

U4 Expert Answer



Corruption in service delivery in the occupied Palestinian territories

Query

Please provide an overview of corruption in the occupied Palestinian territories with a focus on the impact of corruption in service delivery.

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Summary

This Expert Answer seeks to shed some light on the main challenges to governance and anti-corruption in the occupied Palestinian territories (oPt). It also offers a brief overview of the extent of corruption in the territory and its main drivers. The final section shows how the governance challenges affect different areas of service delivery such as health, education, electricity and water supply.

It is worth noting, however, that there are relatively few publicly sources of information on the impact of corruption on service delivery in the West Bank and Gaza available in English. For that reason, this Expert Answer takes a more general approach that includes other challenges for service delivery in the occupied Palestinian territories, as it is difficult to disentangle the effects of corruption from those caused by other challenges such as the political, economic and social situation in the territories.

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1. Background

As a result of the Arab-Israeli War in 1948, the territory of Palestine was divided into three parts: one was the State of Israel, another was dubbed the West Bank, attached to the Kingdom of Jordan, and the third, which would later be known as the Gaza Strip, was placed under Egyptian military administration. Two decades later, on the morning of 5 June 1967, Israel launched a pre-emptive strike against Egyptian forces in response to the closure of the Straits of Tiran. Six days later, the conflict had come to include Jordan and Syria.

What came to be known to Israelis as the Six-Day War and to Arabs as the June War, saw the defeat of three of the mightiest armies in the region. As a result of the war, 200,000 Palestinians from the West Bank, between 80,000 and 100,000 Syrians from the Golan Heights, and 55,000 Egyptians and Palestinians from the Gaza Strip and Sinai were displaced (Machairas 2017), and Israel took over the Golan Heights, the West Bank, the Gaza Strip, East Jerusalem and the Sinai Peninsula, which was subsequently returned to Egypt in 1979 (US Department of State 2001).

Since the end of the 1967 war, the demands for the formation of an independent Palestinian state and calls for the end of the Israeli occupation in Gaza, the West Bank and East Jerusalem have not ceased. Most notably, the Palestinian Liberation Organization (PLO), a resistance front formed in 1964 to “liberate Palestine” was declared the “sole legitimate representative of the Palestinian people” during the Arab summit conference in Morocco in 1974 (Telhami 2017).

For almost 30 years, the PLO resisted the occupation and refused to recognise the State of Israel. The PLO’s position shifted in 1993 after the signing of the Declaration of Principles, also known as the Oslo Peace Accords, which guaranteed recognition of the State of Israel, recognition of the PLO as the representative of the Palestinian people, and set out the path of peace and negotiation for the recovery of Palestinian territories that had been occupied since 1967. The agreement also specified a

period of five years to reach a final resolution on the Israeli-Palestinian conflict (AMAN 2014).

The Oslo Peace Accords were followed by numerous other agreements that resulted in the transfer of a number of administrative powers from the Israeli military government to the Palestinian National Authority (PA). The PLO therefore entered the West Bank and the Gaza Strip in 1994 to establish a transitional authority (AMAN 2014). In January 1996, the first legislative elections took place and the first Palestinian Legislative Council (PLC) was formed. The PLC ratified a large amount of legislation, including the Palestinian Basic Law, which was meant to be a temporary constitution that regulates the PA’s work. According to this law, the PA is made up of an elected president and the legislative council. It is important to keep in mind, however, that the authority of the PA was also limited by the terms of the Oslo agreements. While the PA maintained civil and security control over certain areas, in others, it was granted only civil control with joint security with Israel. In other areas, known as Area C, it has no authority, and Israel retained both security and civil control (US Department of State 2017).

The signing of the Oslo Accords did not imply the end of the Israeli-Palestinian conflict. Violence and political turmoil in the region continued. The two decades following the signing of the Oslo Peace Accords witnessed many political and security developments that culminated in the collapse of the peace process and include: the failed 2000 Camp David Summit; the 2000 Al-Aqsa Intifada (uprising) and Israel’s unilateral withdrawal from the Gaza Strip; Yasser Arafat’s death, and the appointment of Mahmoud Abbas as the president of the PA; the 2006 parliamentary election that led to the Hamas’ takeover of the Gaza Strip in 2007; the lack of progress on the peace front; and the three large scale Israeli offensives against Gaza in 2008, 2012, and 2014 (Qarmout 2017) that have caused massive damage to infrastructure as well as human loss (AMAN 2014).

After the violent takeover of the PA government offices and facilities in the Gaza Strip by Hamas in 2007, this faction maintained de facto government

in the area for the following decade. The decade-long Palestinian territorial, political and ideological split crippled statehood aspirations, negatively impacted all the national institutions and led to the rise of a duality in the institutional structure and legal framework between the West Bank and the Gaza Strip. Moreover, national and local elections were obstructed, which greatly weakened the legitimacy of the governing institutions. The activities of the PLC were also completely disrupted, affecting the system of checks and balances designed to keep the PA in check (AMAN 2014).

Recently, in October 2017, a new reconciliation agreement, brokered by Egypt and signed by the rival Palestinian factions of Hamas and Fatah, aimed to end this split. Observers, however, are sceptical that this agreement will bring any changes as it resembles other agreements conducted in the past and very little has been done to change the status quo. Under the agreement, the West Bank-based Palestinian Authority is to resume full control of the Hamas-controlled Gaza Strip by the end of 2017. At the time of the writing, however, it is not possible to tell whether this agreement will deliver on its promise to restore control of the PA in the Gaza Strip (Beaumont 2017).

In addition to the state of political polarisation that has characterised Palestinian politics over the last decade, the Israeli occupation adds another layer of complexity to the mix: the State of Israel's continuation of its settlement policy has helped create a permanent state of tension in the region that has caused several violent clashes and further weakened political stability in the West Bank. Against this background, it is easy to see why the Israeli-Palestinian conflict and the question of Palestinian statehood have been referred to as the "most intractable conflict situation in United Nations' history" (United Nations 1997).

This Expert Answer seeks to shed some light on the main challenges to governance and anti-corruption in Palestine, looks into the main forms of corruption present in the West Bank and Gaza, looks at the effects of corruption on service

delivery and on the Palestinian economy and society.

2. Extent of corruption in the oPt

According to the World Bank's Worldwide Governance Indicators, the levels of control of corruption in the West Bank and Gaza, while still weak, are slightly above the regional average for the Middle East and North Africa (MENA) with values similar to those registered in countries like Tunisia and Morocco. The value of -0.15 on the control of corruption indicator (World Bank 2016), which ranges from -2.5 (most corrupt) to +2.5 (least corrupt), also puts the West Bank and Gaza clearly over the average rating achieved by lower middle-income countries around the world and even exceeds the score achieved by Bulgaria, a member state of the European Union. In general, and according to this indicator only, the West Bank and Gaza seem to have better control of corruption mechanisms than many countries with similar levels of economic development.

Composite indicators like the one above, while useful to provide a comparative perspective, do not capture the full picture and the nuances of corruption within a country. It is thus necessary to look at other sources to get a better understanding of the main challenges and issues. Transparency International's Global Corruption Barometer (GCB), a global public opinion survey on the views and experiences of corruption, helps provide a more accurate picture of the phenomenon in the region.

According to the 2016 survey conducted for the MENA region, a third of Palestinians (33%) believe that most or all public sector workers are corrupt and more than two-thirds (70%) think that corruption increased in the 12 months prior to taking the survey (Pring 2016). While bribery rates in the West Bank and Gaza remain relatively low (13%), especially when compared to other countries in the region (Pring 2016), the perceptions of corruption within the PA remain high with almost 80% of Palestinians seeing it as corrupt (Leech 2017).

The high perception of corruption in the occupied Palestinian territories might appear unjustified

when looking only at the bribery rates reported by the GCB, which range from a modest 4% to 6% in public schools and hospitals to a more significant 15% in the courts system. This type of petty corruption, however, does not seem to be the main driver of Palestinians' perceptions of corruption. A 2013 opinion poll conducted by the Coalition for Integrity and Accountability (AMAN), Transparency International's national chapter in Palestine, found that while, 20% of Palestinians are concerned about bribery, 41% see nepotism and favouritism as the main challenge (AMAN 2014). The survey also revealed that the use of connections and nepotism was perceived to be most common in the appointments of public employment (62%), the provision of public services (20%), and the award of tenders and contracts to suppliers (11%).

As mentioned above, while bribery rates might be relatively low, the use of connections to obtain public services seems to be widespread, as 30% of those surveyed by AMAN noted that they had used intermediaries to obtain some form of service (AMAN 2014). While this data might be based only on citizens' perceptions, the official national statistics seem to validate some of these figures. In 2015, the Palestinian Anti-Corruption Commission published data revealing that abuse of public office, favouritism, nepotism or *wasta* and deviation of public funds were the most prevalent forms of corruption in the West Bank and Gaza (AMAN 2016).

This evidence points to the fact that corruption in Palestine and within the PA institutions "should not be perceived as merely a matter of administrative and financial wrongdoing committed by irresponsible individuals whose behaviour is driven by greed and personal interests" (Dana 2015). The types of corruption that preoccupy Palestinians such as embezzlement of public funds, misappropriation of resources and nepotism point at a more widespread problem and a system best described as particularism, i.e. a mode of social organisation characterised by the regular distribution of public goods not on the basis of universal criteria but rather on the basis of connections and kinship (Mungiu-Pippidi 2015). The following section

explores the main drivers that help sustain this system in the occupied Palestinian territories.

3. Main drivers of corruption

The corruption embedded within the Palestinian political system is best exemplified in the interplay between power and money at the highest level of political authority. Moreover, the complexity of the way in which money changes hands and its transnational character – which can involve black markets, money laundering and foreign bank accounts – also makes this form of corruption particularly hard to trace.

The misuse of official positions for personal gain is another facet of elite corruption. Cases that came to light included unauthorised personal use of public resources, illegal public-private deals and theft of public property. Such practices were a regular occurrence during the 1990s, and negatively affected local and international perceptions of the PA. According to the first Palestinian audit conducted in 1997, nearly 40% of the PA budget – approximately US\$326 million – had been misappropriated. This section seeks to shed some light on the main drivers that facilitate the examples mentioned above.

Clientelism and the politicisation of the public sector

As mentioned above, the governance arrangement operating in the West Bank and Gaza can be best described as particularism, and clientelism seems to stand at the centre of this system. In Palestine, patron-clientelism is rooted in the social values of kinship and familial ties, which are in turn shaped by factional politics (Dana 2015). Clientelism is what provides the ruling elite with a strategic tool to control constituents and expand the network of supporters by redistributing public resources to buy political support. This, in turn, helps preserve the status quo and maintain the elite's dominance over political and economic assets.

The PA also tried to gather support among the middle class by offering them employment in the public sector. This was particularly evident in the security forces, which comprised almost half of all

public sector jobs (Leech 2017). As of 2015, the PA public sector employed around 165,000 civil servants who were fully dependent on salaries guaranteed by international aid to the PA. The security sector is the largest with 44% of total PA employment, and it absorbs between 30% to 35% of the PA annual budget, thus exceeding other vital sectors such as education (16%), health (9%) and agriculture (1%) (Dana 2015).

The politicisation of civil service positions became even clearer after the internal division in the PA and the split between the West Bank and Gaza after the Hamas takeover of the latter territory in 2007. Local NGOs, for example, report that public employees' monthly salaries continued to be paid out of the national treasury even though many of them were on strike, which constituted a waste of public funds. Another common practice is the handover of senior-level positions to regime loyalists in both the West Bank and Gaza (AMAN 2016).

The current system of patron-client relations was the product of the means used by the PA authority to consolidate its rule in the 1990s. Under Yasser Arafat, the PA relied on coercion and bribery to win over the approval and support of its constituents, and by the mid-1990s, corruption and clientelism had become a tool of the PA to favour its allies and exploit divisions between rivals (Leech 2017). This strategy, however, failed to secure the support of Islamist groups such as Hamas and Islamic Jihad.

It is worth mentioning that even though the system of patron-client relations that exist today can be traced back to the 1990s, the story of favouritism and clientelism in Palestine is older than that. Already in the 1980s, for example, the PLO leadership used the Sumud (steadfastness) Fund, which was formally channelled through the Palestinian-Jordanian joint committee, to award their supporters and exclude others (Dana 2015).

The patron-client system has also been used to co-opt and neutralise political opposition. Several political leaders – independents, leftists and Islamists – were incorporated into the PA project that they initially claimed to reject. They were offered privileges, advantages and access to

prestigious posts in the public sector in exchange for political loyalty. In fact, some of those co-opted personalities have become important actors in PA politics.

Close ties between business, money and politics

The Oslo Peace Process was seen by many Palestinian businesspeople as an opportunity to return to their homeland and profit from the normalising relations with Israel. This business community, however, exerted significant influence over Palestinian politics and enjoyed preferential treatment by the PA. This powerful elite, made up of a number of families that became successful through investing in the Gulf oil industries after being expelled from Palestine in 1948, supported the PLO rhetorically and materially through large investments in the PA's infrastructure (Leech 2017). In return, companies with ties to these families received beneficial treatment from the PA and were granted licences and permits to operate as natural monopolies or were simply not taxed (see Khan 2004).

The majority of private enterprise in the West Bank that existed during the late 2010s could still be traced through a series of holding companies to the Masri and Khoury families (Hanieh 2011). These two families directly owned a considerable range of property and organisations operating in the West Bank. According to Hanieh (2011: 95), more than ten years after the Second Intifada began, this group of businesspeople still "dominate the political economy of the Palestinian territories to such an extent that it is almost impossible to find a large- or medium-sized company in which they do not own a significant stake".

Lack of checks and balances to ensure accountability

According to Dana (2015), "the dysfunction of the Palestinian Legislative Council (PLC) and the complete absence of legislative monitoring of the governmental budget have freed the presidency and the executive from institutional checks-and-balances and public accountability". This has bolstered executive control over public spending and the executive's ability to control constituents

by using the stick and carrot strategy. In turn, this has enhanced irregularities and violations of employment rights (Dana 2015): being employed by the PA, for example, does not necessarily imply job security. If employees criticise PA policies, there is often retaliation in the form of early retirement, denied salary payments or removal from their posts. They may also face a series of punitive measures, including denial of promotion or transfer to distant areas.

As of 2017, no presidential or legislative elections were in sight in either the West Bank or Gaza. The last legislative election took place in 2006 (Sawafta and Al-Mughrabi 2017). In the meantime, Abbas is now 12 years into what was supposed to be a four-year term. This has considerably weakened the legitimacy and popularity of his regime.

The Israeli occupation

There are many ways in which Israel is an important actor in fostering corruption in the West Bank and Gaza. According to Dana (2015), the public-private monopolies that operate in the occupied Palestinian territories and are controlled by individuals with high level positions in the PA bureaucracy, and partners in the private sector “would not have been possible without the collusion and collaboration of Israeli businesses and the consent of the Israeli political and security establishment”.

With the repressive policies of the Israeli occupation in the oPt, and its control over Palestinian resources and attempts to plunder these resources, in particular water, electricity, oil and gas fields, as well as preventing Palestinians from building on certain areas, Israel has de facto weakened the rule of law (Dana 2015).

Moreover, the stagnation of the peace talks has forced the PA to transform several programmes initially designed as contingency plans into permanent ones in order to face the occupation. This has on many occasions come at the expense of “strengthening good governance principles in

public institutions, as well as combating corruption and prosecution of the corrupt” (Dana 2015).

Israel has also been accused of manipulating international standards to clamp down on granting licences and permissions to Palestinian businesspeople to provide opportunities for a number of Israeli officials to take bribes in exchange for such licences (Dana 2015).

Another example is Israel’s direct involvement in the so called “secret accounts” established in the 1990s by some Palestinian officials around the world, including accounts held in the Israeli Bank Leumi. Much of the money in those accounts came from the taxes Israel collected on Palestinian imports, which was then transferred directly to these accounts (Dana 2015).

Corruption in service delivery in the occupied Palestinian territories

Public service delivery broadly refers to services provided by governments (local, municipal or national) to their citizens. As such, it encompasses the provision of a wide range of services such as healthcare, education, water and sanitation, issuing of identification documents, telecommunications, licences, and many other services that governments or entrusted private entities provide for the benefit of citizens (Transparency International 2017).

Corruption in service delivery takes a variety of forms and can be present across all levels of government and at all levels of the service delivery chain. Since service covers a wide array of sectors and can involve infrastructure projects, contracting of private entities or public agencies, the management of organisational resources such as personnel, goods, supplies and budgets, as well as point of service interactions, it presents a fertile ground for corruption to sprout.

Transparency International’s Topic Guide on Corruption in Service Delivery (Transparency International 2017) identifies different potential forms of corruption in service provision across the service delivery chain:

- Corruption risks during the policymaking process: at the policymaking level, undue influence by individuals, firms or interest groups may lead to administrative bribery, political corruption and state capture. Public policy decisions can be bought to suit the interests of powerful elites, with private actors trying to influence the formulation of laws and regulations in ways that benefit them. On another level, local politicians may be tempted to “buy” votes by pushing for construction work in their local communities. Such forms of grand corruption by political and business elites often involve the development of corrupt networks of senior officials, politicians, and domestic or foreign businesses. These networks may use illegal payments and bribes to gain contracts and purchase of political power, but can also build “networks of influence” through legal means (donations to political parties, use of lobbyists, and so on) (Transparency International 2017)
- Corruption risks in the management of organisational resources: corruption in service delivery also occurs in the management of organisational resources, such as personnel, goods, supplies and budgets. In the context of complex bureaucracies with weak oversight and overlapping responsibilities and jurisdictions, bribery, leakages and embezzlement of funds can become widespread. This risk is especially acute in sectors such as health, water and education, which are characterised by large flows of money, specialised equipment and complex organisational structure. In addition, administrative funds and supplies can be diverted and public procurement processes can be subject to major integrity challenges, with risks of bribery, diversion of resources, leakages, or biased decision-making in the contracts award process. Nepotism and favouritism are also common in this part of the process as public officials may want to favour their friends and/or relatives by awarding them lucrative government contracts. During the contract implementation phase, those in charge of providing the goods and/or services might also choose to procure fraudulent or lower quality equipment, materials or supplies

to cut costs and increase profits, with a direct impact on the quality of public goods and services.

- Corruption at the point of service: this form of corruption often means bribery and extortion by low- and mid-level public officials in their interactions with ordinary citizens. This form of extortive or coercive bribery is referred to as petty corruption, where citizens are expected to pay bribes to private or public actors to access basic goods and services to which they are entitled. Recipients can be either compelled to pay bribes to receive a service, or can offer bribes in exchange for a better service or access to a service to which they are not entitled. Petty corruption is especially damaging where service providers enjoy a monopoly or when service recipients do not have the resources or ability to switch to another service provider. It can also raise the cost of service provision and decrease the service provider’s profit and sustainability when service users pay bribes to receive a higher quality service or the same service at a lower price. Overpricing of services and inputs is another common form of corruption in service delivery. Private and public service providers may charge more than market prices or what was stipulated in contractual agreements for services or inputs, resorting to fraudulent or faulty documentation, diagnostics or quality assessments to cover such practices.

Due to the complex political situation in the West Bank and Gaza, service delivery is often a complicated endeavour and the quality of the services are affected by a number of issues, not just corruption. This section, however, seeks to at least illustrate how corruption manifests itself in different sectors.

Healthcare

Four central providers currently operate across the territories: Ministry of Health (MoH), providing for the majority of the population; UNRWA, dealing mostly with Palestinians of specific refugee status; various NGOs; and private sector organisations (Damash 2013). The disunity between these actors has led to significant “gaps”

in accessing healthcare and exacerbated inequities across the occupied Palestinian territories. Security issues and the destruction of vital health infrastructure, however, remain the main contributors to the reduced availability of health services. Although steps have been taken by authorities to alleviate the situation, shortages of medicines and medical supplies, limitations in tertiary care capacity, fuel shortages and complicated mechanisms for the referral of severe cases abroad have exacerbated an already acute humanitarian situation (WHO 2015).

In the West Bank, insufficient access to primary healthcare persists as a result of insecurity, restrictions on the freedom of movement of patients, health staff and medical students, a shortage of medicines and other medical supplies and a shortage of healthcare workers. An opinion poll carried out by AMAN in the Gaza Strip revealed that medical referrals to get treatment abroad are particularly susceptible to bribery and other types of corruption. The deterioration of the economic situation and increase in demand of healthcare services abroad provided opportunities for some employees and brokers to take advantage of the situation and extract bribes in exchange for the “privilege” of receiving treatment abroad (AMAN 2016).

The lack of transparency and accountability in the healthcare sector has created opportunities for corruption. The lack of a competent autonomous agency to impartially monitor the activities of PA members and hold affiliates accountable for corruption offences have fuelled fiscal and administrative corruption, particularly by those involved in managing the MoH (Damash 2014). This has, in turn, contributed to the preservation of an underperforming public healthcare system.

On the other hand, the lack of transparency and accountability has also led to a spike in medical errors that have come to represent a threatening problem given the direct consequences they have on the health and lives of human beings (AMAN 2016). There are, however, no accurate statistics relating to the number of medical errors. This is due to the absence of a system that would document these errors. Moreover, procedures taken against someone where it was proven that

the doctor had committed a medical error do not lead to disciplinary measures and administrative investigations rarely lead to any consequences (AMAN 2016).

Education

Palestinians are highly educated. According to World Bank data, adult literacy rates are above 96% and exceed 99% for the young between 15 and 24 years of age. Under Article 24 of Palestinian Basic Law, public primary school education, covering ten years of schooling, is free and compulsory, and secondary education is also free but not compulsory (DFAT 2017). The gross enrolment ratio is 95% at the primary level, 82% at the secondary level, but drops to 44% for tertiary education.

As in the case of healthcare provision, the on-going conflict and occupation, internal division and rising poverty are stunting education outcomes for children across the occupied Palestinian territories. According to UNICEF, the most serious challenges in the provision of education include over-crowded and ill-equipped classrooms, rising violence, inadequate learning material and insufficient facilities for extracurricular activities. This research did not manage to find evidence directly linking the shortcomings in the provision of education in the West Bank and Gaza to corruption. However, a recent scandal in the allocation of scholarships from the government of Venezuela to Palestinian students clearly illustrates how the sector is not immune to clientelism and favouritism.

Following the 2014 Israeli War on Gaza, Venezuelan President Nicolás Maduro decided to provide 1,000 scholarships for Palestinian medical students. The scholarships were meant to be allocated on the basis of merit to students from poor backgrounds and with a point grade average of 80%. Many of the scholarships ended up being allocated to students with connections to the PA or to those who could afford to pay the price tag of around US\$7,000 (Abu Amer 2015).

According to a senior official at the Palestinian Ministry of Higher Education: “the main reason behind the scandal is that several parties were

overseeing the selection of students to be granted scholarships, such as the Ministry of Higher Education, the Palestinian Liberation Organization and the Palestinian embassies abroad. Other reasons include a great level of favouritism, interference and corruption” (Abu Amer 2015).

Another known issue is the lack of transparency in the financial management of public universities. The lack of clarity in the government’s policies left the arena open for selectivity in dealing with universities (AMAN 2016). As a result, a number of public universities do not apply the financial system adopted by the Council of Ministers, and in-line with Palestinian Basic Law. These higher education institutions also refuse to work according to the PA’s financial system or transfer their revenues to the state treasure, although their entire budgets come from the public budget (AMAN 2016).

Water provision

In the late 1990s, most of the population in the Gaza Strip were able to drink water directly from the tap. Nowadays, however, so much water has been pumped out of the natural aquifer underneath Gaza that seawater has seeped in and water is now too salty to drink. This, in combination with other factors, means that only 10% of Gaza’s population has access to safe drinking water, compared to 90% in the West Bank or about 85% in MENA in general (World Bank 2016a). The water crisis in Gaza, however, started to escalate even before the 2014 conflict as a result of Israel’s blockade, which has prevented critical reconstruction works and the development of safe water and sanitation systems (Oxfam 2017). This blockade severely limits the entry of materials that would allow the water and sanitation sector in Gaza to recover from years of conflict and de-development (Oxfam 2017).

In the West Bank, there is also a challenge of access to water. There are some areas where the daily water consumption per person is 25 to 30 liters while the World Health Organization recommends 120 liters per capita per day, mainly because inhabitants of the West Bank are not getting enough water from the supplier. The bulk supplier is Palestine, but much of the resources in

the West Bank are controlled by Israel (World Bank 2016a).

The absence of good management in general, and in the public water sector in particular, slows the development of attaining sufficient clean water at reasonable costs and increases the risks for corruption. According to (UNDP, 2012), the water sector in Palestine is threatened by the weak enforcement of the relevant legislation, as well as the lack of clarity in the roles of the Palestinian competent authorities, including the Palestinian Water Authority (PWA). This situation, in turn, increases the potential for corruption to occur (Al-Alaween et al. 2016).

The gaps in the accountability system permeate to the local level as well. There is little commitment amongst local authorities to commit to the rules, regulations and instructions governing the water sector. As an example, the water fees collected by the local councils are often spent on areas not designated for those funds (Al-Alaween et al. 2016).

The secrecy of many water agreements recently signed by the PA either with other countries or with other Palestinian parties is also a problem. There is only limited information available regarding these agreements, which has raised “questions about the reasons and motives behind such obscurity” (AMAN 2017: 10). The lack of available information regarding these agreements is particularly worrying given their economic, social and political significance and the potential for corrupt dealings (AMAN 2017).

Electricity supply

According to the World Bank, the electricity sector in the West Bank and Gaza face three unique challenges. First, due to political and logistical factors, nearly all necessary supplies come from Israel at present. Second, the fragmentation of the occupied Palestinian territories into two distinct geographical zones, each one with different economic characteristics and challenges. Finally, the third challenge is the constraints imposed by Israeli policies and actions on the ability of the PA to operate and develop its energy systems. This review addresses the question of how the energy

sector can make an effective contribution to the economic recovery and long-term growth of the West Bank and Gaza in this situation (World Bank 2007).

The electricity sector in the occupied Palestinian territories has been undergoing reforms to increase efficiency, but non-payment to the largest supplier, the Israel Electric Corporation (IEC), remains a major challenge that is affecting the overall fiscal situation. The Palestinian Energy and Natural Resources Authority, the agency in charge of developing the institutional and policy framework in the energy sector (World Bank 2016b), initiated several measures targeted at reducing non-payment, but a comprehensive strategy is needed (World Bank 2015). The Palestinian territories are highly dependent on electricity provided by the IEC, around 88% of energy market has limited options to develop indigenous sources of electricity and Israeli restrictions have prevented the construction of power networks in large parts of Area C which comprises 60% of the West Bank.

In Gaza, the situation is even more dire: its sole power plant was bombed by Israel in July 2014, and it was forced to temporarily shut down due to a shortage of funds to replenish its fuel reserves, which triggered blackouts of 18 to 20 hours per day. The capacity of the Energy Authority in Gaza to purchase fuel to run the plant has also been undermined since the beginning of 2016, following a change in the arrangement with the West Bank-based Ministry of Finance (European Parliament 2016).

According to a World Bank evaluation, one of the reasons behind the dire situation of the electricity sector in the occupied Palestinian territories is that the cost of electricity does not reflect the full cost of providing the service. In the case of Gaza, electricity prices have been frozen for a decade and are not even high enough to cover the cost of power purchase and generation. While there is room for improvement in terms of the efficiency of service provision, one of the main challenges is the misappropriation of the revenues meant to cover electricity bills. Similarly as with the water supply in the territories, even when revenues are collected to pay for electricity, they are often

diverted by municipal governments to other expenditures (World Bank 2017). As a result, the energy sector is financially weak and the resulting deficit in the electricity companies ultimately ends up with the government, putting further strain on the Palestinian Authority's budget.

The lack of oversight in the energy sector is also problematic. The Electricity Sector Regulatory Council has been inactive concerning supervision and oversight over the electricity companies. At the same time, opacity seems to reign in the energy sector. The PA did not release information about the electricity agreement signed with Israel in September 2016. This has made it difficult for the public, the media and civil society to access its content even though the PA claims that the agreement is a "historic Palestinian breakthrough in the management of electric power" (AMAN 2017).

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