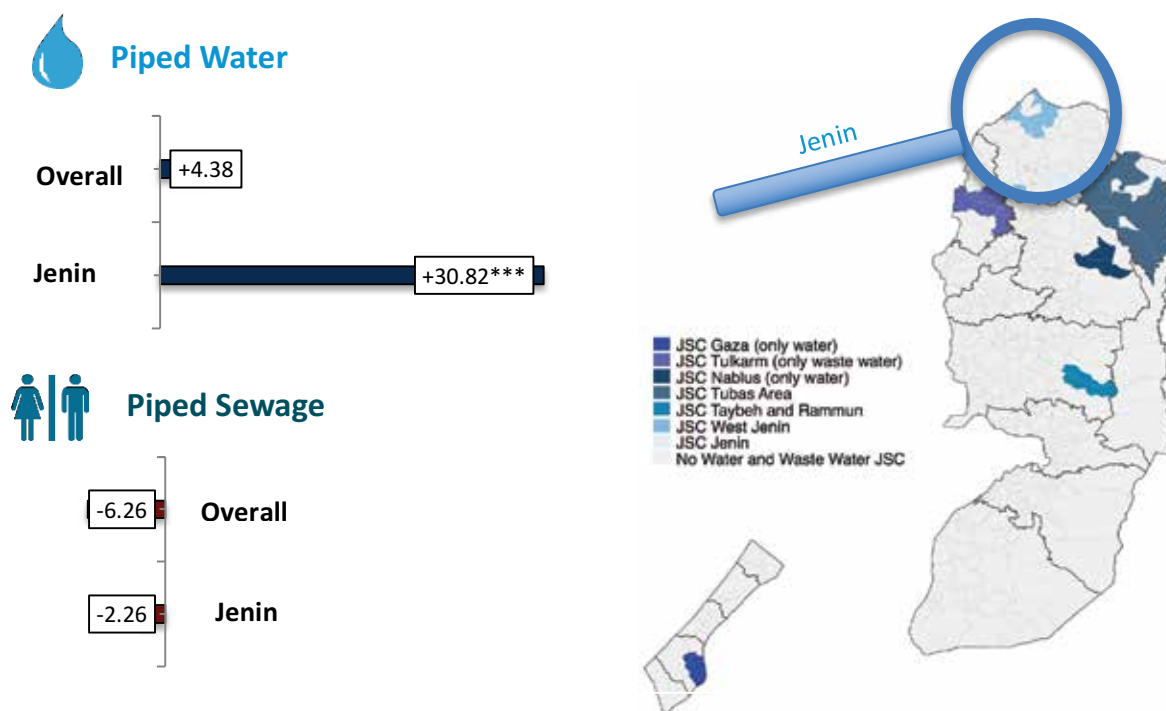
89. However, during interviews with mayors, much criticism was directed at JSCs. For example, the Mayor of Tamoun characterized his council experience with three separate JSCs – water, solid waste, and planning and development – as losing control over revenue generation and service delivery, while still being accountable to citizens: *“We are members of three JSCs; one for water, another one for solid waste, as well as a JSC for Planning and Development which is inactive...before we joined the Solid Waste JSC, we used to generate revenue for our town... but now the solid waste service causes a deficit. Our municipality is against these councils...”* A director from Khan Yunis was similarly critical and said: *“The*

⁴⁹ Estimates are from OLS regressions of the LGU Performance Score on an indicator for LGUs that are member of a JSC for planning and development, the log of LGU population (based on PCBS projections for the year 2016), and indicators for Gaza, the north and south West Bank, and VCs. Results from the second and third model use the same set-up but are limited to the sub-samples of 1) municipalities and 2) VCs.

Solid Waste JSC is a burden because we still have to provide bins, trucks and workers...[also] joining the council was not a matter of choice...as a municipality we had to become a member...however, average people do not know about it."

90. With increasing degrees of specialization, the technical and institutional capacity of JSCs drives service delivery outcomes. In the water sector, JSC-membership does not guarantee satisfactory service delivery outcomes. Figure III-14 shows the results from regressions measuring the average impact of membership in a JSC for Piped Water / Waste Water Management on LGU Performance Scores in the water and waste water sector, controlling for both LGU size and geographical attributes.⁵⁰ Comparing outcomes between JSC-members and non-members across the West Bank and Gaza, the model does not yield statistically significant performance differences in the piped water sector. However, when limiting the sample to the Jenin Governorate, where some LGUs belong to a JSC and others do not, JSC membership corresponds to a very strong and statistically highly significant performance gain in piped water outcomes. In the waste water sector in contrast, JSC membership is associated with significantly lower performance scores, when comparing all Palestinian LGUs. In Jenin, JSC members perform slightly lower than non-members, the performance difference is however statistically not significant.

Figure III-14: Joint Service Councils II: Membership in JSC for Water and Waste Water Management



91. In the solid waste sector, the effect of JSC-membership on performance outcomes varies across regions in the West Bank. Figure III-15 shows the results from regressions measuring the average impact of membership in a JSC for Solid Waste Management on LGU Performance Scores in solid waste collection, controlling for both LGU size and geographical attributes.⁵¹ Similar to the negative results of

⁵⁰ Estimates are from OLS regressions of the LGU Performance Score for 1) Piped Water and 2) Piped Sewage, on an indicator for LGUs that are member of a JSC for water and waste water management, the log of LGU Population (based on PCBS projections for the year 2016), and indicators for Gaza, the north and south West Bank, and VCs. The overall results use the entire sample of LGUs, while the regression for Jenin uses a sample that is limited to LGUs in Jenin Governorate.

⁵¹ Estimates are from OLS regressions of the LGU Performance Score for solid waste collection, on an indicator for LGUs that are member of a JSC for solid waste collection, the log of LGU Population (based on PCBS projections for the year 2016), and

the waste water sector, service delivery outcomes of JSC-members are significantly worse than in non-member LGUs. Focusing on differences in performance levels between Salfit, where virtually all LGUs belong to the same JSC, and Qalqilya, where no such association exists, JSC membership corresponds to a strong but not statistically significant performance gain in solid waste collection performance scores. When comparing Bethlehem and Hebron in contrast, mean performance levels of JSC-members and non-members are almost identical.

Figure III-15: Joint Service Councils III: Membership in JSC for Solid Waste



3.6 Fiscal Capacity

92. Revenue sources for LGUs are limited and public budgets fall short of their potential due to ineffective collection of fees and taxes. The main sources of revenue for LGUs are locally collected revenues comprised of: (i) user fees, such as payments for electricity, water, solid waste collection, and where applicable, public markets and slaughterhouses; (ii) local fees, such as building permits and fees for signs; and (iii) taxes. The economically most significant revenue sources, such as the property tax, professional permit fees, and transportation fees are collected and administered centrally by the PA. These revenues are subject to high deductions to offset municipal arrears for electricity and water fees, partly owed to Israel, lack transparency in the calculation, and are transferred in an ad-hoc and opaque manner, which poses a key constraint to LGU budgetary planning.

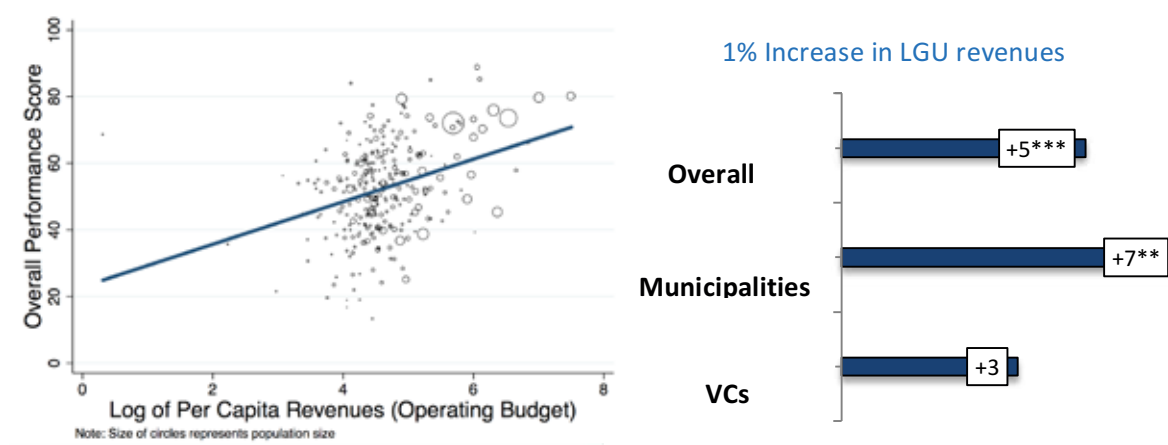
93. Financial sustainability of local service provision is a critical issue that affects LGUs ability to provide services in an accountable and efficient manner, disproportionately constraining VCs given their limited size, revenue base, and institutional capacity. VCs and municipalities share most of the locally collected revenue assignments. Nevertheless, pronounced horizontal disparities among LGUs and particularly between municipalities and VCs exist, largely because the Property Tax is not levied in VCs. As a result, VCs have on average 40 percent less per capita operating revenues compared to municipal-

indicators for Gaza, the north and south West Bank, and VCs. The first regression model uses the entire sample of LGUs, the sample of the second model is limited to Salfit and Qalqilya Governorates, and the third to Bethlehem and Hebron Governorates.

ities. In 2012 for example, per capita operating revenues were NIS63 for VCs and NIS165 for municipalities.⁵² While VCs receive a higher per-capita share of transfer funding due to reallocation of Transportation Fees, these funds do not fully compensate for the larger total per capita revenues municipalities receive. Overall, VCs lack a stable and predictable financing source that would allow them to meet existing development and capital investment requirements. While municipalities have access to funds provided by the MDLF, no systematic funding mechanism exists to finance investments in VCs. This leaves a funding gap for the majority of 266 villages and marginalized communities.

94. Per capita revenues are strongly associated with higher LGU performance. Figure III-16 shows the results from regressions measuring the average effect of LGU per capita operating revenues on LGU Performance Scores, controlling for both LGU size and geographical attributes.⁵³ The models yield highly statistically significant coefficients, emphasizing that LGU financing is a key driver for service delivery outcomes: a 1 percent increase in per capita operating revenues on average corresponds to a 4.5-points higher performance score. The effect is more pronounced among municipalities, where a 1 percent increase in per capita revenues is associated with an on average 6.5-point higher performance score.

Figure III-16: LGU Finance I: Per Capita Operating Budget Revenues



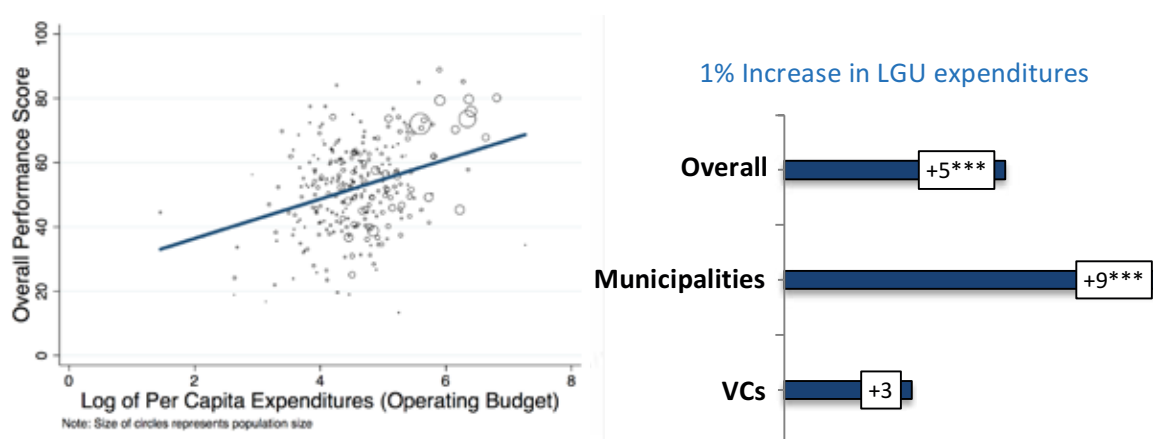
95. A robust, and even stronger relationship between per capita expenditures and LGU performance exists. Figure III-17 presents regression results, estimating the average impact of LGU per capita operating expenditures on LGU Performance Scores, controlling for LGU size and geographical attributes.⁵⁴ The expenditure model yields similar results as the revenue model, suggesting that both revenues and expenditures drive service delivery outcomes: the average effect of a 1 percent increase in per capita expenditures is a performance score increase of 5.2 points. Again, the effect is notably larger, and only statistically significant in municipalities.

⁵² World Bank. 2016. Public Expenditure Review – Palestinian Territories.

⁵³ Estimates are from OLS regressions of the LGU Performance Score on the log of per capital LGU operating budget revenues, the log of LGU Population (projections for the year 2016), and indicators for Gaza, the north and south West Bank, and VCs.

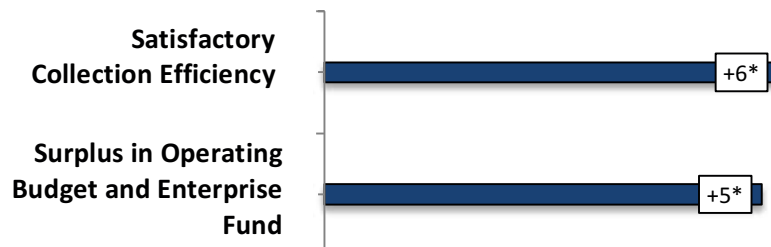
⁵⁴ Estimates are from OLS regressions of the LGU Performance Score on the log of per capital LGU operating budget expenditures, the log of LGU Population (projections for the year 2016), and indicators for Gaza, the north and south West Bank, and VCs.

Figure III-17: LGU Finance II: Per Capita Operating Budget Expenditures



96. **Financial sustainability is a key driver of LGU performance.** Going beyond operating budget expenditures and revenues, Figure III-18 shows the results from regressions measuring the role of fiscal sustainability, proxied by indicators for satisfactory collection efficiency and own revenue sources from the MDP-II, and a basic surplus in both operational and enterprise budgets, for municipality performance, when holding both population size and geographical attributes fixed.⁵⁵ Both models yield positive, and statistically significant coefficients: municipalities with satisfactory collection efficiency and own revenue sources, on average have a 5.6 higher performance score, and municipalities with a surplus in operational and enterprise budgets perform on average 5.4 points higher.

Figure III-18: LGU Finance III: Fiscal Sustainability



3.7 Governance and Accountability

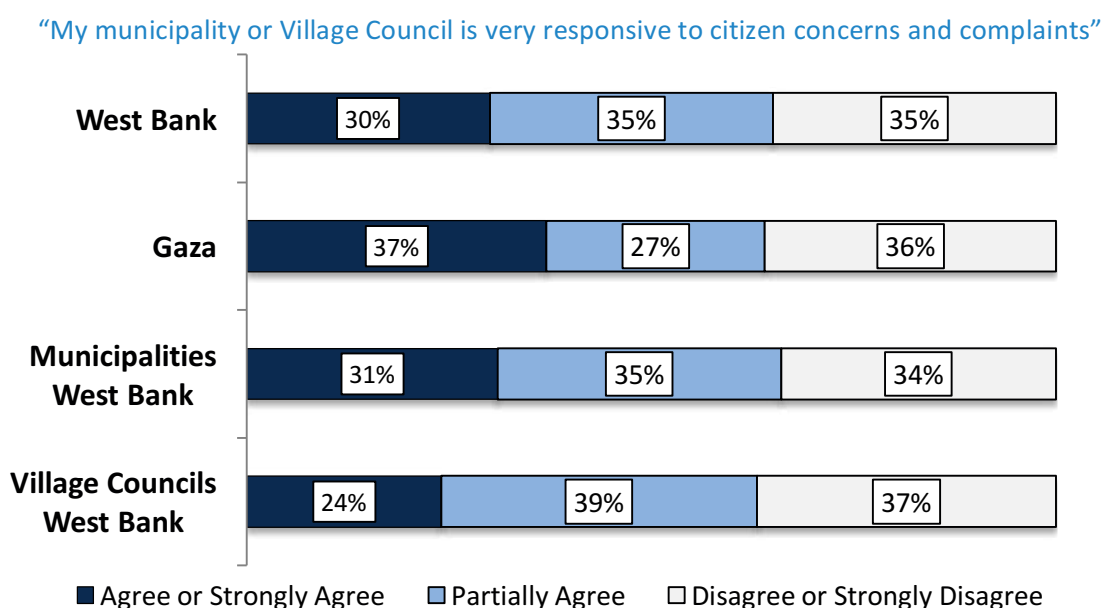
97. **Assessing the drivers of citizens' participatory patterns and enhancing local government responsiveness is crucial to increase accountability and improve service delivery outcomes.** Growing empirical evidence suggests that citizen interactions with local governments spur their efforts in achieving improved development results, such as sustainable public financial management, social inclusion and empowerment, and effective public service delivery.⁵⁶ Citizen involvement can come in the forms of participation in local governance and involvement in decision-making, information-exchange regarding service provision, or through grievance redressal.

⁵⁵ Estimates are from OLS regressions of the LGU Performance Score on indicators for 1) Satisfactory Collection Efficiency and 2) Surplus in Operating Budget and Enterprise Fund, as defined in the MDP-II, the log of LGU Population (2016 projections), and indicators for Gaza, the north and south West Bank, and VCs.

⁵⁶ World Bank. 2014. Strategic Framework for Mainstreaming Citizen Engagement in World Bank Group Operations.

98. Less than a third of Palestinian citizens agree that their LGU is very responsive to citizen concerns and complaints. Government responsiveness has been found to be a key factor for citizens' participatory behavior and believed to be a key driver for encouraging responsible citizenry, regaining trust in government, and enhancing political participation. In the Palestinian territories, overall satisfaction with the responsiveness of LGUs is low: the assessment found that less than a third of the households agree with the statement that their municipality or VC is very responsive to citizen concerns and complaints. While the number is slightly lower in the West Bank (30 percent) than in Gaza (37 percent), it varies substantially across governorates: in Tubas, only 1 out of 10 households agree that their LGU is very responsive, while in Tulkarm and Qalqilya almost half the households consider their LGU to be very responsive. Comparing satisfaction with responsiveness across LGU types in the West Bank, the share of households reporting to agree is higher in municipalities (31 percent) than in VCs (24 percent).

Figure III-19: LGU Responsiveness



99. Higher LGU responsiveness corresponds to better performance outcomes. Figure III-20 and Figure III-21 show the results from regressions measuring the average impact of two proxies for LGU responsiveness when controlling for both LGU size and geographical attributes.⁵⁷ The first model measures the effect of the share of households that have used a CSC; and the second model the share of households agreeing with the statement that their LGU is very responsive to citizen concerns and complaints. Both models yield statistically significant and positive coefficients for the responsiveness proxies, suggesting a positive relationship between LGU responsiveness and service delivery outcomes at the LGU level. The average performance of the quintile of LGUs with the highest share of households reporting that their LGU is very responsive to citizen concerns and complaints on average perform 16.4 points higher. Correspondingly, LGUs in the quintile with the highest share of citizens who used CSCs, including OSSes, on average have a 5.39 higher performance score.

⁵⁷ Estimates are from OLS regressions of the LGU Performance Score on a) the log of the share of households that used a citizen service center, and b) the log of the share of households that agree that their LGU is very responsive, including indicators for Gaza, the north and south West Bank, and VCs, and the log of population.

Figure III-20: Usage of Citizen Service Centers and Performance

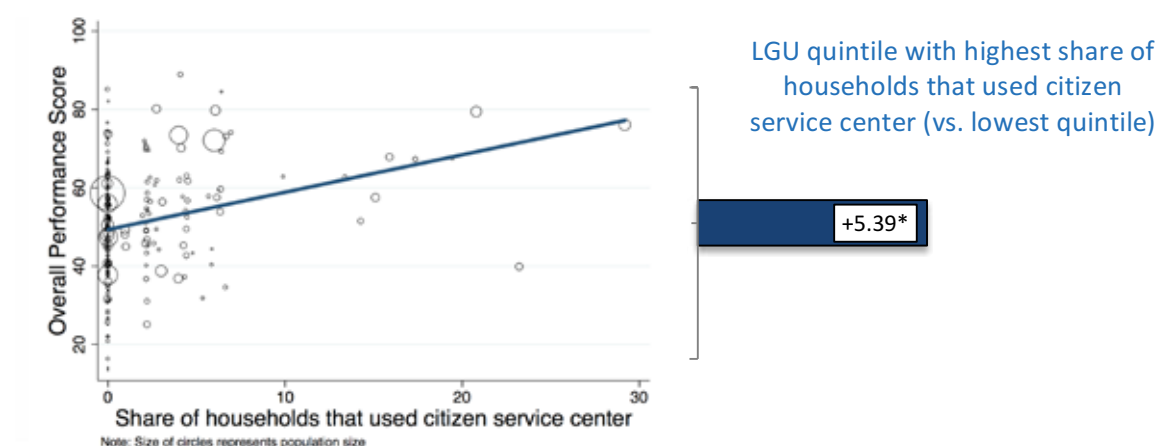
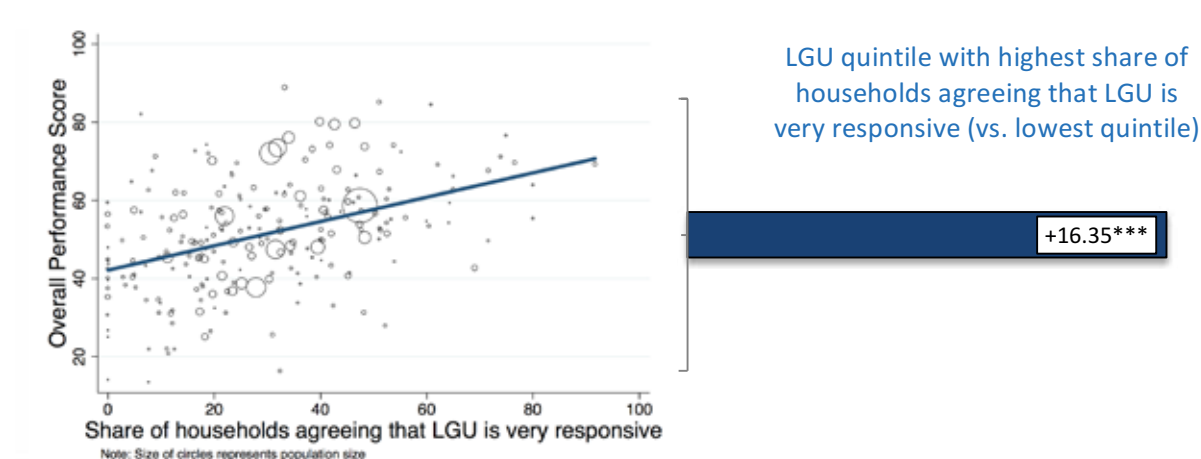


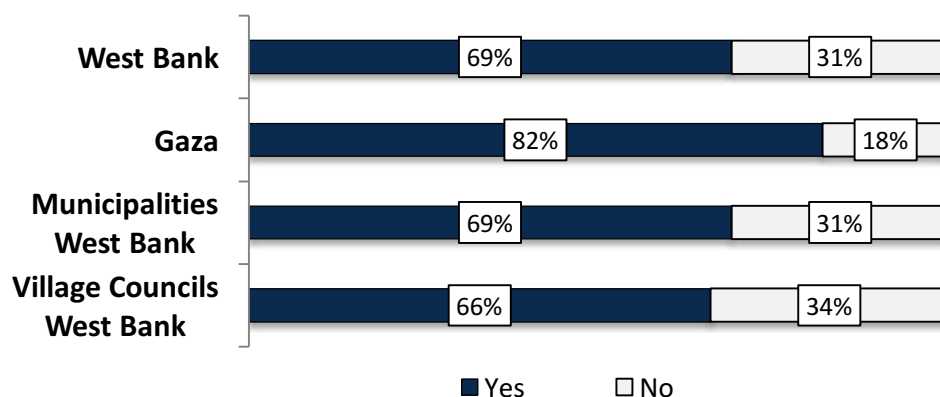
Figure III-21: LGU Responsiveness and Performance



100. **Almost 3 out of 4 Palestinian households think that voting in municipal elections can have a positive impact on local service delivery.** Household trust in the role of elections in service delivery differs significantly across the Palestinian territories. Figure III-22 shows that while in Gaza, 82 percent of the households believe in such a relationship, almost a third of the households in the West Bank do not think that voting and service outcomes are interrelated. Trust in the role of voting is slightly higher in municipalities (69 percent) than in VCs (66 percent), and in the Central West Bank (75 percent) than in the North (63 percent) and South West Bank (71 percent).

Figure III-22: Trust in the Role of Elections in Improving Service Delivery

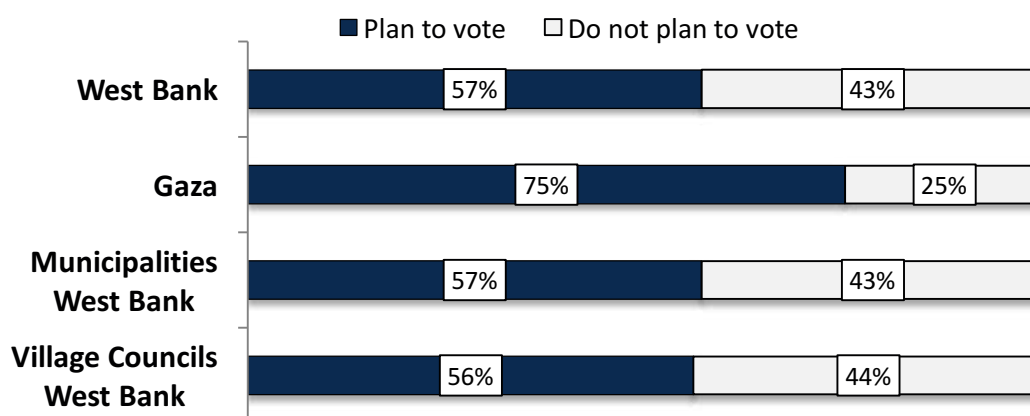
Can voting in municipal elections have a positive impact on service delivery?



101. Almost two thirds of Palestinian citizens report to plan to vote in the next municipal elections.

The willingness of households to vote in the next municipal elections differs significantly between the West Bank and Gaza (Figure III-23). At the time of the survey, in Gaza, 75 percent of households reported to plan to vote in the next municipal elections, compared to only 56 percent of the households in the West Bank. The result for the West Bank is very close to the actual turnout numbers observed both in the latest municipal elections in May 2017 (53.4 percent) and 2012 (52.15 percent). Across municipalities and VCs in the West Bank, the share of households that planned to vote in the latest municipal elections is similar at 56 and 57 percent, respectively.

Figure III-23: Participation in Future Elections



102. Citizen trust in the impact of voting on service delivery outcomes and willingness to vote in future elections are strongly associated with satisfaction of LGU responsiveness.

Figure III-24 and Figure III-25 indicate that citizens who are satisfied with LGU responsiveness on average report more often that voting has an impact on service delivery. Among the households who strongly agree that their LGU is very responsive, 86 percent believe that voting has an impact on public services; and among those who strongly disagree, only 59 percent think that the elections and services are connected. Moreover, among citizens who believe that voting in municipal elections influences service delivery outcomes, 80 percent plan to vote in the next election, compared to just 28 percent among those who think voting and public services are not related. Similarly, among households that strongly agree that their LGU is responsive to their concerns and complaints, 9 out of 10 plan to vote in the next municipal elections.

Among the households who are dissatisfied with LGU responsiveness however, only slightly more than half report they plan to participate in the next municipal election.

Figure III-24: LGU Responsiveness and Trust in Role of Elections for Service Delivery

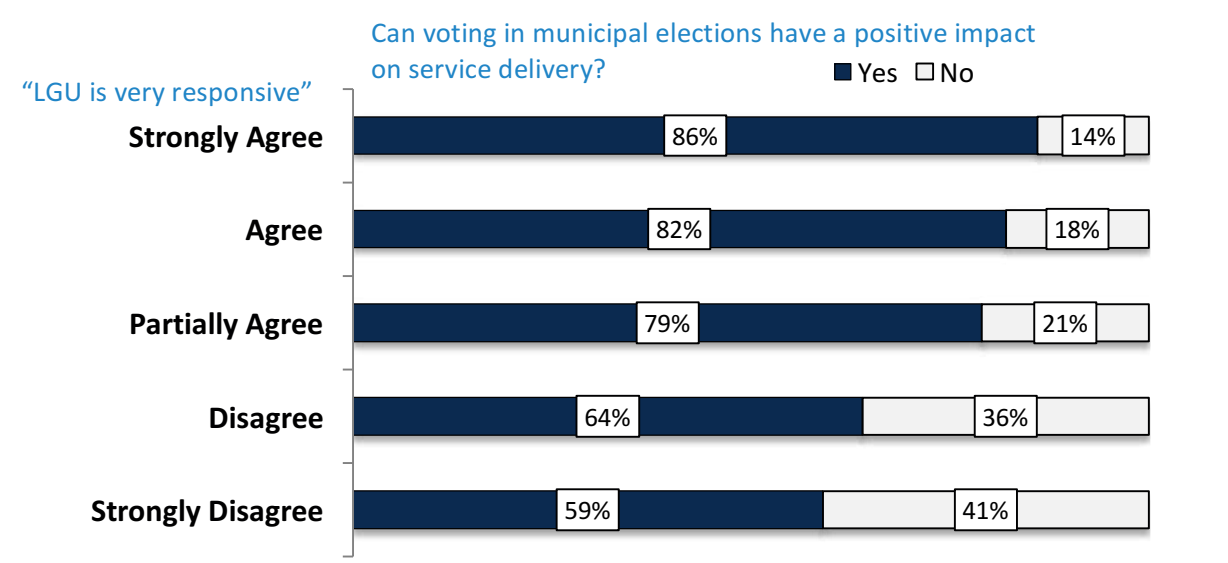
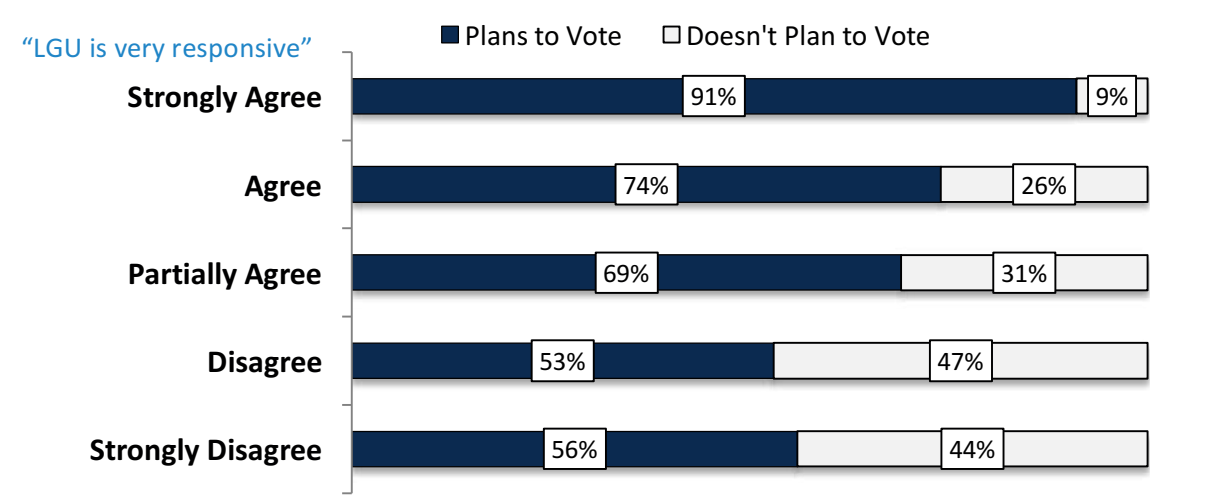


Figure III-25: LGU Responsiveness and Future Voting Behavior



103. The majority of households in the West Bank and Gaza are well-informed and satisfied with their level of knowledge on local service provision, however the knowledge about modes of service delivery is low. For each of the four services – piped water, piped sewage, waste collection, and electricity – only 1 out of 10 households reported the need to acquire information regarding access, maintenance, service quality or price during the last 12 months. The outlets used by citizens to seek information differ by service. For information regarding the electric grid connection, less than half of the respondents (48 percent) reported that they would contact the municipality/VC, while 55 percent would contact a public utility company. In turn, for piped water, piped sewage, and solid waste collection, the vast majority of households receive information from the municipality or VC (90 percent, 97 percent, and 98 percent, respectively). Interestingly, of the households that are covered by an active JSC for water and waste water, only 1 out of 3 reported that piped water is provided by a JSC. Accordingly, in LGUs where a JSC for solid waste collection is active, only 1 out 4 households reported solid waste collection services by a JSC.

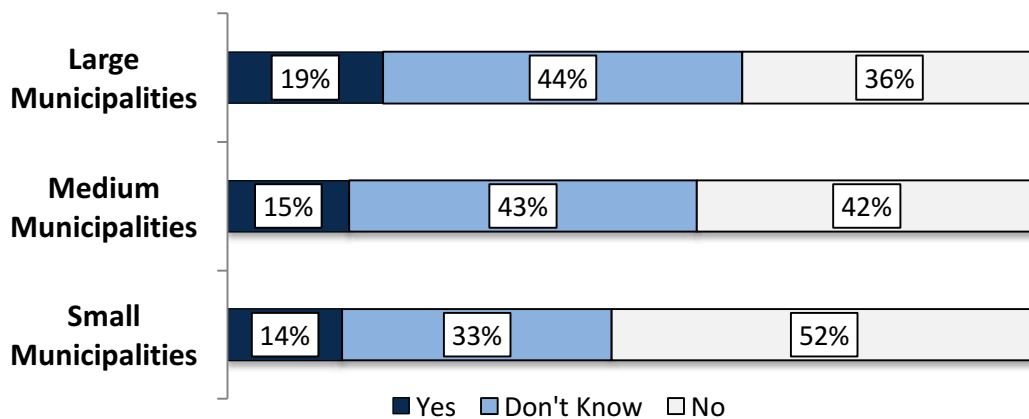
104. Mayors in larger cities in the West Bank emphasize the importance of existing feedback mechanisms. As the Mayor of Ramallah explained: *“We have a division for complaints at our Citizen Services Center. Each citizen can file a written complaint, and we address it within a known timeframe that depends on the nature of the complaint...we are committed to examine each complaint and let the citizens know about the decision...”* In the same context, the City Manager of Nablus uses a program to follow up how each department of the municipality deals with complaints received by phone. *“The program tells me how many complaints each division receives and how many of them have been dealt with by the relevant division...once I notice there is a delay from one of the divisions I call the supervisors there and urge them to speed up the process...”* Mayors also emphasized that citizens in large WB cities can file their complaints electronically through municipal websites and Facebook pages.

105. In comparison, due to the absence of CSCs in Gaza, municipalities depend on the traditional Qulem Al-Jomhour system, “Pen-of-the-Public”, to deal with citizen complaints. *Qulem Al-Jomhour* is a division in city halls or a window assigned to receive citizen written complaints and to refer them to relevant departments. For example, according to the City Director of Khan Yunis, *“An individual can file a complaint through Qulem Al-Jomhour...then it goes to the relevant division to be dealt with...at the end we send a text message to citizens updating them about their complaints.”* In the same context, Directors at Rafah municipality said that *Qulem Al-Jomhour* in that city is being “computerized” and “soon people will be able to write their complaints from home.”

Figure III-26: Knowledge about Existence of One-Stop-Shops

“Does your municipality/VC have a Citizen Service Center/One-Stop-Shop available?”

Sample: Municipalities, where One-Stop-Shop is available

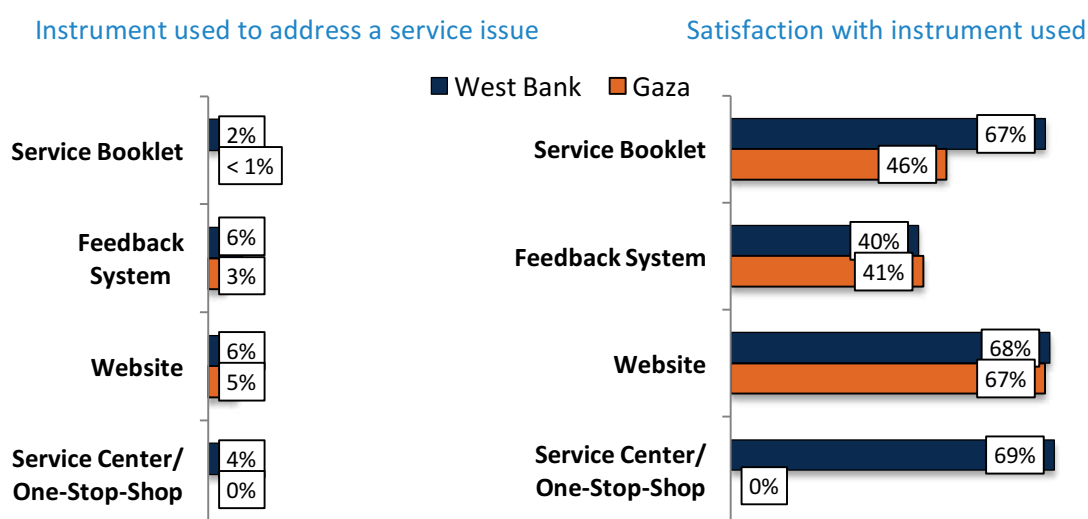


106. In LGUs that have a OSS, only 16 percent of households know about their existence, illustrating that citizens’ knowledge of available feedback instruments is very limited. Comparing LGUs in the West Bank in which a OSS exists, striking results about citizens’ information emerge. Only 16 percent of surveyed households report knowing that a CSC, including OSS, is available in their municipality, 37 percent report that they did not know whether a CSC exists, and 46 percent even report that they believe that no CSC is available. Knowledge about availability of a CSC is slightly higher in large municipalities, where at least 1 out of 5 households reports that an CSC exists, than in medium and small municipalities, where only about 15 percent of households report availability of an CSC.

107. Usage of feedback/complaint instruments across the Palestinian territories is very low, while levels of satisfaction are moderate. Only 16 percent of households in the West Bank and 8 percent of households in Gaza report to have used a CSC including OSS, the municipality's or VC's website, a feedback system of the LGU or service provider, or a service booklet to address a service issue. 6 percent of the households in the West Bank report to have used a feedback system or a LGU's website, compared to 3 percent and 5 percent in Gaza, respectively. While only 4 percent of households in the West Bank have used a service center, including OSSs, and just 2 percent a service booklet, no household in Gaza reports to have used a service center, and less than 1 percent a service booklet to address a service issue. Comparing satisfaction with feedback instruments in the West Bank, 2 out of 3 households that used service booklets, a website, or CSC were satisfied with the respective instrument to resolve service problems, while only 40 percent report satisfaction with LGU and service provider feedback systems. In Gaza, two-thirds of the households were satisfied with resolving a service issue through a complaint on their LGU's website, while less than half of households were satisfied with service booklets and feedback systems.

108. The majority of citizens who participated in qualitative FGDs expressed overall satisfaction with available mechanisms to resolve problems with public services. However, the degree of satisfaction among citizens is affected by how effectively local councils address submitted complaints. Citizens in larger West Bank LGUs expressed higher levels of satisfaction with complaint mechanisms and processes, especially when feedback timeframes are made public. Also, the qualitative analysis shows that the level of satisfaction is higher in LGUs where neighborhood committees are available as channels for citizens to file their complaints, especially in Gaza. Elected neighborhood committees tend to deal with complaints more effectively than appointed ones, according to respondents. Villages and small towns are inclined to adopt less institutionalized complaint mechanisms. They mostly use an "open-door" policy and encourage direct contact with mayors and council members and staff. However, even good complaints mechanisms cannot address all issues when resources are limited. As expressed by one mayor, it depends on the "the nature of the complaint, and the availability of resources determine how we deal with it."

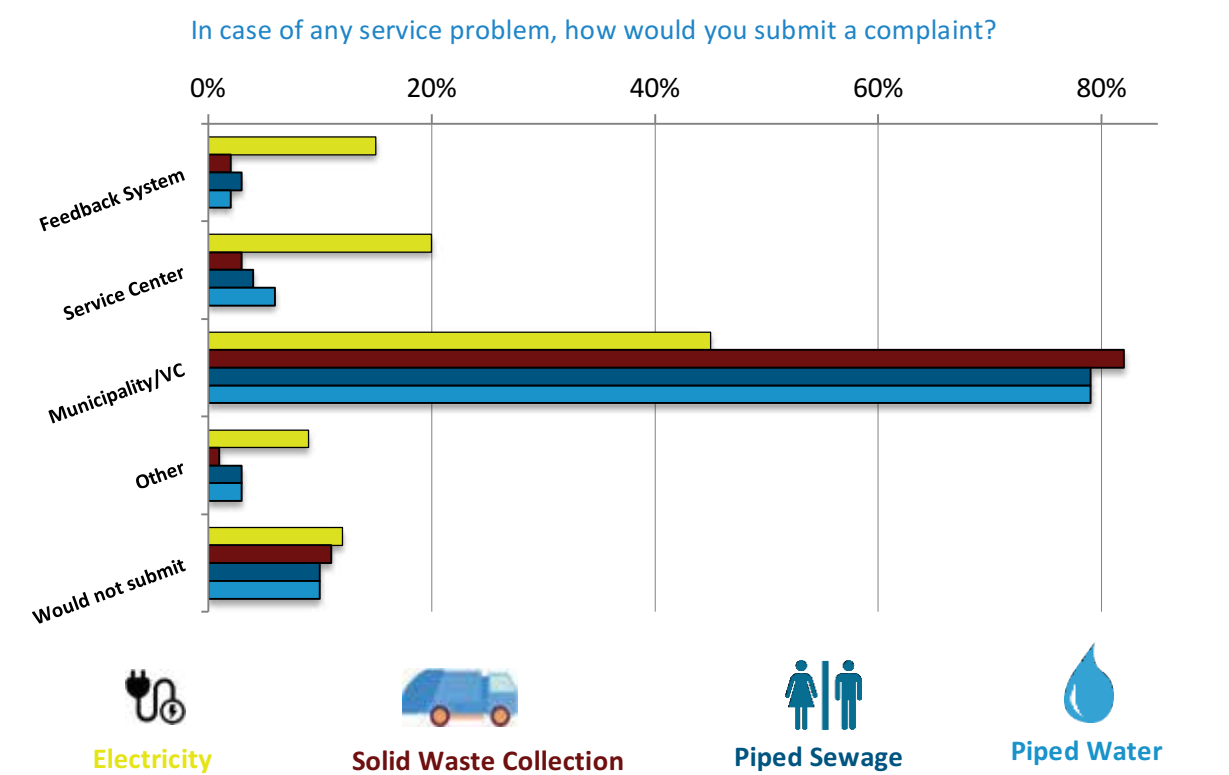
Figure III-27: Usage and Satisfaction with Feedback Instruments across Sectors



109. The vast majority of citizens would rather seek their LGU directly to file a complaint instead of using a feedback or complaint system or CSC. In the situation of a problem with the electric grid connection, 48 percent of respondents would contact the municipality or VC of their LGU; however far

more households would do so for piped water, piped sewage, or waste collection services (79 percent, 79 percent, and 81 percent, respectively). For electricity-related problems, a third of the respondents would submit a complaint at a CSC or through a feedback/complaint system for problems, but only a minor number in case of problems with piped water, piped sewage, and waste collection services (6 percent, 7 percent, and 5 percent, respectively). On average about 10 percent of households report that they would not file a complaint at all in case of a service issue, potentially reflecting dissatisfaction with the responsiveness of LGUs and service providers.

Figure III-28: Channels for Citizens’ Feedback and Complaints



IV. Conclusion and Recommendations



IV. Conclusion and Recommendations

4.1 Prioritize the Improvement of the Quality and Reliability of Services

110. Palestinian local governments have almost achieved universal coverage in terms of access to basic services. Access to basic services is remarkably high in the Palestinian territories, although satisfaction rates vary widely across LGUs and sectors and the bottom 40 percent enjoy overall lower quality of services. However, household income is not a main determinant of service delivery outcomes and no gender gap exists. All those are very positive achievements under extremely difficult circumstances in a highly challenging environment of fragility and conflict in the Palestinian territories. Improving the quality and reliability of basic service provision must now move to the center of attention for policy makers and Development Partners.

111. Increasing access to improved drinking water should be given the highest priority, particularly in Gaza. With almost the entire population in Gaza dependent on potable water delivered by tanker trucks, solving the Gaza water crisis will remain the greatest challenge for local service delivery in the years to come. Improvements in LGU performance will not solve the crisis, which goes well beyond local government issues. Increasing access to drinking water in Gaza will require critical actions from the Palestinian Authority, the Government of Israel, and the international community to increase bulk water supply to the Gaza Strip; reduce technical and financial losses in a moribund water distribution network; treat and promote the reuse of waste water; and increase local desalination capacity, including from private water purifiers, to address the short-term needs of a growing population.

112. Improving water quality remains a key priority across the West Bank as well. A more strategic approach is needed in coordination with the Ministry of Local Government and the Palestinian Water Authority to consolidate highly fragmented water service providers. Although the institutional structure of that approach has been agreed on and adopted by the Palestinian Authority, implementation progress is lagging behind and will not accelerate without parallel local government sector reform. A situation in which more than 260 local water departments operate to supply drinking water in a water-scarce environment with large technical and commercial losses is simply not viable. It affects the financial sustainability of one of the key public service sectors, causes water shortages and is a drain to the Palestinian economy. The Palestinian Authority and Palestinian LGUs need to move decisively into establishing regional water and sanitation utilities. Current financial incentives by which LGUs retain water user fees to cross-subsidize their general expenditure need to be replaced with alternative funding sources, including conditional grants in exchange for improved financial discipline.

113. LGUs must strive to converge quality and reliability standards for basic services. While the local government mandate is broader than basic service provision, citizen satisfaction rates will not increase unless local governments deliver on their key tasks of supplying reliable drinking water and sanitation services, collect the garbage from households, and ensure a well maintained local road network. Prevailing variations in basic service delivery outcomes affect the overall living standards of Palestinians. However, low satisfaction rates with LGU responsiveness has had an adverse impact on the willingness to pay for public services among citizens, which is crucial to addressing the Palestinian Authority's severe fiscal crisis. For example, the quality and satisfaction level of solid waste collection continues to vary significantly. LGUs fully control this basic service and can generally improve garbage collection services without incurring significant additional capital expenditures, e.g., for collection equipment, by optimizing service operations. Establishing feedback mechanisms and addressing citizens' complaints, e.g., on

routes and collection schedules, can be a simple but effective way to improve satisfaction rates. Overall, good governance and professional management will be critical to making LGUs more responsive to the needs of citizens, and they will also help make LGUs more reliable partners for private business and promoting local development. A dependable supply of basic public services is not only a key determinant for improving living standards but also a pre-condition for more private-sector driven growth that relies on a stable and predictable supply of services. While factors such as access to Area C and the separation barrier are out of the control of the Palestinian Authority, there are a number of important policies that the Palestinian Authority can implement to improve service delivery performance across Palestinian local governments. Both central and local authorities should not lose sight of actions that can be taken, even in the challenging framework of movement and access restrictions of the Palestinian territories. Some of the most important interventions are summarized below.

4.2 Reform the Local Government Financing System as a Pre-condition for Success

114. As a critical first step, the Ministry of Local Government must review and revise LGU revenue and expenditure assignments. The Local Government Act of 1997 does not distinguish between delegated responsibilities and own responsibilities. In the case of delegated responsibilities, the PA would ultimately be responsible for the regulation and financing of those functions but they would be implemented by LGUs. However, for own responsibilities, LGUs would generally be responsible for the services, including the raising of sufficient revenues. The absence of conditional grants from the Palestinian Authority to LGUs under the current system of intergovernmental finance indicates that the Local Government Act was not intended to introduce delegated responsibilities. Furthermore, the act does not distinguish between mandatory functions, i.e., services that LGUs must provide and voluntary functions, i.e., those that may be provided if funds are available and the service deemed convenient by the local council. However, the current revenue assignments are not even sufficient to deliver on core functions. These are major shortcomings that need to be jointly reviewed by the Ministry of Finance and Planning and the Ministry of Local Government.

115. Palestinian LGUs are largely dependent on service fees and charges to cover their operational expenditures. While population size and geographic location matter, their impact on LGU performance is more limited than local fiscal capacity. Although Palestinian municipalities and village councils are responsible for providing critical public services, they have not been assigned sufficient revenue sources. The Local Government Act assigns 27 functional responsibilities to LGUs, but those functional assignments are not matched with appropriate revenue sources. Although the act assigns 16 revenue sources to municipalities, LGUs depend heavily on user fees to finance operating expenditures, not to mention critical capital investments. On average, charges and service fees account for 50–70 percent of total revenues, mostly from public utility services such as electricity and water, but also from charges for building permits, solid waste collection, sign boards, and cemetery fees, among others.

116. Addressing vertical and horizontal fiscal imbalances is critical to improving local service delivery performance. LGUs are supposed to receive revenue from property taxes, professional license fees, education taxes, and transportation fees, but the revenue base varies dramatically across LGUs, leading to considerable horizontal imbalances. No regular and predictable intergovernmental fiscal transfer exists to cover general local expenditures and fund basic capital investments.

117. While the property tax is potentially a significant revenue source for LGUs, it is only collected in municipalities and not villages, and the Ministry of Finance and Planning retains 10 percent for administering the tax. In practice, property tax has traditionally been collected only in around 30 municipalities, although this number has been expanding more recently and has now reached 70 municipalities in total. However, much of the tax revenues get fully or partially intercepted by the Ministry of Finance and Planning to compensate for the arrears accumulated. Referred to as “net lending,” these arrears are usually related to electricity or less often to water charges.

118. Changing the financial incentive structure for service provision will need to be at the core of the reform agenda. Due to chronic underfunding, LGUs have developed a practice of diverting revenues from service fees to meet their expenditures needs. Cross-subsidies and payment arrears are widespread and common practice across municipalities and village councils. Current incentives are strong: data for the years 2011–13 show that total revenues per capita for village councils in charge of electricity distribution can be up to four times higher than those without that responsibility. Village Councils with electricity distribution functions were able to spend over twice as much in per capita operating and development expenditures than those without the responsibility for each year during the period of 2011–13. For municipalities, there is a difference of almost 100 percent between the two groups of municipalities in terms of total revenue per capita for each year during the period of 2011–13. Despite the recent separation of electricity distribution from local governments, LGUs continue to receive dividends from electricity revenues that they request from distribution companies in their role as shareholders. Incentives and current practices of “net lending” are similar in the water sector. Those financial incentives need to be replaced with alternative revenue sources.

119. Breaking this vicious circle will require decisive action at the local and national level. Key priorities include: (i) increase local revenue collection; (ii) improve transparency of payment flows, including interagency arrears; (iii) sanction entities which divert funds for non-essential or unproductive use; and (iv) provide financial support to those LGUs without the fiscal capacity to ensure basic service provision. Some progress has been made to address these underlying issues, but more needs to be done. The Municipal Development Program, supported by several Development Partners, provides a performance-based investment grant to municipalities allocated through a transparent and predictable mechanism, subject to a municipality implementing key reforms such as increasing revenue collection for local services and improving transparency in budgeting and reporting, among other. With support from the Local Governance and Services Improvement Program, reforms to the revenue-sharing mechanism of the transportation fee are underway to make it more transparent, predictable, and regular. In parallel, the Ministry of Finance and Planning has improved transparency in reporting the annual amounts of property tax and transportation fee transferred to local authorities. However, much less progress has been made in establishing a regular fiscal transfer from the Palestinian Authority to local authorities beyond the donor-funded Municipal Development Program. Accordingly, progress also has been very limited in expanding and decentralizing property tax collection in municipalities; and introducing additional own source revenues for LGUs.

120. Establish a fiscal transfer mechanism that effectively addresses imbalances. Building on the existing revenue sharing system for the transportation fees, more needs to be done to reduce vertical imbalances. For example, the full amount of the transportation fee revenues should be assigned to local governments based on a stable-over-time formula for the distribution of the funds, such as that piloted under the Local Governance and Services Improvement Program. In addition, large horizontal imbalances will require introducing equalization grants across both municipalities and village councils based on a substantial pool of annually stable and predictable funds, for example, as a percentage share of total central tax collections. Further, the PA needs to introduce a system of conditional grants beyond the donor-funded Municipal Development Program to fund delegated responsibilities and provide an incentive for LGUs to complement and implement the Palestinian Authority’s sectoral objectives at the local level. Achieving this ambitious objective will require closer collaboration across Development Partners and a willingness to move from funding based on individual projects to more local budget- and program-based financing.

121. The main functional responsibilities of LGUs must be profoundly refocused. The corporatization of utility services, such as electricity and water supply, should be a priority over the medium term to improve the financial sustainability and performance of service delivery. Other local services assigned to LGUs will need to be revised and updated following several basic guidelines, such as: (i) introducing a differentiation in functional assignments between municipalities and VCs; (ii) clearly differentiating between obligatory and voluntary services and between delegated and own services; and (iii) clarifying for each case of delegated and own services who is responsible for the various aspects of concurrent responsibilities such as regulation, financing, and actual service delivery.

122. Provide additional revenue sources, and enhance the efficiency of collection. LGUs lack sufficient own-tax and nontax revenues to provide the public services they have been assigned. Increased financing of LGUs should come in large part from own-revenue sources in addition to conditional and unconditional transfers. Increasing transparency and improving service delivery will be key to increasing the willingness to pay among citizens. In addition, in order to improve LGU revenues, more attention should be given to the efficiency with which taxes are collected. The property tax is likely the most significant potential revenue source for LGUs, and there is much room to increase it by, for example, applying it to all municipalities and village councils, but also revamping and simplifying the current valuation methodology. Global experience demonstrates that property tax decentralization can help increase revenues from that source. A first step could be to decentralize collection to large municipalities with the highest potential yield while keeping value assessments centralized. The professional tax should be modernized to increase its coverage, unify its administration, and revise its rates. LGUs are best placed to administer and collect the professional tax because they have information advantages over central authorities. Finally, the Palestinian Authority should explore betterment levies, i.e., one-time charges on the increased value of properties associated with urban improvements; assign the land and property transfer tax currently raised by the Palestinian Land Authority to LGUs; and consider introducing a local flat-rate “piggyback” personal income tax to be paid to the local government where the taxpayer keeps residence.

4.3 Strengthen LGU Accountability and Responsiveness to Increase Citizens’ Willingness to Pay

123. Absent a regular fiscal transfer from the central government, improving local fiscal capacity will require enhancing both revenue collection and expenditure efficiency. According to the LGPA findings, households in the bottom 40 percent are less likely to pay for services than higher-income households. Given the deteriorating economic conditions of Palestinian households, overall willingness to pay is unlikely to increase substantially in the near future. More responsive LGUs are in a better position to collect more revenues from service users.

124. Three determinants affect the ability of local councils to collect fees from citizens for provided services. First, high levels of unemployment, especially in Gaza and in the poorest West Bank areas, pose real challenges to poor households in paying their fees. Second, local councils do not have effective instruments to encourage or nudge unwilling citizens to pay. Very few LGUs apply pro-poor payment modalities through payment plans or allow vulnerable citizens to pay reduced amounts. Box IV-1 provides an overview of best practices that allowed some LGUs to enhance collection efficiency. The third determinant is the lack timeliness of fiscal transfers to local councils. The lack of support from local councils to increase the willingness of citizens to pay hinders efforts to increase citizen commitments to

pay for services (e.g., support enforcement or courts). Notably, not only individual users, but also governmental authorities and institutions, do not pay for the services they receive from LGUs. For example, the deputy mayor of Nablus reports that *“accumulative debt which citizens owe the municipality is about NIS 310 million, while Palestinian Authority institutions located in Nablus owe NIS 60 million.”* Similar arrears were reported in municipalities in Gaza.

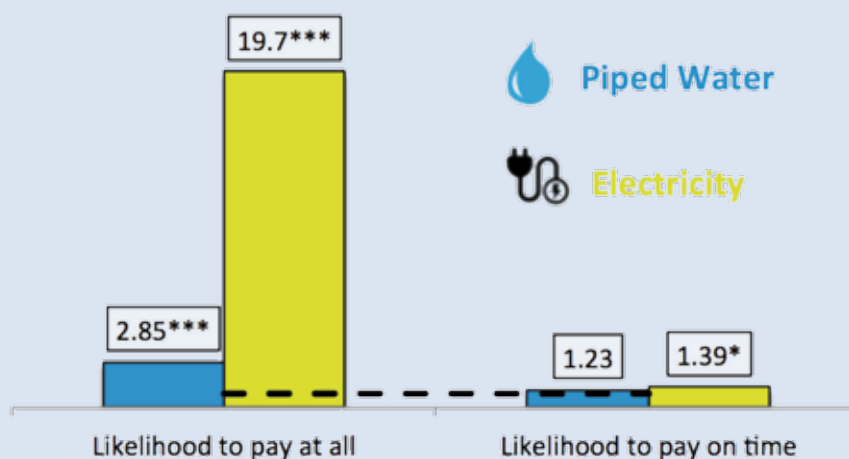
125. Responsive and accountable local governments are critical to better performance and to increasing the willingness to pay among citizens. In parallel to revising the intergovernmental fiscal architecture, particular emphasis must be given to strengthening local governance and citizen engagement. Regardless of the size and location of a LGU or the institutional arrangement for service provision, the Local Government Performance Assessment reveals consistently better performance for responsive and accountable local governments. There is a large and growing number of LGUs that have achieved higher levels of service delivery performance through strengthening citizen engagement, improving transparency and accountability, and enhancing local revenues. Rather than diverting attention into nominal debates about the optimal size of LGUs, more attention should be given to supporting effective governance arrangements that engage citizens at all stages of development planning, investment prioritization, and feedback on service delivery performance.

Box IV-1: How do Some LGUs Increase Revenue Collection Efficiency?

During the qualitative data collection process, mayors and council members were asked about tested innovations to increase service fee collection from residents. Their input is summarized below.

- i. **Prepaid systems are the most effective way of increasing collection rates, but till pose challenges.** Results from the household survey as well as the qualitative research suggest that prepaid systems can help tackle the problem of a low level of willingness to pay for services. Households using a prepaid meter for piped water are on average 2.85 times more likely to pay. Households using a prepaid meter for electricity are 20 times more likely to pay and 1.39 times more likely to pay on time. There is also a general agreement among mayors that the prepaid approach to service delivery is highly effective at ensuring payment. In the words of the Beit Kahil Mayor, “*paying in advance ... is like buying from a store—if you do not pay for it, you cannot get it.*” However, imposing a prepaid system is difficult due to the cost of installing new equipment. The Beit Kahil council “*decided to install prepaid water meters ... it turned out that the equipment for 1,185 households we need for our town costs USD 160,000. MoLG was willing to provide USD 100,000 but we cannot cover the remainder [of USD 60,000] ... although we need the upgrade urgently.*” In addition, imposing prepayment for core services such as water can provoke social backlash for mayors and councils, as was the case for Bani Zeid al Garbiy, where a nongovernmental organization got involved to prevent the introduction of prepaid meters, arguing that “*water is a basic human right and should not be cut off from people because they cannot afford it,*” according to the mayor.

Figure IV-1: Pre-paid Meters and Citizens’ Willingness to Pay



- ii. **Linking payments for different services can increase efficiency.** For example, when paying for electricity, citizens of Salim and Beit Kahil automatically have to also pay for waste collection services. According to a citizen from Beit Kahil, “*without connecting other services to prepaid electricity supply ... many people will not pay for waste collection or school fees.*” The mayor of Beit Kahil explains: “*because electricity is a prepaid service the collection rate is 100 percent. Connecting waste*

collection fees allows the council to plan with revenue with certainty, which we depend on heavily to pay salaries and to improve some of our services.” Other municipalities such as Bethlehem are trying to do the same.

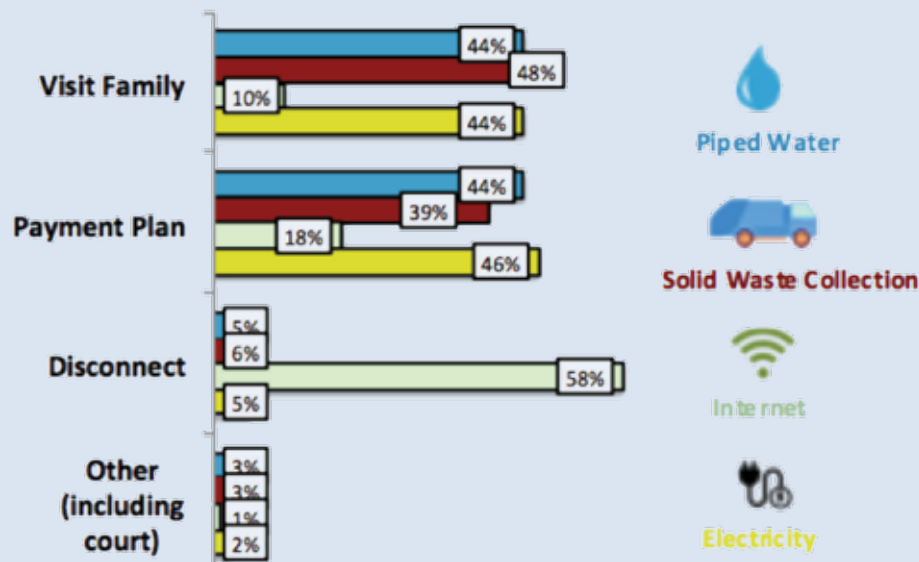
- iii. **Discounts for paying total annual fees at one time mobilizes payments and provides more stable revenues.** Many LGUs in the West Bank and Gaza offer substantial reductions in service fees if a citizen pays the full annual amount at one time, such as for waste collection or property taxes. The deputy mayor of Bethlehem describes the method adopted by his municipality: *“People receive 20 percent discount when they pay the full annual amount in January, 15 percent in February, 10 percent in March, and 5 percent in April.”* Even though the method does not ensure that all citizens pay for services, it reduces payment delays and makes local government unit (LGU) revenue streams more predictable. According to the mayor of Khan Yunis: *“In the past we used to have a wrong policy, rewarding people who did not pay by offering discounts to encourage them to pay ... however, now we adopted a reverse policy of encouraging those who are committed and pay their fees on time....”*

- iv. **Social pressure can be an effective method in smaller and mid-size LGUs.** Asked how service providers should react in case households do not pay for piped water, solid waste collection services, or electricity, only 1 in 20 households in the West Bank and Gaza suggest disconnecting the household, while almost half of the households suggest as the most viable option visiting the household to understand the problems it is facing. Such forms of social pressure are especially used in villages and smaller towns to encourage late-payers to settle their debts to local councils. The mayor of Salim describes how he personally helped the electricity utility collect fees from citizens in the village by going from house to house. *“The company did want to tell the police and we used social pressure to solve this issue ... we solved 50 percent of it ... we went from house to house with them.”* Some village councils organize visits to nonpaying households to try to *“understand their financial situation and find some solutions accordingly.”* Similarly, the city engineer of Hebron reports that *“we prefer family influence more than resorting to the law or police. We go to an area or a neighborhood and talk to a social or tribal figure ... who uses his personnel and family connections to solve the issue.”*

- v. **Offering payment plans to settle delayed payments.** A large share of Palestinian households suggest that a service provider should offer a payment plan if a household is not paying for piped water (44 percent), solid waste collection (39 percent), or electricity (46 percent). In fact, most LGUs try to reach settlements or sign payment plans with households that have overdue payments. According to the Gaza City director, *“we develop a payment plan for people who cannot afford paying [but] we do not apply a general-decrease of fees ... [because other households would also stop paying]. However, we resort to court to deal with those who do not want to pay.”* Similarly, the mayor of Gaza says that *“if a citizen has a cumulative debt, we ask [the household] to pay the next bill and pay a part of the debt, such as an additional 50 NIS, every time the future bills are paid.”*

And the Mayor of Ramallah notes: “Our municipality sent official letters to households informing them of the debt they have to pay and encouraging them to come to reach a settlement with the municipality. A settlement does not include any discount but is only based on a scheduled repayment approach.”

Figure IV-2: Non-payment: How Should Service Providers Respond?



- vi. **Certificates of clearance are leveraged by LGUs to encourage citizens to pay service fees.** Among the most effective approaches to nudge citizens into paying for services are "certificates of clearance. These letters verify that no fees and taxes are overdue. Local councils use the certificates as a pre-condition for providing citizens with official letters and other services.
- vii. **Other innovations, such as decentralized payment locations, can have a positive impact on the efficiency of fee collection.** Providing citizens with the option of making payments at a decentralized location, such as a CSC, OSS, or local shop, can increase fee-collection rates. The city manager of Nablus is considering issuing "VIP" cards to reward citizens who pay on time. “This card would be renewed annually and allows its holder to receive ‘faster treatment’ when they approach the municipality or one of its offices ... as a reward for their commitments.”
- viii. **Resorting to court.** In some LGUs, especially in large cities such as Gaza City (with a population of 700,000), local councils sometimes resort to court as a last option to force people to pay for the services they receive. However, it remains unclear how effective such an approach is, particularly given that delayed and non-payments are often driven by unemployment and poverty. In addition, less than 4 percent of households in the West Bank and Gaza believe that service providers should take cases of households not paying for the services they receive to court.

4.4 Consolidate and Professionalize Service Delivery

126. A clear policy for more professional and corporatized service delivery must be developed. Joint Service Councils play a critical role in consolidating service delivery because they can gradually assume service operation functions from small and mostly weak LGUs, provide the needed scale, and develop into the nucleus of a future regional public utility. However, JSCs do not by themselves guarantee better service delivery performance if they are not matched with more professional management and strong accountability mechanisms in terms of service users as well as the local authorities they represent. Large variations in the performance of single- and multiple service JSCs suggest an urgent need to establish a clear action plan in coordination with the responsible line agencies, particularly the Palestinian Water Authority, to separate and professionalize service operations, with clearly assigned revenue streams and measurable performance standards to operate as independent utilities. Overall, Palestinian policy makers should aim at integrating villages and municipalities into more densely populated urban areas to achieve better performance outcomes. Public utilities can be an effective means of regional integration.

127. Corporatizing public service utilities will require clearing LGU arrears and strengthening the governance structure for service provision. A first critical step to disentangle financial flows, understand expenditure efficiency, and eventually solve the net lending issue is to establish separate cost accounts for utility services, particularly water and wastewater and solid waste management. The establishment of distribution companies in the energy sector has been a decisive push in the right direction to ring-fence and commercialize electricity distribution functions, although revenues continue flowing back in the form of dividends. However, current budgeting and reporting practices do not allow for consistent and transparent tracking of financial flows; and overall payment discipline is low. In addition to separating accounts and applying functional budget classification to improve LGU budgeting and reporting, existing and well-performing single-service JSCs should be transformed into more independent entities with the goal of becoming utilities over the medium term. With a new bylaw on joint-service provision, the Ministry of Local Government has started adopting a more utility-driven approach to governing JSCs. However, implementation has been slow, and there is no consensus yet on the trajectory that JSCs should aspire to between the spectrum of “umbrella-LGU” to “commercial service operator.” The MoLG needs to define a clear policy directive with cross-PA buy-in.

128. JSCs should be held to higher standards, but they will require additional support. Most of the JSCs suffer from a weak financing structure and have little own revenues. Fee collection is weak and the tariffs charged rarely cover operating costs, let alone capital replacement and depreciation. Overall, billing and accounting systems need an overhaul. Only half of the JSCs assessed by the World Bank were able present a budget that had been approved by the General Assembly. Annual JSC accounts rarely undergo an external audit, especially Planning and Development JSCs. Introducing more rigid auditing requirements is an important step toward improving transparency and accountability. Stronger client orientation and citizen feedback will require establishing complaint mechanisms, most of which are currently weak or nonexistent. Most importantly, JSCs should be given more independence, and their bottom-up accountability links to the member LGUs and service users strengthened, rather than top-down to the MoLG, which currently reviews and approves JSC budgets, has significant leeway in the allocation of development funds, and is considering establishing a direct budget line to finance JSCs. In parallel, specific technical capacity and institutional strengthening to support better performing JSCs are needed to help those that are transforming into professional and dedicated service operators. A stronger role for the private sector needs to be considered, drawing on recent positive experiences, for example in the Higher JSC for Solid Waste Management in the southern West Bank.

4.5 Increase Density and Connectivity, and Support the Marginalized that the PA Cannot Reach

129. Policies to support increased density will have an impact on LGU performance and the cost of service delivery. Global evidence suggests a strong correlation between increased density and expenditure efficiency, which has been confirmed by the Local Government Performance Assessment findings. Per capita cost of service delivery increases with declining density, given that the number of households served is much lower in less densely populated areas. This has a direct impact on the capital and operating cost of infrastructure networks and service provision, such as the water and sewage pipe meters, and operating hours for solid waste collection trucks that have to cover a large service area with few users. The policies of the Palestinian Authority can help in facilitating denser development in cities and municipalities, including but not limited to: adjusting current floor-to-area ratios for building permits, which currently curtail new developments to eight-story buildings; introducing vacant land fees to provide an incentive for bringing idle land back to market; and other zoning regulations to allow for denser, mixed-used developments.

130. Reducing the cost of remoteness and improving connectivity can also improve LGU performance. Palestinian LGUs are constrained by the territorial fragmentation imposed as a result of Area C restrictions, severely limiting the extent to which investments in the regional roads network can improve connectivity and access for remote communities. Selected improvements in the transportation network and better traffic management, particularly in larger urban agglomerations, may contribute to the reduction in the cost of remoteness and improve connectivity. However, the direct impact of the Palestinian Authority's policies and investment decisions is rather marginal due to the constraints in the Palestinian territories, and addressing issues of remoteness to improve LGU performance will require actions by the Israeli Civil Administration (ICA). Nevertheless, based on select positive examples, the Palestinian Authority, in coordination with Development Partners, should consider making specific proposals to the ICA for expanding critical access roads or developing other practical solutions to better serve remote communities. Since 2012, around 113 masterplans have been prepared to support capital investment and service delivery improvements in 77 LGUs with Palestinian communities living in Area C. However, to date, only five of the plans have been approved by the ICA. The other masterplans that were submitted for approval are still awaiting a decision, 81 of them have been pending for more than 18 months.

131. Complementary and targeted policies to support citizens in marginalized communities must be developed. Local government sector support alone will not suffice to address the large differences in living standards across Palestine, particularly under the current regime of movement restrictions. A significant group of LGUs have received substantial external support, but remain at low levels of service delivery outcomes, including marginalized LGUs with high rates of poverty and/ or that are heavily affected by the prevailing movement and access restrictions. Social protection policies, such as cash transfers or other targeted interventions to directly reach the poor are critical given the strong correlation between increasing household wealth and better LGU performance. Local government support cannot fully substitute core functions that are the responsibility of the central government.

4.6 Benchmarking for Improving Local Government Performance

132. Finally, the Ministry of Local Government should institutionalize performance benchmarking and make it an integral instrument for evidenced-based policy making. The Local Government Performance Assessment has developed an instrument that can be replicated in the future to track performance trends and improvements, assess efficacy of policy measures, and regularly evaluate donor support. Following the successful example of benchmarking under the Municipal Development Program, the Ministry of Finance and Planning and the MoLG should consider linking capital grant allocations to clear performance targets in LGUs. Regular national benchmarking of local service delivery performance can serve as the basis for a conditional grant transfer program, linking grant allocation to the clear, sector-specific policy objectives of the Palestinian Authority, e.g., in the energy and water sector. Furthermore, the data of Local Government Performance Assessment can assist in measuring expenditure efficiency to better understand the use of scarce public resources at the local level. The Ministry of Local Government has already established an effective geospatial department that has developed an online local government information system. In addition, the Municipal Development and Lending Fund has unique experience in managing a performance-based grant mechanism and providing targeted capacity-building support to municipalities. These are tremendous assets that Palestinian local governments can rely on as they strive to continue improving performance for the benefit of their citizens.

133. The data collected for this analysis can have widespread use in ongoing or planned development programs. They provide the Palestinian Authority and Development Partners with a unique opportunity to complement the supply-side data that the Municipal Development Lending Fund collects from municipalities for the Municipal Development Program's performance ranking with demand-side information on service delivery outcomes. Particularly, data on LGU responsiveness and citizen satisfaction can strengthen the current assessment of local accountability, providing a more comprehensive way to assess LGU performance in this critical focus area. The recently launched USAID-financed "Communities Thrive" Program will use Local Government Performance Assessment for their baseline assessment and impact monitoring over the program's lifetime. Furthermore, the Ministry of Local Government should use the Local Government Performance Assessment to monitor service delivery improvements in the program villages supported by the Local Governance and Services Improvement Program.

134. Citizen scorecards. At the local level, the Local Government Performance Assessment allows for a broader application of citizen scorecards. Each LGU could be provided with a score that could be made publicly available to help citizen and community-based organizations understand the relative position of their LGU compared with other local authorities. Substantial global experience exists demonstrating the positive impact of strengthening citizen engagement at the local level, spurring innovation and knowledge exchange among LGUs, providing additional incentives for improvement, and tracking progress over time.

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Annex

Annex 1: Methodology of Household Survey

Background and Objective

As existing municipal data is very limited in its scope and only covers minimal inputs into service delivery, a household survey covering more than 380 Palestinian LGUS was conducted. The main goal of the LGPA survey is to establish the quantitative basis for analyzing performance of Palestinian local governments and a baseline for future benchmarking to target investment and policy interventions. The household survey data for the first time allows for an assessment on the 'demand side' of service delivery outcomes, such as access, quality and reliability, responsiveness, and willingness to pay for services mandated to municipalities and VCs.

Data Collection

The quantitative data collection for the LGPA was conducted by Alpha International for Polling, Research and Informatics, a Palestinian enterprise that operates throughout the West Bank and Gaza. The data collection was conducted between August 15, 2016 and February 9, 2017, using Tablet Assisted Personal Interviewing (TAPI), and consisted of two parts:

1) Household Survey (long interview)

The household survey data focuses on access to public services, quality and reliability of service delivery, and citizens' participation and willingness to pay, which allows for an in-depth analysis of the drivers of LGU performance in service delivery. The survey modules include a service delivery assessment of the following sectors: (i) water supply; (ii) waste water; (iii) electricity; (iv) solid waste collection; (v) education; (vi) public transport; (vii) health care; and (viii) local roads. In addition, the modules also collected data on (ix) household demographics and socio-economics; (x) citizen participation; and (xi) willingness to pay.

2) Service Delivery Poll (short interview)

The service delivery poll is used to collect a core set of service delivery outcome indicators during a rapid face-to-face polling assessment for all municipalities and VCs. The polling data complements the more comprehensive household survey.

Sampling

The survey sample is representative for the entire population. The household sample of N=11,970 households is designed to be representative at the Governorate and the LGU level. The sample is population weighted and based on a remote sensing sampling framework. The total available sample includes N=9,562 long interviews and an additional N=2,408 short interviews.

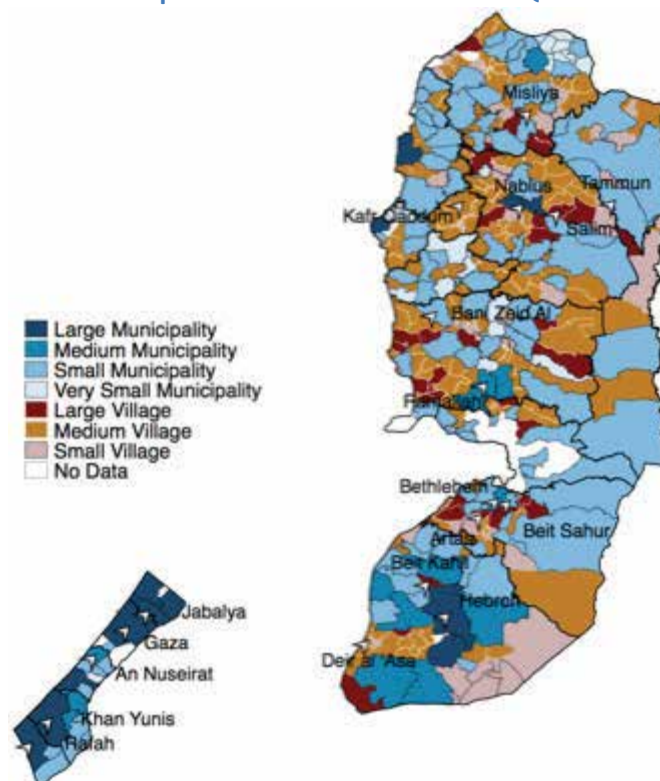
Annex 2: Methodology Qualitative Analysis

Focus Groups and Stakeholder Interviews were conducted in 8 major cities and in 10 small & medium-size LGUs in both the West Bank and Gaza. The selection was conducted based on:

- Size (PCBS population data)
- LGU type (municipality/village council)
- Mode of service delivery (individual vs. joint service council)
- Income level (MDLF Data)
- Performance in service delivery (LGPA household survey results)

A particular focus of the qualitative analysis was to identify the drivers of LGU performance, particularly (i) the effectiveness of Joint Service Councils, (ii) the role of institutional capacity, and (iii) the impact of improvement in transparency and accountability.

Figure A2-1: Municipalities and VCs Selection for Qualitative Analysis



Annex 3: Methodology LGPA Performance Index

The key objective of the LGPA performance index is to conduct comparisons of local government performance across all LGUs in the West Bank and Gaza, in order to gain better insights into the main drivers of service delivery and how to close existing gaps in LGU performance. The aim of the Index is to provide a tool for both policy makers and Development Partners to identify and target interventions in VCs and municipalities. Three dimensions are used for each of the four core sectors to construct a comprehensive measure: methodologically, for the services piped water, piped sewage, and solid waste collection service, LGU performance is modeled as a Cobb-Douglas-style function, taking into account citizen satisfaction with both service quality and reliability,

Figure A3-1: Methodology LGPA Performance Index

$$\text{LGU Performance Score}_{is} = \text{Access}_{is} \left(\text{Quality}_{is}^{1/2} \times \text{Reliability}_{is}^{1/2} \right) \times 100,$$

, where *Access* refers to the percent share of citizens in *LGU i* that has access to *service s*, *Quality* to the percent share of citizens in *LGU i* that is satisfied with quality of *service s*, and *Reliability* to the percent share of citizens in *LGU i* that is satisfied with reliability of service *s*. For roads, the LGU performance score is defined as the share of citizens in *LGU i* that are located at a paved road.

The overall LGU performance index score is then obtained by calculating the average of the four individual service scores, normalized to a range of 0 to 100. By weighting the satisfaction outcomes with the share of citizens with access to the core services, the index rewards LGUs with higher access rates, while penalizing LGUs, in which only small shares of citizens are provided access to the core services. As a result, only those LGUs reach high scores that (i) achieve strong scores in multiple dimensions and (ii) provide services for a significant share of citizens.

Annex 4: Regression Results

Table A4 - 1: Likelihood of Service Access - West Bank (Figure II-17 & Figure II-18)

Service Access Sample: West Bank	Piped Water (1)	Piped Sewage (2)	Solid Waste Collection (3)	Local Roads (4)
Female Household Head	1.288 (0.499)	0.998 (0.245)	0.975 (0.190)	1.081 (0.115)
Village Council	0.795 (0.172)	0.642** (0.109)	0.593* (0.147)	1.222*** (0.062)
Regions (Reference: North)				
- Central West Bank	3.057 (1.928)	1.025 (0.280)	0.174** (0.097)	1.185 (0.120)
- South West Bank	0.981 (0.372)	0.555* (0.148)	0.183*** (0.089)	1.000 (0.078)
Bottom 40% Household	0.529*** (0.084)	0.741 (0.135)	0.686** (0.094)	0.844 (0.074)
LGPA Performance Index For Sector	1.043*** (0.004)	1.087*** (0.003)	1.048*** (0.008)	1.078*** (0.005)
Pseudo R-squared	0.192	0.674	0.223	0.119
Number of Observations	9,048	9,028	9,050	9,052

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 2: Likelihood of Service Access - Gaza (Figure II-17 & Figure II-18)

Service Access	Piped Water	Piped Sewage	Solid Waste Collection	Local Roads
Sample: Gaza	(1)	(2)	(3)	(4)
Female Household head	1.865*	0.793	1.410	1.087
	(0.551)	(0.286)	(0.342)	(0.231)
Bottom 40% Household	0.805	0.967	1.005	0.778
	(0.166)	(0.263)	(0.143)	(0.105)
Performance Index	1.039**	1.091***	1.058***	1.041**
For Sector	(0.015)	(0.008)	(0.006)	(0.002)
Pseudo R-squared	0.048	0.340	0.136	0.031
Number of Observations	1,455	1,453	1,455	1,455

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to Gaza. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 3: Likelihood of Satisfaction with Quality and Reliability - West Bank (Figure II-19 & Figure II-20)

Satisfaction with Quality and Reliability	Piped Water	Piped Sewage	Solid Waste Collection	Local Roads
Sample: West Bank	(1)	(2)	(3)	(4)
Female Household head	1.143 (0.090)	1.352 (0.497)	1.023 (0.127)	1.258 (0.231)
Village Council	1.021 (0.048)	1.289 (0.268)	1.023 (0.050)	0.638** (0.096)
Regions (Reference: North)				
- Central West Bank	1.132 (0.116)	1.251 (0.335)	1.160** (0.064)	1.436 (0.344)
- South West Bank	1.157 (0.168)	1.731*** (0.241)	1.081 (0.050)	1.558 (0.450)
Bottom 40%	0.987 (0.115)	1.127 (0.449)	1.283* (0.136)	1.019 (0.090)
Performance Index	1.051***	1.009*	1.049***	1.032***
For Sector	(0.001)	(0.004)	(0.001)	(0.008)
Pseudo R-squared	0.212	0.013	0.120	0.029
Number of Observations	8,331	1,233	8,394	7,401

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 4: Likelihood of Satisfaction with Quality and Reliability - Gaza (Figure II-19 & Figure II-20)

Satisfaction with Quality and Reliability	Piped Water	Piped Sewage	Solid Waste Collection	Local Roads
Sample: Gaza	(1)	(2)	(3)	(4)
Female Household head	0.964 (0.136)	1.417* (0.230)	0.488 (0.249)	1.008 (0.416)
Bottom 40% Household	1.042 (0.141)	0.626 (0.184)	1.145 (0.305)	1.379 (0.431)
Performance Index	1.042***	0.997	1.027***	1.032**
For Sector	(0.007)	(0.014)	(0.002)	(0.012)
Pseudo R-squared	0.069	0.010	0.035	0.018
Number of Observations	1,227	861	1,064	1,140

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to Gaza. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 5: Likelihood of Payment: Piped Water and Solid Waste Collection Services (Figure II-22)

Likelihood of Payment	Piped Water (1)	Solid Waste Collection (2)
Bottom 40% Household	0.460* (0.157)	0.373*** (0.076)
Village Council	0.705 (0.269)	2.571 (1.302)
Regions (Reference: Central)		
- North West Bank	0.931 (0.998)	3.629 (2.754)
- South West Bank	0.370 (0.312)	1.391 (1.032)
- Gaza	0.0310*** (0.026)	0.0424*** (0.024)
Satisfaction with Quality and Reliability	1.362* (0.196)	1.396 (0.266)
Agrees that LGU Is very Responsive	1.238 (0.205)	1.001 (0.178)
Performance Index	0.994	0.985
For Sector	(0.006)	(0.010)
Pseudo R-squared	0.266	0.421
Number of Observations	6,572	5,550

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 6: Likelihood of Timely Payment: Piped Water and Solid Waste Collection Services (Figure II-26)

Likelihood of Timely Payment	Piped Water (1)	Solid Waste Collection (2)
Bottom 40%	0.567*** (0.045)	0.635** (0.088)
Village Council	0.789 (0.161)	1.037 (0.223)
Regions (Reference: Central)		
- North West Bank	0.932 (0.372)	1.683 (0.779)
- South West Bank	0.439*** (0.088)	0.641 (0.155)
- Gaza	1.245 (0.324)	1.314 (0.245)
Satisfaction with Quality and Reliability	1.140 (0.231)	1.186 (0.111)
Agrees that LGU Is very Responsive	1.728*** (0.226)	1.758** (0.341)
Performance Index	1.004	1.019**
For Sector	(0.005)	(0.006)
Pseudo R-squared	0.061	0.062
Number of Observations	6,841	6,850

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 7: Likelihood of Service Access: Distance to Separation Barrier (1,000m) (Figure III-9)

Likelihood of Service Access: 1,000 m Distance to Separation Barrier	Piped Water (1)	Piped Sewage (2)	Solid Waste Collection (3)	Local Roads (4)
Distance to Separation Barrier (1,000m)	0.806 (0.319)	1.038 (0.227)	1.065 (0.323)	0.998 (0.137)
Village Council	0.795 (0.160)	0.702* (0.119)	0.620 (0.172)	1.230*** (0.058)
Regions (Reference: North)				
- Central West Bank	3.328* (1.942)	1.155 (0.340)	0.206* (0.128)	1.190* (0.102)
- South West Bank	1.020 (0.404)	0.615* (0.144)	0.214** (0.106)	0.986 (0.076)
Bottom 40% Household	0.536*** (0.072)	0.817 (0.154)	0.751** (0.076)	0.849 (0.072)
Performance Index	1.045***	1.086***	1.047***	1.080***
For Sector	(0.004)	(0.003)	(0.008)	(0.005)
Pseudo R-squared	0.201	0.665	0.205	0.129
Number of Observations	10,270	10,270	10,270	10,270

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 8: Likelihood of Service Access: Distance to Separation Barrier (500m) (Figure III-9)

Likelihood of Service Access: 500 m Distance to Separation Barrier	Piped Water (1)	Piped Sewage (2)	Solid Waste Collection (3)	Local Roads (4)
Distance to Separation Barrier (500m)	0.532* (0.164)	0.900 (0.174)	1.071 (0.314)	0.891 (0.080)
Village Council	0.796 (0.174)	0.696* (0.116)	0.617 (0.166)	1.228*** (0.056)
Regions (Reference: North)				
- Central West Bank	3.406* (1.921)	1.195 (0.389)	0.207** (0.126)	1.203* (0.098)
- South West Bank	1.018 (0.397)	0.612* (0.140)	0.214** (0.106)	0.982 (0.071)
Bottom 40% Household	0.537*** (0.075)	0.815 (0.155)	0.751** (0.076)	0.847 (0.072)
Performance Index	1.045***	1.086***	1.047***	1.080***
For Sector	(0.004)	(0.002)	(0.008)	(0.005)
Pseudo R-squared	0.202	0.665	0.205	0.130
Number of Observations	10,270	10,270	10,270	10,270

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 9: Likelihood of Service Access: Distance to Separation Barrier (250m) (Figure III-9)

Likelihood of Service Access: 250m Distance to Separation Barrier	Piped Water (1)	Piped Sewage (2)	Solid Waste Collection (3)	Local Roads (4)
Distance to Separation Barrier (250m)	0.529** (0.103)	0.796 (0.295)	0.692 (0.195)	0.997 (0.183)
Village Council	0.788 (0.177)	0.697* (0.116)	0.609 (0.159)	1.230*** (0.055)
Regions (Reference: North)				
- Central West Bank	3.315* (1.925)	1.191 (0.372)	0.212** (0.127)	1.190 (0.107)
- South West Bank	1.016 (0.395)	0.613* (0.141)	0.213** (0.106)	0.986 (0.071)
Bottom 40% Household	0.539*** (0.076)	0.815 (0.155)	0.749** (0.077)	0.849 (0.071)
Performance Index For Sector	1.045*** (0.004)	1.086*** (0.002)	1.046*** (0.008)	1.080*** (0.005)
Pseudo R-squared	0.201	0.665	0.205	0.129
Number of Observations	10,276	10,276	10,276	10,276

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 10: Likelihood of Service Access: Area C (Figure III-9)

Likelihood of Service Access: Area C	Piped Water	Piped Sewage	Solid Waste Collection	Local Roads
	(1)	(2)	(3)	(4)
Area C Household	0.692 (0.194)	0.792 (0.621)	0.348*** (0.078)	0.611** (0.100)
Village Council	0.806 (0.173)	0.701* (0.120)	0.610* (0.148)	1.251*** (0.062)
Regions (Reference: North)				
- Central WB	3.306* (1.893)	1.196 (0.356)	0.240* (0.138)	1.223* (0.097)
- South West Bank	1.030 (0.398)	0.618* (0.142)	0.227** (0.111)	1.002 (0.071)
Bottom 40% Household	0.541*** (0.075)	0.821 (0.166)	0.768* (0.083)	0.853 (0.074)
Performance Index	1.045*** (0.004)	1.086*** (0.003)	1.044*** (0.008)	1.080*** (0.005)
Pseudo R-squared	0.201	0.665	0.221	0.132
Number of Observations	10,276	10,276	10,276	10,276

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 11: Likelihood of Service Satisfaction: Distance to Separation Barrier (1,000m) (Figure III-10)

Likelihood of Service Satisfaction: 1,000m to Separation Barrier	Piped Water	Piped Sewage	Solid Waste Collection	Local Roads
	(1)	(2)	(3)	(4)
Distance to Separation Barrier (1,000m)	0.947 (0.087)	0.908 (0.136)	0.954 (0.037)	0.828 (0.133)
Village Council	1.030 (0.048)	1.338 (0.217)	1.001 (0.042)	0.648** (0.094)
Regions (Reference: North)				
- Central West Bank	1.058 (0.079)	1.042 (0.186)	1.214*** (0.054)	1.405 (0.329)
- South West Bank	1.141 (0.152)	1.467** (0.197)	1.073 (0.046)	1.463 (0.417)
Bottom 40% Household	0.978 (0.081)	0.991 (0.294)	1.254* (0.127)	1.037 (0.091)
Performance Index	1.051***	1.013**	1.048***	1.031***
For Sector	(0.001)	(0.004)	(0.001)	(0.007)
Pseudo R-squared	0.208	0.012	0.121	0.028
Number of Observations	9,467	1,467	9,525	8,298

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 12: Likelihood of Service Satisfaction: Distance to Separation Barrier (500m) (Figure III-10)

Likelihood of Service Satisfaction: 500m to Separation Barrier	Piped Water (1)	Piped Sewage (2)	Solid Waste Collection (3)	Local Roads (4)
Distance to Separation Barrier (500m)	1.060 (0.112)	0.638*** (0.075)	0.907 (0.059)	0.708* (0.108)
Village Council	1.034 (0.049)	1.309 (0.207)	1.001 (0.043)	0.649** (0.094)
Regions (Reference: North)				
- Central West Bank	1.041 (0.073)	1.113 (0.179)	1.218*** (0.062)	1.417 (0.328)
- South West Bank	1.142 (0.156)	1.451** (0.203)	1.073 (0.045)	1.471 (0.423)
Bottom 40% Household	0.980 (0.081)	0.982 (0.287)	1.253* (0.127)	1.036 (0.091)
Performance Index	1.051***	1.013**	1.048***	1.031***
For Sector	(0.001)	(0.004)	(0.001)	(0.008)
Pseudo R-squared	0.208	0.015	0.121	0.028
Number of Observations	9,467	1,467	9,525	8,298

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 13: Likelihood of Service Satisfaction: Distance to Separation Barrier (250m) (Figure III-10)

Likelihood of Service Satisfaction: 250m to Separation Barrier	Piped Water (1)	Piped Sewage (2)	Solid Waste Collection (3)	Local Roads (4)
Distance to Separation Barrier (250m)	0.788 (0.100)	0.726 (0.142)	0.729* (0.095)	0.573*** (0.059)
Village Council	1.030 (0.048)	1.352* (0.199)	1.001 (0.042)	0.651** (0.096)
Regions (Reference: North)				
- Central West Bank	1.057 (0.081)	1.052 (0.188)	1.218*** (0.063)	1.389 (0.319)
- South West Bank	1.143 (0.153)	1.479** (0.193)	1.075 (0.043)	1.483 (0.428)
Bottom 40% Household	0.978 (0.080)	0.990 (0.290)	1.252* (0.127)	1.038 (0.091)
Performance Index	1.051***	1.013**	1.048***	1.031***
For Sector	(0.001)	(0.004)	(0.001)	(0.008)
Pseudo R-squared	0.208	0.012	0.121	0.028
Number of Observations	9,467	1,467	9,525	8,298

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 14: Likelihood of Service Satisfaction: Area C (Figure III-10)

Likelihood of Service Satisfaction: Area C	Piped Water	Piped Sewage	Solid Waste Collection	Local Roads
	(1)	(2)	(3)	(4)
Area C Household	0.904 (0.107)	0.765 (0.432)	0.889 (0.057)	0.631* (0.123)
Village Council	1.036 (0.047)	1.354* (0.203)	1.004 (0.043)	0.654** (0.096)
Regions (Reference: North)				
- Central West Bank	1.053 (0.080)	1.071 (0.170)	1.209*** (0.056)	1.385 (0.312)
- South West Bank	1.148 (0.156)	1.501** (0.194)	1.081 (0.045)	1.501 (0.438)
Bottom 40% Household	0.981 (0.079)	1.000 (0.288)	1.256* (0.126)	1.048 (0.088)
Performance Index	1.051***	1.013***	1.048***	1.031***
For Sector	(0.001)	(0.004)	(0.001)	1.031***
Pseudo R-squared	0.208	0.013	0.121	0.030
Number of Observations	9,467	1,467	9,525	8,298

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 15: Likelihood of Payment - Pre-Paid Meters and Citizen Willingness to Pay (Figure IV-1)

Likelihood of Payment	Piped Water	Electricity
	(1)	(2)
Bottom 40% Household	0.414*** (0.093)	0.320** (0.116)
Village Council	0.0336*** (0.025)	0.739 (0.208)
Regions (Reference: Central)		
- North West Bank	0.502 (0.447)	0.556 (0.552)
- South West Bank	0.324 (0.241)	0.882 (0.714)
- Gaza	0.0336*** (0.025)	0.164 (0.340)
Pre-Paid Meter	2.847** (0.960)	19.71*** (16.703)
Satisfaction with Quality and Reliability	1.369* (0.212)	1.623 (0.518)
Performance Index for Sector	0.996 (0.006)	1.007 (0.022)
Pseudo R-squared	0.243	0.328
Number of Observations	8,330	7,655

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 16: Likelihood of Timely Payment - Pre-Paid Meters and Citizen Willingness to Pay (Figure IV-1)

Likelihood of Timely Payment	Piped Water	Electricity
	(1)	(2)
Bottom 40% Household	0.561*** (0.040)	0.575*** (0.054)
Village Council	1.791 (0.636)	0.861 (0.225)
Regions (Reference: Central)		
- North West Bank	1.105 (0.460)	1.579 (0.758)
- South West Bank	0.496*** (0.086)	0.589* (0.152)
- Gaza	1.791 (0.636)	12.77*** (9.332)
Pre-Paid Meter	1.233 (0.142)	1.394* (0.222)
Satisfaction with Quality and Reliability	1.190 (0.277)	1.242 (0.187)
Performance Index	1.004	1.020*
For Sector	(0.005)	(0.008)
Pseudo R-squared	0.059	0.059
Number of Observations	7,510	8,698

Notes: Coefficients are exponentiated and represent Odd Ratios; Standard errors clustered by Governorate in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 17: Differences in LGU Performance across Regions and LGU Types (Figure III-2)

LGU Performance Index	Total Sample	Total Municipalities	WB Municipalities	Gaza Municipalities	Village Councils
	(1)	(2)	(3)	(4)	(5)
Log LGU Population	1.958*	2.701	3.428*	1.664	0.783
	(0.962)	(1.374)	(1.617)	(2.337)	(1.387)
Village Council	-5.043*				
	(2.074)				
Regions (Reference: Central)					
- North West Bank	-4.465**	-3.000	-3.083		-5.517**
	(1.646)	(2.616)	(2.597)		(2.082)
- South West Bank	-12.64***	-9.037**	-9.588**		-15.38***
	(2.052)	(2.960)	(3.012)		(2.730)
- Gaza	-18.69***				
	(3.856)				
Adj R-Squared	0.146	0.129	0.056	-0.024	0.110
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 18: Remoteness - Distance to Governorate Center and LGU Performance (Figure III-3)

LGU Performance Index	Total Sample	Total Municipi- palities	WB Muni- cipalities	Gaza Muni- cipalities	Village Councils
	(1)	(2)	(3)	(4)	(5)
Log LGU Population	1.210 (0.952)	0.0270 (1.632)	-0.617 (1.705)	1.712 (3.669)	0.350 (1.356)
Village Council	-4.919* (2.058)				
Distance to Gov. Center (Reference: 1st Quintile):					
- 2nd Quintile	-4.898 (2.492)	-11.32* (4.442)	-15.76*** (4.491)	-2.458 (10.019)	-4.425 (3.174)
- 3rd Quintile	-4.958* (2.476)	-9.433* (4.430)	-13.07** (4.550)	6.574 (11.234)	-3.460 (3.090)
- 4th Quintile	-6.285** (2.345)	-12.13** (4.137)	-15.05*** (4.237)		-5.005 (2.968)
- 5th Quintile	-10.90*** (2.482)	-17.68*** (4.074)	-20.55*** (4.184)		-9.709** (2.977)
Regions (Reference: North)					
- Central West Bank	5.278** (1.639)	3.162 (2.502)	2.884 (2.519)		7.041*** (2.084)
- South West Bank	-7.659*** (1.907)	-4.695 (2.542)	-4.336 (2.451)		- 9.289*** (2.531)
- Gaza	-16.09*** (3.861)	-16.66*** (4.419)			
Adj. R-Squared	0.183	0.239	0.239	-0.101	0.135
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 19: Remoteness - Built-Up Area and LGU Performance (Figure III-4)

LGU Performance Index	Total Sample	Total Municipi- palities	WB Munici- palities	Gaza Munici- palities	Village Councils
	(1)	(2)	(3)	(4)	(5)
Log LGU Population	1.648 (0.974)	1.814 (1.594)	1.053 (1.764)	3.879 (3.003)	0.916 (1.423)
Village Council	-4.801* (2.041)				
Built-up Area Share: (Reference: 1st Quintile)					
- 2nd Quintile	1.793 (2.378)	2.439 (3.232)	1.299 (3.143)		3.464 (2.992)
- 3rd Quintile	-0.654 (2.219)	-0.960 (2.773)	-2.254 (2.722)	-18.36** (6.363)	-2.544 (3.360)
- 4th Quintile	-2.793 (2.180)	5.033 (4.064)	4.901 (4.170)	-26.17* (11.149)	-3.210 (2.962)
- 5th Quintile	5.668* (2.750)	8.079 (4.678)	14.90*** (4.213)	-32.82** (9.404)	2.431 (3.232)
Regions (Reference: North)					
- Central West Bank	4.628** (1.617)	2.760 (2.485)	2.200 (2.474)		4.864* (2.079)
- South West Bank	-8.401*** (2.000)	-6.864* (3.295)	-6.916* (3.203)		-9.826*** (2.623)
- Gaza	-17.59*** (4.367)	-18.45*** (5.372)			
Adj. R-Squared	0.167	0.143	0.149	0.049	0.124
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 20: Population Density and Performance (Figure III-6)

LGU Performance Index	Total Sample	Total Municipalities	WB Municipalities	Gaza Municipalities	Village Councils
	(1)	(2)	(3)	(4)	(5)
Log LGU population	1.110 (1.016)	0.733 (1.458)	1.575 (1.759)	-1.790 (2.857)	0.0822 (1.450)
Village Council	-5.098* (2.084)				
Population Density: (Reference: 1st Quintile)					
- 2nd Quintile	2.589 (2.489)	-3.364 (4.355)	-3.002 (4.366)		4.515 (2.859)
- 3rd Quintile	-0.690 (2.292)	-1.065 (3.578)	-1.000 (3.593)		-0.0379 (2.821)
- 4th Quintile	3.447 (2.346)	-1.416 (3.079)	-0.514 (3.037)		7.349* (2.964)
- 5 th Quintile	6.174* (2.693)	7.167* (3.346)	5.925 (3.406)	19.05 (9.840)	1.843 (3.595)
Regions (Reference: North)					
- Central West Bank	4.793** (1.685)	2.165 (2.737)	2.527 (2.740)		6.846** (2.097)
- South West Bank	-8.683*** (2.069)	-7.874* (3.033)	-7.849* (3.067)		-9.459*** (2.671)
- Gaza	-15.95*** (3.946)	-17.21*** (4.443)			
Adj. R-Squared	0.157	0.167	0.073	0.137	0.128
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses.

* p<0.05, ** p<0.01, *** p<0.001

Table A4 - 21: Household Wealth and LGU Performance (Figure III-7)

LGU Performance Index	Total Sample	Total Municipalities	WB Municipalities	Gaza Municipalities	Village Councils
	(1)	(2)	(3)	(4)	(5)
Log LGU Population	1.201 (0.934)	2.427 (1.302)	3.057 (1.650)	1.089 (2.106)	-0.658 (1.373)
Village Council	-4.434* (2.060)				
Share of bottom 40% HHs: (Reference: 1st Quintile)					
- 2nd Quintile	-3.963 (2.191)	-6.499* (3.116)	-5.162 (3.280)	-14.28 (9.210)	-0.702 (3.080)
- 3rd Quintile	-3.988 (2.103)	-3.895 (3.138)	-3.231 (3.474)	-6.867 (7.890)	-3.364 (2.875)
- 4th Quintile	-7.911*** (2.312)	-7.911* (3.730)	-4.462 (3.764)	-22.41 (10.672)	-7.565* (3.003)
- 5th Quintile	-11.78*** (2.493)	-6.449 (4.633)	-6.631 (4.311)	-8.597 (17.766)	-12.75*** (3.032)
Regions (Reference: Central)					
- North West Bank	-3.387* (1.668)	-1.270 (2.888)	-2.041 (2.842)		-4.331* (2.062)
- South West Bank	-9.058*** (2.150)	-7.146* (3.144)	-7.915* (3.254)		-11.04*** (2.814)
- Gaza	-15.78*** (3.728)	-15.55*** (4.371)			
Adj. R-Squared	0.195	0.144	0.050	0.040	0.182
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 22: Share of Households in Area C and LGU Performance (Figure III-11)

LGU Performance Index	WB LGUs	Area C LGUs
	(1)	(2)
Log LGU Population	0.0778 (1.093)	-1.031 (2.004)
Village Council	-5.153* (2.109)	-5.922 (3.237)
Log Distance to Gov. Center	-5.388*** (1.306)	-6.821*** (1.490)
Share of Area C households: (Reference: 1st Quintile)		
- 2nd Quintile		-1.121 (3.079)
- 3rd Quintile	3.778 (2.253)	-0.778 (2.487)
- 4th Quintile	3.210 (1.804)	-2.038 (2.899)
- 5 th Quintile	-1.391 (2.012)	-11.07** (4.154)
Regions (Reference: North)		
- Central West Bank	5.309** (1.641)	4.998* (2.259)
- South West Bank	-7.363*** (1.930)	-6.345* (2.751)
Adj. R-Squared	0.170	0.276
Number of Observations	346	166

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 23: Share of Built-up LGU area in Area C and LGU Performance (Figure III-12)

LGU Performance Index	WB LGUs (1)	WB LGUs (2)	WB LGUs (3)	WB LGUs (4)	WB LGUs (5)
Log LGU Population	0.0634 (1.157)	-0.353 (1.104)	-0.612 (1.087)	-0.501 (1.072)	-0.172 (1.128)
Village Council	0.0634 (1.157)	-0.353 (1.104)	-0.612 (1.087)	-0.501 (1.072)	-0.172 (1.128)
Log Distance to Gov Center	-5.416*** (1.301)	-5.467*** (1.282)	-5.429*** (1.269)	-5.280*** (1.269)	-5.309*** (1.274)
Share of Built-Up Area Belonging to Area C					
- more than 50%	-2.639 (2.690)				
- more than 60%		-5.757 (3.043)			
- more than 70%			-8.047* (3.625)		
- more than 80%				-8.549 (4.837)	
- more than 90%					-6.523 (4.834)
Regions (Reference: North)					
- Central West Bank	5.644*** (1.631)	5.546*** (1.618)	5.679*** (1.608)	5.716*** (1.617)	5.775*** (1.621)
- South West Bank	-7.301*** (1.957)	-7.008*** (1.929)	-6.828*** (1.913)	-6.951*** (1.893)	-7.079*** (1.861)
Adj. R-Squared	0.165	0.173	0.179	0.176	0.169
Number of Observations	346	346	346	346	346

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. Sample is limited to the West Bank. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 24: Joint Service Councils I: Membership in JSC for Planning & Development (Figure III-13)

LGU Performance Index	Total Sample	Total Municipalities	WB Municipalities	Gaza Municipalities	Village Councils
	(1)	(2)	(3)	(4)	(5)
Log LGU Population	2.095*	3.130*	3.760*	2.342	0.421
	(0.958)	(1.347)	(1.622)	(2.167)	(1.360)
Village Council	-5.103*				
	(2.059)				
JSC for Planning & Dev.	3.962**	4.109	2.341	13.20*	5.202**
	(1.470)	(2.240)	(2.402)	(6.058)	(1.974)
Regions (Reference: Central)					
- North West Bank	-4.731**	-3.305	-3.266		-6.001**
	(1.662)	(2.577)	(2.576)		(2.153)
- South West Bank	-13.06***	-8.466**	-9.329**		-16.99***
	(2.090)	(3.039)	(3.068)		(2.927)
- Gaza	-19.12***	-18.15***			
	(3.720)	(4.397)			
Adj. R-Squared	0.161	0.143	0.055	0.120	0.133
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 25: Joint Service Councils II: Membership in JSC for Water and Waste Water Management (Figure III-14)

LGU Performance Index (Piped Water)	Total Sam- ple (1)	Total Mu- nicipalities (2)	WB Munici- palities (3)	Gaza Munici- palities (4)	Village Councils (5)
Log LGU Population	-2.964 (1.947)	-3.545 (2.245)	-2.942 (3.401)	-3.903 (2.647)	-2.375 (3.129)
Village Council	-6.708 (4.673)				
JSC for Water and Waste Water	4.389 (5.071)	1.638 (6.703)	-2.925 (8.206)	16.23* (6.194)	5.535 (7.592)
Regions (Reference: Central)					
- North West Bank	-2.068 (3.815)	4.873 (6.452)	5.785 (6.481)		-5.165 (4.666)
- South West Bank	-13.25** (4.630)	-11.53 (7.147)	-12.12 (7.362)		-13.78* (6.128)
- Gaza	-16.95** (5.220)	-12.70* (6.188)			
Adj. R-Squared	0.034	0.088	0.050	0.162	0.008
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 26: Joint Service Councils II: Membership in JSC for Water and Waste Water Management (Figure III-14)

LGU Performance Index (Piped Sewage)	Total Sample (1)	Total Municipi- palities (2)	WB Municipi- palities (3)	Gaza Municipi- palities (4)	Village Councils (5)
Log LGU Population	6.377*** (1.464)	10.97*** (2.866)	14.14*** (3.375)	5.483 (3.986)	2.205* (1.102)
Village Council	1.430 (3.252)				
JSC for Water and Waste Water	-6.256 (4.050)	-10.63 (6.481)	-2.698 (7.031)	-39.47*** (10.088)	0.0636 (4.913)
Regions (Reference: Central)					
- North West Bank	2.812 (2.564)	-0.480 (5.373)	-2.546 (5.296)		3.407 (2.755)
- South West Bank	-0.710 (2.841)	-5.158 (7.065)	-7.321 (7.254)		-1.477 (2.307)
- Gaza	24.19*** (7.269)	17.92 (9.352)			
Adj. R-Squared	0.192	0.226	0.134	0.235	0.009
Number of Observations	380	139	116	23	241

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 27: Joint Service Councils III: Membership in JSC for Solid Waste (Figure III-15)

LGU Performance Index	Jenin Piped Water	Jenin Piped Sewage
	(1)	(2)
Log LGU Population	-7.966 (5.389)	2.548 (1.973)
Village Council	-14.92 (12.275)	2.334 (2.000)
JSC for Water and Waste Water (Jenin)	30.82*** (7.415)	-2.269 (1.552)
Adj. R-Squared	0.152	0.059
Number of Observations	59	59

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 28: Joint Service Councils III: Membership in JSC for Solid Waste (Figure III-15)

LGU Performance Index (Solid Waste Collection)	Total Sample (1)	Salfit, Qalqiliya (2)
Log LGU Population	2.735 (1.492)	-3.747 (5.822)
Village Council	-10.81** (3.392)	-2.687 (11.365)
JSC for Solid Waste Coll.	-1.903 (5.213)	4.436 (7.722)
Regions (Reference: Central)		
- North West Bank	-12.55*** (3.248)	
- South West Bank	-19.57*** (3.833)	
- Gaza	-27.85*** (5.781)	
Adj. R-Squared	0.128	-0.067
Number of Observations	380	38

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 29: LGU Finance I: Per Capita Operating Budget Revenues (Figure III-16)

LGU Performance Index	West Bank	WB Municipal- ities	WB Village Councils
	(1)	(2)	(3)
Log LGU Population	0.995 (1.303)	0.862 (1.934)	0.0189 (1.911)
Village Council	-2.514 (2.287)		
Log per Capita Operating Budget Revenues	4.510* (1.879)	6.485** (2.157)	3.148 (2.608)
Regions (Reference: Cen- tral)			
- North West Bank	-2.531 (1.723)	-0.912 (3.034)	-3.696 (2.170)
- South West Bank	-9.279*** (2.443)	-6.150 (3.463)	-12.14** (3.644)
Adj R-Squared	0.146	0.141	0.082
Number of Observations	274	110	164

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 30: LGU Finance II: Per Capita Operating Budget Expenditures (Figure III-17)

LGU Performance Index	West Bank	WB Municipal- ities	WB Village Councils
	(1)	(2)	(3)
Log LGU Population	1.552 (1.263)	0.404 (1.785)	0.790 (1.887)
Village Council	-0.195 (2.383)		
Log per Capita Operating Budget Expenditures	5.157*** (1.513)	8.977*** (2.262)	2.887 (1.964)
Regions (Reference: Cen- tral)			
- North West Bank	-5.267** (1.720)	-4.996 (2.674)	-5.226* (2.274)
- South West Bank	-9.954*** (2.234)	-7.103* (2.951)	-12.11*** (3.503)
Adj R-Squared	0.157	0.195	0.078
Number of Observations	274	110	164

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 31: LGU Finance III: Fiscal Sustainability (Figure III-18)

LGU Performance Index	Total Sample	Total Sample
	(1)	(2)
Log LGU Population	2.913*	2.562*
	(1.196)	(1.283)
Satisfactory Collection Efficiency (MDP-II)	5.494*	
	(2.689)	
Surplus in Operating Budget & Enterprise Fund (MDP-II)		5.444*
		(2.377)
Regions (Reference: Central)		
- North West Bank	-1.961	-2.398
	(2.695)	(2.708)
- South West Bank	-9.138**	-8.023*
	(3.097)	(3.250)
- Gaza	-17.12***	-16.74***
	(4.526)	(4.391)
Adj. R-Squared	0.172	0.174
Number of Observations	133	135

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Table A4 - 32: Usage of Citizen Service Centers, LGU Responsiveness, and Performance (Figure III-20 & Figure III-21)

LGU Performance Index	Usage of Citizen Service Centers (1)	LGU Responsiveness (2)
Log LGU Population	1.641 (1.296)	2.138 (1.164)
Village Council	-5.507* (2.261)	-4.813* (2.090)
Share of Households that Used Citizen		
- 4 th Quintile	0.364 (2.450)	
- 5 th Quintile	5.388* (2.594)	
Share of Households Agreeing that LGU is very Responsive (Reference: 1 st Quintile)		
- 2 nd Quintile		3.330 (2.891)
- 3 rd Quintile		7.115** (2.630)
- 4 th Quintile		12.41*** (2.647)
- 5 th Quintile		16.23*** (2.742)
Regions (Reference: Central)		
- North West Bank	-4.582* (2.093)	-5.804** (1.906)
- South West Bank	-9.408*** (2.556)	-10.32*** (2.700)
- Gaza	-16.36*** (4.708)	-20.56*** (3.819)
Adj. R-Squared	0.154	0.302
Number of Observations	223	223

Notes: Coefficients are estimates from OLS regressions. Robust standard errors in parentheses. * p<0.05, ** p<0.01, *** p<0.001

Annex 5: Overview Key Informant Interviews and Focus Group Discussions

Table A5-1: Overview Key Informant Interviews and Focus Group Discussions

#	LGU Name	Date	Focus Group Discussion	Key Informant Interviews
1	Kufer Kadoum	December 28, 2016	1	2
2	Dier-al Assel Al-Fouqa	December 29, 2016	1	2
3	Rafah	December 29, 2016	1	2
4	Khan Yunis	December 31, 2016	1	2
5	An Nuseirat	January 3, 2017	1	2
6	Jabalya	January 9, 2017	1	2
7	Gaza City	January 12, 2017	1	2
8	Salim	January 15, 2017	1	2
9	Irtas	January 22, 2017	1	2
10	Tamoun	January 23, 2017	1	2
11	Beit Kahil	January 27, 2017	1	2
12	Bani Zeid al Garbiy	January 29, 2017	1	2
13	Hebron	February 1, 2017	1	2
14	Bethlehem	February 2, 2017	1	2
15	Beit Sahour	February 3, 2017	1	2
16	Ramallah	February 4, 2017	1	2
17	Nablus	February 5, 2017	1	2

Annex 6: Key Informant Interviews and Focus Groups Discussions Referenced

Table A6 - 1: Key Informant Interviews Referenced

Key Informants Interviews (KKIs)					
#	Quote	Date	Location	#Paragraph	#Page
1	[water from Mekorot] <i>"is delivered to us through a pipe that feeds three villages, Salim, Uzmout, and Deir al-Huteb. The Israelis control the amount of water we consume....we suffer especially in summer....there are households in Salim that do not receive water for 3-4 days a week."</i>	January 15, 2017	Salim	86	53
2	[there is a] <i>"difficulty of operating some water wells due to power outages."</i>	January 12, 2017	Gaza City	37	23
3	<i>"We have 75 water wells which lack [...] spare parts."</i>	January 12, 2017	Gaza City	86	54
4	<i>"there are 2,500 water meters that are broken down and need replacement [...] however, the import restrictions for Gaza make it hard to obtain these parts and other equipment needed."</i>	December 31, 2016	Khan Younis	86	54
5	<i>"I see the existence of JSCs as something important and useful...for example, [...] some services are better if we deal with them jointly such as waste collection which needs huge infrastructures, trucks, machines, and transfer stations."</i>	December 31, 2016	Khan Younis	87	55
6	<i>"We are members of three JSCs; one for water, another one for solid waste, as well as a JSC for Planning and Development which is inactive...before we joined the Solid Waste JSC, we used to generate revenue for our town... but now the solid waste service causes a deficit. Our municipality is against these councils..."</i>	January 23, 2017	Tamoun	89	55
7	<i>"The Solid Waste JSC is a burden because we still have to provide bins, trucks and workers...[also] joining the council was not a matter of choice...as a municipality we had to become a member...however, average people do not know about it."</i>	December 31, 2016	Khan Younis	89	56
8	<i>"We have a division for complaints at our Citizen Services Center. Each citizen can file a written complaint, and we address it within a known timeframe that depends on the nature of the complaint...we are committed to examine</i>	February 4, 2017	Ramallah	104	64

	<i>each complaint and let the citizens know about the decision..."</i>				
9	<i>The program tells me how many complaints each division receives and how many of them have been dealt with by the relevant division...once I notice there is a delay from one of the divisions I call the supervisors there and urge them to speed up the process..."</i>	February 5, 2017	Nablus	104	64
10	<i>"the nature of the complaint, and the availability of resources determine how we deal with it."</i>	January 23, 2017	Tamoun	108	65
11	<i>"accumulative debt which citizens owe the municipality are about NIS 310 million, while PA institutions located in Nablus owe NIS 60 million."</i>	February 5, 2017	Nablus	124	70
12	<i>"paying in advance...is like buying from a store - if you do not pay for it cannot get it."</i>	January 27, 2017	Beit Kahil	Box IV-1/ i	72
13	<i>[council] "decided to install pre-paid water meters...it turned out that the equipment for 1,185 households we need for our town costs USD 160,000. MoLG was willing to provide USD 100,000 but we cannot cover the remainder [USD 60,000]...although we need the upgrade urgently."</i>	January 27, 2017	Beit Kahil	Box IV-1/ i	72
14	<i>"water is a basic human rights and should not be cut off from people because they cannot afford it"</i>	January 29, 2017	Bani Zeid al Garbiy	Box IV-1/i	72
15	<i>"because electricity is a pre-paid service the collection rate is 100 percent. Connecting waste collection fees allows the council to plan with revenue with certainty, which we depend on heavily to pay salaries and to improve some of our services."</i>	January 27, 2017	Beit Kahil	Box IV-1/ii	72
16	<i>"People receive 20 percent discount when they pay the full annual amount in January, 15 percent in February, 10 percent in March, and 5 percent in April."</i>	February 2, 2017	Bethlehem	Box IV-1/iii	73
17	<i>"In the past we used to have a wrong policy, rewarding people who did not pay by offering discounts to encourage them to pay...however, now we adopted a reverse policy of encouraging those who are committed and pay their fees on time..."</i>	December 31, 2016	Khan Younis	Box IV-1/iii	73

18	<i>"The company did want to tell the police and we used social pressure to solve this issue [...] we solved 50 percent of it [...] we went from house to house with them."</i>	January 15, 2017	Salim	Box IV-1/iv	73
19	<i>"we prefer family influence more than resorting to the law or police. We go to an area or a neighborhood and talk to a social or tribal figure - [...] who in uses his personnel and family connections to solve the issue."</i>	February 1, 2017	Hebron	Box IV-1/iv	73
20	<i>"we develop a payment plan for people who cannot afford paying [...but] we do not apply a general-decrease of fees [...] because other households would also stop paying]. However, we resort to court to deal with those who do not want to pay."</i>	January 12, 2017	Gaza City	Box IV-1/v	73
21	<i>"if a citizen has a cumulative debt we ask [the household] to pay the next bill and pay a part of the debt, such as an additional 50 NIS, every time the future bills are paid."</i>	January 12, 2017	Gaza City	Box IV-1/v	73
22	<i>"our municipality sent official letters to households informing them of the debt they have to pay and encouraging them to come to reach a settlement with the municipality. A settlement does not include any discount but is only based on a scheduled re-payment approach."</i>	February 4, 2017	Ramallah	Box IV-1/v	73

Table A6 - 2: Focus Group Discussions Referenced

Focus Group Discussions (FDGs)					
#	Quote	Date	Location	#Para-graph	#Page
1	[we] <i>"do not receive water and electricity at the same time"</i>	January 12, 2017	Gaza City	37	7 (38)
2	<i>"the lack of coordination between 'water supply schedule' and the 'provision of electricity schedule.'"</i>	January 12, 2017	Gaza City	37	7 (38)
3	<i>"People need electricity to operate their water pumps and store water in tanks located on their roofs. However, they cannot do this when they have water without having electricity. Sometimes, people stay up at night waiting for electricity to be able to fill their tanks..."</i>	January 3, 2017	An Nuseirat (Gaza)	37	7 (38)
4	<i>"without connecting other services to pre-paid electricity supply [...] many people will not pay for waste collection or school fees".</i>	January 27, 2017	Beit Kahil	Box 6/ii	59

Annex 7: LGU Performance Ranking

Table A7 - 1: LGU Performance Ranking

Performance Rank	Performance Score	LGU Name	Governorate	Municipality/VC
1	89	Salfit	Salfit	Municipality
2	85	Anabta	Tulkarm	Municipality
3	85	Zeita	Tulkarm	Municipality
4	84	Iktaba	Tulkarm	VC
5	82	Shuyukh al Arrub	Hebron	VC
6	80	Ramallah	Ramallah	Municipality
7	80	Al Bireh	Ramallah	Municipality
8	79	Qalqiliya	Qalqilya	Municipality
9	77	Sarra	Nablus	VC
10	77	Dura al Qar	Ramallah	VC
11	77	Deir Sharaf	Nablus	VC
12	76	Tulkarm	Tulkarm	Municipality
13	75	Jilijliya	Ramallah	VC
14	74	Shabtin	Ramallah	VC
15	74	Habla	Qalqilya	Municipality
16	74	Anata	Jerusalem	Municipality
17	74	Ar Ram	Jerusalem	Municipality
18	73	Nablus	Nablus	Municipality
19	73	Beit Jala	Bethlehem	Municipality
20	73	Kafr Malik	Ramallah	VC
21	72	Beit Iba	Nablus	VC
22	72	At Tira	Ramallah	VC
23	72	Hebron Al Khalil	Hebron	Municipality
24	72	Al Walaja	Bethlehem	VC
25	72	Bir Nabala	Jerusalem	Municipality

26	71	Bani Zeid al Garbiya	Ramallah	Municipality
27	71	Kafr al Labad	Tulkarm	Municipality
28	71	Qaryut	Nablus	VC
29	71	Ad Doha	Bethlehem	Municipality
30	70	Bethlehem	Bethlehem	Municipality
31	70	Rammun	Ramallah	VC
32	70	Kifl Haris	Salfit	Municipality
33	70	Mas Ha	Salfit	VC
34	70	Baqa ash Sharqiya	Tulkarm	Municipality
35	69	Bala	Tulkarm	Municipality
36	69	Beit Surik	Jerusalem	Municipality
37	69	Al Janiya	Ramallah	VC
38	69	Falamya	Qalqilya	VC
39	69	Alfondoq	Qalqilya	VC
40	69	Nisf Jbayel	Nablus	VC
41	68	Saffarin	Tulkarm	VC
42	68	Hajja	Qalqilya	VC
43	68	Sir	Jenin	VC
44	68	Jericho Ariha	Jericho	Municipality
45	68	Zawata	Nablus	VC
46	67	Illar	Tulkarm	Municipality
47	67	Attil	Tulkarm	Municipality
48	67	Odala	Nablus	VC
49	67	An Naqura	Nablus	VC
50	67	Ein Qiniya	Ramallah	VC
51	67	At Tuwani	Hebron	VC
52	67	Budrus	Ramallah	VC
53	66	Beit Anan	Jerusalem	Municipality
54	66	Azmut	Nablus	VC

55	66	Almaghazi	Deir al Balah	Municipality
56	66	Farun	Tulkarm	VC
57	66	Abud	Ramallah	VC
58	66	Biet Sakaria	Bethlehem	VC
59	66	Deir Qaddis	Ramallah	VC
60	66	Beit Amin	Qalqilya	VC
61	65	Um Al-Naser	North Gaza	Municipality
62	65	Osarin	Nablus	VC
63	65	Ein Siniya	Ramallah	VC
64	65	Almusaddar	Deir al Balah	Municipality
65	65	An Nabi Elyas	Qalqilya	VC
66	65	Deir Ballut	Salfit	Municipality
67	64	Jibiya	Ramallah	VC
68	64	At Tayba	Jenin	VC
69	64	Tura	Jenin	VC
70	64	Deir al Hatab	Nablus	VC
71	64	Beit Ur al Fauqa	Ramallah	VC
72	64	As Sawahira ash Sharqiya	Jerusalem	Municipality
73	63	Deir Istiya	Salfit	Municipality
74	63	Marda	Salfit	VC
75	63	Sarta	Salfit	VC
76	63	Beit Liqya	Ramallah	Municipality
77	63	Beit Lid	Tulkarm	Municipality
78	63	Abu Dis	Jerusalem	Municipality
79	63	Al Kafreiat	Tulkarm	Municipality
80	63	Deir al Ghusun	Tulkarm	Municipality
81	62	Nilin	Ramallah	Municipality
82	62	Al Khas	Bethlehem	VC

83	62	Ein Arik	Ramallah	VC
84	62	Biddya	Salfit	Municipality
85	62	Kharbatha al Misbah	Ramallah	VC
86	62	Sabastiya	Nablus	Municipality
87	62	Beit Sahur	Bethlehem	Municipality
88	61	Qatanna	Jerusalem	Municipality
89	61	Kafr Qallil	Nablus	VC
90	61	Beit Hanoon	North Gaza	Municipality
91	61	Nuba	Hebron	Municipality
92	61	Al Midya	Ramallah	VC
93	61	Majdal Bani Fadil	Nablus	VC
94	61	Ras Karkar	Ramallah	VC
95	61	Dar Salah	Bethlehem	VC
96	60	Al Riyad/Nazlat Zeid	Jenin	VC
97	60	Rujeib	Nablus	VC
98	60	Battir	Bethlehem	Municipality
99	60	Al Qubeiba	Jerusalem	VC
100	60	Ramin	Tulkarm	VC
101	60	Beit Sira	Ramallah	VC
102	60	Kafr Ein	Ramallah	VC
103	60	Beit Fajjar	Bethlehem	Municipality
104	59	Rantis	Ramallah	VC
105	59	Beit Wazan	Nablus	VC
106	59	Haris	Salfit	VC
107	59	Kafr Laqif	Qalqilya	VC
108	59	Gaza	Gaza	Municipality
109	59	Kafr Rai	Jenin	Municipality
110	58	Yasuf	Salfit	VC
111	58	Kharbatha Bani Harith	Ramallah	VC

112	58	Az Zawiya	Salfit	Municipality
113	58	Az Zubeidat	Jericho	VC
114	58	Ajjul	Ramallah	VC
115	58	Beit Duqqu	Jerusalem	VC
116	58	Bir Zeit	Ramallah	Municipality
117	58	Al Lubban al Gharbi	Ramallah	VC
118	58	Al Ettihad	Ramallah	Municipality
119	58	Farkha	Salfit	VC
120	57	Halhul	Hebron	Municipality
121	57	Elezaria	Jerusalem	Municipality
122	57	Jalood	Nablus	VC
123	57	Kharas	Hebron	Municipality
124	57	Azzun	Qalqilya	Municipality
125	57	Deir Ghazala	Jenin	VC
126	57	Bilin	Ramallah	VC
127	57	Al Judeira	Jerusalem	VC
128	57	Huwwara	Nablus	Municipality
129	57	Beita	Nablus	Municipality
130	57	Aqraba	Nablus	Municipality
131	57	Seida	Tulkarm	VC
132	57	Beit Imrin	Nablus	VC
133	56	Kafr Aqab	Jerusalem	Municipality
134	56	Wadi Fukin	Bethlehem	VC
135	56	Beituniya	Ramallah	Municipality
136	56	Burham	Ramallah	VC
137	56	Kardala	Tubas	VC
138	56	Zatara	Bethlehem	Municipality
139	56	Jabalya	North Gaza	Municipality
140	56	Al Bureij	Deir al Balah	Municipality

141	56	Beit Hasan	Nablus	VC
142	56	Qarawat Bani Hassan	Salfit	Municipality
143	55	Jannatah Bed Flouh	Bethlehem	Municipality
144	55	Tubas	Tubas	Municipality
145	55	Azzun Atma	Qalqilya	VC
146	55	Shufa	Tulkarm	VC
147	55	Al Kfeer	Jenin	VC
148	55	Beitin	Ramallah	VC
149	55	Deir Ibzi	Ramallah	VC
150	55	Jammain	Nablus	Municipality
151	55	Talfit	Nablus	VC
152	55	An Nassariya	Nablus	VC
153	54	Al Azb Al Gharby	Qalqilya	VC
154	54	Qusra	Nablus	Municipality
155	54	Ras Atiya	Qalqilya	VC
156	54	Nahhalin	Bethlehem	VC
157	54	Tarqumiya	Hebron	Municipality
158	54	An Nazla ash Sharqiya	Tulkarm	VC
159	54	Jinsafut	Qalqilya	VC
160	54	Baqat al Hatab	Qalqilya	VC
161	54	Jurish	Nablus	VC
162	53	Urif	Nablus	VC
163	53	Kafr Thulth	Qalqilya	Municipality
164	53	Hizma	Jerusalem	Municipality
165	53	Qalandiya	Jerusalem	VC
166	53	Al Minya	Bethlehem	VC
167	53	Beit Tamir	Bethlehem	VC
168	53	Biddu	Jerusalem	Municipality
169	53	Al Jarushiya	Tulkarm	VC

170	53	Al Badhan	Nablus	VC
171	53	Turmusayya	Ramallah	Municipality
172	53	Al Jalama	Jenin	VC
173	52	Sinjil	Ramallah	Municipality
174	52	Silwad	Ramallah	Municipality
175	52	Deir as Sudan	Ramallah	VC
176	52	Ein el Beida	Tubas	VC
177	52	Shuqba	Ramallah	VC
178	52	Sair	Hebron	Municipality
179	52	Deir Dibwan	Ramallah	Municipality
180	52	Husan	Bethlehem	VC
181	52	Awarta	Nablus	VC
182	52	Madama	Nablus	VC
183	51	Taffuh	Hebron	Municipality
184	51	Yabad	Jenin	Municipality
185	51	Jit	Qalqilya	VC
186	51	Immatin	Qalqilya	VC
187	51	Al Mazraa ash Sharqiya	Ramallah	Municipality
188	51	Mithlon	Jenin	Municipality
189	51	Anza	Jenin	VC
190	51	Jayyus	Qalqilya	Municipality
191	50	Deir al Balah	Deir al Balah	Municipality
192	50	Al Zaytouneh	Ramallah	Municipality
193	50	At Tayba	Ramallah	Municipality
194	50	Madinat Ezahra	Gaza	Municipality
195	50	Al Asaesah	Jenin	VC
196	50	Sanniriya	Qalqilya	VC
197	50	Beit Ur at Tahta	Ramallah	VC

198	50	Qusin	Nablus	VC
199	50	Ash Shuyukh	Hebron	Municipality
200	50	Abwein	Ramallah	Municipality
201	49	Arrana	Jenin	VC
202	49	Tammun	Tubas	Municipality
203	49	Deir Jarir	Ramallah	VC
204	49	Ein Yabrud	Ramallah	VC
205	49	Dura	Hebron	Municipality
206	49	As Sawiya	Nablus	VC
207	49	Beit Ula	Hebron	Municipality
208	49	Qaffin	Tulkarm	Municipality
209	49	Al Khadr	Bethlehem	Municipality
210	49	Al Nowaaima	Jericho	VC
211	49	Tuqu	Bethlehem	Municipality
212	49	Qarawat Bani Zeid	Ramallah	VC
213	48	An Nuseirat	Deir al Balah	Municipality
214	48	Beit Lahiya	North Gaza	Municipality
215	48	Bani Naim	Hebron	Municipality
216	48	Al Jaba	Bethlehem	VC
217	48	Ejnasnia	Nablus	VC
218	48	Anin	Jenin	VC
219	48	Khuzaa	Khan Yunis	Municipality
220	48	Zeita Jamma	Nablus	VC
221	47	Burin	Nablus	VC
222	47	Rafah	Rafah	Municipality
223	47	Kisan	Bethlehem	VC
224	47	Umm Salamuna	Bethlehem	VC
225	47	Salim	Nablus	VC
226	47	Beit Kahil	Hebron	VC

227	47	Beit Ummar	Hebron	Municipality
228	46	Tell	Nablus	VC
229	46	Marah Maalla	Bethlehem	VC
230	46	Burqa	Ramallah	VC
231	46	Beit Dajan	Nablus	VC
232	46	Qabatiya	Jenin	Municipality
233	46	Ein Shibli	Nablus	VC
234	46	Hindaza and Braidah	Bethlehem	VC
235	46	Iskaka	Salfit	VC
236	45	Al Araqa	Jenin	VC
237	45	Az Zababida	Jenin	Municipality
238	45	Duma	Nablus	VC
239	45	Aqqaba	Tubas	Municipality
240	45	Al Yamun	Jenin	Municipality
241	45	Jenin	Jenin	Municipality
242	45	Atuf	Tubas	VC
243	45	Idhna	Hebron	Municipality
244	45	Al Jadida	Jenin	VC
245	45	Jaba	Jerusalem	VC
246	45	Al Lubban ash Sharqiya	Nablus	VC
247	45	Silat adh Dhahr	Jenin	Municipality
248	45	Mikhmas	Jerusalem	VC
249	44	Jurat ash Shama	Bethlehem	VC
250	44	Al Hashimiya	Jenin	VC
251	44	Al Majd	Hebron	VC
252	44	Al Mughayyir	Jenin	VC
253	44	Yasid	Nablus	VC
254	44	Kobar	Ramallah	VC

255	44	Saffa	Ramallah	VC
256	44	Thahr Al Abed	Jenin	VC
257	44	Rafat	Salfit	VC
258	44	Khirbet Abu Falah	Ramallah	VC
259	44	Yabrud	Ramallah	VC
260	43	Asira ash Shamaliya	Nablus	Municipality
261	43	Surda o Abu Qash	Ramallah	Municipality
262	42	Surif	Hebron	Municipality
263	42	Atara	Ramallah	Municipality
264	42	Rafat	Jerusalem	VC
265	42	Burqa	Nablus	VC
266	42	Bir al Basha	Jenin	VC
267	42	Hitta	Hebron	VC
268	41	Asira al Qibliya	Nablus	VC
269	41	Misliya	Jenin	VC
270	41	Deir Nidham	Ramallah	VC
271	41	Ajja	Jenin	Municipality
272	41	Yatma	Nablus	VC
273	41	Al Mughayyir	Ramallah	VC
274	41	Kafr ad Dik	Salfit	Municipality
275	41	Al Ubeidiya	Bethlehem	Municipality
276	41	Al Burj Biet Marsim	Hebron	VC
277	41	Khallet al Haddad	Bethlehem	VC
278	41	Al Ramah	Jenin	VC
279	40	Bani Suheila	Khan Yunis	Municipality
280	40	Fahma	Jenin	VC
281	40	Sanour	Jenin	VC
282	40	Bani Zeid ash Sharqiya	Ramallah	Municipality
283	40	Arraba	Jenin	Municipality

284	40	Kafr Qud	Jenin	VC
285	40	Al Masara	Bethlehem	VC
286	40	Kafr Qaddum	Qalqilya	VC
287	40	Kafr Nima	Ramallah	VC
288	40	As Samu	Hebron	Municipality
289	39	Zububa	Jenin	VC
290	39	Az Zawayda	Deir al Balah	Municipality
291	39	Bardala	Tubas	VC
292	39	Karma	Hebron	VC
293	39	Al Aouja	Jericho	Municipality
294	39	Yatta	Hebron	Municipality
295	38	Bizzariya	Nablus	VC
296	38	Kafr Dan	Jenin	Municipality
297	38	Deir Abu Mashal	Ramallah	VC
298	38	Rummana	Jenin	VC
299	38	Al Fandaqumiya	Jenin	VC
300	38	Khan Yunis	Khan Yunis	Municipality
301	38	Qibya	Ramallah	VC
302	38	Marah Rabah	Bethlehem	VC
303	37	Wadi al Fara	Tubas	VC
304	37	An Nabi Salih	Ramallah	VC
305	37	Birqin	Jenin	Municipality
306	37	Qira	Salfit	VC
307	37	Adh Dhahiriya	Hebron	Municipality
308	37	Beit Furik	Nablus	Municipality
309	36	Tayasir	Tubas	VC
310	36	Em Al Khair	Hebron	VC
311	36	Silat al Harithiya	Jenin	Municipality
312	36	Absan al Kabira	Khan Yunis	Municipality

313	36	Fahma al Jadida	Jenin	VC
314	35	Talluza	Nablus	VC
315	35	Qabalan	Nablus	Municipality
316	34	Ash Shawawra	Bethlehem	VC
317	34	Aqqaba	Tubas	VC
318	34	Raba	Jenin	VC
319	34	Tiinnik	Jenin	VC
320	34	Wadi Rahhal	Bethlehem	VC
321	34	Marj Naja	Jericho	VC
322	34	Deir al Asal al Fauqa	Hebron	VC
323	34	Marj al Ghazal	Jericho	VC
324	34	Fasayil	Jericho	VC
325	33	Imreish Abda	Hebron	VC
326	33	Khursa	Hebron	VC
327	33	Arabbuna	Jenin	VC
328	32	Sikka Tawwas	Hebron	VC
329	32	Al Aqrabaniya	Nablus	VC
330	32	Sireec	Jenin	VC
331	32	Einabus	Nablus	VC
332	32	Wadi an Nis	Bethlehem	VC
333	31	Al Qarara	Khan Yunis	Municipality
334	31	Jifna	Ramallah	VC
335	31	Deir Abu Daif	Jenin	VC
336	31	Bruqin	Salfit	Municipality
337	31	Ar Rihiya	Hebron	VC
338	31	Jaba	Jenin	Municipality
339	31	Jalqamus	Jenin	VC
340	31	Arab ar Rashayida	Bethlehem	VC
341	30	Hadab al Fawwar	Hebron	VC

342	29	Furush Beit Dajan	Nablus	VC
343	29	Imneizil	Hebron	VC
343	29	Kharbat Al-deir	Hebron	VC
343	29	Beit Qad ash Shamali	Jenin	VC
346	28	Artas	Bethlehem	VC
347	28	Al Karmil	Hebron	Municipality
348	27	Al Rayan	Jenin	VC
349	26	Ar Ramadin	Hebron	VC
350	26	Al Fukhkhari	Khan Yunis	Municipality
351	26	Absan as Saghira	Khan Yunis	Municipality
352	26	Al Attara	Jenin	VC
353	25	Al Naser	Rafah	Municipality
354	25	Jalbun	Jenin	VC
354	25	Al Najada Al Kaabna	Hebron	VC
354	25	Al Zwaydieen	Hebron	VC
357	25	Al Yasreiah	Hebron	Municipality
358	24	As Sura	Hebron	VC
359	24	Az Zawiya	Jenin	VC
360	24	Beit Qad al Janubi	Jenin	VC
361	23	Abu al Asja Abu al Ghozlan	Hebron	VC
362	23	Khallet al Maiyya	Hebron	VC
363	22	Faqqua	Jenin	VC
364	22	Kufeirit	Jenin	VC
365	22	Beit Amra	Hebron	VC
366	21	Al Hathalin Khshm Al Daraj	Hebron	VC
366	21	Aba ash Sharqiya	Jenin	VC
368	21	Al Jiftlik	Jericho	VC
369	20	Ash Shuhada	Jenin	VC

370	19	Deir al Asal at Tahta	Hebron	VC
371	19	Mirka	Jenin	VC
372	19	Biet Al Roush Alfouqa	Hebron	VC
373	17	Beit ar Rush at Tahta	Hebron	VC
374	16	Wadi as Salqa	Deir al Balah	Municipality
375	14	Zibda Al Jadida	Jenin	VC
376	13	Umm at Tut	Jenin	VC
377	10	Deir Razih Tarrama	Hebron	VC
378	10	Shokat as Sufi	Rafah	Municipality
379	4	Almaleh	Tubas	VC
380	0	Msafir Yatta	Hebron	VC

Annex 8: LGU Revenue Assignment, Management Responsibility, and Final Destination of Funds

Table A8-1: LGU Revenue Assignment (in the LGA), Management Responsibility and Final Destination of the Funds

	Who sets the base	Who sets the rate	Who collects	Who retains / how much (%)
Property Tax (O)	MoFP for West Bank, Municipalities for Gaza	MoFP for West Bank, Municipalities for Gaza	MoFP for West Bank, Municipalities for Gaza	MoFP -10% (West Bank) Municipalities – 90% (West Bank) Municipalities – 100 % (Gaza) But MoFP intercepts revenues for municipal arrears
Profession Permit Fees (O)	MoFP	MoFP	MoFP	MoFP -10% Municipalities – 90% But MoFP intercepts revenues for municipal arrears
Craft and Industrial Fees (O)	Municipalities	Municipalities	Municipalities	Municipalities
Transportation Tax (O)	Ministry of Transport (MoT)	MoT	MoT and enters amounts in Single Treasury Account	The distribution formula changes from year to year according to the decision of the "Transportation Tax Distribution Committee" at the MoLG. The percentage of funds allocated according to population ranged between 55-75% of the total appropriated funds from 2008 to 2013. But MoFP intercepts revenues for municipal arrears
Education tax (7% tax levied on property tax base) (O)	MoFP	MoFP	Municipalities	Earmarked to Schools maintenance
Solid Waste Collection Fee (O)	Municipalities or Joint Service Council	Municipalities or Joint Service Council	Municipalities or Joint Service Council	Municipalities or Joint Service Council
Official document preparation fee (O)	Municipalities	Municipalities	Municipalities	Municipalities
Building License Fee (O)	Municipalities	Municipalities	Municipalities	Municipalities

Signboard fees (O)	Municipalities	Municipalities	Municipalities	Municipalities
Fines (municipal court, transportation) (O)	Municipalities	Municipalities	Municipalities	Municipalities
Ceiling tax (O)	VC	VC	VC	VC
Personal tax (O)	VC	VC	VC	VC
Electricity Fee (E)	PA	PA	Utilities or Municipalities	Utilities or Municipalities
Water Fee (E)	PWA	PWA	Utilities or Municipalities	Utilities or Municipalities
Waste Water Fee (E)	Municipalities	Municipalities	Municipalities	Municipalities
Slaughterhouses Fee (E)	Municipalities	Municipalities	Municipalities	Municipalities
Vegetable Markets Fee (E)	Municipalities	Municipalities	Municipalities	Municipalities
Public Parking Fee (E)	Municipalities	Municipalities	Municipalities	Municipalities
Other fees (O) including building permit fee; water and electricity connection fees; waste water and sewage connection fee; garbage collection fee; sign board fees; cemetery fees; and some farming fees for roads	Municipalities	Municipalities	Municipalities	Municipalities

Source: Updated from WB (2014A). "O" stands for Operating Revenue and "E" for Enterprise Revenue

Table A8 - 2: Expenditure Assignments According to Local Government Law

Assignment
1. Town planning
2. Street construction, rehabs, paving, and roads
3. Rain water drainage system*
4. Street names and numbering
5. Sidewalks
6. Street lighting
7. Public transport stands and terminals
8. Water supply
9. Electricity supply
10. Sewer system
11. Waste water treatment
12. Public lavatories
13. Solid waste collection and disposal
14. Solid waste treatment
15. Fruit and vegetable markets
16. Public parks
17. Social assistance programs**
18. Sports facilities
19. Libraries
20. Museums and culture
21. Regulation, control and monitoring***
22. Cemeteries
23. Schools
24. Health centers

25. Slaughterhouses

26. Fire fighting

27. Transit management (traffic lights, signs, meters, and others)

28. Other (the law explicitly allows for other functions)

(Art. 15 of the LGA of 1997)

* These functions are not explicit in the law; however, they are understood to be part of the expenditure responsibilities of the local councils.

** Such as shelter for the homeless, food donations, and other local social programs.

*** Regulation, control and monitoring of: public health standards, slaughterhouses, food safety, restaurants, hotels, and public facilities, weight and scales control, craft and industry hazards, clinic and health center standards, street vendors and stands, public transportation.

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