



Building a Better World

CHF International / West Bank and Gaza

Local Democratic Reform Program
LDR

TAWASOL

Implementing PVO: CHF International – West Bank / Gaza in Partnership with ARD Inc. and Center for Engineering and Planning

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1.0 Program Status

On April 26, 2006 CHF received a USAID notice of intent to suspend assistance to the EPLA program and on July 25, 2006 CHF received a second notice, relieving the intent to suspend what has since been re-branded as the Local Democratic Reform Program (LDR). USAID approved the Arabic name for LDR, *Tawasol* which means sustained communication and connection.

Since the lifting of the intent to suspend, the LDR Consortium has been awaiting authorization from the USAID Mission to proceed with programmatic activities. In the mean time, the Consortium received a draft copy of the LDR Scope of Work which will be an addendum to the Modified Cooperative Agreement. Using the draft Scope of Work as guidance, and with repeated consultations with the Mission's DG Team Leader Nancy Shalala and our new CTO Ashraf Shuabi, the team has been developing an implementation plan to be submitted to the mission 15 days after receiving the Modified Cooperative Agreement for LDR.

The objectives of LDR are nearly identical to that of the original EPLA program, with the national level component frozen until further notice, in adherence with USG policies and guidelines in regard to contact with the Palestinian Authority. The program therefore, does not primarily carry a humanitarian assistance agenda, as we had been informed last reporting period, but focuses rather on local governance, democracy building and reform; as was the case under the original EPLA program. Other notable modifications to the EPLA Scope of Work include:

- Suspension - but not cancellation - of activities associated with supporting national level policy reforms requiring assistance and/or contact to the Palestinian Authority in order to conform with USG regulations and contact policies;
- Adjustments to activity areas such that no LDR assistance will flow through or materially support the Hamas-led Palestinian Authority;
- Re-focus of program efforts on elected local government units that remain eligible for assistance under USG policies;
- Additional focus on support to democracy-building activities and encouragement of moderate, democratic leadership in non-FTO municipalities; and
- Structural adjustments so that the program can provide both services (i.e., technical assistance, grant and in-kind) and emergency assistance at the local level. The provision enabling emergency assistance activities is especially vital given the rapidly changing humanitarian crises in the West Bank and Gaza.

2.0 Update on Operating Environment

The humanitarian and socio-economic situation in the West Bank and Gaza continues to deteriorate. CHF and LDR closely monitor developments on the ground and take them into account for program planning and implementation.

Due to the military operations and continued closure of the Gaza Strip, Palestinians living there are experiencing profound deterioration in living conditions. According to the World Food Program, some 70% of Gazans are now food insecure. 73% of Gazans are currently living under the poverty level. A serious humanitarian crisis prevails in the West Bank, albeit not as extreme as in the case of Gaza. Some 60% of West Bank residents are below the poverty line and dependent on food aid.

3.0 Activities

While awaiting authorization by USAID to proceed with programmatic activities under LDR, the Consortium has been carrying out pre-engagement and preparatory activities to ensure that the team is ready to mobilize immediately after receiving the go ahead from the Mission to do so. The activities this past reporting period have included training of staff and facilitators in Advanced Participation Methods to prepare them to carry out the Program Planning Workshops which will be implemented with LGUs and Community stakeholders as a means of identifying priority actions for LDR.

The LDR Management team worked extensively this past period on the Annual Implementation Plan to be formally submitted to the Mission after we receive the Modified Cooperative Agreement. In the course of developing the document the team worked closely together to fine tune the strategy, methods and procedures of the program to be in line with the modified scope of work and sensitive to the political environment.

The LDR Management Team also proposed program localities for LDR in a site selection paper submitted to the Mission and also carried out an assessment of the status of the local governance sector and presented the findings to the mission in the "Local Governance Sector Update".

The LDR Team has been developing manuals and tools to be used by staff once we launch program activities including field manuals, facilitation manuals and research and documentation tools such as surveys and forms for data collection.

3.1 Training Seminar on Advanced Participation Methods

On July 11-13 and July 16-18 LDR held two, three-day training seminars with the facilitation of ARD's Senior Participation Specialist, Gary Forbes. Over forty facilitators were trained including CHF and ARD staff as well as facilitators who will be contracted by LDR to assist in workshop implementation throughout the West Bank. Advanced Participation Methods (APM) is a bundle of refined methodological tools that strengthen public participation in development activities. LDR will be utilizing these methods in the implementation of program planning workshops in approved program sites.

Held at the City Inn Palace Hotel in El Bireh, the training seminar was a great success. Participants were trained in a variety of facilitation techniques and methodologies including the Consensus Building Workshop, Focused Discussion Method, and Action Planning Method. As part of the training seminar, participants were required to actually implement these techniques, each taking a turn as "facilitator" in order to refine their skills and have the opportunity to gain feedback

on their performance by Mr. Forbes. As part of his consultancy with LDR, Mr. Forbes also worked with staff on the draft design of the Program Planning Workshop.

3.2 Document and Manual Production

Two key documents were developed and submitted to the USAID Mission this reporting period with work on the Annual Implementation Plan ongoing until a request for submission is received from the Mission. The following outlines the work completed on these key documents.

Site Selection Paper

This first is a **Site Selection Paper** in which the LDR team lists proposed program sites and the rationale and justification for the selection of each site. The site selection method and criteria used by the Team are also detailed. This paper has been presented and discussed with USAID Mission representatives and we are awaiting final approval on the proposed sites.

Local Governance Sector Update

The second paper submitted this period is the first of a new series titled "**Local Governance Sector Update**", a paper which provides a brief overview of the status of the local governance sector as well as that of relevant ministries and other institutions. One of the key activities under the LDR objective to conduct analysis highlighting trends and challenges in local government, LDR will be carrying out assessments and developing these Sector Updates for presentation to the Mission at regular intervals through out the program period. The intent of the Sector Updates is to provide a snapshot of the local government sector on an on going basis. The frequency of reporting will be agreed to with USAID, as will custom design of sub-sectors and key issues to be explored in a given update. (See Annex B)

Annual Implementation Plan

The LDR Team received a draft copy of the Modified Cooperative Agreement in August and was informed that an Implementation Plan would be due to the Mission 15 days after the signing of the final Agreement. Following the Scope of Work within the draft plan, the LDR Team has been developing a detailed **Implementation Plan** for programmatic engagement during the period October 1, 2006 through March 31, 2006 (18 Months).

The revised Scope of Work for LDR and the implications of USG policies and regulations with regard to contact with or assistance to designated FTOs have required substantial revisions to implementation methods originally conceived under EPLA. The LDR team has met extensively this past period to brainstorm and work through an approach, method and strategy to the implementation of the revised program in a way that will maximize impact and outcomes while remaining opportunistic and flexible to adjust to the volatile and complex socio-economic and political context. Frequent contact and consultation has also been carried out with Ms. Nancy Shalala (Director of the Democracy & Governance Office in the USAID Mission) and Mr. Ashraf Shuaibi (Cognizant Technical Officer in the DGO) in the design of the Implementation methodology.

Research and Documentation

The envisioned strategy for LDR includes several research and documentation activities including mapping of program sites, documentation of the Program Planning Workshops, as well as documentation of LGU Action Plans. The LDR team has been working this past period on the development of the methods and tools to carry out these activities. A draft field engagement manual as well as a draft facilitation manual has been developed for use by field staff and Workshop Facilitators. The team is also currently developing mapping surveys, forms and database designs to store information on each participating LGU and community.

3.3 Visits, Meetings, Consultations, and Notices

During the period under review, the LDR Consortium had meetings with USAID staff and with other PVOs to coordinate future implementation. The most relevant meetings with USAID were:

- July 6, 2006, Tel Aviv: Ms. Nancy Shalala, Ms. Samah Khoury, Mr. Kenn Ellison, Mr. Henri Disselkoen; meeting regarding future LDR implementation.
- July 11, 2006, OSAC meeting in Ramallah with Mr. James Beaver as key note speaker.
- August 3, 2006, Tel Aviv: Ms. Nancy Shalala, Ms. Lana Abu Hijleh, and Mr. Kenn Ellison; meeting regarding LDR modification on the scope of work.
- September 5, 2006, LDR office Ramallah/EIBireh: first meeting between Ashraf Shuaibi (new CTO) and LDR staff.
- September 14, 2006, Tel Aviv: partner meeting with the DG Office.

CHF received the following notices and official letters from USAID:

- # 2006-WBG-23, dated July 25, 2006, regarding USAID permits.
- # 2006-WBG-27, dated Aug 9, 2006, regarding danger pay in Tel Aviv and Jerusalem (CHF does not pay 'danger pay' in WBG).
- # 2006-WBG-24, -26, and -29 regarding travel advice and restriction.
- # 2006-WBG-25 and -30 regarding OFAC Special License 597: valid throughout the entire period July – September.
- Letter dated July 7, 2006, from Ms. Nancy Shalala (Head of DGO) regarding # 2006-WBG-21 (June 23, 2006), regarding compliance with the Emergency Supplemental Appropriation Act; response by Ms. Lana Abu Hijleh that CHF is in full compliance.
- July 25, 2006, the relief of the intent to suspend the EPLA/LDR Cooperative Agreement.
- August 14, 2006, two internal memos from CHF Head Quarters to ensure compliance with USAID's policy on disability and environmental regulations.
- September 8, 2006, USAID's interim approval to resume LDR implementation; draft modified scope of work shared.
- September 14, 2006, Cooperative Agreement 294-A-00-05000242-00 modification # 4 (September 13, 2006): incorporation of the revised Special Provision "Prohibition against Cash Assistance to the Palestinian Authority". On September 15, Mr. Jim Russo signed this modification on behalf of CHF. Ms. Lana Abu Hijleh submitted it on September 16.

- September 22, 2006, USAID's request for a budget for LDR under two scenarios: 12 months and 18 months.
- September 26, 2006, the designation letter for the new LDR CTO, Mr. Ashraf Shuaibi per September 14, 2006.

3.4 Leveraging with other USAID Program's

Several meetings were held with USAID implementing partners to ensure full cooperation and coordination and enhance potentials for future leveraging when all programs are fully operational. Coordination meetings were held with EDC-RUWWAD, ARD-RAFEED, ANERA-Emergency Water and Sanitation Program, HANAN Projects and WFP-USAID Food for Word and Food for Training. USAID is working on a more formal cooperation structure between different partners, but for the present time ideas are being discussed and shared with USAID to inform their decisions on the future cooperation structure.

4.0 Administration

Staffing

Issam Aqel, the Strategic Planning and Democratic Governance Team Leader under EPLA resigned. Re-staffing the position was delayed until LDR modified scope is finalized and the program is fully operational. CHF is reviewing the Program staffing and offices structure and in consultation with USAID will undertake a restructuring process to conform to the needs of the revised program and the available budget.

5.0 Difficulties Encountered

Travel in the West Bank is increasingly difficult as the number of checkpoints and roadblocks has increased through out the territories. Travel to and from Gaza is also complicated by repeated closure of the Strip by the Israeli Military. While program field operations have not been carried out this period, and most activities have involved internal preparations for re-engagement, these closures have not posed serious restraints. However, once LDR launches field operations, closures and checkpoints may cause difficulty in staff travel to and from program sites. LDR has taken accessibility into account in selecting the targeted program sites in an attempt to mitigate this risk.

In Gaza, the dire economic situation has prompted a rise in inter-family conflicts and a spike in criminality. The LDR team continuously monitors and assesses security risks within proposed targeted localities in Gaza to ensure the safety of field staff once field engagement proceeds.

ANNEX A – APM Training Photos



Welcome Sign, APM Training July 2006



APM Training Seminar



Gary Forbes Leading the APM Training



Participant Describing Needs in APM Training

ANNEX B – Local Governance Sector Update



CHF International / West Bank and Gaza

LOCAL DEMOCRATIC REFORM PROGRAM

Cooperative Agreement # 294-A-00-05-00242-01

LOCAL GOVERNANCE SECTOR UPDATE
#1

AUGUST 2006

This paper is the first of a series that will provide a brief overview of the status of the local government sector, as well as that of ministries and other institutions relevant to the sector. Donor funded programs targeting democracy and local governance is also reviewed, and an update on the Municipal Development and Lending Fund is also presented.

Submitted by:
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23 August 2006

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LOCAL GOVERNMENT SECTOR UPDATE

INTRODUCTION

This paper is the first in a series of periodic reports that will provide a picture of how the local government sector is coping within the context of post-parliamentary election environment shaped by the international community's withdrawal of most support to the Palestinian Authority, escalation of Israel's military incursions and restrictive closures, systematic seizure of national and local elected leadership by the IDF, and progressive deterioration of the Palestinian economy.

This first update is intended to bring the DG and LDRP Teams up to date in preparation for reengagement. Subsequent updates will be done on a "periodic", rather than monthly basis, aligned to accumulated events in the sector and the ongoing assessment needs of the program. Accordingly, this update covers the period of mid-June through mid-August, 2006, but builds from the entire post-election period.

Updates are intended to objectively report key events in the sector so far as they can be accurately ascertained within the confines of USG contact policies. By necessity, what is reported is not subjected to a robust analytical screen leading to recommendations. Much of the information is derived from a triangulation of anecdotal evidence based on phone interviews, field staff observations, discussions with informed individuals and information gleaned from other international organizations and news sources. In some instances, an item may contain the caveat that it has not been completely verified, but is reported with some confidence because of either the reliability of the source(s) or the frequency of it being reported.

KEY DEVELOPMENTS THIS PERIOD

- As of the week of 21 August, Israel has detained the Deputy Prime Minister, eight Ministers and thirty six PLC members. Of this number, only six PLC members were detained prior to July, so the recent period has shown a dramatic rise in "arrests" of Hamas elected leadership. Of the eight ministers detained, four were released.
- There is a parallel "up tick" of detention and/or harassment of municipal mayors, council members and some local Islamic charitable organizations whose activities often complement those of municipalities.
- Observers report a significant drop in local government revenue collections. This is attributed primarily to the 6th consecutive month of non-payment of regular PA salaries, dramatic escalation of military activities, particularly in Gaza, and tightened restrictions on movement within sub-areas of the West Bank. Private sector payment of taxes and fees is also declining.
- LGUs have begun to reduce salaries of local employees, substantively curtail services and cancel or suspend planned development projects.
- Signs of internal security deterioration and increased civil unrest are increasing.

UPDATE ON LOCAL GOVERNANCE

Sector Overview

Policies set in place by many members of the international community after the January 2006 parliamentary elections have largely halted operational funding for the Palestinian Authority

(notably budget support for salaries), significantly restricted the flow of material assistance to both national and local government programs, and narrowed contact with government technical and political personnel to those eligible under a range of restrictive donor contact policies.

Local government operations, development projects and community-relations have been enormously altered in the past six months. The general financial and operational situation of most local government units (LGUs) can be characterized as ranging from rapidly deteriorating to completely collapsed. The latter condition is most notable in Gaza where Israeli military operations (ongoing since June 27) have systematically targeted key public infrastructure such as water, electricity, roads, bridges and public buildings. The combination of a systematic destruction of civilian infrastructure with economic collapse has resulted in a major crisis situation in Gaza; one with which few local governments have effective means of coping. The conflict in Lebanon has also diverted attention from Gaza's humanitarian crisis. Some observers speculate that donor focus on addressing Lebanon's post-ceasefire humanitarian needs may exacerbate Gaza's situation. In the West Bank, some of the more vulnerable LGUs (i.e., those that are historically poorer, or located adjacent to the separation wall, or are routinely and exceptionally confined by IDF closures) are reaching a crisis stage, but in general West Bank local governments are better able to cope than those in Gaza.

The ability of LGUs of all sizes in both the West Bank and Gaza to provide rudimentary levels of basic services has been progressively deteriorating since suspension of aid and restricted contact policies were instituted from February 2006. While donor assistance and contact policies vary, it is the case that most material and technical assistance has been suspended or sharply curtailed (see discussion of donor assistance below). This situation has impacted local governments in several key ways:

1. Precipitous Drop in Municipal Revenues Many, if not most, LGUs in the West Bank are rapidly approaching an acute financial crisis due to a sharp drop in local revenues, cessation of revenue sharing with central government, and minimal or non-existent donor support for both development and emergency projects.
2. No Municipal Investments With some exceptions, existing donor projects have been suspended, down-sized or cancelled, and where LGUs have committed to co-sharing, their investments in rehabilitation and/or upgrading of municipal infrastructure have collapsed. Few LGUs are anticipating new investments until the situation resolves.
3. No Municipal Planning There is virtually no serious planning for developmental needs, as LGUs see no potential funding sources (i.e., donors), have no reserves or borrowing capacity of their own and, notably, have no "partner in planning" among national agencies which are basically not functioning.
4. Decline in LGU Service Provision Although LGUs are not part of the Palestinian Authority per se and are funded from their own sources, the downstream effects of the post-election financial crisis (especially lowered revenue collections) resulted in an inability to pay staff and contract workers' salaries, reduced or suspended services, lowered or no capacity to procure fuel, materials, and the spare parts needed to operate basic services.
5. Adverse Affects on LGU-Constituent Relations While there is some anecdotal evidence that the crisis is adversely affecting some newly elected councils' vis-à-vis their constituency (council members are seen as being non-responsive and failing to meet election campaigns promises) this is neither a widespread phenomenon nor focused on one faction. Conversely, there appears to be widespread recognition among citizens that the crisis is neither the fault of, nor resolvable by, local

government officials. Nonetheless, local governments are the most visible and near representative of government, so citizen's seeking relief, salaries, emergency aid, asset rebuilding and similar tend to focus requests on municipal authorities who have fewer and fewer means by which to cope with such requests.

There appears to be a progressive deterioration in internal security at the local level. House break-ins and car thefts are increasing, petty theft is on the rise and citizens report increased concern for personal safety unrelated to the occupation. A few mayors and council members have been subject to attacks from rival political parties, unsatisfied or angry residents, or unknown attackers. Recent examples include a shooting at the car of the Mayor of Bir Zeit and the Acting Mayor of Qalqilia, storming municipal buildings by angry residents requesting assistance and salary payments (Nablus, Bethlehem and Gaza).

In addition to the well-reported detentions of Hamas-affiliated PLC members and ministers, Israeli authorities have arrested local government officials. These include the mayors of Jenin and Qalqilya; the Mayor, Deputy Mayor and a council member of Shuqba. One Al-Bireh council member was arrested along with one member of the Kufur Aqab local council. The mayor of Al-Bireh remains under administrative detention.

Community involvement and engagement with LGUs have been negatively effected by the deteriorating humanitarian and economic crisis. On the LGU side there is an absence of specific projects and activities that could encourage resumption of a positive relationship with citizens. On the citizen side, CBOs and citizen's groups have lesser resources, projects funded through donor agencies have been suspended or cancelled, and voluntary members are responding to the more pressing need to deal with personal and family financial security.

In some cases, Hamas-led municipalities provided financial assistance to community sectors affected by the ongoing crisis, such as teachers. The assistance was not limited to Hamas affiliated teachers, but was extended to any needy family regardless of political affiliation.

Local Revenues and Revenue Sharing

A general canvas conducted by LDRP suggests that many consumers have stopped paying water, solid waste collection fees, and electricity bills due to the prevailing economic crisis and the cessation of Palestinian Authority employee salary payments. A recent emergency deposit from the government of NIS 1,400 into all PA employee bank accounts has not substantively altered this pattern.

Revenue passed to LGUs from central government has historically been relatively small. Prior to the crisis, a 50% share of transportation taxes (collected centrally) was distributed to LGUs on a per capita formula. This share typically amounts to less than 5% of LGU annual budgets (and often, much less). Collections have precipitously declined and MoF has not passed this amount to LGUs for several months. An exception was the "crisis" distribution of NIS 9 million passed in July to some LGUs through accounts of the Association of Palestinian Local Authorities (see APLA section below).¹

Property taxes collected by central government (MoF) in large municipalities appear to continue to be transferred back to these municipalities on a regular basis. While we have no verifiable data on these and other revenue sources, it appears that all revenue collections have considerably declined over the past six months as economic conditions degenerate. Anecdotal data coming from LGUs suggest that local collections of property taxes and fees

¹ LGUs receiving shares of the NIS 9 million emergency allotments were those who had been excluded from the last distribution of transportation tax and which did not have electricity bills covered via the recent European Union emergency funding.

may have declined to approximately 25-30% of normal revenues (this number has not been verified, but will be a priority data target once LDRP officially re-engages).

Status of Locally Provided Health and Education Services

LGU Public Health-related Services

The widening financial crisis is directly affecting the level and quality of public health-related services provided by LGUs. Fuel for water and sanitation pumping stations, treatment facilities, solid waste disposal trucks, and related equipment is becoming a rare commodity, due to either lack of funds and/or to cessation of supply from Israeli companies no longer extending credit to Palestinian suppliers. There is, as a result, a growing environmental and health hazard, especially in the Gaza Strip.

Due to continuous cuts in electricity after the Israeli bombardment of the Gaza power plant on June 28th, main electricity generators, transformers and electricity networks, water pumping stations, and sewage disposal and treatment facilities stopped operating to full capacity. A number of facilities have been completely shut down. Switching to fuel-operated generators is increasingly unreliable due to lack of fuel and/or funds to purchase fuel. Most municipalities stopped collecting solid waste or reduced the frequency of collections. Water and sewage stations, if functional, are reduced to minimal operations. Sewage can be seen flooding the streets of Gaza and solid waste has been piling up for months in most communities. As water cannot be pumped up to home and apartment storage tanks, there is no water to flush toilets and assist family hygiene practices, leading to an increasingly serious health hazard, especially among children.

LGU Education-related Services

Palestinian schools are currently on summer vacation, but it is expected that major problems will occur when classes resume in September. Families will not be able to afford school fees, teachers will not be paid, and facility operations and maintenance will likely face major disruptions. While national government manages curriculum and teachers through the Ministry of Education, local governments in the West Bank are responsible for maintenance, adding classrooms upgrading school health facilities and similar “add-ons” as well as building new schools in cooperation with the MoE². LGU resources for these activities will be minimal or nil. Local governments have also had a history (though no official role) of assisting students who cannot afford school fees. This practice will likely be curtailed or altogether stopped as the crisis progresses.

UPDATE ON MINISTRIES AND OTHER INSTITUTIONS RELEVANT TO THE LOCAL GOVERNMENT SECTOR

Palestinian Authority

While this update is not intended to look at national level institutions of the Palestinian Authority, it is nonetheless the case that the functionality of a number of ministries is potentially relevant to local government’s ability to adapt and cope with the growing crisis. Most technical, administrative and support staff have been held over from the previous administration and remain as civil servants, so there remains in place some institutional memory at the technical level. Changes at the appointive/political level have taken place, but it appears most of this activity is at the very highest levels (i.e., Minister, Deputy Minister and some Directorships). As noted in the Key Developments section, Israeli detention of senior

² In the Gaza Strip the situation is different; maintenance and upgrading of education facilities is fully under the responsibility of the Ministry of Education and Higher Education.

PA leadership has been ongoing and presumably disruptive of ministerial operations because senior decision-makers are absent. In all, to date Israel has temporarily or permanently detained eight Ministers of the following:

- Minister of Finance (remains under detention)
- Minister for Jerusalem (remains under detention)
- Minister of Labor (released)
- Minister of Local Government (remains under detention)
- Ministry of Planning (released on bail)
- Minister of Prisons (released)
- Minister of Social Welfare (released)
- Ministry of Islamic Waqf and Religious Affairs (remains under arrest)

The most important institutions related to LGU operations are the Office of the President (for Governates linkage), and the ministries of Local Government (MoLG), Finance (MoF), and Planning (MoP).

Ministry of Local Government (MoLG)

IDF arrested the Minister of Local Government in early July as part of its sweep of Hamas ministerial leadership; he and most others are still detained to this date. The Minister of Labor was named the Acting Minister of Local Government. The Deputy Minister was not given acting authority.

Several changes to senior staff and position restructuring have been recently made, however. Most appear to be based on aligning upper echelons with political affiliation, rather than with professional competencies. Examples include:

- A new Deputy Minister was appointed who was Director of the Projects Department in Gaza Strip prior to this promotion. He replaces Acting Deputy Minister, who was among the first employed (1997) in MoLG at the Director General position under the previous administration and considered qualified in local government management and a reliable technocrat.
- A new Director General of Public and International Relations was appointed from within the Ministry cadre. The appointed person is politically closer to the Minister.
- A new Director for the Minister's Office was appointed from outside the Ministry cadre who is closer politically to the Minister.
- The JICA Project Coordinator has been replaced with another employee closer politically to the Minister.

Informal reports on the functioning of ministries in general, and of MoLG in particular, suggest that very few actual operations are going forward. Non-payment of salaries, freezing or cancellation of projects, and the absence of experienced leadership have resulted in virtually nil ministerial operations at a technical/staff level. Some observations worth noting in this regard include:

- MoLG appears to be exceptionally affected by the crisis situation and is basically non-functioning at this writing. The ministry has not developed or approved any procedures or bylaws since the new government was formed, and none of its regular publications and newsletters has been produced. There are few visits from LGU officials or the general public, and virtually no donors or international visitors meet with the MoLG

officials. It appears JICA is the only donor organization that maintains regular contact. Despite the fact that ministry staff did not receive their salaries for several months, most report to their offices on daily basis, but few tasks are actually being undertaken.

- The Higher Planning Council³, which is the highest national authority for planning and zoning (with authority to approve master plans), has met only two times in 2006 instead of meeting monthly as required. LGUs report that many requests impacting municipal management and pressing policy issues remain “held over” from the previous administration.

Office of the President and Governorates

In response to the recent crisis and contact policy of various donors, a special office for “Governate Affairs” was recently established within the President’s Office for purposes of coordinating between Governors and donors who wish to provide support through the Governate structure, under the authority of the President.

A few comments on the legal and operational status of Governates may be helpful at this juncture. There are eleven Governorates in the West Bank and five in Gaza, Of the eleven in West Bank two (Salfit and Tubas) are not yet “officially” Governates, but are treated as if they are (e.g. most Ministries have an established district offices with staff within these two Governates). All Governors are appointed by the President, but this was not always the case. Governors were originally supervised by the Ministry of Interior and reported to its Minister. On January 1st 2005 President Arafat signed a Presidential Decree transferring Governors to the Office of the President so they now report directly to the President. In addition to officially representing the President within Governorates, Governors are the highest authority over line ministries and coordinate/monitor overall public administration as accomplished by district departments. However, Governors have no supervisory power over municipalities.

The administration of each Governorate consists of the Governor and a small administrative and technical staff. The Governor oversees two councils, an Executive Council and an Advisory Council addressing primarily planning and development issues.

The two councils include representatives of Palestinian Authority agencies and institutions, private sector, civil society, mayors, professionals and technical experts, particularly in the fields of planning, development and socio-economics.

It is important to note that, during the 2nd Intifida Governors assumed an emergency response coordination role which they are trying to reinstate now in order to address the unfolding humanitarian crisis. The strength of Governates and the degree to which they actively engage with LGUs vary a great deal. It is anticipated that under the current situation, they will be given more operational authority by the President, especially as regards assessing, coordinating and providing liaison to implementers of humanitarian assistance.

Ministry of Finance (MoF)

The relationship between the Ministry of Finance and municipalities is largely limited to the transfer of transportation and property tax from the central budget to each municipal treasury. The prevailing situation has affected the MoF situation and its ability to collect and re-distribute central taxes.

³ The Higher Planning Council (HPC) incorporates representatives as follows: Local Government Minister (Chairman), MoLG Director General of Planning and Zoning; the Ministries of Health, Transportation, Housing and Public Works, Agriculture, Planning, and National Economy. In addition full voting members include the Engineers Association, the Environmental Authority and the previous Mayor of Jerusalem (based on pre-1967 Jordan law and customary practice by the Palestinian Authority). The HPC is responsible for approving LGU master plans, national planning and zoning, and is the reference authority between LGUs on disputes in these areas.

Additionally budget allocation to several important ministries like the Ministry of Public Works responsible for maintenance and rehabilitation of all roads outside municipal boundaries has stopped during the last few months. This is of course increasing the pressure on LGUs who are the governing entity closest to the public. As noted, the Minister of Finance remains detained by Israel.

PECDAR

PECDAR (the Palestinian Economic Council for Development and Reconstruction) remains officially under the umbrella of the Palestine Liberation Organization (PLO) and is hence independent from the Palestinian Authority governmental structure. It has a Board of Governors appointed by the PLO and is chaired by the PLO Chairman, Mahmoud Abbas. It's Executive Director reports to the Board. In 2005 a decision was taken to transfer PECDAR staff to the civil servants budget within the Ministry of Finance.

PECDAR has historically supported projects in all sectors depending on donor requests. They work in municipal infrastructure, health and education sectors, and they support capital and technical assistance projects both within municipal and outside municipal boundaries. Hence, they overlap the role of many line ministries and, to some extent, those of municipalities. This issue was raised several times at Cabinet level during the pre-Hamas administration, but was not resolved. The World Bank, who helped to establish PECDAR and used it as its implementing agency, diverted its support during the past few years in order to work more directly with line ministries. This was in line with the original conception that PECDAR was to be an interim structure until PA ministries became capable of effectively assuming their role.

At the present time PECDAR continues to work on about thirty projects located mostly in the Jenin, Tulkarem and Nablus districts; only one project is under implementation in the south. PECDAR also is responsible for implementing the Presidential Headquarters project in Ramallah.

In light of the prevailing political situation, PECDAR is trying to regain its role and is presently in talks with several donors seeking funds for projects by relying on its linkage with the PLO and not the present Cabinet.

Association of Palestinian Local Authorities (APLA)

APLA's mandate is to represent LGUs with donors locally and internationally, lobby LGU interests at the national level (the Presidency, central agencies and PLC), and participate in international conferences and meetings.

APLA continues to operate, but with considerable difficulty. The APLA Secretariat is hindered by the lack of staff technical capacity. Its traditional donor, the Government of Netherlands, recently informed APLA that they will cease support to the association's operational and developmental needs (although they will consider special requests from APLA). Membership fees from municipalities are still being collected, but have always been uneven.

Political differences between Executive Committee members have hindered decision making (the Executive Committee consists of seven mayors - three from Gaza and four from the West Bank.). There remain serious disagreements on APLA's vision, strategy, policies and role. Recently, however, the APLA Chairman and Deputy have started to deal with some of the structural and organizational issues facing the Association, not the least of which is funding. They have developed some additional funding possibilities, but none have as yet been finalized. The Spanish Cooperation Fund for Technical Assistance, GTZ (German) and the Agence Francaise de Developpment (French) are potential new donors who expressed

interest to APLA. It may be useful to note here that the original EPLA approach to policy and LGU strengthening would entail frequent partnerships and co-programming with APLA.

As a result of APLA's lobbying for LGUs interests at the national level, they successfully mobilized NIS 9 million from the Office of the President in support of emergency municipal operational needs. LGUs receiving shares of this emergency allotment were those that had been excluded from the previous distribution of transportation tax shares and that did not have electricity bills covered via the European Union emergency funding mechanism used for this purpose. The President requested the Ministry of Finance to report the amounts due each municipality under the transportation tax sharing formula (basically, a per capita calculation). In order to manage oversight and distribution, funds were transferred first to an APLA account and then distributed to municipalities. This is the first time APLA assumed such a role, reflecting an acceptance by the Presidency of the credibility of the Association's representational role.

Palestinian Legislative Council Committee on Local Government

Newly elected PLC members changed the structure of the Local Government and Internal Affairs Committee by setting up a special committee for Local Government Affairs. The special committee has been reviewing local government law and related bylaws, and has been meeting with municipal officials, MoLG officials and APLA. The committee is still reviewing the existing situation and no recommendations have so far been forthcoming.

STATUS OF DONOR FUNDED PROGRAMS TARGETING LOCAL GOVERNMENT⁴

With the exception of emergency funding such as the aforementioned EU funds to pay electrical bills, no new significant donor initiatives have been launched during the past months. Some programs funded by USAID, Japan, Belgium, German-GTZ and Danish Governments continue, but most project activities have been downsized, highly modified, placed on hold, or altogether cancelled.

Funding levels for projects decreased sharply after the January elections, especially funds originating from USAID and the EU.⁵ Pledges made in 2005 by several donor countries did not materialize. By way of comparison, in 2004 the Ministry of Local Government received a total amount of about \$142 million for municipal support projects. USAID, EU and the Islamic Development Bank provided the majority of these funds. In 2005, funding decreased to \$68 million, of which the Islamic Development Bank and KFW (German Development Bank) provided the majority. In 2006, only \$6 million was provided by the African Arab Fund via the Islamic Development Bank. There are indications that the Islamic Development Bank may provide \$14 million through the Al-Aqsa Fund and Kuwaiti Development Fund. All current funding is directed to emergency response and urgent needs and not for development initiatives included in Ministry plans.

It is important to note that several programs approved under the Mid-Term Development Plan (MTDP 05-07) are frozen, although project agreements were signed, action plans approved and some funds actually transferred to local banks. These include the EU \$41 million in support of local infrastructure and the Italian program of \$25 million allocated to the governorates of Jerusalem, Bethlehem, Hebron and Khan Younis.

The following are updates of various projects supporting LGUs.

⁴ This section will not review USAID projects as it is assumed their status is well known.

⁵ The figures given in this paragraph are approximate and based on the recollection of several former administration officials; they should accordingly be treated with caution.

Local Infrastructure and Capacity Building Program (Belgium)

The *Local Infrastructure and Capacity Building Program (LICP)* is supported through the Belgian Technical Cooperation (BTC) organization in partnership with the MoLG. The program targets small to medium size municipalities in the Governorates of Jerusalem, Salfit and Tulkarem and works through their respective Joint Service Council's. The program is intended to be completed within a few months and so continues to operate toward that end. It has, however, changed various implementation methodologies:

- A National Component has been completely suspended. Contacts with MoLG technical personnel are kept to the minimum necessary.
- A Construction Component continues to be implemented and will be completed soon.
- A Capacity-Building Component is operating at a small scale (providing training to municipal staff on administrative and other technical issues).
- The Municipal Budget Support Component has changed its' mechanism to provide direct payments to contractors (project support type) instead of providing support to municipal budgets through Ministry of Finance and MoLG. The original mechanism meant to demonstrate central to local fiscal transfers as a model for decentralization and to institutionalize central support to municipal budget. Now it is essentially just another funding mechanism supporting projects at the community level.

The JICA Project in the Jordan Valley (Japan)

The Japanese International Cooperation Agency (JICA) has not appreciably changed or modified its funding strategies. JICA personnel continue to meet with MoLG officials. Its principle project, *The JICA Project in the Jordan Valley* (\$30 million), is in the planning phase and is moving forward as initially agreed upon with MoLG. The project is comprised of the following elements:

- Development of a Local Government Training Center in Jericho (MoLG, APLA. Jericho Municipality). The program conducted a training needs assessment of municipal and MoLG staff and officials, and is now working on curriculum development. An existing structure is to be renovated to house the center.
- Bir Zeit University has been involved in helping equip and set up a GIS unit for Jericho. It will include GIS equipment, aerial photos and training in their use.
- Support is also to be given to Joint Service Councils addressing solid waste management, including the provision of equipment and vehicles through the MoLG;
- Induction training and support to newly elected officials (through UNDP); and
- Water wells in Jericho area, for benefit of farmers.

Local Government Reform Program (Japan/UNDP)

Japan provided funding through UNDP for the *Local Government Reform Program*, an activity which figured prominently in USAID's strategy for support to the national level of the Palestinian Authority via the EPLA Program. The LGRP was initiated in 2003 with a "Local Governance Diagnostic Study", closely followed by an "Action Plan." The project team focused on providing recommendations on MoLG organizational structure, the Local Government Law, and financial systems for both LGUs and MoLG, but there were many suggestions for improving the overall performance and skills of Palestinian local governments. There was potential for Japan to provide more funding if the program went forward. To date, no substantive actions to implement recommendations are known to have been taken by the new MoLG administration.

The Japanese government also recently allocated about \$4.8 million for job creation activities, specifically to pay workers to clean streets and to buy cleaning equipment. This activity is not a formalized project, but will be coordinated out of the President's Office. The activity was developed with the assistance of Special Advisor to President.

Municipal Development Project (Germany)

The **Municipal Development Project (MDP)**, implemented by GTZ, continues with some activities at the local level in Salfit, Betunia, Ramallah, and Al-Bireh municipalities. The MDP focuses on capacity building of municipal staff and council members, and other institutional development and planning activities. The project has a Steering Committee with representatives from target municipalities, GTZ (the implementing agency), KfW (the donor), MoLG, MoF and APLA. GTZ coordinates at a technical level with MoLG staff, but contacts with MoLG officials and other PA officials have been curtailed.

Local Government Capacity Building Project and the Support to Municipal Development and Management (Danish)

These two DANIDA-funded projects target the middle Gaza area and have been operating since late 1990s. They continue to operate under current conditions with some modification. The *Local Government Capacity Building Project* has since the late 90s focused on capacity-building and infrastructure in six LGUs: Al Mussadar, Wadi Gaza, Wadi al Salqa, Al Zahra, Deir Al Balah, and Al Mughraqa. Infrastructure projects have been stopped due to ongoing military incursions, IDF bombardment and related security considerations.

The **Support to Municipal Development and Management (SMDM)** is also continuing, but on a fairly modest scale. This project establishes committees with representatives from municipalities and CBOs to address community needs such as small-scale sporting complexes (halls), beautification of school buildings, etc. The program is reported to be undertaking a study of municipal needs, but it is for their own internal analysis and is not characterized as a comprehensive needs assessment.

UNDP

In July, UNDP provided funds to cover emergency fuel cost for Gaza municipalities (about \$260,000). This activity is characterized as a one time effort to cover urgent needs arising from the extensive damage done to Gaza sanitation facilities. Payment is made directly to contractors, not to municipalities delivering the services.

A similar project, with \$1.1 million from the Government of Norway, will start spending within August 2006. Funds will go to UNDP to channel to Gaza municipalities to cover fuel costs for a period of six months. In north Gaza the project will work thru Joint Councils dealing with solid waste management. It will work directly with municipalities of Gaza City, Al Zahra, Al Mughraqa and Wadi Gaza. Due to urgency and density, Gaza City will receive \$510,000, or nearly half the entire budget. In Rafah, Al Shoqa, and Um el Nasser, UNDP will sign agreements with municipal councils or JSC's Solid Waste Councils in which an amount and funding mechanism is specified. LGUs will undertake a tendering process, with winners paid directly by UNDP. UNDP continues to implement the KfW funded Poverty Alleviation through Employment in Infrastructure Development providing funding for LGUs and Civil society projects in the West Bank and Gaza.

European Union

The European Union provided funds to cover municipal electricity and fuel bills owed to Israeli companies. Funds were transferred from EU directly to Israeli suppliers to avoid disconnecting services and supply.

Department for International Development (Great Britain)

This assessment did not include DFID. However, it is reported that a major component of UK support will be funding through the new Temporary International Mechanism (TIM) to meet Palestinians' basic needs. DFID is working closely with the European Commission to take this forward. It is not known what, if any, of these funds may support local governments per se.

The Municipal Development and Lending Fund (World Bank)

The USAID DG office informally requested an update on the Municipal Development and Lending Fund managed by the World Bank, as it has been viewed as a major element of support to Palestinian municipal authorities.

Background and Legal Status

The plan to establish the MDLF was initiated in 1995. The by-law drafted at the time was linked with the PA strategy to streamline support to municipalities through one fund and base it on performance criteria, rather than on individual municipalities' capacity to contact and attract donors or the basis of historical relationships with donors or Palestinian Authority officials. Various political factors delayed the establishment of MDLF until the year 2000, when the World Bank began implementation in cooperation with several ministries of the Palestinian Authority.

In 2005 the Palestinian Cabinet approved a by-law which contains seventeen articles (copies can be provided if requested) indicating the objectives, responsibilities, authorities and structure of MDLF. Cabinet was assigned responsibility for MDLF oversight. Article 16 of the by-law indicated that a special law shall be drafted to organize the operation of MDLF; to date, no action on this item has taken place.

MDLF currently, and according to the by-law, operates under the umbrella of the Prime Ministers' office. Efforts are being made to transfer MDLF to operate under the Presidents' office. Modifications to the bylaw with this regard have been drafted and discussions between the President's Office and the Government to approve the modification are ongoing, but without any results thus far.

Structure

The organizational structure of the MDLF consists of:

- Board of Directors;
- Executive Director;
- Managing Director of Operation; and
- Six Technical Departments (Finance and Administration, Technical, Capacity Building, Projects, Strategic Planning, and Audit).

MDLF staff salaries are covered from various funding sources, including Danish, Italian, and GTZ donors, and some are paid directly by the Palestinian Authority. This has resulted in problems due to varying salary scales depending on the source of funds and the differential with Palestinian Authority salaries.

To assist the MDLF the previous Cabinet enabled the transfer from MoF of NIS 100,000 to support administrative costs, particularly salaries needs. The factor of non-payment of Palestinian Authority employees for the past several months has exacerbated this problem. In

June 2006, the MoF transferred a small portion of the allocated funds to the MDLF, but not the entire decided upon amount.

Board of Directors

The Board of Directors consists of ten members headed by a Chairman appointed by the Prime Minister.⁶ Members represent various stakeholders as follows:

- Ministry of Local Government;
- Ministry of Planning;
- Ministry of Finance;
- Chairman of Association of Palestinian Local Authorities (APLA);
- Three representatives of civil society, one of which must be a woman;
- Palestinian Monetary Authority;
- Representative of the Banks Association (nominated by the association); and
- Chairman of the Board.

Efforts to appoint a replacement to the outgoing MDLF Chairman of the Board (ex-Minister of Local Government who is newly appointed Ambassador to Saudi Arabia) have been slowed due to disagreement between the Office of the President and Cabinet regarding nominees.

MDLF Ongoing Activities

A number of donor countries that intended to work through MDLF froze their program after formation of the Hamas-led government. Nonetheless, MDLF is currently pursuing the completion of infrastructure projects which were already initiated and moving forward with capacity-building programs already funded by donors.

The most significant preparatory work has been done via the Danish-funded Capacity Building component channeled through the World Bank and implemented by MDLF's Capacity Building Unit.⁷ The Unit has advertised internationally for municipal development consultants intended to assist various municipal studies and design a training program in preparation for the launching of the activities of the Danish project. To date, this effort has not yielded many quality applicants, presumably due to both the security and political situation.

The Italian Government had planned to initiate through MDLF a Euro 25 million project focused on capacity building and infrastructure development in the Governorates of Bethlehem, Jerusalem, Hebron and Khan Younis. There are some indications (unverified) that project funds transferred to MoF under the previous government have been used as collateral to borrow money from local banks by the current government.

GTZ is supporting an assessment of municipal assets. The assessment will be implemented by four MDLF staff members used as consultants to complete the study within four months.

⁶ If the Fund is shifted to the supervision of the Office of the President, presumably the Chairman will also be appointed by the President instead of Prime Minister.

⁷ This unit is now managed by the former Director of the MoLG Minister's Office under the previous administration.