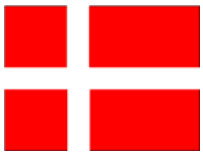

GOVERNMENT OF DENMARK

PALESTINIAN AUTHORITY

UNITED NATIONS
DEVELOPMENT PROGRAMME

Update of Diagnostic Report for the Local Governance System in the occupied Palestinian territory (oPt)

PART 1

Update on Major Interventions in the Local Governance Sector since 2004

June 2009

United Nations Development Programme/Programme of Assistance to the Palestinian People (UNDP/PAPP)

Local Governance Support Programme (LGSP) in the Occupied Palestinian territory (oPt.)

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List of Accronyms

AFD	Agence Francaise de Developement
ALG	Accountable Local Government
APLA	Association of Palestinian Local Authorities
ARIJ	Applied Research Institute, Jerusalem
BADEA	Arab Bank for Economic Development in Africa
BTC	Belgian Technical Cooperation
CB	Capacity Building
CEC	Central Elections Commission
CHF	CHF International (originally Cooperative Housing Foundation)
DG	Director General
DRO	Danish Representative Office
EMSRP	Emergency Municipal Services Rehabilitation Project
EU	European Union
GAAS	Generally Accepted Auditing Standards
GIS	Geographical Information System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HCLA	Higher Council for Local Administration
HCLE	High Commission for Local Elections
HPC	High Planning Council
HR	Human Resources
ICP	Institute for Community Partnerships
ISA	International Standards of Auditing
ICRC	International Committee of the Red Cross
IFMIS	Integrated Financial Management Information System
JCSPD	Joint Council for Services, Planning and Development
JD	Jordanian Dinar
JICA	Japanese International Cooperation Agency
JSC	Joint Service Council
KFW	Kreditanstalt für Wiederaufbau (German Development Bank)
LDP	Local Development Programme
LDRP	Local Democratic Reform Programme . TAWASOL
LGCBP	Local Government Capacity Building Programme
LGSP	Local Governance Support Programme (LGSP)
LGP	Local Governance and Civil Society Development Programme
LGU	Local Government Unit
LICP	Local Infrastructure and Capacity Building Project
LRDP	Local Rural Development Programme
MDLF	Municipal Development and Lending Fund
MD&LG SWG	Municipal Development and Local Governance Sector Working Group
MDP	Municipal Development Programme
MoF	Ministry of Finance
MoLG	Ministry of Local Government
MoP	Ministry of Planning
MRPC	Micro-Region Planning Committee

NGO	Non-Governmental Organization
oPT	Occupied Palestinian Territories
PA	Palestinian Authority
PAPP	Programme of Assistance to the Palestinian People
PECDAR	Palestinian Economic Council for Development and Reconstruction
PGMIS	Project and Grant Management Information System
PLC	Palestinian Legislative Council
PLO	Palestinian Liberation Organization
PRA	Participatory Rapid Appraisal
PRDP	Palestinian Reform and Development Programme
PWA	Palestinian Water Authority
PWTI/	Palestinian Water Training Institute/
PHG	Palestinian Hydrology Group
RSGLG	Reform Support Group for Local Government
SLGRP	Support to Local Government Reform Project
SMDM	Municipal Development and Management in Gaza Middle Area
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Overview of Developments since 2004

Legal Framework

- Very little progress has been achieved in developing a comprehensive legal framework for local governance as the recommended by the Diagnostic Report and Action Plan. This is largely due to the lack of a clear vision about local government in the oPt to guide the formulation of new legislation.
- Progress has been made in granting a clear legal status to Joint Service Councils and Micro Regional Planning Committees by the creation of Joint Councils for Services, Planning and Development, and attempts have been made to define appropriate regulations for staff of LGUs, although agreement has not yet been reached on these.
- Both enacted and planned amendments to the Local Authorities Law no.1 1997 demonstrate a very clear movement towards greater centralisation of power and authority in the Ministry of Local Government, including increased financial oversight and control over LGUs, the authority of the Minister to dismiss elected local Councils under certain conditions and increased authority of the Minister over employment in LGUs such as the approval the new appointments. These changes are in direct contradiction to the recommendations of the Diagnostic Report and Action Plan that advocated changes to support increased decentralisation, even though this concept was not clearly defined.
- The enactment of the Elections of Local Authority Councils Law No. (10) and its amendment law No. (12) of 2005 have been effective in addressing some of the issues related to the legal framework governing local elections identified in the Diagnostic Report. Moreover, this is the only new law passed in relation to local governance since 2004. However changes to the voting system have led to new issues that will need to be resolved.
- Repeated attempts to develop unified planning legislation have not yet achieved any concrete result and this remains a priority in the local governance sector.

Public Administration

- No clear vision and strategy for the local governance sector has yet been developed. This strategy is needed to guide development of the sector in a coherent manner.
- No substantial progress has been made in clarifying the relationship between MoLG and LGUs by identifying their respective administrative, legal, and financial mandates. Moreover, changes to the legislative framework introduced since 2004 have strengthened MoLG's administrative controls over LGUs' affairs rather than making them less restrictive as recommended in the Diagnostic Report and Action Plan.

Central Level

- Efforts to strengthen MoLG have lacked a coherent direction since the core functions for which capacity is needed, based on the role that MoLG will play within the overall vision for the sector, have yet to be defined. MoLG's capacity has been enhanced but not fundamentally transformed. Significant efforts have been made to build capacity within MoLG however these have not all been totally successful, and there is a lack of coordination in the support provided by donor-funded programmes due to the absence of a clear strategy for MoLG's development.

- The provision of significant levels of support from donor-funded initiatives for MoLG's policy function is both an opportunity and a risk for the Ministry. The development of a strong policy and strategic planning unit within MoLG is needed to ensure a clear base for the Ministry's core policy function.

- APLA is not yet seen to be achieving its full potential as a strong and credible body representing the interests of LGUs, although initiatives are in place to support institutional strengthening. There is a need to finalize APLA's legal status and clearly define its role and relationships with MoLG and LGUs. Supporting APLA to assume its role remains a key issue for developing the local governance sector.

Local Level

- Significant progress has been achieved in addressing the issue of the large number of LGUs, many of which are too small and lack an adequate resource base to deliver services effectively identified in the Diagnostic Report. Most progress has been made in the development of approaches for the reduction of the number of LGUs through amalgamation processes, and the development of joint arrangements for the delivery of a number of core LGU functions including planning and service delivery through the establishment of JCSPDs. The development of policy frameworks and guidance is underway in both these areas which should provide a useful basis for moving forward in these areas.

- Consolidation processes have failed to address the issue of territorial coverage. LGUs still do not cover the entire Palestinian Territories as recommended in the Action Plan. This issue therefore remains a priority that needs to be addressed

- Surprisingly little activity has been carried out in the area of defining appropriate roles, responsibilities and authorities of LGUs. This needs to take place within the framework of an overarching vision and strategy for the local governance sector.

- Significant efforts have also been made to build capacity in LGUs, particularly at the Municipality level, however LGUs expressed many reservations about the quality and relevance of training provision including the poor quality of needs assessment, fragmentation and overlap in training provision from different providers, the general nature of most training without clear links to job requirements or performance standards, poor selection of participants, the absence of quality control and the lack of follow up by organizations or training providers.

No evaluation or assessment data is available regarding the impact of these initiatives

- Some progress has been made in producing tools to strengthen capacity in the area of physical planning, although the production of Urban Plans recommended in the Action Plan is only included in initiatives planned to begin in 2009. Greater attention has been given to assisting LGUs to produce strategic development and investment plans for their areas. Policy frameworks and standardized guidelines are being developed in both areas. However progress in the planning area is still hampered by the absence of unified planning legislation as identified in the Diagnostic Report in 2004.

- Strengthening municipal service delivery and improving basic infrastructure continues to be a priority for the PA, as demonstrated in the PRDP, and a strong focus of donor-funded programmes. The PRDP identifies a specific priority associated with addressing such issues in LGUs affected by Israel's Separation Wall.

- The local elections of 2004/5 addressed many of the issues regarding democratic representation at the local level identified in the Diagnostic Report. However, the expiry of these electoral mandates in 2008/9, changes to legislation allowing the Minister of Local Government to dismiss elected Councils, and cases of the removal of Mayors for political reasons have meant that the need to safeguard the role of representative democratic institutions, identified in the 2004 Diagnostic Report has gained renewed relevance at the present time.

- The implementation of processes to involve citizens in decision-making, particularly in local planning processes, and the creation of tools to support greater transparency and accountability in local governance are positive steps towards enhancing citizen participation and communication as recommended in the Diagnostic Report. However these have not yet become standard practice in the majority of LGUs.

- **Governors have been largely excluded from policy and initiatives aimed at strengthening local government. The definition of the role of Governors and their relationship to LGUs identified in the Diagnostic Report remains a key priority. The *Draft National Strategy for Palestinian Local Administration* provides an opportunity to redefine the local governance system to include not only LGUs, but all the institutions and stakeholders that play a significant role in decision-making at the local level.**

Financial Framework

- A number of the objectives identified in the Diagnostic Report and Action Plan to improve financial management capacity in LGUs have been achieved including the development and computerization of a unified code of accounts, and the development of a range of manuals and guidance materials for accounting, reporting and control procedures and budget preparation. However, almost none of these tools have been legally adopted or officially endorsed for general use beyond the confines of the project in which they were developed so they do not yet

represent a standardized financial management system for the sector as a whole, although they provide the basis to develop one. Attempts have also begun to develop an overarching policy framework for local government.

- The development of computerized financial systems for LGUs by different donor-funded projects has enhanced capacity but it has not done so in a way that necessarily leads to the creation of a unified or standardized financial management system for the sector as a whole since systems developed by one project are not necessarily coherent with those developed by another.

- Although a significant proportion of LGUs have received training and capacity building support related to financial issues there is no assessment data available regarding the impact of these initiatives on the development of the financial management capacity of staff in LGUs, and many reservations have been expressed about the quality and relevance of training provision to the needs of LGUs. It is also clear that there has been a significant lack of coordination of initiatives to build financial management capacity.

- Much less attention has been devoted to addressing the issue of enhancing local government revenues and this remains a core priority for the local governance sector. A small number of projects have been implemented to support improved property tax assessment and collection and to enhance utilities service models and revenue collection.

- The creation of the Municipal Development and Lending Fund (MDLF) has been a positive step towards coordinating assistance for development and meeting the Diagnostic Report's recommendation to examine the viability of issuing municipal loans for development and investment projects. However MDLF's lending function is not yet fully developed. Moreover, no overarching policy on municipal lending has been developed, including the identification of a sustainable revenue source for this activity. Little progress has yet been made in terms of promoting investment opportunities for LGUs.

- Some efforts have been made to develop criteria and mechanisms to transfer funds to LGUs but these fall well short of the development of a comprehensive system of intergovernmental fiscal transfers recommended in the 2005 Action Plan.

Introduction

Background to the Update on Major Interventions

The original Diagnostic Report was prepared by UNDP/PAPP and funded by the Government of Japan in 2004 at the request of the Reform Support Group on Local Government (RSGLG), who had identified the need for a more comprehensive approach to reform that would cover all aspects of the local government system. The goal of the study was to closely examine the local government system in order to identify its strengths and weaknesses and set forth recommendations for the actions and interventions required to develop the system, strengthen decentralization and improve the efficiency of the Ministry of Local Government (MoLG) and the self-organization efforts of local governments. As a result of the Diagnostic Report and its recommendations UNDP/PAPP developed an Action Plan to set out a general local government reform programme, identify overriding goals, determine priorities and list strategic objectives to be accomplished through specific projects.[1]

Available evidence suggests that initially the Diagnostic Report and Action Plan provided a useful basis for both Palestinian government institutions and the international community to direct the programming of their activities in a coherent fashion towards addressing priority issues in the local government sector. A number of donors and implementing agencies report having used the Report and Action Plan to inform the design of their programmes. Moreover, the Diagnostic Report is still considered by many to be the most comprehensive and informative overview of the local government situation in the oPt, and it is clear that many of the issues identified in the report remain as relevant today as they were in 2004. However, over time the role of the Report and Action Plan in guiding developments across the sector has diminished. This is due both to factors directly related to the documents and the processes put in place to support their use, and to external, contextual factors.

One change which has had a significant impact on local governance is the Israeli Government's construction of the Separation Wall which will isolate approximately 13% of the West Bank from the rest of the Palestinian territories. The Separation wall has deprived Local communities of access to resources vital to their survival such as water, farming land, and crops, and caused damage to the infrastructure (roads, water networks, and others) which represents a financial and operational loss to those communities and the entities governing them. In doing so the wall has created a big hurdle for the development of a comprehensive strategic plan for Local Governance or implementing a reform agenda, since it has crippled the ability of LGUs to develop their regions because of the physical, legal, and political restrictions it placed on them, and put pressure on them to shift their attention from development to mitigation and resistance to it. It has also diverted the attention of the Palestinian Government to the extent that mitigating the impact of the wall in affected communities has been identified as one of four priorities in the local government sector in the Palestinian Reform and Development Plan (PRDP) which represents the PA's overall development plan for the Palestinian territories. The emergence of the separation wall as a priority has also had a significant impact on resource allocation within the sector and from the international community which has committed resources to projects specifically targeted at addressing this issue.

[1] *Diagnostic Report* p9.

Another significant contextual change occurred in 2006 as elections brought the Islamic Resistance Movement (Hamas) to power in the Palestinian Legislative Council (PLC) and in a number of local authorities including some of the major municipalities in the West Bank and Gaza. In light of the position of Hamas regarding the Israeli-Palestinian conflict, some mainly western, governments refused to deal with a Hamas led-government. This lead many main donors and actors to either freeze financial and technical support to the Palestinian government or to redirect activities and funds to serve non-governmental organizations, the Governorates, non-Hamas-led local councils and other bodies. These shifts had a severe effect on the budding reform agenda for local government, calling into question government commitment to reform, unevenly distributing initiatives to support institutional reform and capacity building, and creating further coordination difficulties as resources were shifted for reasons of political and diplomatic expediency. Moreover, Hamas control of Gaza has significantly heightened the difficulties of implementing a coherent reform process for the local governance sector.

In addition, however there is a widely held view that the Original Diagnostic Report and Action Plan, although it provided comprehensive coverage of key issues and detailed recommendations for change, failed to provide a clear vision or strategic direction to guide the development of local governance in the oPt. Key concepts such as decentralization were not clearly defined yet such definitions are critical to ensure that all efforts to amend the legislative and financial framework and strengthen local governance institutions must be based on a clear and common understanding of the shape of the local governance system that is most appropriate for the oPt, and the roles and responsibilities that this confers on the institutions that comprise it. Moreover, at the time the Diagnostic Report and Action Plan were produced the PA did not have a clear position regarding the future direction for local governance and there was therefore no strong basis on which to build a vision or strategy for the sector.

However, in 2007 the need for such a vision was highlighted by the Palestinian Government in the PRDP. The plan emphasizes the PA's commitment to bringing local government closer to the people by ensuring that local government is both empowered and accountable. The 'Accountable Local Government' (ALG) program committed the Government to "develop a vision and strategy for local government" as the first step towards achieving the strategic objective to "Improve the efficiency and effectiveness of local government".[2]

In addition, the Municipal Development and Local Governance Sector Working Group (MD&LG SWG) was established in May 2008 to reinforce coordination between the Ministry of Local Government, other key government institutions and the large number of international agencies active in providing support to the Local Governance Sector. Since its inception the MD&LG SWG has played a significant role in supporting and leading the coordination of efforts to provide assistance to Local Government Institutions. This group has also been instrumental in highlighting the need for a clear vision for the future of local governance and a coherent strategy that can guide the provision of support to the sector as a whole.

However, it is clear that in order to develop a strategy for the future, it is necessary to start with a sound understanding of the current situation. For this reason in 2008 both the Palestinian Authority institutions and the main donors who comprise the Sector Working

[2] *Palestinian Reform and Development Plan 2008-2011* (PRDP), Program for Accountable Local Government, p 119

Group highlighted the importance of revisiting the Diagnostic Report and the Action Plan in order to inform the development of a future strategy for the development of the local governance sector as a whole.

Purpose of the Update

The current update on major interventions in the local governance sector since 2004 constitutes the first part of this strategy process. The purpose of the update is to provide an overview of the activities undertaken by all relevant PA institutions, donors and other major stakeholders since the Diagnostic Report was completed in December 2004. In addition, the update seeks to identify the extent to which these interventions undertaken in the last five years have addressed the major issues facing the local government sector identified in the original Diagnostic Report, and whether they have been consistent with the recommendations in the Report and the activities set out in the 2005 Action Plan. In doing so the Update seeks to determine whether the issues facing the Local Governance sector that the future strategy for the sector will need to address, are the same as they were in 2004, or whether, thanks to the interventions implemented in the interim, or due to other contextual changes, the priorities have now shifted.

As the Update demonstrates, there has been a great deal of activity in the local governance field and a large number of initiatives have been put in place by a wide range of national and international organisations. In order to present this complex picture in a comprehensible way that will make the relevant information available in the most useful form to inform future strategy development the update proposes two main sections (or tools).

1. The first section examines activities and progress from a thematic perspective, highlighting the links between the initiatives implemented since 2004 and the issues identified and the recommendations defined in the original Diagnostic Report and Action Plan. The purpose of this section is to highlight progress made on addressing the key issues facing the local governance sector since 2004, and identify which of these issues are still pertinent to the development of the future strategy for the local governance sector in 2009

   Section one is divided into three main parts dealing with the core issues of the Legal Framework, Public Administration and Financial Issues.

2. The second section presents an overview of the main donor-funded programmes using a matrix to map programme details, objectives and achievements. The matrix also maps the focus of project activities, stakeholder groups involved and geographical coverage. The purpose of this mapping is to provide a basis for strengthening coordinating between relevant activities in the sector.

It should be emphasised, however, that, given the large number of stakeholders and interventions active in this field, any update produced at a given point of time becomes quickly out dated. The intention of the mapping tool in Section two is therefore to provide a simple data collection method that can be maintained and regularly updated. The precise shape of this tool will need to be refined by the members of the Sector Working Group to ensure that it meets their specific information needs. The presentation here should therefore be seen as simply as a starting point for such a process.

Methodology

The Update was undertaken by a team of experts over a three week period in March 2009. Information was gathered from published documents, websites of relevant institutions, meetings and interviews with key stakeholders and documentation they generously supplied. Lists of key documents consulted and institutions and people interviewed are provided as Annexes.

Legal Framework

1. Legal Issues identified in the Diagnostic Report and Action Plan:

The Diagnostic Report highlighted the **absence of a single coherent legal framework** for the Local Government sector. It emphasized the fact that alongside Palestinian law, legislation and regulations drawn up under Jordanian law, Egyptian law, Israeli military orders and even the British mandate period are still in force. Moreover, different legal frameworks are still in use in the West Bank and Gaza.

The report identified problems with specific areas of the legal framework. In particular it emphasized the need for improvements to the **Palestinian Local Authorities Law No. (1) of 1997.** The Report noted that many provisions of this law are unclear, such as the criteria for determining the functions and powers of LGUs or for allocating resources to them. It also highlighted the absence of appropriate staff regulations, and the lack of enforcement tools to enable LGUs to carry out their responsibilities. More generally the Diagnostic report emphasized that the Local Authorities Law remained highly centralized[3]. The Report also highlighted a **lack of clarity regarding the role of Governors**, their relationship with other local governance bodies, and the legal basis for their authority beyond presidential decrees[4].

The Report also identified problems with other relevant legislation. For example it suggested changes to the **Elections for Local Authorities Law of 1996** including the need to clarify the coverage of the law and specify the composition of electoral bodies such as the High Election Committee[5]. It also highlighted the **need for a new, unified planning law,** noting that an attempt to draft a new unified planning law commenced in 1997, but that the process has not been completed[6]. The Report also emphasized shortcomings in relation to **legislation governing financial transfers to local authorities** including property tax collection and assignment[7] (See *Financial Issues*).

Finally the Diagnostic report identified **shortcomings in legislative processes** and emphasized the need for legislation to be systematically recorded and published in the *Palestinian Gazette* in order to ensure it has proper legal status.

As a result of these findings Action Plan included a specific objective to:

- Survey, identify and make all necessary amendments to the legal framework of the Local Government system required to achieve a more decentralized local government system in Palestine.

It also identified activities to bring changes to specific legislation such as:

- The Local Authority Election Law,

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[3] For the full set of issues identified relating to Palestinian Local Authorities Law of 1997 see *Diagnostic Report* Part 1, Legal Framework, 3.1 pp 33-38

[4] For the full set of issues identified relating the role of Governors see *Diagnostic Report* Part 1, Legal Framework, 35. pp 44-5.

[5] For the full set of issues identified relating to Elections for Local Authorities Law of 1996 see *Diagnostic Report* Part 1, Legal Framework, 3.2 pp 39-40.

[6] For the full set of issues identified relating to Planning Laws see *Diagnostic Report* Part 1, Legal Framework, 3.3 pp 40-44 and Part 6, Planning Framework , pp121-144.

[7] For the full set of issues identified relating to legislation governing financial transfers to local authorities see *Diagnostic Report* Part 1, Legal Framework, 3.4 pp 40-44 and Part 4, Financial Framework , pp84 – 107.

- The need for unified planning legislation,
- The legal changes required to implement the reassignment of property tax collection to LGUs.

The Diagnostic Report contained further recommendations for changes concerning regulations issued to support existing laws including the publication of new LGU staff regulations, encouragement for LGUs to use their powers to issue their own regulations and the development of a comprehensive legislative basis for enforcement of LGU regulations.

A review of the major activities that have been taken place in the legal framework since 2004 shows that very little progress has been achieved in developing a comprehensive legal framework for local governance as the Diagnostic report recommended. However this does not mean there have been no initiatives in this area. The only significant enactment of new legislation was the Elections Law of 2005. Beyond this, most of the legal changes have been ad hoc and responses to urgency rather than driven by a process to define and implement a new strategic direction. In part this situation is due to the lack of a clear vision about local government in the oPt to guide the formulation of new legislation. In the absence of clear policies in this respect Palestinian legislation and legal initiatives both before and after 2004 have tended to be vague and unclear regarding the desired role of LGUs. Indeed, since 1994 Palestinian legislation has failed to define a unified vocabulary to reflect the system of local governance. While the Basic Law refers to “Local Administrative Units”, other legislative instruments use terms such as “Local Authorities”, “Local Councils” and Local Government Units (LGU’s).

Moreover, the thrust of much of the new enacted or draft legislation works to enhance the centralisation of local government in the oPt, in direct contradiction to the recommendations of the Diagnostic Report and Action Plan which called for changes to the legal framework to support greater decentralisation in the local governance system.

A number of contextual factors have also contributed to the lack of progress in this domain. In particular, since the legislative elections of 2006, in which the Islamic Resistance Movement (Hamas) won a majority, the PLC has not been active. Particularly after Hamas took overall control in the Gaza strip, and a number of its PLC members were jailed by Israel, the 132 members have rarely met to fulfill their legislative and oversight functions. No law has been issued by the current PLC so far. Consequently, the only legislative changes have been made by the President of the PA exercising his authority in issuing laws by decree in accordance to article 43 of the Basic Law of 2003. In addition, Hamas control of Gaza has created further obstacles to the unification of laws and related institutional reforms in both parts of the Palestinian Territories.

2. New Developments Since 2004

Based on the available data, Table.1 gives an overview of activities to improve the Palestinian local government legal framework, implemented from 2004 to March 2009;

Table 1
Major changes to the Legal Framework for Local Government in Palestine from 2004 to March 2009

Legal Area	Lead Agency	Donor Support	Start	Status
Improvements to Local Authorities Law No., (1) of 1997.				
Drafting amendments to Local Authorities Law No., (1) of 1997.to enable greater decentralization	MoLG	Japan /UNDP	2005	Draft amendments developed but not endorsed by the MoLG. The UNDP project is on hold
Amendments to the Local Authority Law No., (1) of 1997 increasing the powers of the Minister of Local Government regarding oversight of Local Councils and LGUs	MoLG			Enacted Decree Law No., (9) of 2008
Joint Council for Services, Planning and Development (JCSPD) Bylaw in accordance with Article 15 (C) of Local Authorities Law No., (1) of 1997				Enacted Joint Services Councils Bylaw No., (1) of 2006.
Employees of LGUs Bylaw	APLA	UNDP Germany / GTZ	**2007**	Discussed with MoLG but never finalized
Employees of LGUs Bylaw of 2008	MoLG		**2008**	Draft in discussion
Draft Mayors Regulation of 2009.	MoLG		**2009**	Draft in discussion
Draft Finance System Regulation for LGUs.	MoLG			
Draft General Supplies Regulation for LGUs	MoLG			
Changes to other relevant legislation				
Amendments to Elections of Local Authority Councils Law No., (5) of 1996				Enacted 2004
Elections of Local Authority Councils Law				Enacted No., (10) of 2005 and amendment law No., (12) of 2005
Law on Planning and Zoning	MoLG, MoP		1997	Draft produced 2006, Draft amended 2008

A. Improvements to Local Authorities Law 1997

- **Drafting amendments to Local Authorities Law No. (1) of 1997:** UNDP implemented a project to assist MoLG to develop a new strategy for the Local Governance system. One main activity was to draft amendments to Law No., (1) of 1997 to allow more decentralization, but these did not lead to any change in the Legislation. One reason why this initiative was unsuccessful was obviously the lack of clarity as to what is meant by "decentralization" that would enable this concept to be translated into legislation. Another was the uncertain commitment of the PA to implement greater decentralization. The implementation of legislative change was also hampered by successive changes at Ministerial level which undermined leadership for reform initiatives
- **The Joint Councils for Services, Planning and Development (JCSPD) Bylaw no. 1 of 2006:** This is the only bylaw enacted in the local governance sector since 2004.

This Bylaw was issued in accordance to Article 15 (C) of the Local Authorities Law no.1 1997. This bylaw facilitates the creation of JCSDPs and regulates their organization, responsibilities and relationships with other institutions. The general rules contained in the bylaw are applicable to all JCSPDs nationwide. In addition, JICA has assisted the drafting of internal regulations of four new joint councils in the Jericho and Jordan Valley region, based on the JCSPD bylaw No. 1 of 2006..

- **Decree Law No. (9) of 2008 Regarding Amendments to the Local Authority Law No. (1) of 1997**: The most important change in this law was the introduction of a new article which gives the Cabinet, on the recommendation of the Minister of Local Government, the right to dissolve a local council in two particular cases:
    A. If the council fails to fulfill its mandate as defined by the 1997 Law, and
    B. If the term of the council has come to an end.

  This article also allows the Minister of Local Government to appoint a committee to undertake the responsibilities of the dissolved councils for a period of one year. During this period elections shall take place. The same article also allows the Minister to dismiss the heads of local councils (Mayors). The Cabinet must approve the dismissal of the Mayor and the members of that council shall elect a new Mayor among them.
- Article 4 of the same law introduces a new rule stipulating that the salary of heads of local authorities and the rewards of councils shall be governed by a regulation to be issued by the Minister.
- Article 5 of the law vests in the Minister of Local Government the right to form a control and inspection committee in order to oversee all administrative, legal, financial and regulatory procedures to ensure that they are compatible with law and regulations. The Minster can take the necessary measures in order to correct any infringement or encroaching of the law.
- **Draft Employees of LGUs Bylaw of 2008:** This draft Bylaw is meant to unify the general rules for employment procedures, and the scale, rights and duties of employees in LGUs. An initial bylaw on these issues was drafted by APLA with support from UNDP and GTZ in 2007, but it has never been finalized. The 2008 Bylaw proposed by the Ministry of Local Government increases the authority of the Minister over employment in LGUs, such as the approval the new appointments. This Bylaw sparked a strike of the employees in the local councils in the oPt, and has met with much of criticism mainly from the big municipalities, LGU employees and from APLA. These groups are still in discussion with the Ministry of Local Government about the bylaw.
- **Draft Heads of Municipalities (Mayors) Regulations of 2009**: This regulation increased the authority of the Minister for Local Government over decision making and resource allocation in Local Authorities, including a stipulation that all payments over 5000JD ($US7100) must be approved by the Minister. This Bylaw has also met with much criticism from Mayors, particularly from the larger municipalities, since it significantly restricts their autonomy, especially in the financial sphere. Again APLA and others are in discussion with the Ministry of Local Government over this draft.
- **Draft Finance System Regulation for LGUs**: The basis of this regulation is vested in article 33 of the Local Authorities Law no.1 1997, which stipulates the procedures necessary for the management and preservation of the treasury of any local authority as well as manner of receipts, payments, book-keeping, ledgers, preparation of the annual budget and final accounts and any other matters related thereto shall be regulated by a financial system issued by the Minister (MoLG). The regulation stipulates that the Mayor is responsible for managing under his/her control and supervision, all financial issues related to his/her council. The regulation also

regulates the annual budget of LGUs which must be approved by the Minister of Local Government, who can ask for amendments to the general rules of the annual budget. The regulation also set out general rules about appropriations (license to spend), treasury and loans which have to be approved by the Minister. The Diagnostic Report called for more decentralization in the financial sphere and the relaxation of budget administration constraints. The draft finance system regulation gives local councils freedom to manage their local finance under the supervision and control of the Ministry. This draft is also a response to the need defined in the Report for a unified and comprehensive financial management system that enhances the decentralization of budgetary and financial planning with LGUs. This draft was prepared by support from JICA.

- **Draft General Supplies Regulation for the LGUs:** The Draft General Supplies regulation regulates both purchasing and construction. The law forbids purchasing activities or supplies exceeding the value of 200 JD ($US280) in the big municipalities (category A), and exceeding the value of 100 JD ($US140) in other local councils (category B) without the consent of the Mayor. The law also demands that these purchases are implemented through transparent competition. The law gives local councils the right to purchase without a general tender after receiving the consent of the Minister in specific cases. If the amount of the purchase transaction is up to 5000 JD ($US7100) in category A municipalities, and 3000 JD ($US4200) in local councils (category B) it must be done through a general tender. Any purchase transactions exceeding 5000 JD or 3000 JD respectively must get the approval of the tender committee with the LGU and the approval of the Minister. The draft regulation also stipulates that constructions must be approved by the tender committee within the LGUs. The draft law gives the Minister the right to form a special tender committee, However it is not clear what its role and relations are with respect to LGU tender committees. Unlike in the draft finance system regulation, The General Supplies Regulation demonstrates an increase in central control and supervision over LGUs by MoLG.

The amendments made to the Local Authorities Law no.1 1997 fall well short of the development of a coherent legal framework for Local Governance recommended in the Diagnostic Report. Progress has been made in granting a clear legal status to Joint Service Councils and Micro Regional Planning Committees by the creation of Joint Councils for Services, Planning and Development, and attempts have been made to define appropriate regulations for staff of LGUs. However, Overall what is striking about the changes made to the Local Authorities Law No. (1) of 1997 and its related provisions is that they demonstrate a very clear movement towards greater centralization of power and authority in the Ministry of Local Government. This is in direct contradiction to the recommendations of the original Diagnostic Report and Action Plan that advocated changes to support increased decentralization, even though this concept was not clearly defined.

B. Changes to other relevant legislation

- **Amendments to "Law No. (5) of 1996 regarding the elections of the Palestinian Local Authority Councils" in 2004:** These amendments transferred the mandate for the organisation of local elections from the Central Elections Commission (CEC) (formerly - High Election Committee) to the High Commission for Local Elections (HCLE), a body run by the Ministry of Local Government, for a period of one year. The amendment also stipulated that elections of the Mayor will be by the Council

members rather than by direct popular vote. These provisions addressed two of the issues highlighted as problematic in the Diagnostic report. The amendment also introduced the allocation of two seats in each Council for female candidates

- **The Elections of Local Authority Councils Law No. (10) of 2005:** This law was enacted to replace the elections law of 1996. A further amendment, **law No. (12) of 2005** was also issued. The main features of these laws are:
  - Change the electoral system from a block vote system based on individual nominees to a closed proportional representation system based on lists
  - Transfer the mandate for local elections from the HCLE back to the Central Elections Commission (CEC) as an independent body in charge of administering, conducting and supervising Presidential, Legislative and Local elections in the oPt by the end of 2005 (ie after the 2005 elections had been held).
  - Provided new rules regarding the representation of women and religious minorities.

  The 2005 law was met with some criticism, mainly because of the enactment of the new legislation amid the elections process. One of the main controversial issues has been the decision to hold the elections over several rounds in the absence of a clear mandate in the elections law. There were also reservations about the role of the HCLE, in particular the absence of regulations and practical procedures on the elections process. In this regard, the National Democratic Institute for international affairs reported the followings: "the most urgent improvement needed for the future local elections is greater transparency and accountability in the work of the HCLE, particularly concerning its decision-making process".[8] As a result of the 2005 law the CEC will be in charge of administering, conducting and supervising the next round(s) of local government elections, which should address these problems. However, the introduction of list voting also lead to the election of several Councils with no clear majority in which Council leadership has changed frequently due to agreements reached between political groups, which has a potentially negative effect on the performance of these Councils.
- **Draft Law on Planning and Zoning of 2006**: This law is based on the Jordanian law and on the Palestinian Planning and Zoning Bylaw of 1996. The main features of the law that it has given the Minister more powers in decision-making. Further work has been done on the draft law in 2008. The draft is the initiative of MoLG and it is prepared by the legal department.

The enactment of the Elections of Local Authority Councils Law number (10) and its amendment law No. (12) of 2005 have been effective in addressing the issues related to the legal framework governing local elections identified in the Diagnostic Report. Moreover, this is the only new law passed in relation to local governance since 2004. However repeated attempts to develop unified planning legislation have not yet achieved any concrete result.

C. Development of an overall legal framework for local governance

Although the Diagnostic Report clearly signaled the need for a single coherent legal framework for the Local Government sector, since 2004 there has been no comprehensive study of the legal foundations of local government in the oPt or the design for legal

[8] National Democratic Institute for International Affairs (NDI), *Final Report, Palestinian Local Elections, 2005, Round Three September 29, Round Four December 15*, 2006. available at: http://www.ndi.org/files/2069_ps_localelect_010106.pdf,

reform in this sector. Some progress has been made in this area through the German-funded Local Governance Programme implemented by GTZ which has a project in place to support the Ministry of Local Government in updating core by-laws (secondary legislation) pertinent to local governance.

As part of this support, GTZ funded a study on the Awareness of Laws and Regulations in Local Governance Units in the West Bank. The study carried out by the Center for Continuing Education-Birzeit University in December 2008. The aim behind this study was to assess LGUs' knowledge of, and adherence to, relevant laws and regulations through identifying legislation applicable to LGUs in the West Bank. It also aimed to compare legislation posted on MoLG's Website with that recorded in the Palestinian Gazette and the legal database AL-MUQTAFI. This study is an important step towards the preparation of a comprehensive analysis of the legal framework of LGUs in the oPT.

Nonetheless, it is clear that it will be difficult to put in place a comprehensive legal framework for the local governance sector in the absence of a clear overarching vision and strategy for local governance that defines the desired direction for local governance institutions to be translated into legislation.

3. Overview of Progress

- Very little progress has been achieved in developing a comprehensive legal framework for local governance as the recommended by the Diagnostic Report and Action Plan. This is largely due to the lack of a clear vision about local government in the oPt to guide the formulation of new legislation.

- Progress has been made in granting a clear legal status to Joint Service Councils and Micro Regional Planning Committees by the creation of Joint Councils for Services, Planning and Development, and attempts have been made to define appropriate regulations for staff of LGUs, although agreement has not yet been reached on these.

- Both enacted and planned amendments to the Local Authorities Law no.1 1997 demonstrate a very clear movement towards greater centralisation of power and authority in the Ministry of Local Government, including increased financial oversight and control over LGUs, the authority of the Minister to dismiss elected local Councils under certain conditions and increased authority of the Minister over employment in LGUs such as the approval the new appointments. These changes are in direct contradiction to the recommendations of the Diagnostic Report and Action Plan that advocated changes to support increased decentralisation, even though this concept was not clearly defined.

- The enactment of the Elections of Local Authority Councils Law No. (10) and its amendment law No. (12) of 2005 have been effective in addressing the issues related to the legal framework governing local elections identified in the Diagnostic Report. Moreover, this is the only new law passed in relation to local governance since 2004. However changes to the voting system have led to new issues that will need to be resolved.

- Repeated attempts to develop unified planning legislation have not yet achieved any concrete result and this remains a priority in the local governance sector.

Public Administration

1. Public Administration Issues identified in the Diagnostic Report and Action Plan

The Diagnostic Report identified a range of issues related to public administration in the local governance sector. At one level the issues identified relate to the roles, functional responsibilities, geographical mandate and relationships between local governance institutions at both central and local levels. However the report also highlighted a series of issues related to the organisational dimensions of these institutions, including organisational structures, administrative, management and decision-making processes, and mechanisms for accountability. The original Diagnostic Report singled out two of the core LGU functions for particular attention - planning, and the delivery of infrastructure and utilities services[9]. The issues concern all four pillars of the sector: the Palestinian Ministry of Local Government (MoLG), the Local Government Units (LGUs), the Governorates, and the Association of Palestinian of Local Authorities (APLA).

AP actions

2. New Developments since 2004 – Central Level

2.1 Ministry of Local Government (MoLG)

A number of donor- funded programmes have provided support to strengthen the Ministry of Local Government in defining its role within the Local Governance sector, building the institution and strengthening capacity in MoLG to carry out its core functions. The major programmes are shown in the following table

Table 2
Major programmes implemented to support the Ministry of Local Government from 2004 to March 2009

Project Name	Donor	Implementer	Dates	Focus
Local Governance Support Programme (LGSP)	Ph1 Japan Ph2 Multiple Donors	UNDP	Ph1 2005 -9 Ph2 2009-11	Organisational structure Work processes IT systems Training & capacity building
Local Democratic Reform Programme . TAWASOL	USAID	CHF	2005 - 2009	Institutional assessment, Strategic planning Organisational structure Work processes Training & capacity building Policy support
Program for the Improvement of the Local Governance System in Palestine	Japan	JICA	2005- 2009	Policy support Training & capacity building
Local Government Capacity Building Programme (LGCBP)	Denmark	MDLF World Bank	2005 -	Policy support IT systems Training & Capacity

[9] For Issues and recommendations related to infrastructure and utilities service provision see *Diagnostic Report* Part 5: Engineering & Infrastructure Framework, pp109-117. For Planning see Part 6, Planning Framework, pp 121-133.

				Building
Local Infrastructure and Capacity Building Project (LICP)	Belgium	BTC	**2005-2009**	Human Resource Management Training & capacity building
Local Governance and Civil Society Development Programme (LGP)	Germany	GTZ	Ph 1 2007-9 Ph 2 2009-12	Policy support Training & capacity building

A. Redefining the relationship between MoLG and LGUs

The Diagnostic Report identified a series of issues related to the relationship between the MoLG and LGUs. In particular the report emphasized the level of centralization in the legislative provisions which allows the MoLG to have a tight control over LGUs (See *Legal Framework*). However, it noted that in practice the control exerted over the large LGUs was very limited and poorly managed, whereas smaller LGUs were subject to the MoLG's excessive control. The reasons for this appear to include the lack of proper structures and competent staff to carry out these duties in the ministry, and due to the large number of LGUs. The report recommended amending MoLG's organizational structure and building the Ministry's capacity to serve as a policy maker, technical advisor and regulator of the local government system, and to shift the MoLG's focus solely from exercising control to providing necessary support to LGUs through strong and independent district offices. In addition to suggestions for legislative change (*S*ee *Legal Framework*), and changes in the financial framework (See *Financial issues*) to support this greater decentralization, the Action Plan contained a number of specific administration-related activities intended to improve the relationships between MoLG and LGUs including:

- Re-design and implement less restrictive administrative controls of MoLG over LGUs' affairs
- Strengthen capacity of MoLG Directorates that have the mandate of inspecting and monitoring LGUs' activities.
- Develop tools to enhance communication between MoLG, LGUs, citizens and other ministries of PA

No substantial progress has been made in clarifying the relationship between the MoLG and local authorities by identifying their respective administrative, legal, and financial mandates in the context of a clear vision regarding this sector. This can only happen once a clear vision and strategy for the sector is developed and the role that MoLG should play within it is clearly defined. Moreover, changes to the legislative framework introduced since 2004 have strengthened MoLG's administrative controls over LGUs' affairs rather than making them less restrictive (See *Legal Framework*).

B. Strengthening MoLG as a policy-making and regulatory body

Since 2004 a number of initiatives have been put in place to support MoLG to carry out its core policy and regulatory function. These include:

- **Policy Support:** A number of donor-funded programmes are providing support to the Ministry of Local Government to support policy development and build the capacity

of MoLG to carry out this function. These include support for development of policy and strategies in the following areas:[10]

- Strategy for the Local Governance Sector (UNDP)
- Joint Councils for Service, Planning and Development (JICA)
- Amalgamation (DRO)
- Local strategic planning for development and investment (GTZ).
- Solid Waste Management - Sector Strategy (GTZ)
- LGU Organizational structures (CHF)
- Training and capacity building for LGUs (GTZ).
- Capacity building strategy for MoLG and LGUs (JICA)

- **Regulatory frameworks:** UNDP is supporting a project to strengthen the definition and administration of property tax, and plans to undertake a more wide reaching review of the whole tax system in relation to local government. (See *Financial Issues*). UNDP will also support the development of regulatory frameworks related to physical planning.
- **Strengthening of MOLG's Higher Council for Planning:** UNDP is working with MoLG to strengthen the internal Higher Council for Planning which has an important policy function, including defining its membership and terms of reference.
- **Establishment of a Policy Unit:** A number of donors have expressed interest in supporting the establishment of a Policy Unit within MoLG Proposals for the establishment of the policy unit is being discussed with the Ministry.

The provision of significant levels of support from donor-funded initiatives for MoLG's policy function is both an opportunity and a risk for the Ministry. The development of a strong policy unit within MoLG is needed to ensure a clear base for the Ministry's core policy function.

B. Institutional Development of MoLG

The Diagnostic Report pointed to a number of shortcomings regarding the **organizational structure and internal functions** of MoLG, in addition to the lack of an approved organizational chart, there were other major problems such as: overlap in functions of departments; the wide span of control under a few major departments; the lack of clarity of the functional status of the legal department; The report also highlighted problems with Ministry **systems and work processes** including a systematic lack of planning in the Ministry, the absence of an MoLG database; And the report identified issues with **human resource management** including the lack of job descriptions, the lack of clear-cut division of responsibilities between the Civil Service Commission and the Ministry regarding appointment, promotion and compensation; the use of outdated "confidential" reports in employee evaluations; overstaffing; political appointments; and the lack of a well thought out plan to guide staff development and employee training.

The Action Plan identified strengthening capacity of the MoLG as an important objective and recommended activities to tackle many of the issues identified in the report including

- the definition of by-laws, organizational charts, and job descriptions and the development of standard procedures and operational manuals to create systems and clarify procedures in the Ministry.

[10] For greater detail on the progress of these initiatives please refer to the overview of Donor programmes in Section 2 of the Update.

- the need to develop the Ministry's strategy and policies
- the delivery of training to develop staff skills in areas such as fiscal management, project management, record-keeping, participatory decision-making, collection/dissemination of information, and project formulation

A significant number of interventions have been put in place aimed at developing the organizational structure of the MoLG, building systems, updating policies, institutional infrastructure and the staff professional development. However these initiatives have been implemented by a range of programmes and have not always been well coordinated nor contributed to a coherent strategy for developing MoLG. Nonetheless, recently greater attention has begun to be paid to the need for clear planning to guide development within the Ministry and a number of initiatives have been put in place to support this. These include:

- **Organizational structure and job descriptions**: From 2005, the UNDP Local Governance Support Programme (LGSP) provided support to MoLG to strengthen its institutional development. This including developing an organizational chart for the Ministry, and drafting initial job descriptions based on the proposed structure. However, frequent changes to the organizational structure of MoLG has meant that these job descriptions were never finalized and the US-AID-funded Local Democratic Reform Programme "TAWASOL" implemented by CHF is now finalizing new job descriptions based on the current structure.
- **Operational systems and work processes**: Again from 2005 UNDP provided technical assistance to MoLG to formalize and modernize core work processes and systems. A number of manuals to guide the work of Ministry staff were developed including an Operations Manual, Administrative Guide, Procurement and Bidding Guidebook, Human Resources Manual, Project Management Manual and Archiving and Documentation Manual. UNDP also installed a computerized archiving system, and developed an LGU data base for MoLG in 2008. The Danish-funded The Local Government Capacity Building Programme has provided additional support to strengthen MoLG's operating systems by undertaking an IT equipment needs assessment for MOLG headquarters in Ramallah, Gaza and district offices, and providing upgrading of internet equipment and connections and video conference facilities linking MoLG and District Offices.
- **Human Resource Management:** The Belgian-funded Local Infrastructure and Capacity Building Project (LICP is working on the development of a Human Resource management system for MoLG and its Directorates:. The project is undertaking an assessment of the current Human Resource Management System, following which a new system will be designed, procured and installed. Training will be provided to appropriate staff on the use of the new system.
- **Capacity Development and Training:** All of the programmes involved in supporting MoLG have programmes capacity building and training to relevant directorates and staff to support the introduction of new systems and work processes. Moreover MoLG staff and staff in District Offices are often included in training courses provided at the local level to LGUs, JCSPDs and other bodies.[11] However, there is currently an increasing focus on assisting MoLG to formulate a strategic approach to capacity development, both for the Ministry itself and for the local governance sector as a whole, to provide clear guidance for the capacity building interventions

[11] For more information on the training provided please refer to the overview of Donor programmes in Section 2 of the Update. A detailed overview of training provision in the local governance sector, including to MoLG may be found in *Capacity Building Programs for Local Governance Units in the West Bank: Narrative Report,* DRAFT, Center for Continuing Education, Birzeit University, December 2008.

provided by the large number of agencies active in the field. In this regards JICA has been supporting MoLG to develop a training strategy to guide capacity development within the ministry and for staff in LGUs. GTZ is also supporting the development of a training and capacity building for LGUs. In 2008 GTZ funded a study of capacity building programs for LGUs in the West Bank conducted by the Center for Continuing Education at Birzeit University to provide an initial assessment of the quality and coverage of existing provision.[12] In addition, LICP is working with the Capacity Building Dept. of MoLG to strengthen the needed capacities for the Ministry and several of its directorates.

- **MoLG Strategic planning:** Under its Local Democratic Reform Programme "Tawasol", CHF has assisted MoLG in developing a strategic plan to guide development of the Ministry. An institutional assessment & development framework have been completed and shared with the donor community to guide the design of capacity building support to the Ministry. They are now working on fleshing out the development framework into a 3-5 year development plan, to build and institutionalize MoLG knowledge management and policy development capacity & strengthen its guidance and monitoring functions. CHF is also supporting MoLG to play a leadership role in the sector to identify the mechanisms for reinitiating and leading the process of articulating and building consensus around a vision for the Palestinian local governance system
- **Developing a Local Economic Development role for MoLG:** UNDP is also supporting MoLG in developing a Local Economic Development role for the Ministry, LGUs and Governors. A UNDP mission from Geneva has been organized to support this component.

It is clear that significant efforts have been made to build capacity within MoLG as recommended in the Diagnostic Report and Action Plan, however these have not all been totally successful. The organizational chart for the ministry, although developed and amended several times, has not been approved by the Council of Ministers which means that the ministry is still functioning without a clear organizational chart. Manuals have been developed since 2004 for core work processes such as HR, procurement and project administration and a serious attempt at improving the skill level of the employees through training has been made. However there has been a lack of coordination between programmes delivering training and capacity building support to the Ministry and assessments of their tangible impact are not generally carried out.

However in the absence of a clear vision and strategy for the local governance sector and the role that MoLG should play within it, efforts to strengthen MoLG have lacked a coherent direction since the core functions for which capacity is needed have yet to be defined. MoLG's capacity has been enhanced but not fundamentally transformed.

2.2 The Association of Palestinian of Local Authorities (APLA)

APLA was formally established by presidential decree in 2002[13] to take an advocacy role and represent the interests of the municipalities and village councils in dealing with the MoLG and other central line agencies. The Diagnostic Report recognized the important role of APLA as a vehicle for dialogue between local and central government bodies and

[12] *ibid.*

[13] In fact the Palestinian Association of Local Authorities has been active since 1997, but was formally recognized by a decree issued by President Arafat in 2002.

highlighted the need for APLA to play a significant role in the implementation of any reform initiatives in the local governance sector. With this in mind the Action Plan contained a specific objective to strengthen the capacity of APLA including:

- Design and implement training seminars to support APLA's advocacy and lobbying efforts and develop APLA's capacity to provide technical support to LGUs
- Explore fund generation and prepare strategy for institutional sustainability

Since 2004 several Donor-funded programmes have provided support for the Institutional Strengthening of APLA, including:

- **Strategic planning**: Initially APLA developed a Plan of Action with support from the Netherlands. In 2008, APLA developed its organizational strategy for 2009-2011, supported by GTZ, following the preparation of a report looking at the strengths and weaknesses of the organization. APLA has identified the following strategic objectives:
  - strengthening ties and relations between and among LGUs,
  - contributing to improve LGUs performance by facilitating exchange of information and experience,
  - facilitating coordination of LGUs' positions on common issues that face them and advocating and lobbying for these positions with central government and other stakeholders,
  - providing assistance to local authorities that contribute to the improvement of their staff performance,
  - building the financial and administrative capacity of APLA to enhance their ability of fulfilling its mandate to represent its members and advocate on their behalf.
- **Organizational development**: In 2007-2008 UNDP supported a series of workshops to develop APLA's legal framework, internal bylaws and organizational structure in the light of the organizational strategy. The strategy and bylaws will be finalized during the General Assembly in the summer of 2009. Support is also being provided by UNDP to develop a new organizational chart, job descriptions and capacity development tailored to needs. APLA has also been supported by GTZ to set up technical committees for key staff functions such as City Managers, City Engineers, Financial Officers, and Public Relations officers. It also plans to set up committees for Women and Sports and Leisure services. Learning days have been held for each technical committee on electronic archiving for City Managers, GSM technology for City Engineers, financial and accounting systems for Financial Officers, and the role of PR in local authorities for Public Relations officers.
- **Technical advice and support**: GTZ is financing an advisor to work with APL for 2 years. The advisor started work in March 2009. UNDP will soon also provide 2 UN Volunteers to work with APLA on the same basis.

Although initiatives are in place to support institutional strengthening, APLA is not yet seen to be achieving its full potential as a strong and credible body representing the interests of LGUs. APLA's status has not yet been confirmed in Law. Moreover, changes in internal management and lack of clear leadership are currently seen to be further hampering the organization in assuming its expected leadership role. Supporting APLA to assume its role remains a key issue for developing the local governance sector.

3. New Developments since 2004 – Local Level

3.1 Local Government Units (LGU's)

A very large number of initiatives have been implemented to support LGUs at the local level. At the most strategic level a number of programmes have sought to address issues related to the institutional framework of local governance highlighted in the Diagnostic Report. Other programmes have focused on strengthening institutional capacity within LGUs in terms of organizational structures, systems, work processes and capacity building for both staff and elected representatives. Particular emphasis has been placed on supporting LGUs to fulfill their planning functions. This has included an increasing focus on fostering greater citizen participation in local governance through for the use of participatory planning processes for local development. Greater citizen engagement has also been supported through programmes supporting mechanisms to enhance transparency and accountability or the promotion of greater citizen representation in local decision making many programmes have also focused on support for core service delivery in areas such as infrastructure, solid waste management and utilities services. A specific group of municipal support programmes has also been developed to assist communities affected by Israel's construction of the Separation Wall which was highlighted as a priority issue for local government in the PRDP. The major programmes are shown in the following table:

Table 3
Major programmes implemented to support LGUs
from 2004 to March 2009

Project Name	Donor	Imple-mente r	Dates	Coverage	Focus
Multi-Component Programmes					
Local Governance Support Programme (LGSP)	Ireland UNDP Japan	UNDP	Ph1 2005 - 2009 Ph2 2009-2012		Planning Citizen participation Transparency and accountability Training for elected representatives
Local Democratic Reform Programme . TAWASOL	USAID	CHF	2005 - 2009	5 municipalities in Gaza 42 municipalities in West Bank the	Planning Citizen participation Infrastructure Community development Organisational development Administration & financial management Training & capacity building
Local Governance and Civil Society Development Programme (LGP)	Germany	GTZ MDLF	Ph1 2007 - 2009 Ph2 2009-2012		Planning Coordination and cooperation Administration & financial management Partnerships with CBOs Infrastructure

					Community development
Program for the Improvement of the Local Governance System in Palestine	Japan	JICA	2005-2009	4 JCSPDs in the Jericho and Jordan Valley region	JCSPDs Planning Citizen Participation Administration & financial management Training & capacity building Municipal services Solid waste management
Local Government Capacity Building Programme (LGCBP)	Denmark	MDLF World Bank	2005-2010	8 municipalities to be extended to a further 35	Planning JCSPDs Amalgamation Administration & financial management Training & capacity building
Local Infrastructure and Capacity Building Project (LICP)	Belgium	BTC MDLF	2005-2009	23 LGUs for infrastructure support 11 LGUs for Capacity Building in Tulkarem Governorate, Salfeet, & NW Jerusalem	Administration & financial management Infrastructure Training & capacity building
Municipal Development Programme (MDP)	Multiple Donors	MDLF	Planned		Infrastructure Municipal services Amalgamation Training and Capacity Building
Local Planning Focused Projects					
North East Jenin Pilot Projects / Local Development Programme (LDP) in Jenin Governorate, Phase 1	Denmark	MoLG	Ph1 2006-2008 Ph2 2008-2010	2 clusters of LGUs in Jenin Governorate	Planning JCSPDs Amalgamation Infrastructure Community development
Participatory Rural Development Planning Project	Ireland	UNDP	2005-2008	Jenin Governorate	Planning Citizen Participation
Village and Neighbourhood Development Project		World Bank		Southern West Bank and Gaza	Planning JSCPDs Partnerships with CBOs Infrastructure Community development
Municipal Development and Management in Gaza Middle Area (SMDM).	Denmark	DRO	1999 - now in phase 3	Gaza Middle Area	Infrastructure Community development Partnerships with CBOs
Municipal Services & Infrastructure Focused Projects					
Innovative Window Scheme project (third component of EMSRP II)		World Bank		3 pilot municipalities	Infrastructure Partnerships with CBOs Community development

Village Service Program (VSP) / JOBS	USAID	MAAN /World Vision		Villages of Salfit Governorate	Infrastructure Capacity Building
Community Services Program	USAID	MAAN /CARE		11 villages in Jenin Governorate	Infrastructure Capacity Building
Municipal Development Project	France	AFD	July 2007 - July 2009	16 Municipalities in West Bank	Infrastructure Community development
Palestinian Municipalities Support Program (PMSP).	Italy		2004 – Frozen since 2006		Infrastructure Capacity Building Community development
Solid Waste Management Programme	Germany	GTZ	2005 - 2008	3 municipalities - Ramallah, Al Bireh and Betunia	Municipal services Solid waste management
Southern West Bank Solid Waste Management Project (SWMP)	Japan	World Bank		Southern West Bank	Municipal services Solid waste management
Municipal Infrastructure Support	Multiple donors	MoLG			Infrastructure Municipal Services
Emergency program to rehabilitate Municipal services	Multiple donors	MDLF		West Bank & Gaza	Infrastructure Municipal Services Community development
Infrastructure Facility Program	EU	MoLG	2008	LGUs in West Bank	Infrastructure Employment
Support for LGUs affected by the Wall	Multiple donors	MoLG	2008	West Bank villages affected by the Wall	Infrastructure Employment
Support from the ICRC(Phase IV)		ICRC	2008	LGUs in West Bank &Gaza	Infrastructure Employment
Job creation program, Phase VI(KFW6)	Germany	KFW	2008		Infrastructure Employment

A. Number and functions of LGUs

The Diagnostic Report clearly identified that one of the main problems facing the local Governance sector in the oPt is the **large number of LGUs**, many of which are too small and lack an adequate resource base to deliver services effectively. This is of particular concern as under the current legislation all LGUs, regardless of size or capacity, are expected to fulfil the same functions and deliver the same services to citizens. The Report also highlighted problems with the **geographical definition of LGUs,** pointing out that the boundaries of many LGUs are unclear and parts of the Palestinian Territories are not included in any LGU. The report also pointed to **the lack of a clear definition of some local governance bodies** such as Joint Service Councils (JSCs) and Micro-Region Planning Committees (MRPCs) set up under the UNDP Local Rural Development Programme (LRDP).

The Action Plan concentrated attention on achieving full LGU coverage of the whole of the Palestinian territories, including a recommendation to

- determine, consolidate and publish LGU structures to cover the entire Palestinian territories.

There has been significant attention focused on the issue of reducing the number of LGUs through processes of consolidation. In recent years the policy debate has been increasingly focused on the issue reducing the number of LGUs. One set of activities in this area has concentrated on the development of Joint Councils for Service, Planning and Development (JSCPD) to improve efficiency and effectiveness of the delivery of certain functions or services, or to strengthen joint development planning for local areas.

Establishment of Joint Councils for Service, Planning and Development (JSCPD)

- **Development planning focus**: One of the major initiatives that contributed to an initial reduction in the number of LGUs, from 648 in 1995 to the current 483 was the UNDP Local Rural Development Programme (LRDP) implemented between 1995 and 2005 which created the Micro Regional Planning Committees (MRPCs). The MRPCs demonstrated the importance of joint planning as a major function for Joint Service Councils. This lead to the redefinition of MRPCs in 2005 as Joint Councils for Services, Planning and Development (JCSPD) and gave them formal legal status as recommended in the Diagnostic Report. Other donor-funded initiatives continue to work with JSCPDs to promote joint local planning such as the World Bank Village and Neighbourhood Development Project.
- **Service delivery focus:** Joint Service Councils (now JCSPDs) have also been developed to provide more cost effective and efficient delivery of single services (mostly water management) or multiple services (mostly water and solid waste management). A number of donor-funded programmes have been active in establishing and supporting service-focused JCSPDs including JICA which is supporting the creation, activation and reorganisation of 4 JSCs in the Jordan Valley, BTC which has established and supported 6 JSC in the Northern West Bank and East Jerusalem and GTZ and the World Bank which have both supported the development of JCSPDs focused on solid waste management. GTZ is now leading the development of a sector strategy for solid ware management., Japan and the World Bank have all been active in supporting the development of JSCs in this sector
- **Future development of JCSPDs**: Donor-funded projects are increasingly using JSCPDs as a means of accessing LGUs and several programmes now focus their capacity building support at to LGUs at JCSPD level. However, although 86 JSCPDs exist on paper it is not clear how well they are working and there is general agreement that greater clarity is needed regarding the functions and future development of JCSPDs. In response to this demand JICA is in the process of completing a baseline survey of JCSPDs to determine how they are functioning. This information will be used to inform the Strategy for JCSPDs being developed by MoLG with JICA support.

A further set of initiatives has focused more directly on the amalgamation of small LGUs into larger, more effective municipal entities. Some of these have used JCSPDs as a starting point while others have not. These initiatives include:

Amalgamation processes

- **Local amalgamation processes:** A number of donors are supporting initiatives to foster the amalgamation of small and inefficient LGUs into integrated municipalities. As an example, on 2006 Denmark supported a project to improve the delivery of municipal services of village councils through the establishment of JSCPDs in Jenin. In June 2008, an agreement was signed with the Ministry of Local Government to implement the Local Development Programme for expanded

support to local development in JSC1 and a second area in Jenin Governorate, supporting a process of amalgamation. A study was conducted by local consultants Horizon for Sustainable Development to examine the merging possibilities of the communities in Jenin Governorate.[14] This study examined the possibilities for reducing the number of LGUs including the willingness and readiness to merge of the LGUs in three clusters in Jenin Governorate to amalgamate based on clear criteria, and identified the cluster best placed for amalgamation. The current project will aid the development of a best practice model that will feed into the future MoLG Amalgamation policy, alongside the experience of other programmes. The Belgian-funded LICP has been also been working with Al Kafriyat JSCPD on the possibility of amalgamation of its 7 village councils. LICP has been building up the foundation of the JSCPD so it is able to provide appropriate services as a municipality. In 2005 23 LGUs were merged into bigger councils adjacent to them and MoLG reports that this experience was successful and no major oppositions or negative reactions occurred.[15] The new multi-donor Municipal Development Programme, currently under development by the MDLF includes specific provision of funding for strengthening the amalgamation of local governments.[16]

- **Policy framework and strategy for amalgamation:** In June 2008, the Ministry of Local Government issued a report entitled **"***The Future of Local Governments in Palestine, a Plan for the Reduction and Activation of LGUs*"**.** The major objective of the plan is to reduce the number of local authorities to around one hundred at the level of municipality or regional council. The report identifies examples of possible amalgamation in Hebron and Jericho Governorates and in Gaza. According to the report the 86 Joint Services Councils (JSCs) will be merged in 25 cities or regional Councils. The plan draws on the experience of mergers undertaken in 2005. In 2009 the Amalgamation Task Force within MoLG produced a policy of local commissions (sic) amalgamation in Palestine. This has been integrated into a proposal for *Municipal Restructuring, Policy Framework and Implementation Strategy for the Amalgamation of Local Councils in Palestine*, prepared by an international consultant in collaboration with MoLG and MDLF, with support from Denmark. Work is now beginning on the development of standardised guidelines to govern amalgamation processes.

In terms of substantial redefinition of local governance institutions, most progress has been made in the development of approaches for the reduction of the number of LGUs through amalgamation processes, and the development of joint arrangements for the delivery of a number of core LGU functions including planning and service delivery through the establishment of JCSPDs. The development of policy frameworks and guidance is underway in both these areas which should provide a useful basis for moving forward in these areas.

[14] *Merging Possibilities of the Communities in Jenin Governorate* Horizon for Sustainable Development , Ramallah, August 2008

[15] MoLG (2008), *The Future of Local Governments in Palestine, a Plan for the Reduction and Activation of LGUs*. 2008. Other municipalities had previously been created through processes of amalgamation include Bani Zaid Alsarqua Municipality in the Ramallah Governorate in 1996 and Janata Municipality in the Bethlehem Governorate in 1999. See Peter Slits, *Municipal Restructuring, Policy Framework and Implementation Strategy for the Amalgamation of Local Councils in Palestine. Proposal*, MDLF / MoLG March 2009.

[16] World Bank (2008) *Joint Pre-Appraisal Mission. Municipal Development program (MDP) for West Bank and Gaza: Phase 1, October 13-24, 2008. Aide memoire.*

However, these processes have failed to address the issue of territorial coverage. LGUs still do not cover the entire Palestinian Territories as recommended in the Action Plan. This issue therefore remains a priority that needs to be addressed.

Roles, responsibilities and authorities of LGUs

Similarly, surprisingly little activity has been carried out in the area of defining appropriate roles, responsibilities and authorities of LGUs. This needs to take place within the framework of an overarching vision and strategy for the local governance sector. Only one significant initiative has been undertaken in this regard:

- **Mayors Roundtable on Strengthening Decentralized Local Governance:** The most notable initiative in this area was the organization of a Mayor's Roundtable on Strengthening Decentralized Local Governance organized in Jericho in 2007 by the CHF Local Democratic Reform (Tawasol) programme. Twenty three Mayors participated in the Roundtable which highlighted the need for the development of a clear vision for the type of local governance system needed -a Local Administrative System or a Local Governance System? and developed a series of recommendations and proposed actions[17]

B. Institutional Development of LGUs

In 2004, the Diagnostic Report highlighted the issue that neither the MoLG, nor any independent body, had undertaken an evaluation or consistent monitoring of the performance of the newly created LGUs. It was therefore not easy to say how many of the councils were failing, or for what reasons. However, likely reasons included: insufficient advice and training provided by the MoLG; limited budgets; difficulties in recruiting staff with relevant experience; and failure of the law or MoLG policy to define what types of services different types of councils are expected to provide. The Report emphasised the need to rationalize existing LGU structures and functions; clarify decision-making process in LGUs; and improve accountability.

The Action Plan included specific suggestions for strengthening the institutional capacity of LGUs including:

- Develop and implement by-laws, organizational charts, operational manuals such as HR manuals, job descriptions and standardized accounting and reporting procedures to create systems and establish efficient procedures (large municipalities)
- Design and deliver staff training according to the needs with emphasis on fiscal management skills such as budgeting, accounting and reporting

Since 2004 a great many organizations and agencies have participated in carrying out capacity building interventions most of which are free-of-charge by the implementing organizations. In most cases, MoLG and LGUs' participation in capacity building activities results from public solicitations and/or invitations by the implementing organizations in order to take part in training and other capacity building activities. Three types of organizations and agencies have been playing a main role in determining the approach, implementation mechanisms, structure, and funding allocations to the capacity building interventions. They are:

[17] CHF (2007) Local Democratic Reform Program" Tawasol" *Mayors Roundtable on Strengthening Decentralized Local Governance* (Jericho, May, 2007).

1. International and donor organizations, including development agencies through which funds of international donations are managed.
2. Governmental and quasi-governmental organizations, of which the most notable are the MoLG, The Municipal Development and Lending Fund (MDLF), and (APLA).
3. Palestinian Non-Governmental Organizations (NGOs) which play a key role in implementing capacity building programs on behalf of, or in partnership with international and donor organizations.

The array of capacity building interventions implemented in LGUs, individually and through Joint Service Councils are too numerous to mention individually[18]. They include a set of activities aimed at development of archiving systems and files maintenance, restructuring, work flow and strategic planning, development of manuals to help LGUs administer and manage the public tendering processes, and the inclusion of local community in the planning process. Training programs and workshops have also been of significance and they covered subjects such as: participatory planning and participatory performance assessment; good governance; physical planning, environment and local development; construction management; in addition to other specialized training courses on managing, designing and maintaining street lighting and water networks.

It is extremely difficult to form an impression of the overall impact of these initiatives in terms of capacity building in LGUs as no evaluation or assessment data is available. The only existing overview of training and capacity building initiatives indicates that around than half of municipalities (51%) and 11% of Village Councils have benefited from technical assistance in the past 5 years. The majority of assistance involved the provision of equipment (43%) followed by systems development (23%) and the provision of software (11%). Training initiatives have been much more widely accessible. Almost all municipalities (98%) and 70% of Village Councils participated in at least one training course over this period.[19] However, LGUs expressed many reservations about the quality and relevance of training provision including the poor quality of needs assessment, overlap in training provision from different providers, the general nature of most training without clear links to job requirements or performance standards, poor selection of participants, the absence of quality control and the lack of follow up by organizations or training providers. LGUs were most positive regarding training in specific technical areas such as water management as these provide staff with specific skills that are directly applicable in their work, and often yield tangible impacts. Overall, the assessment highlights the need for an overall strategy to be put in place to guide capacity development initiatives in the local governance sector.[20]

C. Strengthening planning at the local level

The Diagnostic report highlighted a series of issues with the overall planning framework in the oPt. besides indicating the need for the development of a Unified Planning Law, as recommended in the Report (See *Legal Issues*), the action plan placed significant emphasis on building planning capacity in LGUs. In particular the Action Plan emphasized the need to undertake physical planning as the basis for all other strategic planning required to develop

[18] For more information on the training provided please refer to the overview of Donor programmes in Section 2 of the Update. A detailed overview of training provision in the local governance sector, may be found in *Capacity Building Programs for Local Governance Units in the West Bank: Narrative Report*, DRAFT, Center for Continuing Education, Birzeit University, December 2008.

[19] See *Capacity Building Programs for Local Governance Units in the West Bank: Narrative Report*, DRAFT, Center for Continuing Education, Birzeit University, December 2008. pp 25- 27.

[20] *Ibid*,

infrastructure and services at the local level. The Action Plan therefore included activities such as:

- Design and implement training to assist staff develop inclusive and comprehensive town plans according to the MoLG guidelines
- Produce 100 Town Plans for communities in the West Bank that either lack or have obsolete plans.
- Enhance and strengthen the capacity of the Town Planning Unit of the MLG.
- Maintain and develop the capacity of the private sector to produce town plans

A number of donor funded programmes have implemented initiatives designed to strengthen both the overall framework for local planning, and the capacity of LGUs to undertake this task. In particular:

Physical / Urban planning

- **Preparation of Physical Plans**: The Local Government Capacity Building Programme (LGCBP) supported by Denmark and the World Bank has implemented activities to strengthen the capacity of MOLG and the LGUs to effectively guide, manage and monitor the development of the urban areas and be responsive to the needs of citizens. They have conducted a survey on 17 municipalities and 13 JSCs to identify local urban planning practices & the policies and systems needed to organize the planning sector in local government. This information will be used to inform the development of a physical planning manual for LGUs. UNDP also plans to support physical planning. Phase Two of its Local Governance Support Programme (LGSP), beginning in 2009 will provide support the preparation of 140 physical plans for LGUs as these are a prerequisite for a number of activities such as taxation improvement and infrastructure development. Palestinian institutions have also contributed to the development of physical planning, including the Applied Research Center "Arij" which has integrated existing plans into the Geographic Information System (GIS) for MoLG, sup the necessary criteria for the use of aerial photography for planning purposes.
- **Framework for physical planning**: In October 2008 the first international conference on urban planning in Palestine was held at An-Najah University in Nablus. As well as sharing experiences from across the Arab world the Conference was intended to determine the roles, responsibilities, and functions entrusted to the various actors involved in the process of planning (the government sector, academic and private sectors) and propose suggestions and scenarios for physical planning under the current national circumstances[21].

Local development planning

- **Participatory planning processes**: In line with international best practice many initiatives are promoting greater involvement of citizens and other key stakeholders in the development of plans for local infrastructure and services. This was the principal focus of the UNDP Local Rural Development Programme (LRDP) implemented between 1995-2005 which created the Micro Regional Planning Committees (MRPCs) now JCSPDs. Following on from this, in 2005 UNDP implemented the Participatory Rural Development Planning Project in Jenin

[21] Al Najah National University, (2008) *1st International Conference on Urban Planning in Palestine: Current Challenges & Future Prospects* 21/10/2008. .The full text of interventions at this conference are available on the Al Najah National University website at http://www.najah.edu/index.php?page=2241&lang=en&extra=%26conf_id%3D17

Governorate, with Irish funding. This project adopted a participatory approach for the formulation of a comprehensive strategic development plan for the Jenin Governorate which was finalized in 2008. The US-AID funded Local Democratic Reform Programme "TAWASOL" implemented by CHF is also supporting Participatory Planning at the community level to guide the construction of essential community infrastructure. Training workshops have been provided on strategic planning, participatory performance measurements, financial systems and budget development. LICP has also worked with citizens in the communities implementing the participatory approach in understanding their needs and priorities and selecting projects that are best suited for the majority of the citizens in the communities.

- **PA commitment to participatory processes:** The PRDP outlines the PA's overall commitment to bringing government closer to the people by ensuring that local government is both empowered and accountable.[22] Among the initiatives by PA institutions to translate this principle into practice the MDLF has introduced the requirement that municipalities identify projects based on community participation the criteria for fund allocation. The purpose of this criteria is to provide LGUs with an incentive to undertake strategic planning since an initial evaluation showed that only 10 municipalities had strategic development plans. MDLF provides LGUs with advice on how to do involve communities in planning and provides oversight of these processes. In addition, in 2009 the National Consultative Planning Council was established by the Ministry of Planning. The Council will be responsible for advising LGUs and other public institutions on promoting public participation in planning processes. There is discussion whether this national structure should be replicated at the regional or local level.
- **Policy framework for local strategic planning:** GTZ is currently supporting MoLG working with the Ministry of Planning, MDLF, selected LGUs and other stakeholders, to design a policy and minimum standards for strategic development and investment planning for LGUs. An assessment of current planning practices has been prepared, and a policy paper and manual for LGUs will be finalized in March 2009

New levels of planning

- **Regional planning:** The question of the need to introduce planning at other geographical levels has also been introduced to the policy debate in recent times. In particular the National Strategy for the Palestinian Local Administration formulated for the Office of the President in January 2008 proposed the formulation regional master plans as a means of Achieving fairness in allocating budgets and foreign assistance between areas and Governorates, achieving developmental objectives such as alleviating poverty, unemployment and promoting appropriate use of resources. The proposal to introduce regional planning is supported by the creation of four development regions covering the whole oPt set out in the Strategy.

Some progress has been made in producing tools to strengthen capacity in the area of physical planning, although the support necessary to produce the Urban Plans suggested in the 2005 Action Plan will only become available in the new phase of UNDP's Local Governance Support programme which will run to 2012. Greater attention has been given to

[22] PA- PRDP (2008) *Palestinian Reform and Development Plan (PRDP) 2008 - 2010* (Ministry of Planning, Palestine) p44.

assisting LGUs to produce strategic development and investment plans for their areas, through a range of donor-funded programmes, including significant emphasis on enhancing citizen involvement through the use of participatory planning processes. Policy frameworks and standardized guidelines are also being developed in all three areas. However progress in the planning area is still hampered by the absence of unified planning legislation as identified in 2004.

D. Infrastructure and Service Delivery

The Diagnostic report highlighted a series of issues related to LGU service. Although the Report did raise the question of **whether utility service provision should continue to be a municipal function**, its recommendations were largely related to financial issues including the business models and costing practices for utility and infrastructure services provision. Further discussion of these issues is provided in the following chapter dealing with *Financial Issues*.

The Diagnostic Report also highlighted the poor **quality of solid waste management services**, including the suggestion that while Solid waste collection should remain an LGU responsibility, solid waste disposal should be the responsibility of an aggregate body. Initiatives in this area include:

- **Joint services for Solid Waste Management**: Much of the work that has been undertaken in supporting the development of JCSPDs in the area of Solid Waste Management has been coherent with addressing these issues (*see above*).

Finally the Diagnostic Report raised the issue of the need to **clarify the roles of central and local government in the planning and implementation of development projects**, such as those targeting the rehabilitation of infrastructure and improving the quality of municipal service implemented through a wide range of donor –funded initiatives. The report specifically recommended that LGUs should play a greater role in the design, implementation and oversight of development projects. Initiatives in this area include:

- **Participatory planning approaches**: The use of participatory planning methods (*see above)* has been supported by a number of donor-funded initiatives as a way to strengthen the role of LGUs in this area.
- **LGU – CBO Partnerships:** Another modality has been used to strengthen the role of LGUs in development projects has been by fostering partnerships between LGUs and Community Based Organizations to support the development of small scale social infrastructure and community development initiatives. This approach has been used by programmes such as the World Bank Village and Neighborhood Development Project in the Southern West Bank and Gaza, the GTZ Local Governance and Civil Society Development Programme (LGP) in the Northern West Bank, the Danish Municipal Development and Management in Gaza Middle Area (SMDM) and the Innovative Window Scheme project which is part of the Emergency Support for Municipal Services programme.

Strengthening municipal service delivery and improving basic infrastructure continues to be a priority for the PA, as demonstrated in the PRDP, and a strong focus of donor-funded programmes. The PRDP identifies a specific priority associated with addressing such issues in LGUs affected by Israel's Separation Wall.

E. Democratic Representation and Citizen Participation

In 2004 when the Diagnostic report was prepared, local elections had not yet been held in the Palestinian Territories and local councils had mostly been appointed by the Ministry of Local Government without a clear legal mandate. The issue of accountability was therefore dominated by concern for the installation of a legitimate democratic process of representation at the local level. The Action Plan, on the other hand took a broader view. It identified "increase citizens' participation in LGU activities, and enhance LGU transparency and accountability to constituencies" as one of the four strategic objectives for the overall reform agenda for local governance, and defined three key activities in this area:

- Support organizing local elections (in coordination with the RSG on elections)
- Promote constituency outreach and enhance citizen participation and communication
- Systemize information dissemination, and performance reporting to the public

Progress in this area includes:

Democratic Representation

- **Local elections:** Elections to municipal and local councils took place in 2004/2005 across the Palestinian territories. These elections had widespread public support and were supported by all political powers, including those which had boycotted previous elections. (For aspects regarding the legal framework governing the 2004/5 local elections see *Legal Issues*) According to the conclusions of monitors, the elections took place peacefully, reflecting high-levels of organization, and the few violations recorded did not damage the essence of the electoral process. In 2007, the PRDP again identified the conduct of free and fair local elections as one of four priority projects to strengthen local government[23].
- **Support for elected representatives:** Following the local elections in 2004/5 UNDP, with support from Japan, initiated a programme of training for newly elected Mayors and Councilors to build their capacity as democratic representatives. UNDP contracted Birzeit University to prepare a national training manual covering four main areas of the work of LGUs; legal, financial, administrative and engineering (planning and zoning). The project also trained 13 trainers to deliver the training for all the newly elected officials (12 from the MoLG and 1 from APLA) in order to build the capacity of the MoLG to support local governments

The local elections of 2004/5 addressed many of the issues regarding democratic representation at the local level identified in the Diagnostic Report, However, at the end of 2008, the electoral mandates of the Councils elected in the 2004/5 elections began to expire – again raising questions about the legality of these Council's mandate. The Minister of Local Government has expressed the intention to dissolve these councils, as provided for in amendments made to the Local Authority Law in 2008 (See *Legal Issues*). More generally, the amended legislation allows the Minister of Local Government to dismiss elected Mayors under certain conditions. Several Mayors have also been removed from their posts for political reasons. The need to safeguard the role of representative democratic institutions, identified in the 2004 Diagnostic Report, has therefore gained renewed relevance at the present time.

Citizen Participation.

[23] PA- PRDP (2008) *Palestinian Reform and Development Plan (PRDP) 2008 - 2010* (Ministry of Planning, Palestine) Accountable Local Government programme, p119..

- **Participatory Planning:** Considerable emphasis has been placed on enhancing citizen participation in local decision-making through the use of participatory planning processes, (*See above).*
- **Participatory Performance Assessment:** The Local Democratic Reform Programme (TAWASOL) is piloting approaches for involving local communities in assessing the performance of LGUs through Participatory Performance Assessment. However such approaches are very new in the oPt and not currently well understood or widely accepted.
- **Community level representative structures**: The Local Democratic Reform Programme (TAWASOL) has also implemented initiatives to support the direct participation of citizens in governance processes in a representative capacity. These include the establishment of *Local Action Committees* involving civil society and citizens which are formed as an advisory committee and involved in the design of projects and training, and *Youth Shadow Councils* to engage young peoples in governance processes. LICP has also worked on implementing workshops for women focusing on "Women's role in local government" as well as Empowering women and Gender equality to support the participation of women in the areas where the programme is implemented.

Accountability mechanisms.

- **Integrity toolkit:** In 2008 UNDP Developed a *Local Governance Integrity Toolkit*, promoting the idea of "monitoring" as a guide to capacity building and continuous improvement. The objective of the toolkit is to change the attitudes and understanding of MoLG and LGU staff regarding transparency, accountability, community participation and women's participation. The toolkit was piloted in 15 LGUs and has been distributed to the MoLG and LGUs. In the second phase of the programme support will be provided for the application of the *Integrity Toolkit* in the remaining 117 municipalities.
- **Anticorruption Code of Conduct**: The Local Democratic Reform Programme (TAWASOL) supported by CHF/ USAID has also worked on improving transparency and accountability through the provision of anti-corruption training for local government involving 58 senior municipal staff members and supporting the development of the Anti-Corruption Code of Conduct for Local Governments which has been signed by 20 LGUs. The Tawasol project has also been supporting increased public participation in Municipalities in areas such as engaging citizens, accountability and participatory performance management. LDRP staff report that over this period they have learned lessons about what works, gained a better understanding and created more developed mechanisms and will expand this work in the next 2 years

The implementation of processes to involve citizens in decision-making, particularly in local planning processes, and the creation of tools to support greater transparency and accountability in local governance are positive steps towards enhancing citizen participation and communication as recommended in the Diagnostic Report. However these have not yet become standard practice in the majority of LGUs.

3.2 The Governorates

The Governor represents the central authority and has significant powers in vital areas, including security, municipal and village councils and supervision of all government agencies

in the district. Under such an arrangement, municipalities and councils, in addition to the local government directorate in the locality, find themselves subject to a dual form of control exercised by both the MoLG and the Governor. Thus, the extensive powers enjoyed by the Governor potentially place severe limitations on the ability of LGUs to achieve a significant degree of autonomy vis-à-vis the central government[24]. For this reason the Diagnostic Report contained a recommendation to re-evaluate the role(s) of the Governorates and to clarify (by law) such role(s), as well as their composition and their relations with other governmental offices, including the MoLG district offices.

In November 2008 the President's Office, (Governorates division) supported the development of a *National Strategy for the Palestinian Local Administration.* The report diagnosed the status of strategic issues in the current system of local governance with regards to issues such as decentralization, distribution of authorities, the legal environment, participation, and transparency and accountability. This study identified the strategic vision for this sector as "a system of administration which is efficient, grounded in the principles of good governance and compatible with the policies and inclinations of the Palestinian Authority."

Based on its findings, this work suggested four possible models for strengthening the role of Governors and ensuring they are better integrated into the local governance system as a whole. In particular, the report ascribed a strong role to Governors in leading Regional Planning for development. The four models proposed are

1. **Option One** reduces the number of Governorates from sixteen at present to ten, accordingly Districts will be established in each Governorate. Each Governorate will have a Governorate council whose members will be the local administrators, Mayors within the Governorate, and others to be appointed by H.E the President.
2. **Option Two** clusters the sixteen Governorates into four developmental Regions. The major task of the Region will be coordination and planning. Each Region will have a Regional council whose members are the Governors, Mayors, and those appointed by H.E the President. There are no changes to the responsibilities, tasks, reporting procedures and linkages of the Governors, and the Governorates will resume the same functions.
3. **Option Three** proposes that the sixteen Governorates will be grouped under four Regions; The Regions will have full supervisory responsibility over Governorates, in addition Districts will be created under each Governorate. The Higher Council for Local Administration (HCLA) will be established chaired by H.E the President, with relevant ministers, and DGs of relevant institutions as members. For each Region a council will be established comprising Governors, Mayors and certain number of members to be appointed by H.E the President.
4. **Option Four** proposed that the sixteen Governorates will be merged in four Regions. Each Region will have a council with its chairman and 50% of its members directly elected, and the rest appointed by H.E. the President. The municipalities and local authorities will be under the responsibility of the Region. The HCLA will be established. It will be chaired by H.E the President and its members are the concerned Ministers, Regional Governors and the heads of relevant institutions. According to this option the tasks and responsibilities of the Ministry of Local Government need to

[24] An additional Governorate was created in November 2007 which is Tubas. and in April 2009 the Office of the President (Governorates Division) has proposed the division of Hebron Governorate into four new Governorates.

be reviewed in the light of establishing the HCLA, as the strategy is calling for local administration not local government[25].

Following the development of the strategy, a national committee of 22 members and a smaller committee of 5 were established to develop recommendations for taking the agenda forward. MoLG and the Governorates Affairs department in the President's Office also prepared papers with their own recommendations. A decision to adopt the local administration reform is still pending.

Governors have been largely excluded from policy and initiatives aimed at strengthening local government. The definition of the role of Governors and their relationship to LGUs remains a key priority. The Draft National Strategy for Palestinian Local Administration provides an opportunity to redefine the local governance system to include not only LGUs, but all the institutions and stakeholders that play a significant role in decision-making at the local level.

4. Overview of Progress

- No clear vision and strategy for the local governance sector has yet been developed. This strategy is needed to guide development of the sector in a coherent manner.

- No substantial progress has been made in clarifying the relationship between MoLG and LGUs by identifying their respective administrative, legal, and financial mandates. Moreover, changes to the legislative framework introduced since 2004 have strengthened MoLG's administrative controls over LGUs' affairs rather than making them less restrictive as recommended in the Diagnostic Report and Action Plan.

Central Level

- Efforts to strengthen MoLG have lacked a coherent direction since the core functions for which capacity is needed, based on the role that MoLG will play within the overall vision for the sector, have yet to be defined. MoLG's capacity has been enhanced but not fundamentally transformed. Significant efforts have been made to build capacity within MoLG however these have not all been totally successful, and there is a lack of coordination in the support provided by donor-funded programmes due to the absence of a clear strategy for MoLG's development.

- The provision of significant levels of support from donor-funded initiatives for MoLG's policy function is both an opportunity and a risk for the Ministry. The development of a strong policy and strategic planning unit within MoLG is needed to ensure a clear base for the Ministry's core policy function.

- APLA is not yet seen to be achieving its full potential as a strong and credible body representing the interests of LGUs, although initiatives are in place to support institutional strengthening. There is a need to finalize APLA's legal status and clearly

[25] PA (2008) *The National Strategy for the Palestinian Local Administration;* Draft**;** 2008 (Office of the President, PA, Ramallah, Palestine) Executive Summary p 8

define its role and relationships with MoLG and LGUs Supporting APLA to assume its role remains a key issue for developing the local governance sector.

Local Level

- Significant progress has been achieved in addressing the issue of the large number of LGUs, many of which are too small and lack an adequate resource base to deliver services effectively identified in the Diagnostic Report. Most progress has been made in the development of approaches for the reduction of the number of LGUs through amalgamation processes, and the development of joint arrangements for the delivery of a number of core LGU functions including planning and service delivery through the establishment of JCSPDs. The development of policy frameworks and guidance is underway in both these areas which should provide a useful basis for moving forward in these areas.

- Consolidation processes have failed to address the issue of territorial coverage. LGUs still do not cover the entire Palestinian Territories as recommended in the Action Plan. This issue therefore remains a priority that needs to be addressed

- Surprisingly little activity has been carried out in the area of defining appropriate roles, responsibilities and authorities of LGUs. This needs to take place within the framework of an overarching vision and strategy for the local governance sector.

- Significant efforts have also been made to build capacity in LGUs, particularly at the Municipality level, however LGUs expressed many reservations about the quality and relevance of training provision including the poor quality of needs assessment, fragmentation and overlap in training provision from different providers, the general nature of most training without clear links to job requirements or performance standards, poor selection of participants, the absence of quality control and the lack of follow up by organizations or training providers. No evaluation or assessment data is available regarding the impact of these initiatives

- Some progress has been made in producing tools to strengthen capacity in the area of physical planning, although the production of Urban Plans recommended in the Action Plan is only included in initiatives planned to begin in 2009. Greater attention has been given to assisting LGUs to produce strategic development and investment plans for their areas. Policy frameworks and standardized guidelines are being developed in both areas. However progress in the planning area is still hampered by the absence of unified planning legislation as identified in the Diagnostic Report in 2004.

- Strengthening municipal service delivery and improving basic infrastructure continues to be a priority for the PA, as demonstrated in the PRDP, and a strong focus of donor-funded programmes. The PRDP identifies a specific priority associated with addressing such issues in LGUs affected by Israel's Separation Wall.

- The local elections of 2004/5 addressed many of the issues regarding democratic representation at the local level identified in the Diagnostic Report. However, the expiry of these electoral mandates in 2008/09, changes to legislation allowing the Minister of Local Government to dismiss elected Councils, and cases of the removal

of Mayors for political reasons, have meant that the need to safeguard the role of representative democratic institutions, identified in the 2004 Diagnostic Report has gained renewed relevance at the present time.

- The implementation of processes to involve citizens in decision-making, particularly in local planning processes, and the creation of tools to support greater transparency and accountability in local governance are positive steps towards enhancing citizen participation and communication as recommended in the Diagnostic Report. However these have not yet become standard practice in the majority of LGUs.

- Governors have been largely excluded from policy and initiatives aimed at strengthening local government. The definition of the role of Governors and their relationship to LGUs identified in the Diagnostic report remains a key priority. The Draft National Strategy for Palestinian Local Administration provides an opportunity to redefine the local governance system to include not only LGUs, but all the institutions and stakeholders that play a significant role in decision-making at the local level.

Financial Issues

1. Financial Issues identified in the Diagnostic Report and Action Plan:

The Diagnostic Report identified a range of financial issues in the local Governance sector the oPt. A first set of issues related to the **financial situation of Palestinian Local Government Units**, including the large number of small LGUs with insufficient resources, and large fiscal disparities among LGUs. The report contained a series of recommendations focused on the need to increase local government revenues including greater fiscal decentralization, clearer and more systematic PA transfers to local governments, improved collection methods and options for restructuring LGU operated utilities services.

The report also identified **fiscal and financial management** as a problem that required immediate attention. In particular it noted that there is no practice of comprehensive budgeting in many municipalities, that budgets are submitted to the ministry in a common format that has not changed since 1968 and that there is a lack of incentives to improve fiscal management. In addition the report pointed out that accounting practices have yet to be standardized across local governments and that cash based accounting is common, noting that previous efforts to switch from cash basis to modern accrual accounting principles have not yet succeeded.

Finally the report highlighted major issues related to **financial oversight and control** including that the approval process for budgets submitted by municipalities and village council, used by the Ministry of Local Government appears to be arbitrary and inconsistent, despite the adoption of a series of seventeen bylaws, including financial and administrative manuals

As a result of these findings the Diagnostic Report made a series of recommendations to address these issues, many of which were reflected in the Action Plan. Indeed, the Action Plan gave high priority to addressing financial issues faced by LGUs including amongst its 4 strategic objectives two which referred specifically to the financial system:

- Strengthening fiscal, organizational and management capacity of the LG system (Objective 2), and
- Improving efficiency and viability of utility service provision by Local Government Units (Objective 4).

The Action Plan also included a number of specific activities designed to address issues and recommendations highlighted in the Diagnostic Report[26].

Research on projects and initiatives implemented since 2004 found that the majority of projects implemented regarding financial systems and related capacity building were consistent with addressing the needs identified in the Diagnostic Report and the activities outlined in the Action Plan. However, whether such projects have been completed, adopted and or fully implemented or not is a major question. Moreover there is no assessment data available regarding the impact of these initiatives on the development of the financial system and financial management and oversight capacity of staff in the municipalities and village councils as the beneficiaries targeted by the whole process. In addition, there has been a significant lack of coordination of the initiatives which means that some municipalities have

[26] For the full set of financial and fiscal issues identified see *Diagnostic Report* Part 4, Financial Framework, pp 90-104

received many types of support including hardware, software and staff training from different projects and in an uncoordinated way.

2. New Developments Since 2004

Since the publication of the Diagnostic Report and Action Plan a significant number of projects and initiatives have been put in place by a range of donors and executing agencies to address the major financial issues affecting the local governance sector. Some projects related to the financial sector were part of general capacity building projects, while others were specifically directed to issues such as local government finance policy and regulations, municipal financial systems or service delivery models for utilities services. The outputs of these projects to improve fiscal management and oversight have included new laws, bylaws and regulations, various manuals related to financial functions and aspects, accounting principles, procedures, and forms, software accounting systems, training workshops and issues workshops regarding financial staff and Mayors on financial aspects. Much less attention has been devoted to addressing the issue of enhancing local government revenues and this remains a core priority for the local governance sector. A small number of projects have been implemented to support improved property tax assessment and collection, to enhance utilities service models and revenue collection and to define fiscal transfer mechanisms, however little progress has yet been made in terms of promoting investment opportunities for LGUs.

Based on the available data, Table.1 gives an overview of donor-funded projects related fully or partially to the enhancement of the Palestinian local government **financial issues,** implemented from 2004 to March 2009;

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Table 4
Major projects implemented related to Financial issues in Palestinian Local Government Units from 2004- March- 2009

Project Name	Donor	Implementer	Time	Focus
Local Government Capacity Building Programme (LGCBP)	Denmark	MDLF World Bank	2005-2010	Planning Regulations Software systems Training
Local Governance and Civil Society Development Programme (LGP)	Germany	GTZ	Ph1 2007 – 2009 Ph2 2009 - 2012	Planning Training
Local Democratic Reform Programme . TAWASOL	USAID -	CHF	2005-2009	Planning Regulations Software Training
Municipal Capacity Building - LICP	Belgium	Belgian Technical Cooperation BTC	2005-2009	Software systems, Hardware, Training,
Development of Local Government Finance Policy	Japan	JICA		Policy LG Revenue
Support to local Government Reform, Property Tax Reform	Japan	UNDP - LGSP Ministry of Finance	Ph1 2005 - 2009	Fiscal decentralisation LG Revenue Legal framework Software Hardware Training

Capacity development of Local Government Units	Japan	UNDP - LGSP MoLG		Training manuals
	World Bank			Research LG Revenue Utilities financing

The following section will explore the above outputs regarding merits, features and degree of completion, and whether they are actually implemented by LGUs or not.

2.1 Fiscal and Financial Management, Oversight and Reporting: Definition of Standards

The Diagnostic Report made a number of recommendations regarding the need to define and enforce standard definitions and processes in LGU financial systems including:

- To complete the introduction of an improved computerized standard municipal accounting and reporting system based on modified accrual basis.
- To make the accounting codes in the chart of municipal accounts consistent with budget line items, as it should be.

The 2005 Action Plan also identified a number of specific action points in this area including

- Design and implement sound by-laws, organizational charts, operational manuals, such as standardized accounting and reporting procedures.
- To develop manuals for accounting, reporting and control procedures that are outlined and to put it into effect in a sample of large municipalities.
- Prepare operational manuals for accounting, reporting and internal control to be implemented in relation with utility activities.
- Computerize and reformat Chart of Accounts and budget items

A range of projects have been implemented to strengthen fiscal and financial management, oversight and reporting through the development of new laws, bylaws, regulations, manuals, and standards related to financial aspects of Local Government Units. Table 2 presents around twenty such documents developed by donors and related executive agencies, such as the MDLF, APLA, and the Ministry of Local Government during this period.

Table 5
List of regulations, standards, manual, forms and statements developed for the financial sector of Palestinian Local Government Units from 2005 to March 2009

Executive Agency	Documents (published and un published)	Adopted
Ministry of Local Government	1. Forms and structure of Budget Statements, 2006	Yes
	2. Bylaws for employment and Retirements, 2008	Under debate
	3. Manual of internal control ministry of local government 2008	Yes
	4. Manual for supervision and controlling; 2008	Under debate
	5. The Financial part of Joint Services councils bylaws of 2006	Yes
UNDP	6. Procurement Manual for municipalities 2006	-
	7. Training Manual (including Financial Aspects) for newly Elected Mayors and Council Members	Adopted by MoLG & Jericho training centre
CHF	8. Procurement Manual for municipalities 2009	Not yet
APLA	9. Bylaws for employment and Retirements 2007 (UNDP and GTZ)	Under debate
	10. Manual for budget Process 2006 (Netherlands)	Used
	11. Financial Bylaws and Manual for Accounting Procedures 2008	Yes

	12. Controlling and Auditing Procedures	Yes
MDLF	13. Fixed Assets Manual	In- process
	14. Revised fixed Assets Policy & Procedures Manual ; 2008	In- process
	15. Manual for Revised fixed Assets valuation methodology ; 2008	In- process
	16. Fixed Assets Standardized Price List	In- process
	17. Revised Forms of Budget Statements	Yes
	18. Budget Manual to prepare the 2008 budget	
	19. Chart of Accounts and coding system for the local governments units, 2008	Implemented in pilot LGUs
	20. Statement Of General Accounting Policies And Reporting Framework; 2007	In- process
Source: compiled by team expert based on collected data		

The major areas in which the definition of standards has been tackled in different parts of the local governance system by these initiatives include:

A. Overall Financial Policy, Laws and Regulations

- **Local Government Finance Policy for Palestine (2009)**: JICA produced a draft paper entitled 'Financial Policies for Palestinian Local Government Units' in June, 2008 which was delivered to the Ministry of the Local Government. The paper considers policies for revenues, expenditures, budgeting, fixed assets, accounts receivable, accounts payable, sustainable self-financing policy, auditing and control. The paper provides a set of recommendations, many of which echo those made in previous studies and serves as a first contribution to the development of such a policy. The paper also looks at issues related to municipal revenue generation. A series of workshops with stakeholders have been held to discuss the ideas in the paper and JICA are now working on a final draft.
- **The Financial part of Joint Services Council bylaws of 2006**: The Ministry of local government issued and approved a new basic Bylaw in 2006 based on the local governments' law No. 1 of 1997, article No. 15, to organize the Joint Services Councils (See *Legal Framework*). The financial part of the bylaws, contained between articles 37 to 61, covered and organized expenditures, cash flows, fiscal regulation, accountants' responsibilities, records of properties, and management of the municipal assets. This bylaw is now in effect and applied to all existing Joint Service Councils which addresses the previous absence of specific financial regulations for these local government bodies.

B. Budgets

- **Forms and structure of budget statements (2006)**: The Ministry of Local Government developed new forms and statements for municipal budgets to be used by Local Government Units, replacing those used for over a quarter of a century. These forms were revised and adopted in 2008 with support from the LGCBP project implemented by the MDLF. The budget forms, which were supposed to be adopted by all LGUs, include five sections and cover operational and capital budget, profit centres budget, performance indicators, summary of capital projects, structure of budget details, credit and debit statements. However, the new adopted forms are not integrated into the financial system and statements.
- **Budget Manual for Palestinian Local Government Units**: This comprehensive manual was developed by APLA with support from the Netherlands during 2005-

2006. The Manual was published and distributed to all Municipalities and Village Councils after being discussed in workshops and getting feedback from the majority of financial managers of Local Government Units. The manual includes chapters regarding the legal framework for preparing budgets, principles of budget preparation for LGUs, budget committees, time frames for budget processes defined by regulation, budget documents and forms, methods of estimating revenues and expenditures, and processes for approving, issuing, implementing, controlling and reporting budget statements.

- **Budget Manual to prepare LGU budgets for 2008**: This is a short notice giving guidance and instructions for preparing municipal budgets for 2008. It was developed by the MDLF with support from the Danish Government through the World Bank.

C. Procurement

- **Procurement Manual for Municipalities**: in 2008-2009, as part of the Local Democratic Reform (Tawasol) project, CHF developed a Procurement Manual to be adopted by the Palestinian Local Government Units. It has been approved by the Ministry of Local Government. A procurement manual for internal use was also prepared for MoLG in 2008 by UNDP with funding from Japan.

D. Accounting Standards

- **Statement of General Accounting Policies and Reporting Framework:** This document was developed by the MDLF through the IFMIS program and completed in 2007. It sets out a completely new offset of accounting principles and financial reporting standards and is and far ahead of other documents in this regard. Four major changes are suggested
  1. Local Government Funds should be divided into categories such as: a General fund, Capital projects, Special revenue Debt service, Enterprise, Internal service, Permanent and Fiduciary Funds
  2. Modified accrual accounting practices should be adopted in LGUs (modified accrual for local government activities and accrual for commercial-type activities)
  3. LGU financial statements should include a statement of net assets reporting the municipality's full financial and capital assets other than general infrastructure and a Statement of activities that reports net (expense) revenue by function.
  4. External audits should be conducted in accordance with International Standards on Auditing (ISA) and Generally Accepted Auditing Standards (GAAS) applicable to local government entities. The auditors' report on the basic financial statements must be submitted to MOLG no later than June 30th of the following year.
- **Unified Chart of Accounts and related coding system:** An initial municipal chart of accounts was developed through a UNDP project financed by Japan; Thereafter the MDLF, through the Local Government Capacity Building Programme supported by DRO and the World Bank have developed a Unified Chart of Accounts for municipalities The coding system includes four parts for balance sheet- income statement, sectors, cost centers and various commercial and non- commercial funds. A guidance note to support the use of this system is currently being developed.
- **Standard fixed assets price list**: The MDLF through the same programme has also developed a standard fixed assets price list which is a prerequisite for the shift from cash to modified accrual based accounting. The list price of assets was developed by a technical firm. The standard manual includes a price list of lands, by class, buildings

by class, infrastructure such as electricity networks, water networks, sewage, storm water, asphalt roads, base course roads, dirt roads, retaining walls, road signs, traffic lights, machinery and equipment, office equipment, furniture and vehicles.

- **Revised Fixed Assets Policy & Procedures Manual**: This manual was developed in 2008 by the MDLF in conjunction with the development of the Integrated Financial Management Information System (IFMIS) It covers detailed policies and procedures to be followed by local governments in properly recording the acquisition, ownership, utilization, disposal and replacement of municipal fixed assets, based on international accounting standards.

E. Financial Oversight

The Diagnostic report and Action Plan both included specific recommendations for the improvement of financial oversight including report recommendations to:

- Complete the staffing of the inspection and Monitoring Directorate in the Ministry of Local government.
- Strengthen the external independent audit function in relation to the financial affairs.

The Action Plan also included activities to:

- Design and implement changes in existing accounting & control practices in order to be more consistent with accrual accounting principles.
- Design and employ sound and effective accounting and reporting and control systems for utility provision functions in large relevant municipalities.

The development of standards in the following areas have been a step towards addressing these issues

- **Manual for supervision and control:** The department of control and supervision drafted a manual regarding the controlling of the Local Government Units. It was submitted in August, 2008 to the Minster for approval. This manual is articulated based on the existing laws and bylaws. It includes instructions regarding budgeting, expenditures, revenues, and purchasing and other related activities.

The significant amount of activity devoted to the development of regulations, standards, and manuals to improve financial management in LGUs has achieved a number of the objectives identified in the Diagnostic Report and Action Plan, including the development and computerization of a unified code of accounts, and the development of a range of manuals and guidance materials for accounting, reporting and control procedures and budget preparation. However, many of these tools have been developed with the framework of individual donor-funded projects and have not been legally adopted or officially accepted for general use beyond the confines of the project in which they were developed. In addition there has been repetition of the same work through the overlapping of donor-funded projects. For example, two manuals for the preparation of municipal budgets has been produced, one in 2006 funded by the Netherlands, the second in 2008 funded by the Danish through the MDLF.

F. Internal Regulations of bodies in the Local Governance Sector

In addition to the development of standards for the LGUs, other bodies within the local governance sector have put in place initiatives to improve financial management within their own organizations. These include:

- **Ministry of Local Government**: **Financial standards and practices:** In August, 2008 the Planning and Policy Council at the Ministry of Local Government adopted an internally developed manual for internal control to organize the internal control of expenditures for all units of the Ministry, its district offices, and its training center in Jericho. CHF has also produced a procurement manual for the Ministry of Local Government.
- **APLA internal Financial Bylaws and Manual for Accounting Procedures 2008**: The financial bylaw was developed and adopted by APLA, in order to organize financial transactions, financial system in APLA and its branches. The Financial bylaw includes 11 chapters, which covers transactions of revenues, expenditures, assets, liabilities and credit transactions, purchasing, budgeting process and statements, chart of accounts, internal control, foreign currency transactions. In the same year APLA also adopted, internal control procedures that apply to all financial transactions including policies and budgeting. It also includes detailed tasks and information requirements to assure the quality of internal control.
- **MDLF:** Under the Local Government Capacity Building Programme (LGCBP), supported by DRO and the World Bank, MDLF internal procedures, bylaws, and manuals have been developed and are in place. MDLF is currently developing its M&E systems, Strategic Plan, and HR policies

2.2 Financial Management Systems and Accounting Software

The Diagnostic Report and Action Plan also focused attention on the need for well developed IT systems to support improved financial management in LGUs. Indeed the Action Plan included a specific activity to:

- Re-format utility chart of accounts and budget lines, and operationally computerized accounting system accordingly.

A number of initiatives have been undertaken to improve financial management, oversight and reporting through the computerization of accounting, financial and budgeting systems and other related activities in Local Government Units. According to available information four projects have been developed that focus on installing software programs to computerize the financial departments of Palestinian LGUs as shown in Table 6.

Table 6
Summary of Financial Management and Accounting Software projects during 2004 to 2009

Donors	Imple-menter	Accounting Software projects	Developer	Beneficiaries
Belgium	BTC	Financial management system software HR, Payroll and time attendance system	ISRA' Software & Computer Co (ISCO) - Palestine	10 municipalities and 1 JSCPD in 2006 4 municipalities & 4 Village councils in 2008-2009
USAID	CHF	Local financial system software	ISRA' Software & Computer Co (ISCO) - Palestine	8 municipalities
Denmark World Bank	MDLF-	Integrated Financial Management Information System (IFMIS) Project and Grant Information Management System (PGMIS)	Free Balance – Canada	9 pilot municipalities plus 34 in next stage MDLF

		Fixed Assets Management System		
Japan	JICA	Introduction of Financial software in JCSPDs Database on JCSPDs	ISRA' Software & Computer Co (ISCO) – Palestine ARIJ (NGO) - Palestine	4 JCSPDs
Japan	UNDP	Project Management Information System Management Information System (MIS)	Hulul Al Andalus software development company	MoLG (in development) MoLG
Source: compiled by team expert based on collected data				

- **Financial management system software - Belgian Technical Cooperation:** BTC developed, supplied and installed computerized financial management systems including financial management software from ISRA' Software and Computer company (ISCO), PCs and printers and related training in 10 municipalities and 1 JSCPD as part of its Local Infrastructure and Capacity Building Programme (LICP).. In 2008, the financial system was procured and implemented and training was provided in 8 LGUs. Some of the LGUs were village councils in which one system was being shared by two village councils. BTC is now also installing HR management and payroll systems in 6 of the 11 municipalities they worked with.
- **Local financial system software - USAID / CHF**: As a part of the Local Democratic Reform Program "Tawasol" program CHF through a USAID grant produced locally developed financial system software in 2008, developed by a national software company located in Nablus (ISRA' Software and Computer Company (ISCO)). This program covers all functions of accounting and budget purposes as well other related functions such as inventory and purchasing. It has so far been implemented in about eight municipalities in the West Bank.
- **Integrated Financial Management Information System (IFMIS) – MDLF / DRO/World Bank**: The Integrated Financial Management Information System (IFMIS) is the most recent software to be developed and is implemented in 9 pilot municipalities with a plan to roll out implementation to another 34 municipalities in the next stage. IFMIS has been approved by MoLG and linked to the Unified Chart of Accounts. It is financed by the LGCBP programme supported by the DRO / World Bank through the Municipal Development and Lending Fund (MDLF). In addition, GTZ has agreed to finance additional municipalities to adopt the program. The IFMIS is supposed to be the most advanced system available to Palestinian LGUs The system was built by a Canadian software development company - Free Balance. The system includes a financial core model and other attached models for functions such as revenue management, information system model and inventory model. In addition, the models are supposed to be articulated to fit both large municipalities and small- medium municipalities. However there is no intention that IFMIS should replace other systems put in place through other programmes. In any case, IFMIS is a very sophisticated system and may be too sophisticated for some municipalities. MDLF has coordinated with CHF and others and shared documentation, and functional and technical specifications of systems. The aim is that data should be able to be consolidated at central level regardless of which system is used to produce it.
- **Project and Grant Information Management System (PGMIS) -MDLF / DRO/World Bank:** A Project and Grant Information Management System (PGMIS) has been installed to integrate Palestinian local government data which enabled MDLF to produce the first Municipalities' Financial Database for 2006.

- **Financial software for JCSPDs - JICA:** JICA will install the financial management software developed by ISRA' Software and Computer company (ISCO) to four JCSPDs in the Jordan Valley region as part of its Program for the Improvement of the Local Governance System in the oPt. In addition, in 2009 JICA has worked in cooperation with the local NGO ARIJ to develop a database based on a general survey of all projects and joint services undertaken by JCSPDs.

Although these projects have a common interest in the development of standard computerized financial systems for LGUs, each takes its own specific approach and systems developed by one project are not necessarily coherent with those developed by another. Moreover, the new introduced software systems has sometimes been based on regulations or reporting framework developed within the project but without official endorsement by government agencies. This means that while the deployment of effective financial management systems in LGUs has been enhanced, it has not been done in a way that necessarily leads to the creation of a unified or standardized financial management system for the sector as a whole.

2.3 Fiscal and Financial Management, Training and Capacity Building

Again, both the Diagnostic Report and the Action Plan placed emphasis on the need for targeted capacity building activities to improve financial management and oversight in Palestinian LGUs, including

- To improve the process of LGU budgeting and coordination through specially tailored training courses (Diagnostic Report recommendation).
- Design and deliver hands-on training in the area of fiscal and project management (Action Plan activity).

Between 2004 and March, 2009, various training and workshops sessions were implemented by a range of agencies designed to build the financial management capacity of staff working in LGUs, the Ministry of Local Government, APLA, and MDLF including:

- **Local Democratic Reform programme "Tawasol" - USAID / CHF**: Through the Tawasol Program, USAID / CHF implemented about 16 Workshops conducted with 707 participants. Other Participatory Planning Workshops have been conducted in 41 communities involving over 1400 representatives from the elected officials, and staff, supporting the preparation of Strategic Municipal Development and Investment Plans. Most of these workshops and training sessions include financial aspects.
- **Local Infrastructure and Capacity Building Project (LICP) - Belgian Technical Cooperation**: Under BTC the LICP implemented 32 workshops and training programs ranging from 2 to 20 days each based on several needs assessments. About 500 participants from municipal staff, village councils, JSCPDs and the MoLG and its Directorates in different positions, including selected members and staff who are working in technical, financial and administrative areas, participated in such training programs between May 2006 and August 2007,. The training in financial management offered to accountants in Municipalities through JSCs. The main elements of the training are coordinated with the budgeting department of Ministry of Local Government. Also in 2008 and 2009 needs assessments were conducted and additional training has been conducted and is ongoing.
- **Training Center in Jericho - JICA:** The Japan International Cooperative Agency established a training centre located in Jericho in 2006, which has been transferred to the Ministry of Local Government. The training centre in Jericho conducts about 2 training sessions per month. The training curricula were articulated based on national survey. The

curricula include about 25 courses which cover most of the related skills for running the Palestinian Local Government Units, including financial aspects. Other donors such as BTC, UNDP and GTZ have delivered some of their training activities through the centre.

- **Local Government Capacity Building Programme (LGCBP) - MDLF / DRO / World Bank:** The LGCBP programme has capacity building of the financial sector is mainly come from LGCP, which has developed training and capacity building activities to accompany the development of financial systems including IFMIS, Unified Chart of Accounts, Fixed Asset Valuation Methodology the preparation of Strategic Municipal Development and Investment Plans. The capacity development role of the MDLF is mostly related to the efficiency of the operations of the fund and the sustainability of investments rather than capacity building in general. MDLF works on the basis of needs assessments from evaluations etc so it maintains its responsiveness to the needs in the sector.
- **Local Governance and Civil Society Development Programme (LGP) – GTZ**: The LGP programme is providing support for extending the use of the fixed asset valuation methodology developed through the LGCBP to a further set of municipalities reaching a total of 46 covered by the two programmes. GTZ is also supporting the preparation of Strategic Municipal Development and Investment Plans in 4 municipalities.
- **Municipal Development Programme (MDF) - MDLF and multiple donors:** The MDLF is now proposing a sector wide approach to donors rather than specific projects. Under the Municipal Development Programme all donors will be working towards the same objectives and contributing to basket funding. The MDLF and relevant donors are in the process of designing the MDP with the aim of linking capital investment to performance standards, using a set of criteria for lending with a strong performance component (40%). They are developing targeted Capacity Building Packages to support LGUs to meet these criteria and progress between ranks. The World Bank is leading development of the Programme. GTZ is leading on the design of the Capacity Building window.

The only available overview suggests that training courses related to finance, accounting, budgeting and cost issues comprised the second largest group of topics, after general management (around one in 5 courses), and that over half of municipalities (57%) and over a third of village councils (36%) had staff attend such courses.27 However there is no assessment data available regarding the impact of these initiatives on the development of the financial management capacity of staff in LGUs, and many reservations have been expressed about the quality and relevance of training provision to the needs of LGUs. It is also clear that there has been a significant lack of coordination of initiatives to build financial management capacity. Some municipalities have received many types of support including hardware, software and staff training from different projects and in an uncoordinated way. Moreover no systemic way of selecting LGUs for inclusion in pilot projects or training appears to have been used which means that capacity building efforts have not been distributed equally.

2.4 Enhancing LGU Revenues

The 2005 Action Plan identified the need to increase options for local revenue generation to help LGUs attain sustainability, including a number of specific action points related to the enhancement of LGU revenues. In comparison to the efforts devoted to increasing financial

[27] See *Capacity Building Programs for Local Governance Units in the West Bank: Narrative Report*, DRAFT, Center for Continuing Education, Birzeit University, December 2008. pp 26 and 27

management capacity, much less attention has been devoted to addressing the issue of enhancing local government revenues and this remains a core priority for the local governance sector. The relevant projects initiatives that have been implemented in this field are:

A. Property Tax

The Action Plan included the following activities regarding improvements to the management of property tax as a source of revenue for LGUs:

- Strengthen municipal property tax administration by institutionalizing computerized and regular reassessment processes and by modernizing property tax record keeping, billing, collection and enforcement.
- Institute and complete modernized, regular re-assessment (re-valuation) of properties located within the boundaries of individual LGUs; and modernize property tax record-keeping, billing, collection and enforcement.
- Identify and put into effect regulations, procedures and systems that are necessary for re-assignment of property taxes to LGUs.
- In conjunction with strengthening municipal property tax administration, complete the process of land registration undertaken by the Land Authority in a selected sample of 30 municipalities; coupled with restricting the use of irrevocable power of attorney for real estate transactions to 5 years or less instead of 15 as is the case today.

UNDP: Support for Local Government Property Tax Reform: The UNDP as a part of a project to support the local government property tax reform worked for about two years to implement local level collection of property tax but existing laws and bylaws don't allow the transfer of this function. This project therefore failed to produce any tangible outputs. Accordingly, in 2008 UNDP shifted its focus to supporting the Ministry of Finance with assistance for property revaluations, since the last valuations were done in 1985. The project supported the comprehensive revaluation of properties in 34 municipalities in 2008. By providing capacity development of the property tax department, Nine experts to assist in the comprehensive revaluation of properties, equipment such as laptops, vehicles and software to facilitate the valuation efforts. In addition, UNDP is carrying out a Comprehensive Assessment of the property tax system, mechanisms, and legal framework using five countries as comparators. The assessment will be done in the light of the local finance policy being developed by JICA.

B. Municipal Loans

The Diagnostic Report identified the need for special purpose grants and debt financing mechanisms for LGUs to support development, and made the recommendation to examine the viability of issuing municipal loans for development and investment projects.

Creation of the Municipal Development and Lending Fund (MDLF): The MDLF was created in 2003 based on a decree - Decision No. 120 of 2003 as the Municipal Fund. Originally this function was undertaken by a project coordination unit within the MoLG which managed an emergency fund for the municipalities financed by the World Bank of about $ 20 million, and another project granted from the European Union of about 30 million Euros. The idea was to establish an implementation level body to support implementation of all national policies including strategies for the LG sector, and to leave MoLG to be a policy maker and regulator. In 2005 this body was renamed the Municipal

Development and Lending Fund (MDLF) It has a Management Board comprising representatives from the MoLG, World Bank and LGUs. There is currently a move to increase LGU representation on the MDLF board to strengthen the voice of beneficiaries. The *Palestinian Reform and Development Plan* (PDRP) states that the MDLF is expected to be the primary source of development-linked assistance to municipalities, and to support essential administrative and financial management reforms. The MDLF is the PA's preferred mechanism for channeling reform and development assistance to local government and disbursements must be coordinated with the Ministry of Finance. Several donors have already programmed significant assistance through the MDLF including the World Bank, Denmark, Germany, Japan, Italy, France, Sweden and the Netherlands, and are likely to increase their assistance over the three-year period. Since its establishment, the MDLF portfolio of programs and projects includes about US$131 million from donors. From these funds the MDLF is currently managing and implementing about US $78 worth of projects[28.] However MDLF's lending function is not yet fully developed. Moreover, no overarching policy on municipal lending has been developed, including the identification of a sustainable revenue source for this activity

C. Fiscal Transfer Mechanisms

Under the objective of improving the level of decentralization in the local Government system, the Action Plan included a specific activity to

- Formulate and implement a comprehensive scheme of intergovernmental fiscal transfers.

While a comprehensive system is not yet in place a number of initiatives have been implemented to address some aspects of this issue, including:

Municipal Financial Study: The World Bank initially undertook a study on municipal finances in 2004 based on a sample of 32 municipalities and later expanded the study to include all municipalities using a questionnaire. The study looked at LGU revenues and expenditures including budgets and spending on services in terms of coverage and quality and functions undertaken by municipalities not provided for by the law. The study also looked at sources of revenue such as intergovernmental transfers, and including extra budgetary support (e.g from donors etc). These issues are not always reflected in municipal budgets or in policy. However this study has not been picked up by the relevant Government ministries who do not show much interest in addressing the issue of intergovernmental transfers.

MDLF transfer mechanism and resource allocation criteria: In 2006 the MDLF drafted a study about the transfer mechanism of distributing international aids between municipalities. MDLF has also developed transparent criteria for allocating resources to LGUs, based on Population, Needs and Performance – this includes sub criteria regarding financial management, planning, having a strategic development plan, and operations and maintenance capacity. Scores for each criteria have been classified into ranks – the higher the rank the greater the incentive and allocation available to the LGU.

Transfer mechanism through Ministry of Finance – BTC: As part of the Local Infrastructure and Capacity Building Project (LICP), Belgian Technical Cooperation worked with a committee from the Ministries of Local Government, Planning and Finance to develop a mechanism to provide budget support to LGUs through a fiscal

[28] MDLF, (2008) *Semi-Annual Progress Report Jan 1 to June 30 2008*, MDLF,

transfer mechanism established with the Ministry of Finance. LICP's envisaged pilot function for establishing a fiscal transfer mechanism with the Ministry of Finance was initiated. However, after having made the necessary arrangements for such a facility, the conditions for their implementation started to deteriorate because of the overall political situation. It was agreed with MOF & MOLG that in order not to jeopardize the continuity of planned funding, an ad-hoc arrangement was made to channel funds in support of capacity building directly to LGUs concerned from BTC. The consolidation of the transfer mechanism remains an objective to be further pursued in the upcoming phase of LICP.

The efforts made to develop mechanisms to transfer funds to LGUs are positive steps, particularly the definition of performance based criteria developed by MDLF. However, these fall well short of the development of a comprehensive system of intergovernmental fiscal transfers recommended in the 2005 Action Plan.

D. Financial Management of Utility Services and New Business Models

The Action Plan adopted "Improving efficiency and viability of utility service provision by Local Government Units" as one of its 4 strategic objectives (Objective 4). It also contained a number of specific activities designed to improve municipal utilities management and to develop potential alternative business models for the delivery of utilities services. These include:

- Improve costing and pricing practices
- Standardize accounting, reporting and control procedures over utility activities
- As intermediate (transitional) step, convert utility services into specifically identified Investment Centers
- On the long-run restructure utilities services either through regionalization or incorporation

Initiatives implemented in this area include:

Management and Accounting of Utilities Revenue: The World Bank conducted a study on municipal financing and electricity services. The study is intended to show what the real costs of services are and how these are covered. The new accounting system for LGUS developed through IFMIS will distinguish utilities revenue from other municipal revenue to make it easier to track and management these resources.

Prepaid metering: The use of prepaid electricity meters has been tested as a means of enhancing the collection of utilities service fees. The Innovative Window Scheme (third component of the EMSRP II) with support from the World Bank Piloted pre-paid electricity metering systems in 3 pilot municipalities**.** This system has now been rolled out to a number of communities. There is now also a project looking at prepaid metering for water services.

Creation of Regional Utilities companies: the Government is currently considering the creation of regionally based utilities entities to take responsibility for the provision of electricity and water. The removal of utilities revenue from LGUs will have a big impact on those municipalities that supply these services directly and alternative sources of revenue will need to be found.

3. **Overview of Progress**

- A number of the objectives identified in the Diagnostic Report and Action Plan to improve financial management capacity in LGUs have been achieved including the development and computerization of a unified code of accounts, and the development of a range of manuals and guidance materials for accounting, reporting and control procedures and budget preparation. However, almost none of these tools have been legally adopted or officially endorsed for general use beyond the confines of the project in which they were developed so they do not yet represent a standardized financial management system for the sector as a whole, although they provide the basis to develop one.

- The development of computerized financial systems for LGUs by different donor-funded projects has enhanced capacity but it has not done so in a way that necessarily leads to the creation of a unified or standardized financial management system for the sector as a whole since systems developed by one project are not necessarily coherent with those developed by another.

- Although a significant proportion of LGUs have received training and capacity building support related to financial issues there is no assessment data available regarding the impact of these initiatives on the development of the financial management capacity of staff in LGUs, and many reservations have been expressed about the quality and relevance of training provision to the needs of LGUs. It is also clear that there has been a significant lack of coordination of initiatives to build financial management capacity.

- Much less attention has been devoted to addressing the issue of enhancing local government revenues and this remains a core priority for the local governance sector. A small number of projects have been implemented to support improved property tax assessment and collection and to enhance utilities service models and revenue collection.

- The creation of the Municipal Development and Lending Fund (MDLF) has been a positive step towards coordinating assistance for development and meeting the Diagnostic Report's recommendation to examine the viability of issuing municipal loans for development and investment projects. However MDLF's lending function is not yet fully developed. Moreover, no overarching policy on municipal lending has been developed, including the identification of a sustainable revenue source for this activity. Little progress has yet been made in terms of promoting investment opportunities for LGUs.

- Some efforts have been made to develop criteria and mechanisms to transfer funds to LGUs but these fall well short of the development of a comprehensive system of intergovernmental fiscal transfers recommended in the 2005 Action Plan.

ANNEX 1
Thematic Overview of Donor Activities

SECTOR	MoLG	MDLF	APLA	UNDP	World Bank	DRO	JICA	CHF / USAID	GTZ	BTC	OTHERS
Sector Strategy	X			X							
Legal Framework											
▪ Legal framework & Regulations	X			X					X		
▪ Amendments to Law 1 1997	X		X	X							
▪ LGU staff regulations	X			X					X		
▪ Mayors regulations	X										
▪ Planning and Zoning Law	X			X							Mo Planning
Financial Framework											
▪ Local Finance Policy	X	X					X				Mo Finance
▪ Financial Regulations	X	X		X		X	X	X			
▪ Property tax reform	X			X							Mo Finance
▪ Valuation of Fixed assets		X		X		X	X			X	
▪ Fiscal transfer mechanisms		X			X					X	
▪ Utilities Business Models		X			X						
▪ Financial Oversight & Control	X	X			X			X			
Policy Framework											
▪ Policy Function / Processes	X			X		X	X	X	X		
▪ JSC Policy framework	X						X				
▪ Amalgamation policy	X					X					
▪ LGU organizational structures	X							X			
▪ LGU Strategic planning	X								X		
▪ Capacity Building for LGUs	X						X		X		
• Solid Waste Management									X		
MoLG											
Institutional Development											
▪ Strategic Planning	X							X			
▪ Ministry roles and functions	X			X				X			
▪ Organizational structure	X			X				X			
▪ HR management	X			X				X		X	

SECTOR	MoLG	MDLF	APLA	UNDP	World Bank	DRO	JICA	CHF / USAID	GTZ	BTC	OTHERS
MoLG											
Systems and processes											
▪ Standardised work processes	X			X							
▪ IT systems	X			X		X					
▪ Financial management systems	X			X				X			
▪ Communication with LGUs	X							X	X		
Capacity Development											
▪ CB strategy for MoLG	X						X	X			
▪ Targeted CB initiatives	X			X		X	X		X	X	
APLA											
Institutional Development			X	X					X		
MDLF											
Institutional Development		X			X	X					
LGUs - Capacity Building											
Overall strategy for Capacity Building in LGUs	X	X					X		X		
Capacity Building programmes											
▪ Municipalities	X	X	X	X	X	X	X	X	X	X	
▪ Village Councils	X				X	X	X	X		X	
▪ JCSPDs	X	X			X	X	X	X	X	X	
▪											
Policy and regulatory functions											
Institutional development											
▪ Organizational structures	X					X	X	X	X	X	
▪ Administrative Systems	X				X	X	X	X	X	X	
▪ **HR Management**								X		X	
Financial Management											
▪ Budget processes	X	X	X								Netherlands
▪ Accounting Standards				X							
▪ Financial management systems		X		X	X	X	X	X	X	X	
▪ Procurement								X		X	
▪ Training	X	X	X	X	X	X	X	X	X	X	

SECTOR	MoLG	MDLF	APLA	UNDP	World Bank	DRO	JICA	USAID	GTZ	BTC	OTHERS
Planning											
▪ Physical / Urban planning	X			X		X		X	X	X	Al Najah University
▪ GIS technologies			X				X		X		ARIJ
▪ Local development planning		X				X		X	X		
▪ Participatory planning		X		X		X	X	X	X	X	Mo Planning
LGUs -Coordination											
Amalgamation	X	X				X			X	X	
▪ JSCDP -Joint planning & development	X								X	X	
▪ JSCs – Service delivery	X						X	X		X	
▪ CBO Partnerships		X			X	X		X	X		
Service Delivery											
▪ Solid waste management					X		X		X		
▪ Water services					X		X	X	X	X	
▪ Electricity services					X			X			
Democracy and Participation											
▪ CB Elected Representatives			X	X				X			
▪ Public participation								X			
- Women											
- Youth								X			
▪ Transparency and Accountability				X				X			
▪ Communications			X					X	X	X	APLA
Role of / Support to other Local Governance Bodies											
Governors											President's Office
Community development projects		X		X	X	X		X	X	X	

ANNEX 2

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ANNEX 3

Organizations Consulted

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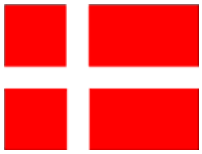

GOVERNMENT OF DENMARK

PALESTINIAN AUTHORITY

UNITED NATIONS
DEVELOPMENT PROGRAMME

Update of Diagnostic Report on the Local Governance System in the oPt and the Action (Implementation) Plan

PART 2

ISSUES FOR A FUTURE STRATEGY FOR LOCAL GOVERNANCE IN PALESTINE

May 2009

Prepared by *Horizon for Sustainable Development*

For the United Nations Development Programme/Programme of Assistance to the Palestinian People (UNDP/PAPP)
Local Governance Support Programme in the occupied Palestinian territory

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Introduction

This paper is intended to identify the issues that the future vision and strategy for the local governance sector will need to address. It should be seen as a kind of terms and reference for the Strategy.

The identification of strategic issues builds on an initial comprehensive analysis of the local governance system in the oPt undertaken by UNDP in 2004, and an *Update on the major interventions in the local governance sector since 2004*, which was undertaken as part of this project. The Update showed that considerable progress has been made in dealing with some of the issues identified in 2004. However a number of issues have not been resolved and remain priorities that will need to be addressed in the new strategy for local governance. In addition some new issues have emerged since 2004 that the strategy will need to consider.

As well as identifying the strategic issues currently facing the local governance system, the paper also presents options for addressing these issues which build on existing experiences and initiatives implemented in the oPt. However, these should not be considered as the only options available and decision-makers should not limit themselves to these in defining possible solutions. The options presented in the paper are intended to offer a starting point for developing reforms that can build on current policy frameworks and existing experience, where this is helpful and appropriate. Most of these initiatives are examined in greater detail the *Update* report.

The paper is structured in two sections.

- **The Executive Summary** which provides an overview of the strategic issues and a set of issues and options tables. This should be used to inform overall discussion of the vision and strategy.
- **The full Strategic Issues Paper** which provides more in depth discussion of the issues and possible solutions, including reference to other key documents and resources. This should be used to inform the discussions of working groups looking at particular issues in detail.

There are two parts to the discussion of strategic issues:

- **The Vision for the local governance sector.** This part identifies strategic issues related to describing the kind of local governance system we want for the Palestinian Territories. The Vision will provide the basis for introducing changes in the legal, institutional and financial frameworks to be defined in the Strategy to make this Vision a reality.
- **The Strategy** sets out the steps for achieving the Vision for the local governance system defined in Part One. It identifies actions to change the legal, institutional and financial frameworks and to address immediate priority issues affecting the local governance sector to implement the Vision.

Section 1

Executive Summary

Overview of Strategic Issues

Issues and Options Tables

Overview of Strategic Issues

Part One: Vision for the Local Governance System

The Vision describes the kind of local governance system we want for the occupied Palestinian Territories. The Vision will provide the basis for introducing changes in the legal, institutional and financial frameworks to be defined in the Strategy to make this Vision a reality.

Issue 1: Vision and goals for local governance

The current strategy will need to define the Vision for local governance. The *Palestinian Reform and Development Plan 2008-2010*, sets out the Palestinian Authority's (PA) Vision of the future Palestinian State. It also identifies good governance as a key policy goal and explains what this involves, which should guide the development of a vision for the local governance sector. The Vision for local governance should be consistent with the national Vision and goals but it may include other elements that are particularly relevant to the local governance sector. The strategy should also ensure that the Vision is shared by all stakeholders in the local governance sector. The first question for the strategy to consider is:

- ***What is the Vision for local governance in the Palestinian territory?***

Issue 2: Fundamental Assumptions - The context of the Palestinian state

The Palestinian state currently operates with limited sovereignty due to the ongoing Israeli Occupation. The final shape and authority of the Palestinian state is not yet clear and there is no identifiable timeline for the resolution of these issues. The Strategy for Local Governance will need to clarify the fundamental assumptions regarding the context in which the local governance system will be operating in the future that underpin its Vision and proposed actions, The PRDP defines a set of assumptions that the strategy can build on. The strategy may consider defining different stages for development to be applied as the overall political context evolves, including:

- ***Short term priorities*** to be implemented within the first year that focus on improvements to the existing local governance system in line with the Vision
- ***Medium term priorities*** to be implemented within three to five years and focus on implementing core reforms to the institutional legal and financial frameworks governing the sector
- ***Long term priorities*** to be implemented as the full realization of the Vision for local governance within a fully autonomous, sovereign Palestinian State.

Issue 3: Definition of the local governance system

Up to now the definition of the local governance system has essentially been restricted to Local Government Units (LGU), Joint Councils for Services, Planning and Development (JCSPD) and the Ministry of Local Government (MoLG), including its local level directorates. However, other stakeholders play a key role in local governance including Governors, the Association of Palestinian Local Authorities (APLA), central ministries that deliver key services at the local level such as health and education, NGOs and Community-based organizations and the private sector. Currently these bodies are governed by different legislative frameworks, and their roles and relationships in

supporting local governance have not been clearly defined. The *National Strategy for the Palestinian Local Administration* has identified possible models for strengthening the role of Governors and ensuring they are better integrated into the local governance system as a whole. However no decision has been made about the adoption of these models. The strategy will therefore need to address the following questions:

- ***Which institutions should be considered part of the Local Governance System in Palestine****?*

Issue 4: Roles & functions of local governance institutions / Decentralisation

The PRDP identifies greater administrative and fiscal autonomy as essential to realizing the potential of local government to be more responsive to the needs of the people in a fiscally responsible manner. It includes commitments to introduce new legislation to clarify and regulate the relationship between central and local government and to establish a policy framework which promotes fiscal autonomy and discipline at the local level. However recent changes to the legislative framework have strengthened MoLG's administrative controls over LGUs' affairs rather than making them less restrictive. This has strengthened the centralization of the local governance system. The Vision for the local governance system needs to define the objectives of decentralization as a strategic goal for the sector. This may include improved service delivery, efficient resource use and greater democracy and participation. The strategy should also establish the criteria that will be used to decide which roles and functions should be performed at central and local level. These criteria may be based on policy focus at different levels of government. The criteria may also focus on the capacity of these institutions to perform these functions effectively, as the PRDP emphasises the need for significant capacity building assistance to enable local councils to move towards greater administrative and fiscal autonomy. Once the objectives and criteria are defined, the strategy will need to consider the full set of functions and responsibilities related to local governance and decide whether these should be the responsibility of central or local government. In doing this the Strategy should define the roles and responsibilities of MoLG, LGUs (including different categories of LGUs), APLA and other relevant institutions in the local governance system (LGUs, JCSPDs etc). The strategy should also consider the time frame for implementing necessary changes. This means addressing the following questions:

- ***What are the goals of decentralisation for the Palestinian Local Governance system?***
- ***What are the appropriate stages for moving towards the desired level of decentralisation?***
- ***What criteria should be used to decide which functions should be the responsibility of central or local government?***
- ***What should be the roles, functions and responsibilities of the Ministry of Local Government? - How should these evolve over time?***
- ***Which functions should be the responsibility of LGUs? - Over what time period should they assume these functions?***
- ***For which functions should each category of LGUs be responsible?***
- ***What should be the functions and responsibility of APLA? How should the role of APLA evolve over time?***
- ***What should be the role of Governors in the local governance system?***

Issue 5: Territorial coverage of the local governance system

The 2004 Diagnostic Report drew attention to the fact that LGUs do not cover the entire Palestinian Territories, and therefore some Palestinian citizens do not have local level democratic representation or locally accountable service provision. The strategy must therefore determine:

- ***Should the entire Palestinian Territory be covered by local governance structures****?*

Part Two: Strategy for the Local Governance System

The Strategy sets out the steps for achieving the Vision for the local governance system defined in Part One. It identifies actions to change the legal, institutional and financial frameworks and to address immediate priority issues affecting the local governance sector to implement the Vision.

Legal Framework

Issue 6: Legal Framework for Local Governance

The need to update the legal framework for local governance has been recognized for a long time. The current legal framework comprises laws from different historical periods and includes different provisions in the West Bank and Gaza. Both the 2005 Action Plan and the PRDP contain activities to amend the legal framework, to achieve greater consistency, and to clarify the roles of institutions in the local governance sector and support greater decentralization. However, so far, attempts to achieve this have been unsuccessful. Necessary changes to the legal framework must be guided by the Vision for the local governance system in the oPt (defined in Part One). The purpose of these changes is to put in place the legal rules necessary to support the functions, roles, responsibilities, and accountabilities of all local governance institutions as defined in the Vision. This also provides an opportunity to address problems with the current legal framework such as inconsistent terminology and the lack of enforcement mechanisms. The strategy also needs to clarify who has the authority to draft local bylaws and regulations and how these instruments should be integrated into the overall legal framework for local governance. The strategy must address the following key questions:

- ***How should the legal framework be amended to implement the Vision for the local governance system?***
- ***How should local regulations be integrated into the legal framework for local governance?***

Issue 7: Legal status and independence of elected local councils

Recent developments have highlighted the need to safeguard the role of representative democratic institutions at the local level and clearly define the legal status of elected local councils. This concern arises from the dismissal of local elected officials for political reasons and also from the recent reappointment of elected councils by the Cabinet on the expiry of their electoral mandate which changed the legal basis of their authority from an electoral mandate to an appointed one. A third issue relates to the provision in the Decree Law No. (9) of 2008 that allows the Cabinet to dissolve a local council and to dismiss a Mayor if the council fails to fulfil its mandate as defined by the 1997 Law. This raises a fundamental question about whether elected representatives are accountable to Central

Government or only to their local electorate, and how this accountability should be enforced. The strategy therefore needs to address the question:

- ***How can the legal status and independence of elected local councils be ensured?***
- ***To whom are local elected councils accountable? By what mechanisms can this accountability be enforced?***

Issue 8: Unified Planning Legislation

Territorial planning is a core function of local governance that lays the foundation for a range of other key activities including service delivery planning and improvement and development planning. Unified planning legislation is necessary because different planning and zoning laws are used in the West Bank and Gaza, recent changes to the legal framework lack legitimacy and there are limitations to Palestinian planning jurisdiction which does not apply in Area C. In addition, the roles of national and local governance bodies and local communities in planning processes need to be clearly defined. MoLG and MoP have been cooperating on drafting new planning legislation since 2006 but key issues remain including the centralized nature of decision making for planning and zoning that does not fit with a wider policy that supports greater decentralization. The strategy therefore needs to address the question:

- ***How can unified planning legislation be developed for the oPt in line with the Vision for local governance?***
- ***How should the roles of the roles of national and local governance bodies and local communities in planning processes be defined?***

Institutional Framework

Issue 9: Redefining the institutional framework for local governance

Once the desired shape and coverage of the local governance system for the oPt has been defined in the Vision a number of changes to the institutional framework will be needed to translate this Vision into practice. If the Vision for the local governance system includes the extension of local governance structures to cover the entire Palestinian Territories, the strategy will need to determine how this should be achieved. A number of initiatives are currently in place that may offer opportunities for extending the territorial coverage of the local governance system including initiatives to consolidate and reduce the number of LGUs by creating larger units, redefinition of boundaries and proposals for the creation of new territorial local governance units such as regions with elected councils. The Strategy will also need to ensure that policy and guidance related to the consolidation of small LGUs to create municipalities with sufficient capacity and an adequate resource base to ensure the effective delivery of local services is consistent with the Vision for local governance defined in Part One. In addition the strategy should develop mechanisms to strengthen relationships between all institutions in the sector in line with their roles and responsibilities defined in the Vision. This should include arrangements for integrating Governors better into the local governance system. The strategy must address the following key questions:

- ***Is policy and guidance for amalgamation consistent with the Vision for local governance?***
- ***How should full territorial coverage of the local governance system be achieved?***
- ***How can relationships between local governance institutions be clearly defined and strengthened?***

Issue 10: Building Capacity in the Local Governance sector

The PRDP makes a commitment to implementing a coherent capacity-building strategy for local government bodies in line with the national Vision. Considerable efforts have been made in recent years to build capacity in the local governance sector. However there is a need for greater coherence and coordination of these efforts. Moreover, a comprehensive needs assessment in the local governance sector will be required to ensure that future capacity building efforts ate targeted to supporting all relevant institutions to fulfil the roles, functions, responsibilities and accountabilities as defined in the Vision. The overall capacity building strategy must include activities targeted activities to strengthen relevant competencies in the Ministry of Local Government, LGUs, JCSPDs and other local governance institutions such as Governors' offices and APLA. The strategy will also need to identify arrangements for leadership and coordination to guide capacity building in the local governance sector activities. This means addressing the following questions.

- ***How can effective leadership and coordination of capacity building be achieved?***
- ***How can MoLG and its regional offices be supported to perform the roles and functions defined for it in the Vision?***
- ***How can LGUs, JCSPDs and other local governance institutions be supported to perform their roles and functions as defined in the Vision?***
- ***How can Governors' offices, APLA and other relevant institutions be integrated into an overall strategy for capacity building in the local governance sector?***
- ***How can APLA be supported to play a role in supporting development of the local governance system?***

Issue 11: Improving Performance and Service Delivery

The PRDP emphasizes the Palestinian government's commitment to build empowered and accountable local government institutions that deliver cost effective services at the local level in line with the needs of the communities they serve. This means that the strategy for local governance needs to identify the full range of activities necessary to support better performance and improved service delivery in local governance institutions. Capacity building initiatives will be part of this approach. One important step will be to define clear performance criteria for LGUs and other local governance institutions, in line with the Vision. The strategy will also need to define ways to monitor and measure performance, to link capacity building to the achievement of performance standards and to provide incentives for performance improvement. This means addressing the following questions:

- ***How can the performance and service delivery of local governance institutions be strengthened?***
- ***What are the priority areas for performance improvement and how can these be addressed?***

Issue 12: Enhancing democracy and participation

The PRDP identifies participation by citizens and responsiveness to citizens' needs as fundamental elements of Good Governance which is one of four national policy goals. It also states that the PA is committed to bringing government closer to the people by ensuring that local government is both empowered and accountable. Making this commitment a reality means developing systems to enable citizens to participate in

planning processes and in giving feedback on services. It is also important that mechanisms to support citizen participation and responsiveness reach and include all parts of society, including women, young people and marginal groups. Some initiatives are in place to support these approaches in the oPt but these have not yet become standard practice in the majority of LGUs. The strategy therefore needs to address the following questions:

- ***How can citizen participation be strengthened across the system to make local governance institutions more responsive?***
- ***How can the participation of women and minority groups be supported?***

Financial Framework

Issue 13: Financial Sustainability of Local Governance Institutions

LGUs in the oPt are currently facing significant issues regarding their financial sustainability. Both the PRDP and the 2005 Action Plan have emphasised the need to ensure a sound financial basis for local governance institutions. The strategy will need to ensure that the financial arrangements guarantee sufficient, sustainable resources for local governance institutions to meet their responsibilities defined in the Vision. The most important sources of revenue for LGUs are building fees followed by utilities revenues, internal revenues collected from imposed taxes and fees for municipal services such as solid waste collection and disposal, and rental income from municipal assets. Therefore the definition and management of locally-based taxes and fees is a key area that must be addressed to ensure the financial sustainability of Palestinian local governance institutions. This means addressing the following questions:

- ***Which LGU responsibilities and functions are to be covered from local taxes? Which from centrally collected taxes? and which from other sources of revenue?***
- ***Should the local tax systems in the West Bank and Gaza be unified ie should the same taxes be applied to LGUs in both parts of the oPt?***
- ***Should these taxes and fees be applied to all LGUs regardless of size (municipalities and village councils)***
- ***What basis should be used for the calculation and imposition of local taxes?***
- ***Should local taxes be levied individually or combined into one unified tax?***
- ***Should the rates for these taxes and fees be the same for all LGUs in the West Bank and Gaza or should variation be applied (if so, on what basis)?***
- ***Who should be responsible for the* definition and assessment *of local taxes?***
- ***Who should be responsible for the* collection and management *of local taxes?***
- ***How can LGUs be supported to collect local taxes more effectively?***

A further source of revenue for LGUs can be provided through transfers from central government. This means a share of national revenue that is allocated for use at the local level and managed by local authorities. If such a system of fiscal transfers is to be considered for the oPt, the strategy will need to define possible criteria for allocating resources in this way, taking into account considerations of efficiency and equity. This means addressing the questions:

- ***Should fiscal transfers from central government by used to fund the activities of local governance institutions?***
- ***On what basis should central government transfers (or a share of national taxation) to local government be determined?***

The majority of the Palestinian Municipalities and many Village Councils own electricity and water networks and supply these utilities services to their area. However it is not clear whether such service provision is profitable, or even sustainable, for LGUs. Various options have been proposed for reorganising utilities services, including joint delivery and regionalisation. The strategy must therefore consider the following questions:

- ***Can municipally-operated utilities services be made efficient and sustainable?***
- ***Should utilities service provision continue to be the responsibility of LGUs?***

Finally, to ensure their long-term financial sustainability LGUs need to put in place profitable investments that produce permanent income, for example through establishing business projects. They also need access to funds to finance development projects, for example through loans. The future strategy for Local Governance will need to consider the following question:

- ***How can LGUs be supported to develop revenue generating investments?***
- ***How should loans for municipal development be financed and managed in the short, medium and long term?***

Issue 14: Creation of a Unified Financial Management System

Considerable progress has been made in recent years in strengthening financial management systems in the local government sector. A large number of regulations, standards, procedures, systems and guidance have been developed covering essential aspects of LGU financial management however these initiatives have not lead to the creation of a unified financial management system for local governance institutions. This is because the objectives for financial reporting are not clear, budget and financial systems are not integrated and existing standards have not been officially sanctioned. In setting the basis for a unified financial management system for local governance institutions in the oPt the future strategy will need to address the following strategic questions:

- ***What are the objectives of LGU financial reporting?***
- ***What other systems should be linked to the financial management and accounting system?***
- ***Should there be a unified financial management system (and software) for all municipalities and village councils?***

The strategy will also need to determine which institution (or institutions) should have responsibility for defining and overseeing a unified financial management system? This means addressing the questions:

- ***Who should have responsibility for determining and sanctioning the elements of a unified financial management system?***
- ***Which body should have responsibility for the external auditing of financial management of LGUs?***

Immediate priority issues in the local governance sector

Issue 15: Addressing the effects of the Separation Wall

The PRDP identifies the establishment of a targeted initiative to provide special assistance to communities affected by the construction of the West Bank Separation Wall as one of the main targets and objectives in the local governance sector. A number of programmes are already in place to support these and on local governance institutions in the longer term will need to be addressed. The strategy must define:

- ***What can be done to address the effects of the Separation Wall on local governance institutions and the communities they serve?***

Issue 16: Reconstruction in Gaza

The recent MDLF report on damages in the municipal sector in Gaza as a result of the Israeli attacks in December 2008 and January 2009 shows that 19 of 25 municipalities in Gaza suffered damage amounting to a total value of $US46M. These damages have had a profound effect on municipal service delivery and have further weakened the municipal resource base. At the same time the destruction in Gaza has resulted in greater pressure on municipalities to provide services. The report prepared as part of the *National Plan to Rebuild Gaza* contains recommendations for reconstruction in Gaza in three phases over 30 months requiring $US52M of additional investment. The strategy will need to define:

- ***What can be done to support reconstruction of local governance bodies in Gaza and the communities they serve?***

Issue 17: Jerusalem

Local Authorities in Jerusalem face a number of specific challenges that will need to be addressed in the strategy for local governance in the oPt. For example, the LGUs in the area surrounding Jerusalem are referred to as "local councils" although it is not clear whether these bodies have the same status as municipalities or other types of LGUs. The LGUs in the Jerusalem area also face continuous pressure from the expansion of Israeli settlements and urban development which will need to be addressed. The strategy will therefore need to address the following questions:

- ***How can the LGUs surrounding Jerusalem be better integrated into the local governance system of the oPt?***
- ***What can be done to address the effects of Israeli expansion on local governance institutions surrounding Jerusalem and the communities they serve?***

Issues and Options Tables

Part One: Vision for the Local Governance System

Issue 1: Vision and goals for local governance

	Question	Possible Options
A	What is the Vision for local governance in the Palestinian territory?	▪ Open, inclusive, honest, transparent and accountable. ▪ Characterised by participation by citizens, ▪ Responsive to citizens' needs, ▪ Respects human rights, protect the rights of all citizens and guarantees equal rights and duties for all citizens. ▪ Promotes equality between men and women. ▪ Delivers basic services efficiently, effectively and responsively ▪ Capable of administering natural resources ▪ Ensures a safe and secure environment under the rule of law ▪ Creates an enabling environment for a thriving private sector ▪ supported by a stable legal framework, and a robust legislative process ▪ respects the separation of powers,

Issue 2: Fundamental Assumptions - The context of the Palestinian state

Stages of development		
	Stage	**Definition**
	Short term priorities	▪ actions to be taken within the first year ▪ focus on improvements to the existing local governance system and its legal, institutional and financial frameworks to improve performance, ▪ Eg: building relevant capacity and strengthening compliance with existing provisions *where these are coherent with the overall Vision*
	Medium term priorities	▪ actions to be taken within a three to five year time frame ▪ focus on implementing necessary reforms to support changes in the roles, functions, responsibilities and accountabilities of institutions in the local governance sector for the achievement of the Vision for the sector. ▪ Eg: substantial reorganization of the institutional framework, the drafting of new laws and regulations and significant changes in systems governing the generation, allocation, management and reporting of financial resources
	Long term priorities	▪ actions to be taken for the full realization of the Vision for local governance within the context of the development of a fully autonomous, sovereign Palestinian State, as described in the PRDP.

Issue 3: Definition of the local governance system

	Issue	Possible Options
B	Which institutions should be considered part of the Local Governance System in Palestine?	▪ Current definition: LGUs, JCSPDs and MoLG and APLA ▪ Expanded definition: including Governors ▪ Broader definition: including all stakeholders in local governance

Issue 4: Roles & functions of local governance institutions / Decentralization

	Issue	Possible Options
C	What are the goals of decentralisation for the Palestinian Local Governance system?	▪ More equitable and efficient allocation of resources ▪ Better service delivery ▪ Greater participation of citizens in policy and decision making ▪ More effective democratic representation
D	What are the appropriate stages for moving towards the desired level of decentralisation?	▪ Identify pre-requisites for decentralization and ensure these are in place ▪ Identify requirements of decentralisation processes ▪ Define preliminary steps for the decentralisation process ▪ Define steps for implementing a gradual decentralization process over long terms
E	What criteria should be used to decide which functions should be the responsibility of central or local government?	▪ Focus of policy ▪ Capacity to deliver effectively
F	What should be the roles, functions and responsibilities of the Ministry of Local Government? How should these evolve over time?	▪ Policy making ▪ Macro and national planning ▪ Legislation – making laws, bylaws and regulations (at national level / at local level) ▪ Full oversight and control accompanied by targeted capacity building to strengthen the performance of LGUs ▪ Less restrictive controls with more effective oversight and performance monitoring
G	Which functions should be the responsibility of LGUs? Over what time period should they assume these functions?	▪ Planning ▪ Local regulations ▪ Service delivery (infrastructure, utilities, social services etc) ▪ Monitoring and oversight ▪ Administrative and support systems.
H	For which functions should each category of LGUs be responsible?	▪ All LGUs have the same functions (Consolidation processes are used to ensure that all LGUs have the capacity to perform these functions ▪ Specific functions are defined for each category of LGU ▪ Criteria are defined to determine which LGUs should be responsible for specific functions.
I	What should be the functions and responsibility of APLA? How should the role of APLA evolve over time?	▪ Representing the interests or LGUs / local governance institutions ▪ Facilitating coordination and information exchange between local governance institutions ▪ Providing assistance to local governance

		institutions to improve their performance
J	What should be the role of Governors in the local governance system?	▪ Policy development for the Governorate area ▪ Leading Development Planning ▪ Coordination ▪ Monitoring and oversight of plans and services ▪ Administrative authority over local governance institutions ▪ Accountability to local communities

Issue 5: Territorial Coverage of the local governance system

	Issue	Possible Options
K	Should the entire Palestinian Territory be covered by local governance structures?	▪ No - The current system is sufficient – Who should be responsible for areas outside current LGU boundaries? ▪ Yes - The whole territory should be covered – How should this be achieved? (See *Issue 9: Redefining the institutional framework for local governance*.

Part Two: Strategy for the Local Governance System

Legal Framework

Issue 6: Legal Framework for Local Governance

A	How should the legal framework be amended to implement the Vision for the local governance system?	▪ Amend existing legislation to ensure coherence in terminology and consistency of legislation in the West Bank and Gaza ▪ Amend the Local Authorities Law no.1 1997 to clarify the relationships between local governance institutions including MoLG, LGUs, Governors and APLA ▪ Draft new legislation to replace existing legislation with a single, unified legal framework ▪ Draft new legislation to support a wider definition of the local governance system to clarify the roles and relationships of all stakeholders in local governance including Governors, APLA etc
B	How should local regulations be integrated into the legal framework for local governance?	▪ Approval by the Minister of Local Government ▪ Publication in the Palestinian Gazette ▪ Increased powers of local authorities to formulate and publish regulations and bylaws

Issue 7: Legal status and independence of elected local councils

	Issue	Possible Options
C	How can the legal status and independence of elected local councils be ensured?	• Strengthening of the status of elected local councils in Local Authorities Law no.1 of 1997 • Strengthening of the status of elected local councils in Local Elections Law of 1996 • Empowering an independent oversight mechanisms such as the HCLE • Strengthening the role of APLA as a representative body for elected Councils

D	To whom are local elected councils accountable? By what mechanisms is this accountability enforced?	• Accountable to Central Government - performance sanctions can be applied by the Cabinet and MoLG. • Accountable to higher levels of local government ie elected Regional Council – accountability mechanisms should be defined. • Accountable only to their local electorate – mechanisms for enforcing local accountability should be defined

Issue 8: Unified Planning Legislation

	Issue	Possible Options
E	How can unified planning legislation be developed for the oPt in line with the vision for local governance?	• Comprehensive study on the planning and zoning policies • Review of current planning legislation. • Amendment and finalisation of draft legislation based on Vision for local Governance
F	How should the roles of the roles of national and local governance bodies and local communities in planning processes be defined?	• Clarify the role and operating procedures of the Higher Planning Committee • Define clear responsibilities regarding national and local level planning for MoLG, Ministry of Planning and central line ministries • Clarify the responsibilities related to local planning for LGUs and Governors. • Define the legal role of community and public participation in planning processes.

Institutional Framework

Issue 9: Redefining the institutional framework for local governance

A	How should full territorial coverage of the local governance system be achieved?	▪ Address geographical coverage issues incrementally as part of initiatives to consolidate and reduce the number of LGUs ▪ Redefine existing LGU boundaries to incorporate areas not currently covered by local governance structures ▪ Ensure full territorial coverage as part of the definition of new local governance structures (such as regions)
B	Is policy and guidance for amalgamation consistent with the Vision for local governance?	▪ Ensure draft policy and strategy are in line with the Vision for local governance ▪ Develop legal framework for amalgamation in line with the Vision ▪ Develop incentives to encourage amalgamation
C	How can relationships between local governance institutions be clearly defined and strengthened?	▪ Mechanisms for communication and coordination ▪ Approaches for integrating Governors, and APLA into the local governance system ▪ Establishment of joint decision-making processes between institutions (MoLG, LGUs, Governors, APLA etc)

Issue 10: Building Capacity in the Local Governance sector

	Issue	Possible Options
D	How can effective leadership and coordination of capacity building be achieved?	• Conduct comprehensive capacity building needs assessment for the local governance sector based on the roles of relevant institutions defined in the Strategy
E	How can MoLG and its regional offices be supported to perform the roles and functions defined for it in the Vision?	• Review plans and strategies to ensure a link between development goals and strategic goals defined in the Vision
F	How can LGUs, JCSPDs and other local governance institutions be supported to perform their roles and functions as defined in the Vision?	
G	How can Governors' offices, APLA and other relevant institutions be integrated into an overall strategy for capacity building in the local governance sector?	
H	How can APLA be supported to play a role in supporting development of the local governance system?	

Issue 11: Improving performance and service delivery

	Issue	Possible Options
I	How can the performance and service delivery of local governance institutions be strengthened?	• Define clear performance criteria for LGUs and other local governance institutions, based on their roles, functions, responsibilities and accountabilities defined in the Vision • Define performance-based criteria linked to capacity building and incentives for performance improvement • Strengthen the capacity of the Ministry of Local Government in monitoring and oversight in line with the role and functions defined in the Vision. • Develop approaches for participatory Performance Assessment. • Introduction of appropriate support tools such as Total Quality Management etc?
J	What are the priority areas for performance improvement and how can these be addressed?	• Planning – urban planning, strategic planning Delivery of specific services (water, solid waste management etc)

Issue 12: Enhancing democracy and participation

	Issue	Possible Options
K	How can citizen participation be strengthened across the system to make local governance institutions	• Ensure community participation in decision-making is included and supported in the legal framework for local governance

	more responsive?	• Define standards for citizen participation • Institutionalise transparency and accountability mechanisms • Build capacity in community outreach and communication with constituents • Promote participatory planning processes. • Create systems for citizen feedback on services • Support development of local representative structures • Provide incentives to use participatory approaches
L	How can the participation of women and minority groups be supported?	• *Quotas and other legal instruments* • *Awareness raising* • *Capacity building* • *Targeted approaches for consultation and participation*

Financial Framework

Issue 13: Financial Sustainability of Local Governance Institutions

Assignment of resources for LGU functions		
	Issue	**Possible Options**
A	Which LGU responsibilities and functions are to be covered from local taxes? Which LGU functions should be covered from centrally collected taxes? Which LGU functions should be funded from other sources of revenue?	
Types of taxes and fees		
	Issue	**Possible Options**
B	Should the local tax systems in the West Bank and Gaza be unified ie should the same taxes be applied to LGUs in both parts of the oPt?	▪ Unified tax system ▪ Different systems in West Bank and Gaza based on specific criteria ▪ Different systems in West Bank and Gaza based on history
C	Should these taxes and fees be applied to all LGUs regardless of size (municipalities and village councils)?	▪ Same taxes and fees for all LGUs ▪ Different taxes and fees for Municipalities and Village Councils based on specific criteria
Levels of taxes and fees		
D	What basis should be used for the calculation and imposition of local taxes?	▪ Property size or land area ▪ Quality of Properties ▪ Purposes of Properties (Commercial, Residential, housing) ▪ Number of individuals resident, ▪ Consumption of services - Electricity or water
E	Should local taxes be levied individually or combined into one unified tax?	▪ Local taxes are defined and levied separately ▪ Local taxes are defined separately but levied and collected together ▪ Local taxes are combined into a single tax with a single collection system
F	Should the rates for these taxes and fees be the same for all LGUs in the	▪ Same tax and fee rates for all LGUs ▪ Variation and local discretion in determining local

	West Bank and Gaza or should variation be applied (if so, on what basis)?	tax and fee levels is permitted ▪ Criteria are defined to guide the setting of tax and fee levels in local contexts
Management and collection of local taxes and fees		
G	Who should be responsible for the *definition and assessment* of local taxes?	▪ Central ministry (MoF / MoLG) ▪ Governorates ▪ LGUs (Municipalities & Village Councils)
H	Who should be responsible for the *collection and management* of local taxes?	▪ Central ministry (MoF / MoLG) ▪ Governorates ▪ LGUs (Municipalities & Village Councils) ▪ A separate specialised authority
I	How can LGUs be supported to collect local taxes more effectively?	▪ Evaluation of current local tax collection systems to identify improvements ▪ Definition of clear enforcement mechanisms ▪ Targeted initiatives to build tax collection capacity
Transfers from Central Government		
J	Should fiscal transfers from central government by used to fund the activities of local governance institutions?	▪ No transfers from central government. LGUs cover their activities through their own revenue ▪ Existing transfer mechanisms ▪ Use of fiscal transfers expanded
K	On what basis should central government transfers (or a share of national taxation) to local government be determined?	▪ LGUs receive transfers based on area characteristics eg population, needs (eg MDLF criteria) ▪ LGUs receive transfers based on services they provide ▪ LGUs receive transfers based on their performance (eg MDLF criteria)
Utilities service revenue		
L	Can municipally-operated utilities services be made efficient and sustainable?	▪ Assessment of efficiency - Adoption of cost centre accounting - Benchmarking and performance measurement ▪ Creation of Municipal Utility Enterprises ▪ Adoption of effective pricing strategies ▪ Improved collection methods - Prepaid metering - Specialized collection agencies
M	Should utilities service provision continue to be the responsibility of LGUs?	▪ Utilities services still the responsibility of LGUs ▪ Joint services are favoured ie JCSPDs ▪ New business models are implemented to improve the efficiency of LGU utility services eg Public Private Partnerships ▪ Utilities services are restructured into regional entities.
Investment and Development		
N	How can LGUs be supported to develop revenue generating investments?	▪ Regulations are developed governing investments by LGUs ▪ New business models for municipal services are tested and enabled ▪ Local capital financing instruments are developed for LGUs ▪ MDLF lending function is further developed and policy and mechanism for municipal loans for development are put in place

O	How should loans for municipal development be financed and managed in the short, medium and long term?	▪ Donor contributions ▪ National Revenue ▪ Local Revenue surpluses ▪ Specific funds

Issue 14: Creation of a Unified Financial Management System

Financial Management and Accounting Standards		
	Issue	**Possible Options**
P	What are the objectives of LGU financial reporting?	▪ Determine relationship between revenues and service costs ▪ Compare actual resource use with budget estimations ▪ Measure compliance with legal or contractual requirements,
Q	What other systems should be linked to the financial management and accounting system?	▪ Budget preparation ▪ Human Resources ▪ Inventory ▪ Procurement ▪ Assets management
R	Should there be a unified financial management system (and software) for all municipalities and village councils?	▪ A single system applicable to all LGUs ▪ A flexible system with a common core ▪ Different systems to fit specific needs
Financial Oversight and External Control		
S	Who should have responsibility for determining and sanctioning the elements of a unified financial management system?	▪ MoLG ▪ Ministry of Finance ▪ MDLF ▪ APLA ▪ A composite body
T	Which body should have responsibility for the external auditing of financial management of LGUs?	▪ Government Audit agency – FACB ▪ MoLG ▪ Private external auditors

Immediate priority issues in the local governance sector

Issue 15: Addressing the effects of the Separation Wall

	Issue
A	What can be done to address the effects of the Separation Wall on local governance institutions and the communities they serve?

Issue 16: Reconstruction in Gaza

	Issue
B	What can be done to support reconstruction of local governance bodies in Gaza and the communities they serve?

Issue 17: Jerusalem

	Issue
C	How can the LGUs surrounding Jerusalem be better integrated into the local governance system of the oPt?
D	What can be done to address the effects of Israeli expansion on local governance institutions surrounding Jerusalem and the communities they serve?

Section 2

Full Strategic Issues Paper

Part One: Vision for the Local Governance System

The Vision for the Local Governance system lies at the heart of the future strategy. The Vision describes the kind of local governance system Palestinians want for the Palestinian territories. This includes clearly identifying which institutions are part of the system, the roles, functions, responsibilities and accountabilities assigned to them and the relationships that exist between them. It also involves making some fundamental decisions about the territorial coverage of the local governance system both in the current context and in a long term perspective. The Vision of the local governance system will provide the basis for introducing changes in the legal, institutional and financial frameworks to make this Vision a reality. To define the Vision for the local governance system we must address the following issues:

Issue 1: Vision and goals for local governance

The *Palestinian Reform and Development Plan 2008-2010*, sets out the Palestinian Authority's (PA) Vision of the future Palestinian State. This Vision describes the goals for the Government of Palestine and for the state and society as a whole.

Vision of the Future Palestinian State[29]
Palestine is an independent Arab state with sovereignty over the West Bank and the Gaza Strip on the pre-June 1967 occupation borders and with East Jerusalem as its capital. Palestine is a stable democratic state that respects human rights and guarantees equal rights and duties for all citizens. Its people live in a safe and secure environment under the rule of law and it promotes equality between men and women. It is a state which values highly its social capital, social coherence and solidarity, and identifies itself with Arab Palestinian culture, humanistic values and religious tolerance. It is a progressive state that values cordial relationships with other states and people in the global community. The Palestinian government is open, inclusive, transparent and accountable. It is responsive to citizens' needs, delivers basic services effectively, and creates an enabling environment for a thriving private sector. Palestine's human resources are the driving force for national development. The Palestinian economy is open to other markets around the world and strives to produce high value-added, competitive goods and services, and, over the long term, to be a knowledge-based economy.

The PRDP identifies good governance as one of four national policy goals, and provides the following definition:

Good governance[30]: a system of democratic governance characterised by participation by citizens, respect for the rule of law and separation of powers, capable of administering natural resources and delivering public services efficiently, effectively and responsively, and supported by a stable legal framework, a robust legislative process and accountable, honest and transparent institutions which protect the rights of all citizens.

The current strategy will need to define the Vision for local governance. This may include both the characteristics of institutions in the local governance sector, and the impact that good local governance is expected to have on communities and citizens. The

[29] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010*, p4.
[30] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010*, p5.

Vision for local governance should be consistent with the national Vision for the Palestinian state defined in the PRDP, but it may include other elements that are particularly relevant to the local governance sector. The strategy should also ensure that this is a Vision that is shared by all stakeholders in the local governance sector.

Vision for Local Governance		
	Question	**Possible Options**
A	**What is the Vision for local governance in the Palestinian territory**	▪ Open, inclusive, honest, transparent and accountable. ▪ Characterised by participation by citizens, ▪ Responsive to citizens' needs, ▪ Respects human rights, protect the rights of all citizens and guarantees equal rights and duties for all citizens. ▪ Promotes equality between men and women. ▪ Delivers basic services efficiently, effectively and responsively ▪ Capable of administering natural resources ▪ Ensures a safe and secure environment under the rule of law ▪ Creates an enabling environment for a thriving private sector ▪ Supported by a stable legal framework, and a robust legislative process ▪ Respects the separation of powers,

Issue 2: Fundamental Assumptions - The context of the Palestinian state

It is clear that the local governance sector in Palestine currently operates in the context of a Palestinian state with limited sovereignty due to the ongoing Israeli Occupation. The final shape and authority of the Palestinian state is not yet clear and there is currently no identifiable timeline for the resolution of these issues. The strategy for Local Governance will therefore need to clarify the fundamental assumptions regarding the context in which the local governance system will be operating that underpin its Vision and proposed actions. This is important to ensure that the strategy is flexible enough to develop the local governance system in line with any macro-level changes that occur at the level of the Palestinian state and its overall sovereignty and authority.

The Palestinian Authority (PA) has set out its Vision for Palestine as an independent Arab state with sovereignty over the West Bank and the Gaza Strip in its mid-term strategy document, the *Palestinian Reform and Development Plan (PRDP) 2008-2010.* On the basis of this Vision four guiding principles for the Palestinian National Policy Agenda (PNPA) have been defined:

PNPA guiding principles[31]

- It is the intention of the PNA to support and sustain, through all of its policies and programs, the steadfast determination of the Palestinian people to remain on their land and to continue to pursue their livelihoods and build their nation,

[31] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010,* p4.

not succumbing to the pressures placed upon them by the Occupation

- The policies and programs of the PNA will be directed towards the ending of the Occupation and the establishment of an independent, viable sovereign state.
- The eventual Palestinian state must be able to exist securely on the pre-June 1967 borders, including East Jerusalem, the Gaza Strip and the West Bank, and be capable of protecting its citizens and their land and property from incursion, confiscation and destruction, in accordance with international law.
- The eventual Palestinian state will be founded on democratic and pluralistic principles and humanistic values. Its institutions will protect human rights, religious tolerance and the rule of law, promote gender equality, create an enabling environment for a free and open market economy, and serve the needs of disadvantaged and vulnerable groups, enabling all citizens to fulfil their potential.

To support the application of these principles it may be helpful for the strategy to clearly define different stages of development. The timing of these stages can be adjusted flexibly as the overall political context evolves. To do this the strategy may consider:

Stages of development		
	Stage	**Definition**
	Short term priorities	▪ actions to be taken within the first year ▪ focus on improvements to the existing local governance system and its legal, institutional and financial frameworks to improve performance, ▪ Eg: building relevant capacity and strengthening compliance with existing provisions *where these are coherent with the overall Vision*
	Medium term priorities	▪ actions to be taken within a three to five year time frame ▪ focus on implementing necessary reforms to support changes in the roles, functions, responsibilities and accountabilities of institutions in the local governance sector for the achievement of the Vision for the sector. ▪ Eg: substantial reorganization of the institutional framework, the drafting of new laws and regulations and significant changes in systems governing the generation, allocation, management and reporting of financial resources
	Long term priorities	▪ actions to be taken for the full realization of the Vision for local governance within the context of the development of a fully autonomous, sovereign Palestinian State, as described in the PRDP.

Issue 3: Definition of the local governance system

Up to now the definition of the local governance system has essentially been restricted to Local Government Units (LGU), Joint Councils for Services, Planning and Development

(JCSPD) in which LGUs operate collectively, and the Ministry of Local Government (MoLG) including its local level directorates.

However, other stakeholders play a key role in local governance including Governors, APLA, central ministries that deliver key services at the local level such as health and education, NGOs and Community-based organizations and the private sector. For example, Governors represent the central authority and have significant powers in vital areas including security, municipal and village councils and supervision of all government agencies in the Governorate. This means that municipalities, village councils and the local directorates of MoLG local are subject to a dual form of control exercised by both the MoLG and the Governor. However, while local councils are regulated by the Local Authorities Law of 1997, regional administrative divisions are not regulated by any legislation issued by the PA[32]. Governorates are mainly regulated by Presidential decrees, mainly the PD No., (22) of 2003 regarding the competences of governors. Governors have also been largely excluded from policy and initiatives aimed at strengthening local government.

For this reason, the Diagnostic Report in 2004 identified the need to clarify the role of governorates and to define by law their role, their composition and their relations with other governmental offices, including the MoLG district offices[33]". In 2008, the President's Office, (Governorates division) supported the development of a *National Strategy for the Palestinian Local Administration* which identified four possible models for strengthening the role of Governors and ensuring they are better integrated into the local governance system as a whole. In particular, the report ascribed a strong role to Governors in leading Regional Planning for development. The four models proposed are:

4. **Option One** reduces the number of Governorates from sixteen at present to ten, accordingly Districts will be established in each Governorate. Each Governorate will have a Governorate council whose members will be the local administrators, Mayors within the Governorate, and others to be appointed by H.E the President.
5. **Option Two** clusters the sixteen Governorates into four developmental Regions. The major task of the Region will be coordination and planning. Each Region will have a Regional council whose members are the Governors, Mayors, and those appointed by H.E the President. There are no changes to the responsibilities, tasks, reporting procedures and linkages of the Governors, and the Governorates will resume the same functions.
6. **Option Three** proposes that the sixteen Governorates will be grouped under four Regions; The Regions will have full supervisory responsibility over Governorates, in addition Districts will be created under each Governorate. The Higher Council for Local Administration (HCLA) will be established chaired by H.E the President, with relevant ministers, and DGs of relevant institutions as members. For each Region a council will be established comprising Governors, Mayors and certain number of members to be appointed by H.E the President.
4. **Option Four** proposed that the sixteen Governorates will be merged in four Regions. Each Region will have a council with its chairman and 50% of its members directly elected, and the rest appointed by H.E. the President. The municipalities and local authorities will be under the responsibility of the Region.

[32] The Jordanian Administrative Divisions Bylaw for the year 1966, is theoretically applicable in the West Bank. A Palestinian draft law on this issue was prepared but was not adopted.
[33] MoLG / UNDP, (2004), *Diagnostic Report*, Section 3.5, p. 44-45.

The HCLA will be established. It will be chaired by H.E the President and its members are the concerned Ministers, Regional Governors and the heads of relevant institutions. According to this option the tasks and responsibilities of the Ministry of Local Government need to be reviewed in the light of establishing the HCLA, as the strategy is calling for local administration not local government.[34]

No decision to adopt the local administration reforms proposed in *National Strategy for Palestinian Local Administratio*n has yet been made. However the issues raised in the draft strategy should be considered in the context of the development of a comprehensive Vision for local governance for Palestine. The future strategy for local governance must therefore address the following questions:

Definition of the local governance system		
	Issue	**Possible Options**
D	**Which institutions should be considered part of the Local Governance System in Palestine**?	▪ Current definition: LGUs, JCSPDs and MoLG and APLA ▪ Expanded definition: including Governors ▪ Broader definition: including all stakeholders in local governance

Issue 4: Roles & functions of local governance institutions / Decentralization

In the *Palestinian Reform and Development Plan (PRDP) 2008-2010*, the PA sets out its commitment to bringing government closer to the people by ensuring that local government is both empowered and accountable through increased decentralisation. In particular it identifies greater administrative and fiscal autonomy as essential to realizing the potential of local government to be more responsive to the needs of the people in a fiscally responsible manner. The 'Accountable Local Government' (ALG) program set out in the PRDP includes a commitment to establish a policy framework which promotes fiscal autonomy and discipline at the local level[35].

The Diagnostic Report and Action Plan in 2004/5 also concluded that the Local Authorities Law no 1.of 1997 reflects a centralized view of local government, because a proportionally high number of local government actions are subject to ministry approval[36]". The Action Plan included a group of activities intended to increase decentralization in the local governance system, including introducing legal changes necessary for a more decentralized set-up and re-designing and implementing less restrictive administrative controls by MoLG over LGUs' affairs[37]. However, no progress has been made in this area. This is partly because neither the Diagnostic Report and Action Plan nor the PRDP offer a clear Vision of the type and level of decentralized authority that is appropriate for the Palestinian Territories.

[34] PA (2008) *National Strategy for the Palestinian Local Administration;* Draft**;** 2008 (Office of the President, PA, Ramallah, Palestine) Executive Summary p 8.
[35] Palestinian National Authority (2007), *Palestinian Reform and Development Plan 2008-2010*, pp36-44.
[36]MoLG / UNDP, (2004), *Diagnostic Report,* Sections 3.1.6 and 3.1.7, pp. 37-38.
[37] MoLG / UNDP, (2005), *Action Plan*, Group I, pp17-19.

There is also a question about the commitment of the PA to implement greater decentralization. Recent changes to the Local Authorities Law no.1 of 1997 show a clear movement towards greater centralization of power and authority in the Ministry of Local Government and have strengthened MoLG's administrative controls over LGUs' affairs rather than making them less restrictive. These include increased financial oversight and control over LGUs, the authority of the Cabinet (on advice from the Minister) to dismiss elected local Councils under certain conditions, and increased authority of the Minister over employment in LGUs such as the approval the new appointments.

As a first step, the Vision needs to define the objectives of decentralization as a strategic goal for the Palestinian local governance system. The Diagnostic Report suggested two goals[38]:

- ***More equitable and efficient allocation of resources and better service delivery***. Decentralization is often justified on grounds of economic efficiency through the concept of "subsidiarity" which means that public goods and services should be provided by the lowest level of government that can fully capture the costs and benefits[39]. This goal relates to ***administrative decentralization*** which concerns the distribution of responsibilities between the central and local levels in key areas such as planning, regulation, service delivery, monitoring and oversight.
- ***Greater participation of citizens in policy and decision making***. Decentralization is seen to allow more involvement of local people in making the decisions that affect them. This goal relates to ***political decentralization*** which concerns the responsibilities, authorities and accountabilities of elected representatives in ensuring democratic representation, and the role of government institutions in encouraging public participation in decision making and continuous interaction between the state and its citizens.

Once these goals are clear, the Vision needs to define the type and level of decentralized authority that is most appropriate for the Palestinian Territories in the short, medium and long term. To do this it will be helpful to first establish the criteria that will be used to decide which roles and functions should be held by central and local government.

The 2004 Diagnostic Report suggested a set of principles for allocating Central/Local responsibilities based on the main focus of policy in relation to local government at each level. These are:

- ***Central:*** State building, macro-economic stability, social distribution or equity, resource allocation.
- ***Local***: Service delivery, economic and local development, local political decision making and participation.[40]

The PRDP identifies the capacity of these institutions to carry out the function effectively as another important criteria for deciding which functions to devolve to the local level, and over what time frame. The PRDP emphasises the need to be realistic about the scale of the capacity building assistance that will be required to enable local councils to move towards a significantly higher degree of administrative and fiscal autonomy. The ALG

[38] MoLG / UNDP, (2004), *Diagnostic Report,* p44.
[39] World Bank (1997), *World Development Report 1997,* pp. 120–121.
[40] MoLG / UNDP, (2004), *Diagnostic Report,* p50.

programme it defines includes actions to build the operational, administrative and financial management capacity of local government bodies.[41]

Once these criteria are defined the Vision will need to consider the full set of functions and responsibilities related to local governance and decide whether these should be the responsibility of central government (eg MoLG, Ministry of Finance, Ministry of Planning, President's Office etc), or local government (LGUs, JCSPDs etc). For example:

4.1 Roles and Responsibilities of the Ministry of Local Government

The specific duties of the MoLG as set out in article 2 of the LGL include the following:

1. Draw up general policies for LGU functions and supervise all functions and responsibilities of LGUs as well as the issues related to the organization of public projects; budgets; and control over financial, administrative, legal and special procedures related to LGUs.
2. Perform all technical and administrative works related to the planning and zoning of regional schemes in the occupied Palestinian territories.
3. Enact all bylaws or guidelines required to implement all functions and duties of the LGUs[42].

The 2004 Diagnostic Report concluded that the current role of MoLG gives LGUs very limited powers in the key areas of finance, administration and human resources management. The report recommended allocating significant responsibilities to LGUs reflect the objectives of decentralization. It suggested that MoLG should focus on being a policy-maker, technical advisor and regulator of the local government system. It also recommended the MoLG should advise LGUs on drafting their own regulations and ensuring that such regulations are consistent with national policy, rather than directly drafting local legislation.[43]

4.2 Roles and Responsibilities of Local Governance Institutions

The Local Authorities Law no. (1) of 1997 gives LGUs the power to devise regulations that enable it perform any of its duties or exercise any of its powers stipulated in the law and to ensure for such regulations any taxes, fees, revenues, fines, expenses or contravention." However these regulations require the endorsement of the Minister of Local Government.[44] Under the same article of the law Councils may also "issue rules or enforcement regulations necessary to regulate the work of the local authority and insure fulfillment of their interests and needs". However the 2004 Diagnostic Report found that in practice MoLG often prepared regulations that should fall under the jurisdiction of

[41] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010,* pp36-44.
[42] MoLG / UNDP, (2004), *Diagnostic Report,* p55.
Other specific local authority functions to which the LAL refers include: publication by the MoLG of bylaws to regulate LGU staffing policies (article 19) and tendering procedures; and mandatory MoLG approval for any loans taken up by LGUs (article 21), for disposing of assets (article 20), for annual budgets (or changes to budgets) and for any reductions in charges that the LGU may make (article 26). The MoLG is also responsible for recommending allocation of revenues collected by the central government on behalf of local government to LGUs (article 26). The freedom of LGUs to develop relations with the many other ministries with which they need to confer (see list in part 3, section 2) is limited by an instruction that the LGUs must not deal with any other ministries without approval from and coordination with the MoLG
[43] MoLG / UNDP, (2004), *Diagnostic Report,* p56.
[44] Local Authorities Law no. (1) of 1997, Article 15, Paragraph B

LGUs.[45] One of the proposals made in the 2005 Action Plan was that "LGUs, especially in the West Bank, should be encouraged to use their powers to issue regulations enabling them to carry out their responsibilities as specified by the law." Although MoLG has expressed the desire to unify regulations in the local government sector, legally the power to make local regulations remains with LGUs. This power allows LGUs to use regulations to meet the specific needs of their area. Therefore the authority to make and enforce local regulations must be clarified.

In addition, the current legal framework defines a single set of 27 functions for LGUs, however very few, if any, LGUs currently perform all these functions. The Diagnostic Report provided an overview of these functions, classified into 5 types of activity, and showing whether any LGUs actually perform this function or not.

Table No. 1
LGU Functions by Activity, Practice and Department[46]

	Function as stated in the Local Authorities Law no. (1) of 1997	Classification of activity	Activity practiced by LGUs	Department
1	Town planning and road construction	Technical	Yes	Engineering
2	Building licensing and control	Technical	Yes	Engineering
3	Water supply, construction and management	Technical	Yes	Water or engineering
4	Electricity supply, construction and management	Technical	Yes	Electrical or engineering
5	Sewage management, construction and control	Technical	Yes	Engineering
6	Public markets management	Financial/ Health/ Technical	Yes	Finance
7	Licensing of trades and businesses	Financial/ Health/ Technical	Yes	Finance
8	Public health; collection and disposal of solid waste	Health/ Technical	Yes	Health and engineering
9	Public entertainment control	Administrative/ Health/ Social	Yes	
10	Public parks	Technical/ Social Administrative	Yes	Administration and engineering
11	Cultural and sport activities	Cultural/ Social	Yes	Library
12	Public transport (land and sea)	Technical		
13	Control of peddlers and open markets	Administrative/ Financial	Yes	Finance
14	Weights and measures control	Mixed	*No*	
15	Advertisement control	Administrative/ Financial	Yes	Finance
16	Building demolition	Technical	*No*	
17	Sale of closed roads	Technical/ Financial	Yes	Engineering and finance
18	Control of beggars	Social	*No*	
19	Cemeteries	Social	Yes	Administration,

[45] MoLG / UNDP, (2004), *Diagnostic Report***,** section 3.1.2 p. 34.
[46] MoLG / UNDP, (2004), *Diagnostic Report*, Section 4.1, pp76-78.

				finance and engineering
20	Hotel operation control	Social/ Health	*No*	
21	Canine control	Health	Yes	Health
22	Budget and LGU personnel	Financial/ Administrative	Yes	Finance and administration
23	Management of LGU assets	Financial/ Administrative	Yes	Finance
24	Some municipalities undertake functions not specified in the law, such as emergency services and school construction and maintenance	Mixed	Yes	Various

The strategy for local governance should define whether all of these functions should be performed by local governance institutions. This also means ensuring that sufficient financial resources are available to enable local governments to perform these responsibilities. The strategy should also consider whether there are other functions that should be the responsibility of local government. Eg the 2005 Action Plan suggested carrying out a study to weigh long- term options for utility service restructuring through regionalization or incorporation.[47] It also suggests assessing cost-benefit of reassigning education, health and policing services to LGUs.[48]

The strategy will also need to consider whether all LGUs should have the same responsibilities, or whether different roles and functions should be defined for LGUs of different sizes and categories. The functions defined in the Local Authorities Law no. (1) of 1997 are supposed to be mandatory for all LGUs regardless of their size or capacity or the size of the population they serve. However, one of the main problems facing the local governance sector in Palestine, identified in the 2004/5 Diagnostic Report and Action Plan, is that there are too many LGUs, many of which are too small and lack an adequate resource base to deliver even basic services effectively. If all LGUs will be expected to perform the same functions, institutional solutions will need to be found to build the capacity of small financially and logistically unsustainable local bodies to deliver these services (such as consolidation / amalgamation processes - *See institutional framework*). Alternatively specific roles, functions and levels of service provision could be defined for each category of LGU – ie Municipalities (A, B C and D categories), Village Councils and Project Committees.

4.3 Roles and Responsibilities of the Association of Palestinian Local Authorities (APLA)

When discussing the roles of local governance institutions the strategy should also consider the role that should be played by APLA and how this should evolve over time.
play an advocacy role and represent the interests of LGUs in dialogue with MoLG and wider stakeholders. The 2004 Diagnostic Report highlighted the need for APLA to play a significant role in the implementation of any reform initiatives in the local governance sector. In 2008 APLA identified its own strategic objectives which include;

- Strengthening ties and relations between and among LGUs,

[47] [47] MoLG / UNDP, (2005), *Action Plan*, Group IV, Activity D1, p26.
[48] [48] MoLG / UNDP, (2005), *Action Plan*, Group I, Activity C1, p18.

- Contributing to improving the performance of LGUs by facilitating exchange of information and experience,
- Facilitating coordination of LGUs' positions on common issues that face them and advocating and lobbying for these positions with central government and other stakeholders,
- Providing assistance to local authorities that contribute to the improvement of their staff performance, [49]

The strategy will therefore need to define what role APLA should play in the local governance system in the short, medium and long terms. It will also need to identify the support APLA will required to ensure it can play its desired role effectively.

4.4 Roles and Responsibilities of the Governors

If the vision adopts an expanded definition of the local governance system, it will be necessary to define the roles and responsibilities of Governors within this system. A Presidential decree of 2003 stated the tasks and authorities of the governor to include:

- Implement all laws, policies, instructions and orders received from the President of the PNA or the Council of Ministers.
- Preserve general security, morals and ethics, law and order, the rules under which the governorate is run, public health, freedom, protection and public rights.
- Protect public and private property and ensure security inside the governorate with the support of the police and security services,
- Take actions to ensure economic, physical infrastructure growth and social development in the governorate, achieve equality and justice, and secure the rule of law.
- Implement, supervise and sponsor works to provide local services that benefit citizens in the governorate in terms of health, education, culture, social affairs, construction, development etc in cooperation with relevant authorities
- Undertake the necessary actions to combat natural disasters and severe accidents.
- Act as legal prosecutor in terms of flagrant crimes, and can notify the public prosecutor on non-flagrant crimes.[50]

Governors are supposed to fulfil their mandate in close cooperation with other local governance institutions, and preside over a number of key bodies in the governorate including:

- The *Executive Council* for the governorate whose function is to set and design the general policy of the governorate, formulate developmental plans and monitor the work of the executive departments. Executive Council members include the directors of all governmental departments in the governorate, except the judicial branch and a number of municipal council officers
- The *Advisory Council* in the governorate whose function is to endorse the general policy and proposed plans of the Executive Council and review the laws and systems programs, before they are implemented. The Advisory Council comprises a number of municipal council members, unions, the legislative council and esteemed personalities.

[49] *Update on the major interventions in the local governance sector since 2004*, pp16-17.

[50] PA (2008) *The National Strategy for the Palestinian Local Administration;* Draft**;** 2008 (Office of the President, PA, Ramallah, Palestine) p 28.

- The *Planning and Administration Committee*, comprising a number of municipal mayors and local councils heads in the governorate.
- The *Security committee* which includes commanders of the national security services, the police and other security bodies in the governorate.
- The *General Safety committee.*
- The *Emergency committee*.
- The *committee for the general census of the population.*[51]

Governors have a key role in planning, coordinating, implementing and monitoring services in the whole governorate, however the precise tasks of Governors are unclear and there are overlaps and conflicts with the roles and authorities of other bodies. There is no administrative or authority relationship between Governorates and LGUs. This was ended in 1994 when LGUs were administratively linked only with the Ministry of Local Government to end the dual accountability that had carried over from the Jordanian era, when the municipalities were subject simultaneously both to the Ministry of Municipal and Village Affairs, and to the governors. In addition, given that they are directly appointed by, and answerable to, the President, Governors are not accountable to local communities.[52]

The draft *National Strategy for the Palestinian Local Administration* developed for the President's Office in 2008 identified four possible models for integrating Governors better into the local governance system as a whole, particularly through the creation of Regions. This includes suggestions such as a stronger role for governors and regions in coordination and regional planning, the possibility of introducing elected governors, and an option for bringing municipalities and local authorities under the responsibility of the Region.[53] (See *Issue 3: Definition of the local governance system*)

The future strategy for local governance must therefore address the following questions:

Roles & functions of local governance institutions / Decentralization		
	Issue	**Possible Options**
C	What are the goals of decentralisation for the Palestinian Local Governance system?	▪ More equitable and efficient allocation of resources ▪ Better service delivery ▪ Greater participation of citizens in policy and decision making ▪ More effective democratic representation
D	What are the appropriate stages for moving towards the desired level of decentralisation?	▪ Identify pre-requisites for decentralization and ensure these are in place ▪ Identify requirements of decentralisation processes ▪ Define preliminary steps for the decentralisation process ▪ Define steps for implementing a gradual decentralization process over long terms
E	What criteria should be used to decide which functions should be	▪ Focus of policy ▪ Capacity to deliver effectively

[51] *ibid*, pp 25-26
[52] *ibid*, pp 27-28 and 32-35.
[53] PA (2008) *The National Strategy for the Palestinian Local Administration;* Draft**;** 2008 (Office of the President, PA, Ramallah, Palestine), pp57-70.

	the responsibility of central or local government?	
F	What should be the roles, functions and responsibilities of the Ministry of Local Government? How should these evolve over time?	▪ Policy making ▪ Macro and national planning ▪ Legislation – making laws, bylaws and regulations (at national level / at local level) ▪ Full oversight and control accompanied by targeted capacity building to strengthen the performance of LGUs ▪ Less restrictive controls with more effective oversight and performance monitoring
G	Which functions should be the responsibility of LGUs? Over what time period should they assume these functions?	▪ Planning ▪ Local regulations ▪ Service delivery (infrastructure, utilities, social services etc) ▪ Monitoring and oversight ▪ Administrative and support systems.
H	For which functions should each category of LGUs be responsible?	▪ All LGUs have the same functions (Consolidation processes are used to ensure that all LGUs have the capacity to perform these functions ▪ Specific functions are defined for each category of LGU ▪ Criteria are defined to determine which LGUs should be responsible for specific functions.
I	What should be the functions and responsibility of APLA? How should the role of APLA evolve over time?	▪ Representing the interests or LGUs / local governance institutions ▪ Facilitating coordination and information exchange between local governance institutions ▪ Providing assistance to local governance institutions to improve their performance
J	What should be the role of Governors in the local governance system?	▪ Policy development for the Governorate area ▪ Leading Development Planning ▪ Coordination ▪ Monitoring and oversight of plans and services ▪ Administrative authority over local governance institutions ▪ Accountability to local communities

Issue 5: Territorial coverage of the local governance system

The 2004 Diagnostic Report drew attention to the fact that LGUs do not cover the entire Palestinian Territories, and there are therefore Palestinian citizens without local level democratic representation or locally accountable service provision. The 2005 Action Plan contained a specific action to extend LGU boundaries to "determine, consolidate and publish LGU structures to cover the entire Palestinian territories."[54] Although processes have been put in place to consolidate LGUs, these processes have failed to address the issue of territorial coverage. This remains a priority that needs to be addressed in the new strategy.

[54] MoLG / UNDP, (2005), *Action Plan*, Group II B1, p20.

If the decision is that the local governance system should cover the whole territory, it will be necessary to define how this can be done. This is discussed further in *Issue 9: Redefining the institutional framework for local governance.*

If the decision is that the current situation is sufficient it will be necessary to decide which institution should have responsibility for areas that fall outside of any LGU boundaries.

The strategy will therefore need to address the following question:

Territorial coverage of the local governance system		
	Issue	**Possible Options**
K	Should the entire Palestinian Territory be covered by local governance structures?	▪ No - The current system is sufficient – Who should be responsible for areas outside current LGU boundaries? ▪ Yes - The whole territory should be covered – How should this be achieved? (See *Issue 9: Redefining the institutional framework for local governance*

Part Two: Strategy for the Local Governance System

The Strategy is intended to set out the steps for achieving the Vision for the local governance system defined in Part One. This includes making necessary changes to the legal, institutional and financial frameworks that affect local governance institutions in the short, medium and long term. It also involves identifying ways to address immediate priority issues that are affecting the local governance sector. The following sections set out the major issues in each of these areas that the strategy will need to address.

Legal Framework

Issue 6: Legal Framework for Local Governance

The need to update the legal framework for local governance has been recognized for a long time. The current legal framework comprises laws from different historical periods and includes different provisions in the West Bank and Gaza. Both the 2005 Action Plan and the PRDP contain activities to amend the legal framework, to achieve greater consistency, and to clarify the roles of institutions in the local governance sector and support greater decentralization. The 2005 Action Plan included an activity to 'survey, identify and make all amendments in the legal framework of the Local Governance system required to lay-down more fertile grounds for decentralization.[55] The PRDP also includes a commitment to introduce new legislation to clarify and regulate the relationship between central and local government.[56] However, attempts since 2005 to draft amendments to Local Authorities Law no. (1) of 1997 to allow more decentralization have not been successful.[57] One reason for this is that up to now it has not been clear what such changes should achieve. Necessary changes to the legal framework must be guided by the Vision for the local governance system in the oPt (defined in Part One). The purpose of these changes is to put in place the legal rules necessary to support the functions, roles, responsibilities, and accountabilities of all local governance institutions as defined in the Vision.

In considering the necessary changes to the legal framework it will also be useful to consider ways to address problems that have been identified with the current legal framework including:

- Inconsistency in the terminology used to describe the system of local governance. While the Basic Law refers to "Local Administrative Units", other legislative instruments use terms such as "Local Authorities" or "Local Councils."[58]
- Lack of a comprehensive set of enforcement tools to enable LGUs to carry out their responsibilities and ensure that the legislation is properly enforced.[59]

One group of roles and responsibilities is particularly important with regard to the overall legal framework for local governance. These relate to the powers and authorities to make and enforce local level bylaws and regulations. The 2004 Diagnostic Report highlights the fact that Local Councils are authorized to set up regulations to enable them to carry out their duties although local regulations require the approval of the Minister of Local

[55] MoLG / UNDP, (2005), *Action Plan*, Group I, A1 p17.
[56] Palestinian National Authority (2007), *Palestinian Reform and Development Plan 2008-2010*, pp36-44.
[57] *Update on the major interventions in the local governance sector since 2004*, pp7-9.
[58] *Update on the major interventions in the local governance sector since 2004*, p 6.
[59] MoLG / UNDP, (2004), *Diagnostic Report*, pp37-8.

Government.[60] However few LGUs use this authority, and many local regulations and bylaws are drafted by MoLG.[61] (*See Issue 4: Roles and functions of local governance institutions Decentralization*). Historically, during both the British Mandate and the Jordanian rule in the West Bank, regulatory powers at the local level have been vested in LGUs. The larger Palestinian municipalities have used this power effectively to issue local regulations which used to be published in the official Gazette. The strategy therefore needs to determine not only who has the authority to draft local bylaws and regulations, the status of bylaws and regulations made at the local level, but also how these instruments should be integrated into the overall legal framework for local governance.

The strategy must address the following key questions:

Legal Framework for Local Governance		
A	How should the legal framework be amended to implement the Vision for the local governance system?	▪ Amend existing legislation to ensure coherence in terminology and consistency of legislation in the West Bank and Gaza ▪ Amend the Local Authorities Law no.1 1997 to clarify the relationships between local governance institutions including MoLG, LGUs, Governors and APLA ▪ Draft new legislation to replace existing legislation with a single, unified legal framework ▪ Develop new legislation to support a wider definition of the local governance system to clarify the roles and relationships of all stakeholders in local governance including Governors, APLA etc
B	How should local regulations be integrated into the legal framework for local governance?	▪ Approval by the Minister of Local Government ▪ Publication in the Palestinian Gazette ▪ Increased powers of local authorities to formulate and publish regulations and bylaws

Issue 7: Legal status and independence of elected local councils

Between the creation of the Palestinian Authority in 1994 and the holding of local elections in 2004/5 local councils were appointed by the Ministry for Local Government. This arrangement raised serious concern about the validity and legality of these councils whose mandate was based on central government appointment not democratic representation.[62] The local elections of 2004/5 addressed many of the issues regarding democratic representation at the local level identified in the Diagnostic Report. However, recent developments have again highlighted the need to safeguard the role of representative democratic institutions and clearly define the legal status of elected local councils. These include;

- **Dismissal of local elected officials.** In both Gaza and the West Bank a number of Mayors and elected Councils have been dismissed and replaced with appointed councils for political reasons.which undermines the democratic mandate of these bodies.

[60] Local Authorities Law no. (1) of 1997, Article 15, paragraph (b).
[61] MoLG / UNDP, (2004), *Diagnostic Report,* p34.
[62] See particularly MoLG / UNDP, (2004), *Diagnostic Report,* Accountability of LGUs, p83.

- **Expiry of electoral mandates of local councils**. In December 2008 the electoral mandates of local councils elected in 2004/5 began to expire before new local elections had been held. Current legislation does not allow Central Government to extend the electoral mandate of local councils beyond the 4 year time period defined in the elections law of 2005. However Decree Law No. (9) of 2008 amends the Local Authorities Law no.(1) of 1997, to allow the Minister of Local Government (endorsed by the Cabinet) to dissolve elected councils whose mandate has expired, and appoint a transitional committee to run them for a period not exceeding one year while new elections are held. In 2009 MoLG and the Cabinet used this provision to allow all elected local councils to continue their functions until new elections can be held. While this decision did not change the composition of these Councils, the legal basis of their authority is changed from an electoral mandate to an appointed one. This provision leaves the possibility for the government to replace elected councils with appointed councils, including changing their membership, if they wish.
- **Oversight and performance sanctions for local councils**. The Decree Law No. (9) of 2008 also gives the Cabinet, on the recommendation of the Minister of Local Government, the right to dissolve a local council and to dismiss a Mayor if the council fails to fulfil its mandate as defined by the 1997 Law. This is potentially a very wide power since very few, if any, LGUs currently fulfil all the requirements of local Councils set out in the 1997 law.[63] (See *Roles and Functions of local governance institutions*). Moreover it raises a fundamental question about the accountability of elected representatives. Under current legislation the local council is described as an "independent judicial body."[64] The question therefore arises - are elected representatives accountable to Central Government? - in which case performance sanctions can be applied by the Cabinet and MoLG. Or are elected representatives only accountable to their local electorate? - in which case there is a need to define the mechanisms by which local people can enforce this accountability in the case of poor performance.

Legal status and independence of elected local councils		
	Issue	**Possible Options**
C	**How can the legal status and independence of elected local councils be ensured?**	• Strengthening of the status of elected local councils in Local Authorities Law no.1 of 1997 • Strengthening of the status of elected local councils in Local Elections Law of 1996 • Empowerment of an independent oversight mechanisms such as the HCLE • Strengthening the role of APLA as a representative body for elected Councils
D	**To whom are local elected councils accountable? By what mechanisms is this accountability enforced?**	• Accountable to Central Government - performance sanctions can be applied by the Cabinet and MoLG. • Accountable to higher levels of local government ie elected Regional Council – accountability mechanisms should be defined.

[63] MoLG / UNDP, (2004), *Diagnostic Report*, Section 4.1, pp76-78.
[64] Local Authorities Law no.(1) of 1997, article 3(1).

		• Accountable only to their local electorate – mechanisms for enforcing local accountability should be defined

Issue 8: Unified Planning Legislation

One outstanding problem with the current legal framework in the local governance sector is the lack of unified planning legislation. Territorial planning is a core function of local governance that lays the foundation for a range of other key activities including service delivery planning and improvement and development planning. Unified planning legislation is necessary because:

- **Different planning and zoning laws are used in the West Bank and Gaza**. In the West Bank the Jordanian Town, Village and Building Planning Law no. 97 is applicable, while in the Gaza Strip the British Mandate law on Town Planning no. 28 of 1936 and the Administrative Order no. 572 of 1957 are applicable.
- **Recent changes to the legal framework lack legitimacy.** MoLG adopted two regulations in 1996 that introduced some substantive changes to the Jordanian and British Laws. However these regulations have been never published in the Palestinian Gazette that officially records legislation.
- **Limitations to Palestinian planning jurisdiction.** Planning and Zoning is a highly political issue. Under the Oslo Accords planning legislation lies within the jurisdiction of the Palestinian Authority (PA). However, this jurisdiction can only be applied in Area C, which still accounts for 59% of the Palestinian Territories, when there is joint agreement between Palestinian and Israeli authorities, but this is not currently exercised.. The effective jurisdiction of Palestinian planning legislation is also affected by the construction of the Separation Wall.

In 2004 the Diagnostic Report suggested important guidelines for a new unified planning law.[65] In 2006, MoLG in cooperation with the Ministry of Planning drafted new planning legislation. Further work has been done on the draft law in 2008. The draft law addresses many of the concerns identified in 2004. However, some key issues remain including the centralized nature of decision making for planning and zoning that does not fit with a wider policy that supports greater decentralization. There are also concerns about the composition of the Higher Planning Committee and the transparency and accountability of its work, public representation in local and district committees and the right of appeal.

These issues highlight the need to clearly define the roles of the different stakeholders that play a key role in planning processes to ovoid confusing and overlapping responsibilities. These include central government bodies such as the Higher Planning Committee, Ministry of Local Government, Ministry of Planning and sectoral line Ministries, and local governance bodies including LGUs and Governors. There is also a need to define more clearly the role of community and public participation in planning processes (See also *Issue 12: Enhancing Democracy and Participation*).

[65] MoLG / UNDP, (2004), *Diagnostic Report*, Section 3.3.2, p. 42.

Unified Planning Legislation		
	Issue	**Possible Options**
E	How can unified planning legislation be developed for the oPt in line with the vision for local governance?	• Comprehensive study on the planning and zoning policies • Review of current planning legislation. • Amendment and finalisation of draft legislation based on Vision for local Governance
F	How should the roles of the roles of national and local governance bodies and local communities in planning processes be defined?	• Clarify the role and operating procedures of the Higher Planning Committee • Define clear responsibilities regarding national and local level planning for MoLG, Ministry of Planning and central line ministries • Clarify the responsibilities related to local planning for LGUs and Governors. • Define the legal role of community and public participation in planning processes.

Institutional Framework

Issue 9: Redefining the institutional framework for local governance

Once the desired shape and coverage of the local governance system for the oPt has been defined in the Vision (Part One) a number of changes will be needed to the institutional framework to translate this Vision into practice. These include implementing necessary changes to the size, structure and territorial coverage of LGUs, and strengthening the relationships between the institutions that make up the local governance system.

9.1 Achieving full territorial coverage of local governance institutions

If the Vision for local governance says that it is important to extend the coverage of local governance structures to cover the entire Palestinian Territories, the strategy will need to determine how this should be achieved. This means taking account of the following considerations:

- Fragmentation of the Palestinian Territories through the division into areas "A", "B", and "C", particularly the limitations on Palestinian jurisdiction in Area "C",
- The existence of areas covered by special administrative arrangements such as Refugee Camps administered by UNRWA,
- Disruptions to current LGU boundaries and activities caused by the Separation Wall,
- Current work being undertaken by the Electoral Commission on the definition of electoral boundaries, and the relationship of these with administrative boundaries
- The need to avoid adding to the number of LGUs, particularly through the creation of small, financially and logistically unsustainable units.

In addition, the draft *National Strategy for the Palestinian Local Administration* has suggested fundamental changes to the territorial definition of local governance units, particularly through the creation of Regions, including the introduction of elected councils at the regional level.[66] (See *Issue 3: Definition of the local governance system*. The definition of new territorial units is a further option that may be considered in developing the strategy regarding the territorial coverage of the local governance system in Palestine.

9.2 Reducing the number of LGUs

One of the main problems facing the local governance sector in Palestine, identified in the 2004/5 Diagnostic Report and Action Plan, is the overly large number of LGUs, many of which are too small and lack an adequate resource base to deliver services effectively. (See also *Issue 4: Roles & functions of local governance institutions / Decentralisation)*

One of the solutions to this problem, proposed in the 2005 Action Plan is the consolidation of small LGUs to create municipalities with sufficient capacity and an adequate resource base to ensure the effective delivery of local services. Significant progress has been achieved in developing approaches for reducing the number of LGUs through amalgamation processes. Other initiatives have concentrated on joint arrangements for the delivery of a number of core LGU functions through the

[66] PA (2008) *National Strategy for the Palestinian Local Administration;* Draft**;** 2008 (Office of the President, PA, Ramallah, Palestine) Executive Summary p 8.

establishment of Joint Councils for Services, Planning and Development (JCSPD). MoLG is currently developing policy frameworks and practical guidance in both these areas which should provide a useful basis for moving forward in these areas.[67] The Strategy will need to ensure that any policy and guidance in this area is consistent with the Vision for local governance defined in Part One. It will also need to ensure that appropriate incentives are defined in the policy framework to support the achievement of the desired level of amalgamation in line with the Vision

9.3 Strengthening relationships between local government institutions

The definition of the local governance system, and the roles and responsibilities of the institutions within it defined in the Vision should be used to develop mechanisms to strengthen relationships between all institutions in the sector. For example, the *National Strategy for the Palestinian Local Administration* contains a series of recommendations for integrating Governors better into the local governance system. The coherence with the Vision for local governance of this and other relevant initiatives should be considered.

Institutional Framework		
A	**How should full territorial coverage of the local governance system be achieved?**	▪ Address geographical coverage issues incrementally as part of initiatives to consolidate and reduce the number of LGUs ▪ Redefine existing LGU boundaries to incorporate areas not currently covered by local governance structures ▪ Ensure full territorial coverage as part of the definition of new local governance structures (such as regions)
B	Is policy and guidance for amalgamation consistent with the Vision for local governance?	▪ Ensure draft policy and strategy are in line with the Vision for local governance ▪ Develop legal framework for amalgamation in line with the Vision ▪ Develop incentives to encourage amalgamation
C	How can relationships between local governance institutions be clearly defined and strengthened?	▪ Mechanisms for communication and coordination ▪ Approaches for integrating Governors, and APLA into the local governance system ▪ Establishment of joint decision-making processes between institutions (MoLG, LGUs, Governors, APLA etc)

Issue 10: Building Capacity in the Local Governance sector

The PRDP highlights defines main implementing a coherent capacity-building strategy for local government bodies in line with the national Vision as one of the principal objectives and targets of its Accountable Local Government programme.[68] Considerable efforts have been made in recent years to build capacity in the local governance sector however there is a need to bring greater coherence and coordination to these efforts to ensure that they support local governance institutions to fulfil the roles, functions, responsibilities and accountabilities defined in the Vision. In addition, although capacity building needs have been assessed in various institutions, a comprehensive needs

[67] *Update on the major interventions in the local governance sector since 2004,* pp 20-22.
[68] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010,* p41.

assessment in the local governance sector will be required based on the roles and functions of all relevant institutions defined in the strategy, to ensure that future capacity building efforts ate targeted to supporting institutions to achieve the Vision for local governance.

10.1 Building Capacity in the Ministry of Local Government

Efforts to strengthen MoLG have lacked a coherent direction since the core functions for which capacity is needed, based on the role that MoLG will play within the overall Vision for the sector, have yet to be defined. MoLG's capacity has been enhanced but not fundamentally transformed. Significant efforts have been made to build capacity within MoLG however these have not all been totally successful, and there is a lack of coordination in the support provided by donor-funded programmes due to the absence of a clear strategy for MoLG's development.[69] Currently two initiatives are in place to assist MoLG develop an overall development plan and capacity building plans for MoLG.[70] The strategy must ensure that initiatives to build capacity in MoLG are consistent with supporting MoLG to perform the roles and functions defined for it in the Vision for local governance

10.2 Building Capacity in the LGUS and other Local Governance Institutions

Significant efforts have also been made to build capacity in LGUs, particularly at the Municipality level, including the development of a specialised training facility for local governance institutions in Jericho. However LGUs have expressed many reservations about the quality and relevance of training provision including the poor quality of needs assessment, overlap in training provision from different providers, the general nature of most training without clear links to job requirements or performance standards, poor selection of participants, the absence of quality control and the lack of follow up by organisations or training providers. No evaluation or assessment data is available regarding the impact of these initiatives.[71] Two initiatives are also currently underway to define a coherent capacity building strategy for LGUs.[72] Here too the strategy must ensure that initiatives to build capacity in LGUs, JCSPDs and other local governance institutions are appropriately targeted to support them to perform their roles and functions as defined in the Vision for the local governance system.

In addition Governors and their Offices have been largely excluded from policy and initiatives aimed at building capacity in the local governance sector. The strategy will need to identify ways to integrate Governors offices into an overall strategy for capacity building in the local governance sector.

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[69] *Update on the major interventions in the local governance sector since 2004,* pp 12-16.

[70] The USAID funded Local Democratic Reform Programme "Tawasol", has assisted MoLG in developing a strategic plan to guide development of the Ministry and is now working on fleshing out the development framework into a 3-5 year development plan. The Japanese funded Program for the Improvement of the Local Governance System in Palestine has been supporting MoLG to develop a training strategy to guide capacity development within the ministry and for staff in LGUs. *Update on the major interventions in the local governance sector since 2004,* pp 15-16.

[71] *Update on the major interventions in the local governance sector since 2004,* pp 23-24.

[72] In addition to the Japanese funded project mentioned above, the German-funded Local Governance and Civil Society Development Programme (LGP) is supporting the development of a training and capacity building strategy for LGUs. *Update on the major interventions in the local governance sector since 2004,* pp 15-16.

10.3 Building Capacity in APLA

The 2004 Diagnostic Report recognised the important role of APLA as a vehicle for dialogue between local and central government bodies and highlighted the need for APLA to play a significant role in the implementation of any reform initiatives in the local governance sector. With this in mind the 2005 Action Plan contained a specific objective to strengthen the capacity of APLA.[73] However, although initiatives are in place to support institutional strengthening, APLA is not yet seen to be achieving its full potential as a strong and credible body representing the interests of LGUs. Supporting APLA to legally define and assume its role remains a key issue for developing the local governance sector.

10.4 Leadership and Coordination

Given the large number of organizations and donor-funded programmes that play a role in building capacity in the local governance sector, there is a need for strong leadership and coordination to guide activities. The strategy will need to identify the most appropriate organization to take this role, eg MoLG and to define the actions necessary to ensure that this leadership and coordination are effective.

Building capacity in the local governance sector		
	Issue	**Possible Options**
D	**How can effective leadership and coordination of capacity building be achieved?**	• Conduct comprehensive capacity building needs assessment for the local governance sector based on the roles of relevant institutions defined in the Strategy
E	**How can MoLG and its regional offices be supported to perform the roles and functions defined for it in the Vision?**	• review plans and strategies to ensure a link between development goals and strategic goals defined in the Vision
F	**How can LGUs, JCSPDs and other local governance institutions be supported to perform their roles and functions as defined in the Vision?**	
G	**How can Governors' offices, APLA and other relevant institutions be integrated into an overall strategy for capacity building in the local governance sector?**	
H	**How can APLA be supported to play a role in supporting development of the local governance system?**	

Issue 11: Improving Performance and Service Delivery

The PRDP emphasizes the Palestinian government's commitment to build empowered and accountable local government institutions that deliver cost effective services at the local level in line with the needs of the communities they serve.[74] This means that the strategy for local governance needs to identify the full range of activities necessary to

[73] MoLG / UNDP, (2005), *Action Plan*, Group II, F, pp22-23.
[74] Palestinian National Authority (2007), *Palestinian Reform and Development Plan 2008-2010*, p44.

support better performance and improved service delivery in local governance institutions. Capacity building initiatives will be part of a comprehensive approach to performance improvement.

One important step in this respect will be to define clear performance criteria for LGUs and other local governance institutions, based on their roles, functions, responsibilities and accountabilities defined in the Vision.

A further step will be to ensure that adequate mechanisms are in place to monitor and measure performance. A step towards this has been made through the Local Government Integrity Toolkit, developed by UNDP which proposed tools to assess LGU performance and will be rolled out to all LGUs by 2011. Performance measurement must also be linked to capacity building and to the provision of incentives for performance improvement. For example a system of performance-based criteria has been developed by the MDLF to guide the allocation of development funding to Municipalities.[75]

The 2005 Action Plan also recommended supporting improved LGU performance by strengthening the capacity of the Ministry of Local Government in monitoring and oversight, including strengthening the capacity of MoLG Directorates that have the mandate of inspecting and monitoring LGUs' activities.[76] The US-AID funded Local Democratic Reform Programme (TAWASOL) is providing support to this directorate under its new programme. MoLG can also make use of the specialised local government training centre in Jericho as a means of ensuring a clear link between performance assessment and capacity building activities for LGUs. The strategy should therefore consider all the ways in which the Ministry of Local Government can support performance improvement in local governance institutions in line with its role and functions defined in the Vision.

An initiative is also being piloted at the local level for involving local communities in assessing the performance of LGUs through Participatory Performance Assessment. These approaches are very new in the oPt and not currently well understood or widely accepted.[77] The strategy should also consider whether these methods are worth exploring more widely to support performance improvement in local governance institutions.

The Strategy may also identify priority areas of performance and service delivery where improvement efforts should be targeted – eg Planning, delivery of particular services, etc

Building capacity in the local governance sector		
	Issue	**Possible Options**
I	**How can the performance and service delivery of local governance institutions be strengthened?**	• Define clear performance criteria for LGUs and other local governance institutions, based on their roles, functions, responsibilities and accountabilities defined in the Vision • Define performance-based criteria linked to capacity building and incentives for performance improvement

[75] *Update on the major interventions in the local governance sector since 2004,* p45.
76 MoLG / UNDP, (2005), *Action Plan*, Group I, D2, p19.
[77] Local Democratic Reform Programme (TAWASOL) see *Update on the major interventions in the local governance sector since 2004,* p28.

		• Strengthen the capacity of the Ministry of Local Government in monitoring and oversight in line with the role and functions defined in the Vision. • Develop approaches for participatory Performance Assessment. • Introduction of appropriate support tools such as Total Quality Management etc?
J	**What are the priority areas for performance improvement and how can these be strengthened?**	• Planning – urban planning, strategic planning • Delivery of Specific services – water, solid waste management etc

Issue 12: Enhancing democracy and participation

The PRDP identifies participation by citizens and responsiveness to citizens' needs as fundamental elements of Good Governance which is one of four national policy goals.[78] It also states that "the PNA is committed to bringing government closer to the people by ensuring that local government is both empowered and accountable."[79] Making this commitment a reality means developing systems to enable citizens to participate in the process for making decisions that affect them. Public participation in decision-making is most advanced in the oPt in relation to planning processes due to a number of initiatives including:

- A number of processes supporting public participation in local development planning implemented in the oPt.
- MDLF's use of participation of citizens in planning and identifying development priorities as a criteria for resource allocation
- The Ministry of Planning assuming a lead role in promoting citizen involvement in planning processes, including the establishment of the National Consultative Planning Council.[80]

Enhancing participation also means establishing mechanisms to gather feedback from citizens in monitoring and evaluating services so these can be made more responsive to people's needs. In this respect initiatives are currently in place to test participatory approaches to LGU performance assessment, to build LGUs' capacity to communicate better with citizens, and to support greater transparency and accountability in local governance institutions.[81] However these have not yet become standard practice in the majority of LGUs.

It is also important that mechanisms to support democracy and citizen participation reach and include all parts of society, including women, young people and marginal groups. For example, the Elections of Local Authority Councils Law No. (10) of 2005 introduced measures to support the participation of women and religious minority groups in local democratic processes, (by the introduction of quotas). However a recent survey showed that more than half the women (52%) elected to local councils in the 2004/5 elections say that they do not feel fully included in decision-making processes and that they do not

[78] Palestinian National Authority, (2007), Palestinian Reform and Development Plan 2008-2010, p5.
[79] Palestinian National Authority, (2007), Palestinian Reform and Development Plan 2008-2010, p44.
[80] *Update on the major interventions in the local governance sector since 2004*, pp25-26.
[81] *Update on the major interventions in the local governance sector since 2004*, pp28-29.

intend to run again for election, and would not advise other women to do so.[82] This suggests that, despite the existence of a number of initiatives to support the capacity development of the elected women, these efforts have not been fully effective. More comprehensive processes to build awareness and capacity of ALL elected members to support the participation of women and marginal groups are needed, The strategy should ensure that mechanisms are systematically put in place to support participation, including specific measures targeted at electoral processes. On a wider level, initiatives have been put in place to support the development of Community level representative structures, such as Local *Action Committees* and *Youth Shadow Councils supported by the US-AID funded Local Democratic Reform Programme* to promote the direct participation of citizens in governance processes.[83]

Enhancing democracy and participation		
	Issue	**Possible Options**
K	How can citizen participation be strengthened across the system to make local governance institutions more responsive?	• Ensure community participation in decision-making is included and supported in the legal framework for local governance • Define standards for citizen participation • Institutionalise transparency and accountability mechanisms • Build capacity in community outreach and communication with constituents • Promote participatory planning processes. • Create systems for citizen feedback on services • Support development of local representative structures • Provide incentives to use participatory approaches
L	How can the participation of women and minority groups be supported?	• Quotas and other legal instruments • Awareness raising • Capacity building • Targeted approaches for consultation and participation

[82] *Al Quds*, 18 March 2009.
[83] *Update on the major interventions in the local governance sector since 2004*, p28.

Financial Framework

In addition to the changes required to existing financial frameworks and mechanisms required to achieve the Vision for the local governance system defined in Part one, the future Strategy for Local Governance in Palestine must address two major sets of issues with regard to the financial framework. These relate to:

- the financial sustainability of local governance institutions
- the creation of a unified financial management system

Issue 13: Financial Sustainability of Local Governance Institutions

LGUs in Palestine are currently facing significant issues regarding their financial sustainability. Both the PRDP and the 2005 Action Plan have emphasised the need to ensure a sound financial basis for local governance institutions, however little progress has been made in this regard. The strategy will need to ensure that the financial arrangements guarantee sufficient, sustainable resources for local governance institutions to meet their responsibilities defined in the Vision.

The issues related to the financial sustainability of LGUs are due to three major factors

- **Accumulated debt due to Municipalities from residents**: One of the major issues facing the Palestinian local government units is the increasing total debt due on municipal residents. This issue has existed for a long time, but it increased significantly during and since the second *Intifada*. The accumulated debt is related to three elements:
  - User fees for utilities services including electricity and water.
  - Local taxes, solid waste collection fees and other fees
  - Rent of municipal shops and properties, which is a new issue and particularly affects LGUs in Gaza.

  Table No. 1. shows the levels of accumulated debt affecting major municipalities in the oPt

Table No. 1

Total debt due on residents and on municipalities for selected Municipalities

As of 2006 in Million NIS

Selected Municipalities	Debt due on residents (in Million NIS)	Total debt due on Municipalities (NIS Million)
Nablus	160	
Gaza city	96	
Rafah	49	
Khan-Younes	23	
All Gaza Strip	292	
Qalqilia	35	
Al- Bireh	25	
Azoon	4	
Birzeit	3	

As shown in the table, the total debt due on residents was about 160 Million NIS in Nablus at the end of 2006. For all Gaza municipalities it reached about 292 million NIS at the end of 2006. The accumulated debt on municipal residents reached more than 100% of the annual budgets of the majority of the main

municipalities, and 250% of the annual budget of Rafah municipality. In addition, the total debt has been expanding in relation to rents of municipal shops and properties, including commercial complexes in Gaza which reached about 150 Million NIS in Gaza Municipality in March 2009. The low due debt in some municipalities such as Al-Bireh is due to the fact that it includes only taxes and fees and not charges for utilities services which are not supplied by the municipalities.

- **Local share of taxation**: The majority of the Palestinian LGUs complain that they are not receiving the appropriate share of taxes collected at the national level such as property tax, business license fees, fuel tax and transport tax, as determined by the relevant laws. Moreover, it is not clear that the percentage of such taxes assigned for LGUs is coherent with the responsibilities and services that LGUs are expected to deliver in the relevant areas. The Ministry of Finance claims that parts of this taxation should be retained at the centre to cover the accumulated debt due on the municipalities for the supply of utilities services such as of electricity and water to the occupation authority·
- **Increasing costs of labour:** In the majority of the Palestinian municipalities the cost of labour is increasing. This is due to the fact that LGUs are considered as a national vehicle to absorb increasing unemployment and the number of employees increases annually. For example Nablus municipality now has more than two thousands employees. On average, the cost of labour is about 40% of expenditure for all municipalities and may reach more than 50% of total expenditures in some cases. In addition, retirement payments for former employees are now paid from the regular annual municipal budget, with no allocated provident funds to cover such increasing costs.

In tackling the issue of financial sustainability of local governance institutions the future strategy will first need to address the following strategic question:

Assignment of resources for LGU functions		
	Issue	**Possible Options**
A	**Which LGU responsibilities and functions are to be covered from local taxes?** **Which Functions should be covered from centrally collected taxes?** **Which LGU functions should be funded from other sources of revenue?**	▪

13.1 Local Government Revenues: Taxes and Fees

The most important sources of revenue for LGUs are building fees, followed by utilities revenues, internal revenues collected from imposed taxes and fees for municipal services such as solid waste collection and disposal and revenues from renting LGU-owned properties. Therefore the definition and management of locally-based taxes and fees is a key area that must be addressed to ensure the financial sustainability of Palestinian local governance institutions.

Types of taxes

At present four types of local taxes exist in the West Bank including property tax and education tax based on property valuations, and Craft Licences and Business licences collected from commercial entities. Education tax is only imposed in the West Bank and is collected locally. This tax has a separate budget and is managed by a special committee to supervise its spending for educational purposes. Three different types of taxes are imposed on residents of village council areas including rural property tax, poll tax and business licences. These taxes and fees are defined in laws dating from the Jordanian period. In Gaza only two local taxes are imposed on residents of municipalities – Property Tax and business licences. Unlike in the West bank where property tax is assesses and collected centrally by the Ministry of Finance, which then pays 90% back to the municipality, in Gaza LGUs define and collect property tax locally. Rural property tax and business licences are also imposed on residents of local villages. Local taxes in Gaza are defined in laws that date from the British mandate period. The different local taxes and relevant tax rates applied (as of 2007) in the West Bank and Gaza are shown in the Table 2.

Table No. 2

Local taxes and rates in the oPt as of 2007

Municipality Taxes	**West Bank**	**Gaza**
Property tax	17% of rent value	15%
Education tax	7% of rent value	-
Craft licences	$ 10 -$ 250 a year	-
Business licences	$ 18 -$3500 a year	$ 10 - $ 1500
Local Village Taxes	**West Bank**	**Gaza**
Poll tax (head tax)	$ 4 per person	-
Rural property	$ 6 per dunum of land	15% of building rent
Business licences	$ 15 - $90 a year	$ 5- $ 50
Source: Dr Nidal Sabri		

The future strategy for local governance must therefore address the issue of whether there is a need to unify the taxation systems currently operating in the oPt, and what criteria should be used to determine acceptable variations. This means addressing the following questions:

Types of taxes and fees		
	Issue	**Possible Options**
B	**Should the local tax systems in the West Bank and Gaza be unified ie should the same taxes be applied to LGUs in both parts of the oPt**?	▪ Unified tax system ▪ Different systems in West Bank and Gaza based on specific criteria ▪ Different systems in West Bank and Gaza based on history
C	**Should these taxes and fees be applied to all LGUs regardless of size (municipalities and village councils)**	▪ Same taxes and fees for all LGUs ▪ Different taxes and fees for Municipalities and Village Councils based on specific criteria

Levels of taxes and fees

The basis used for the calculation and assessment of local taxes and fees is a key issue in ensuring that these sources generate sufficient levels of revenue to support the sustainability of LGUs. A number of different bases may be used for this purpose. For example building and land value is a common basis for the assessment of local taxes such as property tax, and education tax (levied in the West Bank), however different rates of property-based taxation may be set based on the quality, location and purposes of building (commercial property, residential housing, rental housing etc). Other bases for local taxation are also used may also be considered such as zoning classifications for land use or the number of individuals living in a property (such as the poll tax imposed in village council areas in the West Bank.

In addition to local taxes, LGUs impose fees related to the provision of services, including building fees. Local fees are generally set either as fixed fees for a specific service (such as solid waste collection fees or license fees) or based on levels of consumption (such as electricity or water used).

In considering the system of local taxation as a whole it is important to decide whether each local tax should be levied separately (as it is now) or whether they should be combined in one unified local tax as is the case in many countries. It is also necessary to decide whether to use one basis or multi-bases for imposing local taxes.

The level at which fees and taxes are set is another key consideration with regard to optimizing their contribution to LGU revenues. For example, in recent years UNDP has been supporting the Ministry of Finance and some large LGUs to review and update property valuations which were last reviewed in 1985, as these are an important basis for the assessment of local taxes. The same applies to the levels fees set for licences and services delivered by LGUs. For example, attention has been drawn to the need to increase the fees for building permits in Area A which fall within municipal boundaries. The building fees for residential properties are determined using different classes based on the luxury of houses and range from 1 to 3.5 JD per square meter, Rates for commercial properties are much higher ranging between 1 and 25 JD per square meter
It has been suggested that increasing the building fee rates for luxury buildings would be an effective way of enhancing the financial sustainability of Palestinian LGUs. It is also important to decide whether tax and fee rates should be standardized nationally or whether there should be room for variation and local discretion in determining the levels. For example, although property tax is the main local tax imposed in both parts of the oPt, the tax rates are different in the West Bank from those imposed in the Gaza Strip. If it is agreed that variation in tax and fee levels should be permitted to account for local conditions

Levels of taxes and fees		
	Issue	**Possible Options**
D	**What basis should be used for the calculation and imposition of local taxes?**	▪ Property size or land area ▪ Quality of Properties ▪ Purposes of Properties (Commercial, Residential, housing) ▪ Number of individuals resident, ▪ Consumption of services - Electricity or water
E	**Should local taxes be levied**	▪ Local taxes are defined and levied

	individually or combined into one unified tax?	separately ▪ Local taxes are defined separately but levied and collected together ▪ Local taxes are combined into a single tax with a single collection system
F	**Should the rates for these taxes and fees be the same for all LGUs in the West Bank and Gaza or should variation be applied (if so, on what basis)?**	▪ Same tax and fee rates for all LGUs ▪ Variation and local discretion in determining local tax and fee levels is permitted ▪ Criteria are defined to guide the setting of tax and fee levels in local contexts

Management and collection of local taxes and fees

The efficiency of the collection system is a third important consideration regarding the contribution of local taxes and fees as a source of LGU revenue. This is why key decisions are required to define who should be responsible for the definition, assessment, collection and management of local taxes. Currently a number of institutions have a role on the definition and assessment of local taxes including:

- Ministry of Finance, which collects national taxes, including occupation tax, transport tax and property tax, and transfers a proportion of these taxes to LGUs.
- Ministry of Local Government, which approves new taxes and fees and changes to tax and fee levels proposed by LGUs, and which is responsible for collection of building permit fees in Village Council areas
- LGUs (Municipalities and village councils) which collect some local taxes (education tax in the West Bank, property tax in Gaza) and set and collect fees for licences and municipal services.

There are several options for determining which institutions should be responsible for the definition, assessment, collection and management of local taxes and fees. These functions may be held at central government level or at local government level. For example, a UNDP project to enhance the management of property tax worked for two years on attempts to transfer the collection of property tax to LGUs, as suggested in the 2005 Action Plan, but found that existing laws and bylaws don't allow the transfer of this function. In addition, the collection rates for locally collected taxes (such as property tax in Gaza or the education tax in the West Bank) are very low, which does not provide much encouragement for extending tax collection responsibility at the local level. A solid evaluation of current local tax collection systems in the oPt is needed to determine whether it is appropriate to transfer more of this activity to the local level, and how LGUs can be supported to make local tax collection systems more efficient.

Alternatively the tax assessment and collection functions may be divided between different institutions. For example, the valuation and tax assessment of properties may be centralized under the Ministry of Finance or the Ministry of Local Government, or at some intermediate level such as the Governorate level, while responsibility for collection could lie with the municipalities and village councils. The key questions in determining where responsibility for these functions should lie relate both to the fairness and equity of the definition and assessment of local taxes and to the efficiency of collection.

Where central government has responsibility for the collection of local taxes it is important to ensure that clear criteria and an efficient mechanism exists for transferring

the appropriate revenues to LGUs, including a system to indicate on a periodic basic the accurate account balances with respect to accumulated debt due to the Ministry of Finance by each LGU. In some countries a specialised tax collection agency has been established to fulfil this function.

Management and collection of local taxes and fees		
	Issue	**Options**
G	**Who should be responsible for the *definition and assessment* of local taxes?**	▪ Central ministry (MoF / MoLG) ▪ Governorates ▪ LGUs (Municipalities & Village Councils
H	**Who should be responsible for the *collection and management* of local taxes?**	▪ Central ministry (MoF / MoLG) ▪ Governorates ▪ LGUs (Municipalities & Village Councils ▪ A separate specialised agency
I	***How can LGUs be supported to collect local taxes more effectively?***	▪ Evaluation of current local tax collection systems to identify improvements ▪ Definition of clear enforcement mechanisms ▪ Targeted initiatives to build tax collection capacity

Fiscal Transfers from Central Government - Local share of national taxation

A further source of revenue for LGUs can be provided through transfers from central government. This amounts to the allocation of a share of national revenue that is allocated for use at the local level and managed by Local authorities. For example, currently transportation tax derived from motor vehicle licences and traffic fines is collected on a national basis and an appropriate proportion is then paid to LGUs to cover relevant costs they incur for providing services such as road maintenance. The 2005 Action Plan recommended the creation of a comprehensive scheme of intergovernmental fiscal transfers as a means of enhancing the financial sustainability of LGUs. In some countries such transfers are made using a proportion of national level taxation which is allocated to local governments for use at the local level. If such a system of transfers from central government to LGUs is to be considered the strategy will need to consider the possible criteria that could be used as a basis for allocating resources in this way, taking into account considerations of efficiency and equity.

Several examples of potential mechanisms have been developed in the oPt. In 2006 the MDLF drafted a study about the transfer mechanism of distributing international aid to municipalities. Belgian Technical Cooperation also worked with a committee from the Ministries of Local Government, Planning and Finance to develop a mechanism to provide budget support to LGUs through a fiscal transfer mechanism established with the Ministry of Finance, although this mechanisms has never been operationalised. MDLF has also developed transparent criteria for allocating resources to LGUs, based on Population, Needs and Performance – this includes sub criteria regarding financial management, planning, having a strategic development plan, and operations and maintenance capacity

Transfers from Central Government		
	Issue	**Options**
J	**Should fiscal transfers from central government be used to fund the activities of local governance institutions?**	▪ No transfers from central government. LGUs cover their activities through their own revenue ▪ Existing transfer mechanisms ▪ Use of fiscal transfers expanded
K	**On what basis should central government transfers (or a share of national taxation) to local government be determined?**	▪ LGUs receive transfers based on area characteristics eg population, needs ((eg MDLF criteria) ▪ LGUs receive transfers based on services they provide ▪ LGUs receive transfers based on their performance (eg MDLF criteria)

13.2 Utilities Service Revenues

The majority of the Palestinian Municipalities and many Village Councils own electricity and water distribution networks and supply these utilities services to their area. The question therefore arises whether providing utilities services is helpful to the financial sustainability of municipalities or whether they a burden which costs more than the revenue they generate. The municipal financial data available from 2006 indicted that some municipally-operated water and electricity services are profitable as long as residents pay for the services. However in other municipalities utilities service provision is not profitable and some utilities services don't even cover their own variable costs.

Examining the efficiency of municipally-operated utilities services will be one of the priorities for maintaining the financial sustainability of LGUs. In this regard, the World Bank is currently conducting a study on the real costs for LGUs of providing electricity services which should help to highlight whether efficiency measures are possible to make improve the profitability of electricity service provision. Another approach to gathering this information suggested in the 2005 Action Plan is to adopt a special cost accounting system in LGUs including defining utilities services as independent profit centres with separate recording of their revenues and expenditures, For example the new accounting system for LGUs developed by MDLF through the Integrated Financial Management Information System (IFMIS) will distinguish utilities revenue from other municipal revenue to make it easier to track and management these resources. The 2004 Diagnostic report suggested a further step in this direction in the creation of Municipal Utility Enterprises in which utility services become organizationally distinct from the LGU with separate budget and financial management. The LGU could be the sole owner, part owner or operate the utility service in partnership with other public or private bodies.

Examining the performance and efficiency of municipal utilities may also be accomplished through the use of benchmarking standards. These include financial performance indicators and specific technical indicators related to each type of service. Such standards help to determine where efficiency measures can be put in place and to determine whether there is a need to restructure or privatize utilities service or to consider new business models such as public-private partnerships (PPP). The 2005 Action Plan raised the issue of whether utilities service provision should remain a municipal

responsibility. It pointed out that the PA favoured the regionalization of utility services but that this option encountered strong opposition from LGUs, and suggested that the issue of utilities restructuring needed further investigation, which has not yet occurred. In 2007 the PRDP defined the government's near-term objective as improving the efficiency and effectiveness of utilities service delivery. Over the long-term the PA will work towards ensuring that public infrastructure and utilities are managed on a commercially-oriented and financially viable basis and, over time, increasing the level of private sector investment and participation in infrastructure and utilities.[84] Another potential model is through joint service provision. Water services are amongst the most common service to be managed though Joint Councils for Services, Planning and Development (JCSPDs).

Another means of enhancing the profitability of utilities service provision is through the adoption of more efficient pricing strategies. The 2005 Action Plan recommended the evaluation of costing and pricing practices for utilities services to ensure that the price consumers pay for the service they receive is able to cover the costs of its provision. Many alternative pricing strategies exist in international practice which could be investigated.

Finally improvements to the profitability of utilities services can be improved by increasing the efficiency of the collection of fees, including arrears owed on services received in the past but still unpaid by consumers. The PRDP includes an objective to introduce ore efficient municipal fee billing and collection systems including the use of prepaid electricity meters. This approach has been piloted in 3 pilot municipalities and extended to a number of other communities.[85] There is also a project looking at prepaid metering for water services. The use of specialized agencies has also been used in other countries to improve revenue collection; however this option has not yet been investigated in the oPt.

Utilities service revenue		
	Issue	**Possible Options**
L	**Can municipally-operated utilities services be made efficient and sustainable?**	▪ Assessment of efficiency - Adoption of cost centre accounting - Benchmarking and performance measurement ▪ Creation of Municipal Utility Enterprises ▪ Adoption of effective pricing strategies ▪ Improved collection methods - Prepaid metering - Specialized collection agencies
M	**Should utilities service provision continue to be the responsibility of LGUs?**	▪ Utilities services remain the responsibility of LGUs ▪ Joint services are favoured ie JCSPDs ▪ New business models are implemented to improve the efficiency of LGU utility

[84] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010,* p 83.
[85] The Innovative Window Scheme (third component of the EMSRP II) with support from the World Bank. See *Update on the major interventions in the local governance sector since 2004,* p46.

		services eg Public Private Partnerships ▪ Utilities services are restructured into regional entities

13.3 Investment and Development

To ensure their long-term financial sustainability LGUs need to put in place profitable investments that produce permanent income. This may be through establishing business projects or using temporary available cash in short term investments. It may also involve actively encouraging private sector investment in public infrastructure and development projects that will benefit local citizens. These kinds of investment will enable LGUs not only to meet their obligations in providing services, but also to play a key role in promoting and leading local development.

Both the 2005 Action Plan and the PRDP (2008) mention the need for municipalities to have profitable investments, but no specific regulations have been developed to support this. Currently the only investment holdings in the Palestinian municipal sector are real estate, limited entertainment halls, Zoos, and a small number of business projects. The future strategy for Local Governance will need to consider option to support profitable investment strategies for LGUs. This may include using public private partnerships and other innovative models for managing municipal business projects, and accessing local capital financing such as bonds and equity sharing schemes to support investment and development projects as proposed by the 2005 Action Plan.

The Diagnostic report (2004) recommended examining the viability of issuing municipal loans to finance development and investment projects. In response to this need the Municipal Development and Lending Fund (MDLF) has been established, although its lending function is not yet fully developed. Moreover, a clear policy on the source of revenue for lending to LGUs will need to be developed to ensure the sustainability of this approach

Investment and Development		
	Issue	**Possible Options**
N	**How can LGUs be supported to develop revenue generating investments?**	▪ Regulations are developed governing investments by LGUs ▪ New business models for municipal services are tested and enabled ▪ Local capital financing instruments are developed for LGUs ▪ MDLF lending function is further developed and policy and mechanism for municipal loans for development are put in place
O	**How should loans for municipal development be financed and managed in the short, medium and long term?**	▪ Donor contributions ▪ National Revenue ▪ Local revenue surpluses ▪ Specific funds

Issue 14: Creation of a Unified Financial Management System

Considerable progress has been made in recent years in strengthening financial management systems in the local government sector. A large number of regulations, standards, procedures, manual and forms have been developed covering essential aspects of LGU financial management.[86] In addition several projects have supported the development and installation of Financial Management and Accounting Software systems in LGUs.[87] However these initiatives have not lead to the creation of a unified financial management system for local governance institutions. This is due to the following factors:

- **Lack of officially sanctioned standards**: The majority of the standards, processes and systems developed have not been legally adopted or officially sanctioned by MoLG or other related agencies as the basis for a unified system. There has never been a clear statement about the appropriate basis for accounting to be used by LGUs and no clear criteria have been defined to determine when and how systems should be put in place. For example a unified chart of accounts and a fixed assets price list and valuation methodology have been developed through MDLF, but their use has not been generalized nor approved or legalized by any of the related bodies. Furthermore, many of the standards, policies drafts and regulations have been developed and produced by various donors – funded projects but have not been officially adopted by government institutions beyond the confines of the project. The design of financial management software systems has also drawn on standards which have not been officially sanctioned on a system-wide basis.
- **Lack of clear objectives for financial reporting**: Various computerised financial management systems and software have been developed and implemented without a clear definition of the system objectives or the financial reporting objectives. There is no unified statement of the objectives for financial reporting for local governance institutions which means that there is no clear basis for unifying existing or new systems. In addition, some Grade A municipalities deal directly with donors for the implementation of municipal development projects, rather than through the MDLF. Accordingly, they prefer to have accounting system which can produce the needed financial reports requested by donors, particularly in the absence of clear sanctioned standards at the government level
- **Lack of integration between budget and financial management systems**: The quality of financial data is poor, particularly with respect to budgets. For example the level of accumulated debt due to municipalities, and shortfalls in tax and fee collections are not reflected in annual budget estimations which means that the actual figures of financial statements are far from the budgeted figures. The annual expenditures budget can only be accurate if it based on realistic estimations of expected revenues.
- **Lack of overview and evaluation**: The financial management systems introduced into LGUs that have been developed by different donor funded programmes have rarely been reviewed or evaluated to verify the quality of the systems or their level of coherence with other systems used in the sector.

[86] *Update on the major interventions in the local governance sector since 2004*, pp 36-39.
[87] *Update on the major interventions in the local governance sector since 2004*, pp 40-42.

In setting the basis for a unified financial management system for local governance institutions in the oPt the future strategy will need to address the following strategic questions:

14.1 Financial Management and Accounting Standards

The most important issue to address is the definition of the objectives of financial reporting for local governance bodies. These might be to determine whether current-year revenues are sufficient to pay for current-year services, to explore whether resources were obtained and used in accordance with the municipal adopted budget, to indicate the extent of compliance with finance-related legal or contractual requirements. In particular it is important to decide whether LGU budgeting should be integrated with the financial management and accounting system, as this will influence the definition of data requirements for both systems. Similarly there is a need to decide what other systems should be connected, such as to the human resource management and purchasing and inventory systems. A related question must then be answered regarding the most appropriate accounting system to be adopted at LGU level, e.g (cash, modified cash, accrual etc) that is capable of producing the most relevant financial data for the desired uses. Once these issues have been resolved issues regarding other technical accounting and financial management practices can be codified.

Another significant issue that needs to be addressed is whether to have a unified financial management system and software for all municipalities and village councils, or to have a flexible system that can be adapted for different municipalities and village councils (eg one editions for each of A, B, C, of municipalities and the fourth edition for the village councils). The four different editions may be having some common factors, but are different in capacity, number of accounts, and other extra subsystems. For example the Integrated Financial Management Information System (IFMIS) that has been developed through MDLF is considered to be a very complete and robust financial management system, but it is likely to be unnecessarily complex for use by village councils.

Financial Management and Accounting Standards		
	Issue	**Possible Options**
M	**What are the targeted objectives of LGU financial reporting?**	▪ Determine relationship between revenues and service costs ▪ Compare actual resource use with budget estimations ▪ Measure compliance with legal or contractual requirements,
N	**What other systems should be linked to the financial management and accounting system?**	▪ Budget preparation ▪ Human Resources ▪ Inventory ▪ Procurement
O	**Should there be a unified financial management system (and software) for all municipalities & village councils?**	▪ A single system applicable to all LGUs ▪ A flexible system with a common core ▪ Different systems to fit specific needs

14.2 Financial Oversight and External Control

The existence of a large number of standards, guidelines and templates for financial management developed within donor-funded projects but not officially adopted raises the issue of which institution (or institutions) should have responsibility for determining and sanctioning the elements of a unified financial management system? A number of bodies have a potential role in this area, including the Ministry of Local Government, Ministry of Finance, MDLF, APLA and others. Defining clear responsibilities in this field would be a useful step towards the development of a unified system for LGUs.

Another issue that needs to be addressed concerns the external control of LGU financial management. According to the present regulations, this task should be referred to a government audit agency, the Financial and Administrative Control Bureau (FACB), as is the case in most countries in the world. However, in practice, this process is more complicated and often involves the intervention of the Ministry of Local Government and its district offices. However this is complicated as the MoLG also operates as an internal control. For example, the ministry requires permission for any payments over 5000 JD which means that nearly all payments made by the majority of municipalities require permission from MoLG. In some municipalities the financial accounts are reviewed by a private external auditor, to meet the requirements of donors, although this practice is not commonly used elsewhere in the world. Accordingly, there is a need to clarify which body should have responsibility for the external auditing of financial management of LGUs.

Financial Oversight and External Control		
	Issue	**Possible Options**
P	**Who should have responsibility for determining and sanctioning the elements of a unified financial management system?**	▪ MoLG ▪ Ministry of Finance ▪ MDLF ▪ APLA ▪ A composite body
Q	**Which body should have responsibility for the external auditing of financial management of LGUs?**	▪ Government Audit agency – FACB ▪ MoLG ▪ Private external auditors

Immediate priority issues in the local governance sector

In addition to defining the steps to implement the long term Vision for the Local Governance system, the strategy must also identify activities necessary to address immediate priority issues affecting the local governance sector, which require significant investment of attention and resources. These include:

Issue 15: Addressing the effects of the Separation Wall

The PRDP identifies the establishment of a targeted initiative to provide special assistance to communities affected by the construction of the West Bank Separation Wall as one of the main targets and objectives in the local governance sector for the period 2008-10.[88] A number of programmes are already in place to support communities affected by the wall.[89] However, approaches to addressing the impact on local governance and on local governance institutions in the longer term will need to be defined.

Addressing the effects of the Separation Wall		
	Issue	**Possible Options**
A	**What can be done to address the effects of the Separation Wall on local governance institutions and the communities they serve?**	

Issue 16: Reconstruction in Gaza

The recent MDLF report on damages in the municipal sector in Gaza as a result of the Israeli attacks in December 2008 and January 2009[90] shows that 19 of the 25 municipalities in Gaza suffered damages amounting to a total value of $US46M. 80% of the damages are concentrated in the 3 municipalities of Rafah, Gaza City and Beit Lahia. These damages has had a profound effect on municipal service delivery eg through the destruction of municipal buildings, administrative records, storage facilities, construction and maintenance equipment. They have also had a serious effect on municipal revenues which were already showing substantial deficits in 2007. 70% of Gazans are now fully aid dependent. In addition municipal assets which provided additional sources of revenue, such as markets, have been destroyed. This means that the tax and fee base used to finance municipal services has collapsed leaving many municipalities unable even to pay staff salaries. At the same time the destruction in Gaza has resulted in greater pressure on municipalities to provide services including responding to the needs of displaced populations, and the need for rehabilitation of basic infrastructure, including demolitions, land surveying and urban planning

The report prepared by the MDLF and endorsed by MoLG as part of the *National Plan to Rebuild Gaza* contains the following recommendations:

- Immediate response through the extension of the Emergency Municipal Services Recovery Programme (EMSRP II) to restore vital services and enable them to pay for service costs, opening critical roads etc. requiring an additional $US7M.
- Medium term response (6 to 12 months) focused on the reactivation of basic services including solid waste collection and rehabilitation, road opening, rubble removal,

[88] Palestinian National Authority, (2007), *Palestinian Reform and Development Plan 2008-2010,* p 41.
[89] *Update on the major interventions in the local governance sector since 2004,* Part Two (programme database)
[90] MDLF (2009), *Gaza Municipal Sector Damage Assessment.*

water and waste water rehabilitation (through CMWU), land surveying, street lighting to the value of $13M

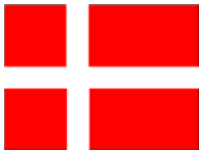
- Longer term response (12-30 months) focusing on urban planning, street rehabilitation, revitalization of revenue base (markets, parks, etc) and rehabilitation of administration buildings to an estimated value of $US33M.

Reconstruction in Gaza		
	Issue	**Possible Options**
B	**What can be done to support reconstruction of local governance bodies in Gaza and the communities they serve?**	

Issue 17: Jerusalem

Local Authorities in Jerusalem face a number of specific challenges that will need to be addressed in the strategy for local governance in the oPt. For example, the LGUs in the area surrounding Jerusalem are referred to as "local councils" although it is not clear whether these bodies have the same status as municipalities or other types of LGUs. The LGUs in the Jerusalem area also face continuous pressure from the expansion of Israeli settlements and urban development which will need to be addressed.

Jerusalem		
	Issue	**Possible Options**
C	**How can the LGUs surrounding Jerusalem be better integrated into the local governance system of the oPt?**	
D	**What can be done to address the effects of Israeli expansion on local governance institutions surrounding Jerusalem and the communities they serve?**	



GOVERNMENT OF DENMARK

PALESTINIAN AUTHORITY

UNITED NATIONS
DEVELOPMENT PROGRAMME

Update of Diagnostic Report on the Local Governance System in the oPt and the Action (Implementation) Plan

PART 3

ACTION PLAN

FOR THE DEVELOPMENT OF A STRATEGY

FOR LOCAL GOVERNANCE IN PALESTINE

July 2009

United Nations Development Programme/Programme of Assistance to the Palestinian People (UNDP/PAPP)

Local Governance Support Programme in the Occupied Palestinian Territory

Funded by the Government of Denmark

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Introduction

This paper is intended to set out the steps necessary to develop a *Vision and Strategy for Local Governance in the Palestinian Territories*, as required by the *Palestinian Reform and Development Plan* (PRDP). It accompanies the paper identifying the issues that the future vision and strategy for the local governance sector will need to address, and sets out the main steps for the strategy development process.

The *Vision and Strategy for Local Governance in the Palestinian Territories* will represent the official policy of the Palestinian Authority and set the direction of development for local governance towards a long term vision. For this reason the Action Plan is based on the use of a participative and inclusive strategy development process, in which Palestinian institutions and organisations lead both decision-making and delivery, with timely support and assistance provided by International Partners where necessary.

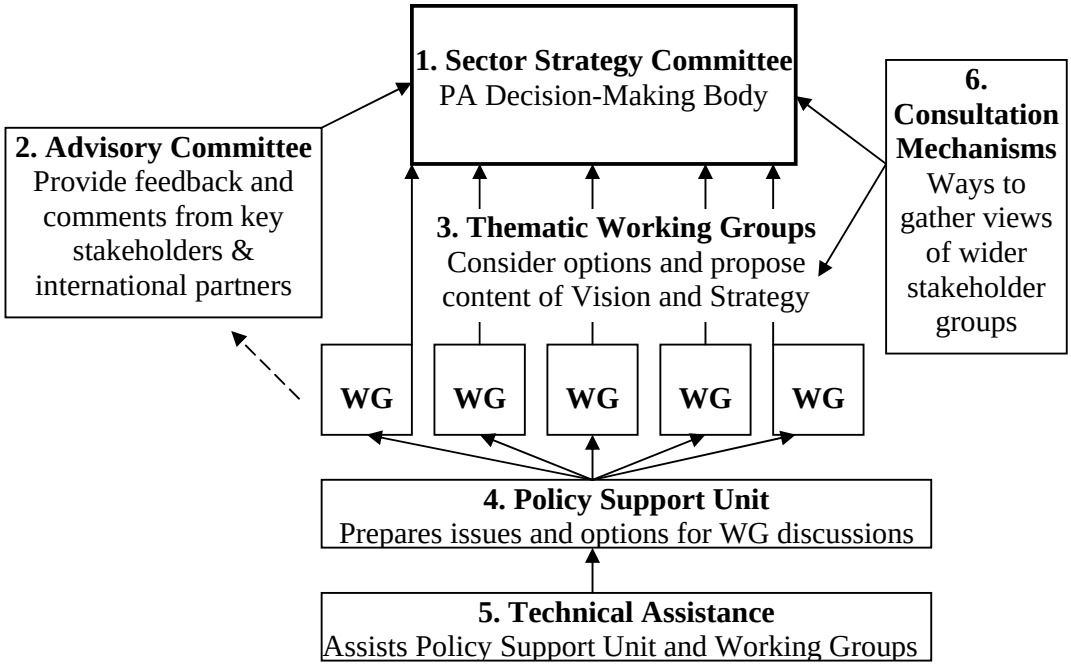
The development of the *Vision and Strategy* will require a clear process for discussion and decision-making, including the establishment of appropriate bodies to lead, manage and support the process. These are set out in the Action Plan.

To meet the timeframes required by National Planning processes and as it stipples in the Guidance Manual for strategy development issued in May 2009 and inform the update to the PRDP the Draft *Vision and Strategy for Local Governance* the first draft must be developed by 31 October 2009. The final strategy must be submitted by the end of March 2010. The Action Plan therefore suggests a series of steps to implement the strategy development process. Implementation of the Action Plan will need to begin immediately to meet the dates assigned in the Guidance Manual.

A. **Governance and Decision-Making Structures**

The process to develop a *Vision and Strategy for Local Governance in the occupied Palestinian territory* will require establishment of a number of specific bodies to consider and make decisions on the key issues that the Strategy must address. The major structures necessary for the development of the Vision and Strategy and their principal functions are set out in the diagram below. Each structure is then described in detail.

Overview of the Governance and Decision-Making Structures for the Vision and Strategy



1. Sector Strategy Committee (SSC)

The SSC is the core decision making body responsible for determining and validating all policy decisions for inclusion in Vision and Strategy. The Committee will consider all issues and options submitted by the thematic working groups. It will also consider feedback and advice provided by the Advisory Committee and collected through consultation with wider stakeholders and takes the final decisions about what will be included in the Vision and Strategy. The SSC and its members are the owners of the Strategy and will be responsible for actively supporting its implementation and communicating it to Stakeholders and the wider public.

As the principal decision making body the SSC is effectively defining the official policy framework for Local Governance in Palestine. For this reason the SSC should be comprised of high level representatives of all relevant Palestinian Authority institutions. Other institutions may be included in the Committee with the agreement of all members. The core members of this group should include:

- Minister of Local Government
- Senior Representative of the Office of the President

- Minister of Finance
- Minister of Planning and Institutional Development
- Minister of Interior
- Representatives of the PLC Local Government Committee
- Association of Palestinian Local Authorities (APLA)
- Municipal Development and Lending Fund (MDLF)
- Danish Representative Office/ Ramallah
- World Bank

2. Advisory Committee

The Advisory Committee plays an important role in providing feedback, comments, recommendations and suggestions from key stakeholders & international partners on the issues and options considered during the strategy development process. The Advisory Committee will be composed of key stakeholders, including international partners and donors, who have a key interest in the Local Governance sector. The Advisory Committee for the Vision and Strategy for Local Governance could be the Local Government and Municipal Development Sector Working Group.

It is advisable that the Advisory Committee receives the documents prepared by the working groups before they are submitted to the SSC so they have time to provide comments. This means that the SSC can take into account the comments and suggestions raised by the Advisory Committee in their discussion of papers prepared by working groups.

3. Thematic and Synergy Working groups

The role of the Working Group is to consider in detail all the issues and possible options that must be addressed in their thematic area, and to provide recommendations on the best policy option to the SSC. Working groups will also identify where it is necessary to collect more information, conduct further studies or conduct targeted consultation with wider stakeholder groups in order to fully develop policy options.

The strategic issues and their options should be distributed over the thematic and synergy groups according to their specific theme. The working groups will act as decision aiding and decision support body to the sector working group and the Sector Strategy Committee.

In addition to the present members of each group, membership should open for others as deems necessary.

4. Policy Support Unit

The Policy Support Unit is the body that will take overall responsibility for running the strategy development process. For this reason, the largest part of the work in preparing and drafting the Vision and Strategy will be carried out by this unit. The Policy Support Unit will develop the agenda for Working Group meetings, prepare the necessary documents and background information on the issues and policy options to facilitate the discussions, and draft the recommendations developed during Working Group discussions for submission to the Sector Strategy Committee.
The Unit will also act as the secretariat for the Advisory Committee and the Sector Strategy Committee by providing the documents for discussion and recording all

recommendations and decisions. For this reason it is the Policy Support Unit that will take responsibility for drafting the Vision and Strategy document.

Ideally the Policy Support Unit should be an integral part of the lead Ministry in the strategy development process. This is desirable because it ensures that once the strategy process is completed there are still people within the organisation who clearly understand the process used to develop it and the reasons why decisions were made. This understanding is extremely important for supporting strategy implementation and for monitoring progress. The development of a Policy Unit within the Ministry of Local Government, which is currently under discussion, would be the best option for providing policy support to the Vision and Strategy process.

If it is not possible to draw on policy support from a single organisation, another option is to form a special policy support unit with staff provided by several institutions dedicated to supporting the strategy development process. Staff allocated to this unit must be involved on a full time basis for the period of the strategy development so they can devote their full attention to this process.

5. Technical Assistance

As the strategy development process is very intensive, and will be new to many staff in government organisations it is advisable to ensure that technical assistance is available to support the Policy Unit to run the process, collect necessary information, prepare all necessary materials and draft the final Vision and Strategy document. Technical assistance generally involves hiring consultants with relevant competencies and experience in managing similar processes to build the capacity of the Policy Support Unit.

6. Consultation Mechanisms

At certain points in the development of the *Vision and Strategy for Local Governance* it will be important to consult with wider stakeholders**.** This is important both to ensure that the perspectives of all those likely to be affected by proposed changes have been considered, and to raise public awareness of the strategy process and the issues being addressed. Consultation is, of course, particularly important for a strategy in the area of Local Governance since the Palestinian Authority has defined transparency and public participation as core principles of good governance. Public and stakeholder views should be presented to the Sector Strategy Committee to inform their decision-making on key policy issues.

A considered plan for consultation and stakeholder involvement will need to be developed. This will be the responsibility of the Policy Support Unit with help from technical assistance providers. The plan should set out how the process intends to involve all major stakeholder groups in the process. Options for wider consultation include:

- Consultation on the key issues and policy options to ensure that the strategy covers all relevant issues (at the beginning of the process)
- Targeted consultation on particular issues identified by working groups or the Sector Strategy Committee (as the process develops)
- Consultation on a draft vision and strategy, seeking suggestions for improvements (towards the end of the process).

A variety of consultation mechanisms and techniques may be considered including public meetings in a number of local areas, workshops with target groups, written feedback (eg surveys or comment forms etc). A specialised consultancy may be used to design and conduct consultation and communication activities as part of the strategy development process

B. Guiding Principles for the Local Governance strategy Development

- As the selected options will constitute the major pillars and objectives of the upcoming local governance strategy, which shall cover all stakeholders and aspects of local governance system. It is of major importance for all stakeholders to participate in the process of evaluation and selection of the optimal options on equal foot and in transparent manner.
- Importance of gradual implementation of strategic objectives and options and to create the enabling environment and pre-requisites for each step and phase before moving to it, this is especially important when it relates to the decentralization issues such as property tax collection or offering health services. If the strategy option selected will assign such responsibilities to the LGUs, the capabilities of the LGUs need to be examined, accordingly legal, institutional and human resources requirements and capacities need to be improved, the process will be implemented step by step on logical sequence.
- The strategy formulation is part of a process including, planning, impact assessment, monitoring and evaluation and finally adjustments and updates. So to assure ownership, objectivity, quality and transparency a sector strategy committee need to be established to guide and steer the process and to assure harmony with the national policies and sectoral strategies. A policy decision support unit needs to be established in the MoLG to deliver technical assistance and act as decision aid and think tank for the sector steering committee. (see section A)
- The local governance strategy formulation should be prepared within the draft strategy guidelines issued by the MoPAD (May 2009), due attention should be given to the time lines identified in the guidelines.
- The strategy implementation plan (action plan) should reflect the priority areas and intervention that are needed at the short and medium terms for the local governance sector with clear division of labor and responsibilities and to reflect the needs and link the national, sub national and local levels.
- The activities included in the plan should be linked to the budget process of PNA to assure that the prioritized interventions are not just a shopping list of wishes, but realistic in term of funds available, time frame, availability of institutional, legal and human capacities.
- Quality assurance, accountability, monitoring and evaluation constitute an integral part of the strategy. Objectively verifiable indicators, milestones, responsibilities to assess the progress in achieving the sector objectives and priority interventions need to be identified. Data base and sources of verification need to be established at the early stage of the process.
- Harmonization and coordination of donors' interventions is a pre-requisite for the success of the strategy formulation and implementation. The sector working group and its thematic and synergy groups should play an active role and deliver technical assistance and advice to the sector strategy committee, MoLG and the formulation team all through process.

- Mechanisms and modalities for risk aversion and crises management need to be identified, to minimize the negative impact of certain events and action during the process of strategy formulation and implementation. This should be linked to the realistic assumptions and scenarios, as a case what if certain assumption or components of the scenario don't materialize.
- Selection of the options, should be based on well identified and carefully developed criteria, that reflect all the aspects related whether economic, financial political institutional, environmental or social, sub criteria such as job creation, gender, equity should be identified especially in the process of valuation including weighing, scoring and ranking Special technical and moderation skills are needed to assist all through the process.
- Depending on the definition to be adopted for the local governance system, and in case the broad definition is adopted including which will include LGUs, governorates and services providers such as health and education and to perform certain function such as the tax collection, certain decisions need to be taken at the highest level in that regard before moving to the next steps.

C. **Process planning and Implementation**

The key steps for the development of the *Vision and Strategy for Local Governance* are set out below. To meet the timeframes required by National Planning processes and inform the update to the PRDP the first draft of *Vision and Strategy for Local Governance* must be developed by 31 October 2009. The final strategy must be submitted by 31 March 2010. Implementation of the Action Plan will therefore need to begin immediately. A suggested implementation time frame is included below.

1. Key steps for the development of the Vision and Strategy

Actions \ Month	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1. Establish Sector Strategy Committee										
2. Establish Policy Support Unit										
3. Identify and procure relevant Technical Assistance										
4. Identify Advisory Committee(SWG)										
5. Define Working Group themes and membership(Thematic and synergy)										
6. Develop stakeholder consultation and communication plan										
7. Define agendas for Sector Strategy Committee, Advisory Committee and Working Groups										
8. Working group Discussions										
9. Sector Strategy Committee Discussions										
10. Advisory Committee Discussions										
11. Further information collection										
12. Targeted consultation										
12. Produce the first draft Vision and Strategy Document										
13. Submit Draft Strategy to Ministry of Planning 30/11/09										
14. design and conduct stakeholder and public consultation on the first draft strategy										
15. Receive comments from Ministry of Planning 31/12/09										
16. Proposed revisions to Strategy submitted to Working groups										
17. Proposed revisions to Strategy submitted to Sector Steering Committee for Approval										
18. Produce final Vision and Strategy Document										
19. Submit Strategy to Ministry of Planning										
20. Forward the strategy to the Council of Ministers for final approval 15/4/09										
21. Communicate strategy to public &stakeholders										