



PALESTINIAN AUTHORITY

REFORM ACTION PLAN FOR THE PALESTINIAN LOCAL GOVERNMENT SYSTEM

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THE PALESTINIAN MINISTRY OF LOCAL GOVERNMENT

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ACRONYMS

AP	Action Plan
APLA	Association of Palestinian Local Authorities
CMA	Capital Market Authority
HPC	High Planning Council
JSC	Joint Service Council
JWA	Jerusalem Water Authority
KPI	Key Performance Indicator
LGL	Local Government Law
LGU	Local Government Unit
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Industry
MoJ	Ministry of Justice
MoLG	Ministry of Local Government
NGO	Non-governmental Organization
PA	Palestinian Authority
PAPP	Programme of Assistance to the Palestinian People
PEA	Palestinian Energy Authority
PLA	Palestinian Land Authority
PLC	Palestinian Legislative Council
PWA	Palestinian Water Authority
RSG	Reform Support Group
RSGLG	Reform Support Group for Local Government
UNDP	United Nations Development Programme

Forward

The reform process, initially recommended by the Palestinian Legislative Council, was adopted by the Palestinian Authority through the initiation and declaration of the “100 day plan”. President Yaser Arafat and the Palestinian Ministerial Cabinet supported the reform initiative, and demonstrated their commitment to establish a more accountable, transparent, and representative government system. The Cabinet identified local government reform to be one of the most urgent among the proposed reforms due to its direct and significant impact on the daily lives of Palestinians. Furthermore, one of the eight Reform Support Groups (RSGs), established by the international community to support reform initiatives, was assigned to cover the reform needs of the Local Government System. Led by the Government of Japan, the Reform Support Group on Local Government (RSGLG) facilitates the smooth and successful completion of the planned local government reforms through financial and technical support.

The Ministry of Local Government (MLG) began the reform process by conducting a comprehensive diagnostic report that fully examines the local government system in Palestine. A Reform Action Plan was also created to establish concrete steps to implement the reform process in a strategic manner. The production of the diagnostic report and the Reform Action Plan was generously funded by the Government of Japan and effectively prepared with the technical assistance of the UNDP/PAPP.

This document provides the complete action plan. All its components were prepared using an inclusive and participatory approach, which involved discussions and extensive consultations with MLG staff, representatives of the Palestinian Authority, the Association of Palestinian Local Authorities (APLA), and representatives of civil society and PA ministries-- all of whom contributed considerably to its development. The Plan identifies four main objectives which comprise the pillars of a complete local government reform agenda. The objectives include: (1) increasing the decentralization of the local government system; (2) strengthening the fiscal, organizational and management capacity of the local government system; (3) increasing citizen participation in the activities of local authorities and enhancing local authorities transparency and accountability; and (4) improving the efficiency and viability of utility services provided by local government units.

To this end, as the Minister of Local Government, I wish to affirm my ministry’s commitment for this plan as the blueprint for the reform of the local government system. On behalf of the Ministry’s officials and staff members, I express our deep gratitude to the Government of Japan and the Japanese people for their continued and generous financial support of the local government reform process. We also thank the qualified staff provided by the UNDP/PAPP and their counterparts at the MLG for their fruitful efforts and hard work in developing the Action Plan.

20 May, 2004

Jamal Shobaki
Minister
Ministry of Local Government

II Background and Problem Statement

1 Need for Reform

Since early 2002, the Palestinian Authority (PA) has committed itself to a comprehensive reform process. This process began with the initiation and declaration of what came to be known as the “100-Day Plan”. The international community and Palestinian society have demonstrated their full support for this process. While citizens hope for more accountable and transparent representative governance, the donor community has pledged financial and technical support to facilitate the smooth and successful completion of planned reforms. The PA’s commitment, coupled with the support of Palestinian society and the donor community, has created a unique momentum for reform that must be maintained.

The reform efforts that the PA has undertaken in coordination with the international community address all aspects of governance. Not surprisingly, the Palestinian local government system was identified as one of the key areas in need of reform. Reforming this long-troubled system and addressing the needs of the Palestinian people at the local community level requires a coherent approach to create an environment conducive to the functioning of local government partners. The preconditions for effective service delivery include a sound, consistently reinforced legislative base; efficient financial and administrative systems and enhanced citizen participation. One of the key factors justifying efforts to strengthen local governance is the PA’s seeming inability to move forward swiftly with reforms amidst the political turmoil and general instability that intensified with the onset of the Al-Aqsa Intifada in September 2000. Moreover, under such circumstances, the PA has demonstrated a tendency to centralize its operations and exercise a high level of control over revenue generation, administrative affairs and budgeting, motivated by the desire to fulfil its responsibilities towards the Palestinian population as deemed consistent with higher national interests. Accordingly, there is a well-established need for building a system in which the local authority acts as a strategic planner and service provider—a system based on democracy, decentralization, community participation, transparency and accountability.

Enhancing the political autonomy, legal frameworks, fiscal base and operational capacities of the localities would eventually bring a necessary balance of power between the central and local levels of government. Further, it would be a long-term investment in improving the quality of people’s lives in rural areas and promoting democratic processes from the grassroots up. This vision assumes greater importance under the prevailing political and economic conditions, in which localities play an increasingly significant role in delivering services to citizens.

2 Concrete Steps – Diagnostic Study and Action Plan

Acting on the necessity of introducing comprehensive, immediate reforms of the PA, in 2002 donors set up the Task Force for Palestinian Reform, composed of the Quartet (the European Union, Russia, the United States and the United Nations), Japan, Norway, the World Bank and the International Monetary Fund. The role of the Task Force is to monitor and support the implementation of Palestinian civil reforms and to assist the PA in developing a reform action plan based on the 100-Day Plan it issued in June 2002.

One of the eight Reform Support Groups (RSGs) established to focus on particular sectors of governance is the RSG for Local Government (RSGLG), led by Japan. The RSGLG is to support the study and implementation of some of the recommendations for local government restructuring, implemented through the United Nations Development Programme/Programme of Assistance to the Palestinian People (UNDP/PAPP).

As a result, a comprehensive diagnostic study of the strengths and weaknesses of local government was conducted. As detailed in the Diagnostic Report itself, the assessment entailed consultation with and input from local government officials, domestic experts and foreign consultants as well as review of relevant legal documents and accomplishments to date. This project focuses on taking the reform agenda to the

next level—helping the local authorities to modernize the Ministry of Local Government (MoLG) and helping the local government system to adopt sound practices. Building on the key findings of the Diagnostic Report, the Action Plan (AP) outlines a program for comprehensive reform of Palestinian local government. This program includes formulation and implementation of local government policies, with an aim towards improving public sector resource mobilization and expenditure management, developing more efficient public service delivery systems and increasing the level of accountability and transparency. It likewise strives to work with central and local authorities to assist them in being more responsive to citizens on local issues and providing better services. The AP focuses on projects that entail working with local governments to create an environment conducive to economic development, to raise funds that will enable them to carry out their responsibilities and to plan and finance infrastructure investments. Proposed actions encourage citizens to contribute to decision-making and local governments to assume a greater role in national policymaking.

Finally, it is important to stress that the success of reforms is dependant upon a viable political environment, i.e. willingness on the part of Israeli authorities to facilitate the implementation of reform and minimize the impact of security measures on the civilian population. Mobility restrictions, among other factors, constitute a major impediment to reform, slowing its progress and undermining its credibility. In addition, it is necessary to periodically review the AP and modify it to reflect the changing political environment and to ensure that the objectives are attainable under newly emerging circumstances.

III Scope of the Action Plan

Building on the findings of the Diagnostic Report, the AP identifies specific actions that would address issues faced by the local government system as it strives to become more efficient and sustainable.

Primary objectives of the AP include:

- To provide a preliminary set of tasks to be undertaken by the interested partner(s) in the context of the local government reform process;
- To provide a sound basis for development and prioritisation of detailed projects;
- To identify main stakeholders and set forth their responsibilities and roles in the course of implementation and
- To create a plan for monitoring and evaluating the performance of specific projects, so as to determine whether goals are met and whether adjustments are necessary.

The AP is not designed to be the sole tool for local government development efforts in the West Bank and Gaza Strip. On-going programs supported by individual donors and the PA will continue to play a major role in the development process. The initiatives proposed in this plan are intended to complement and supplement existing programs and initiatives.

IV Action Plan Development Approach

Based on an analysis of the existing circumstances in the Palestinian Territories and experiences implementing broad reform programs for local authorities in other parts of the world, the AP offers specific steps to introduce and advance reform. With an aim towards helping local authorities and citizens understand the value and tangible benefits of mutual interaction, it uses an inclusive and participatory approach to develop concrete projects. One of the main features of this approach is involvement of the stakeholders (who will ultimately be in charge of implementation). Discussions and extensive consultations were held with MoLG officials, the RSGLG and Steering Committee, the Association of Palestinian Local Authorities (APLA) leadership and representatives of civil society and PA ministries, all of whom contributed considerably to AP development. Moreover, four workshops held in coordination

with the MoLG and APLA, with the participation of local representatives, were valuable in helping to finalize the AP and ensure a sense of ownership on the part of stakeholders.

The initiatives proposed are deemed realistic; some would have an immediate impact, whereas others are expected to yield more long-term benefits. The AP approach is strategic in nature, aiming to create a framework that will enable many individual projects to come to fruition while promoting general reform.

The AP highlights four underlying strategic objectives that provide a basis for substantial, comprehensive reform of the local government system. These objectives are broken down into specific purposes, to be served through corresponding projects. A suggested sequence of activities identifies priorities and initial steps necessary to create an environment conducive to efficient local governance and positive change.

V Components of the Action Plan

Each chapter of the AP focuses on one of the main strategic objectives, listing a number of specific purposes and outlining numerous actions for achieving the desired outcomes. For each action there are specifics regarding implementation, such as roles and responsibilities of partners, a timeline and necessary resources and an estimated budget¹.

1 Strategic Objectives

The most important issues highlighted in the six technical sections of the Diagnostic Report were categorized according to four strategic objectives. These objectives comprise pillars of a local government reform agenda and include:

- 1. Increasing decentralization within the local government system;**
- 2. Strengthening the fiscal, organizational and management capacity of the local government system;**
- 3. Increasing citizen participation in local government unit (LGU) activities and enhancing LGU transparency and accountability;**
- 4. Improving the efficiency and viability of LGU utility service provision.**

Each of these strategic objectives was then broken down into various intermediate purposes, which correspond to specific activities grouped into specific projects. Brief overviews of these projects are included in the Project Profiles section.

2 Project Profiles

This section provides an outline for each of the **thirteen** projects that the AP proposes to address specific areas of local governance as part of the overall reform process. The rationale for each project is followed by a list of purposes the project is designed to serve. Expected project results are also presented, along with implementation details, such as roles and responsibilities of stakeholders, a timeline and necessary resources. Finally, a budget estimate provides additional information on expected costs².

As donors' commitments to support specific projects become more clearly defined, more detailed project proposals will be developed.

VI Main Risks and Assumptions for Implementation

The AP comprises a series of interventions that will enhance local governance by strengthening LGUs and increasing citizens' involvement in their localities. However, AP implementation will take place during a time when Israeli military restrictions in the West Bank and Gaza Strip are encroaching heavily upon such basic human rights as freedom of movement. Moreover, the peace process has been indefinitely stalled,

¹ See Annex I for the AP chart.

² See Annex II for the complete project profiles.

and the Israeli government controls many of the macroeconomic development policy instruments usually employed by sovereign states. These externalities could hinder the PA reform process.

Improved local governance entails more legitimate, transparent and accountable local authorities; an active and inclusive local political process and institutional mechanisms for informing citizens and providing for their consultation and participation at all stages of the local public resources management cycle. For successful reform, it is crucial that citizens be able to hold the government accountable, either through elections and parliament or through direct participation in the planning of their locality. Enhanced citizen participation necessitates a fundamental change in attitude on the part of municipal officials and citizens alike. Municipal officials must recognize the benefits of including citizens in decision-making and ensuring that municipal government is a service-oriented operation. Citizens and non-governmental organizations (NGOs) should feel that municipal government is accountable to them. Realizing such fundamental, internal changes may require time.

Unfortunately, the current environment is not conducive to easy reform. This notwithstanding, attention to certain underlying assumptions will help mitigate potential risks to successful implementation.

The assumptions underlying the program's design are as follows:

Consultation: In order to create a sense of ownership that will strengthen commitment to reform, the AP development process must involve as many state, non-governmental and other civil society entities as possible, and AP preparations must be transparent.

Commitment: Stakeholders, particularly the MoLG and LGUs, must demonstrate genuine commitment to reform. The program will entail a hands-on approach requiring adequate, committed staff. The MoLG must demonstrate a commitment to the AP's approach and activities.

Flexibility: There must be ongoing review of the AP, as necessitated by changes on the ground. The rapidly changing environment in the West Bank and Gaza Strip requires flexibility and willingness to update the plan if needed.

Technical assistance: Donors' help is needed to raise and appropriate sufficient resources to implement the AP and to identify institutions or agencies responsible for implementation.

Freedom of movement and advancement of the peace process: There must be freedom of movement in the Palestinian Territories, as local government officials and staff need to be able to move freely to attend workshops and meetings and visit local offices across the region.

Expertise: Expert staff who have access to local authorities must be available to address key issues of local government systems and management.

VII Action Plan Implementation

1 Roles and Responsibilities of Stakeholders

The AP sets forth a shared vision and seeks to forge a consensus regarding issues, priorities and desired community responses. Because the plan's success requires the support of entities responsible for overseeing its implementation, it is important that those entities be involved in program development. Recognizing the need for consultation, the RSGLG facilitated a series of meetings during which representatives of key local government institutions, organizations and the donor community reviewed and commented on the Diagnostic Report and the AP drafts. Necessary improvements were made as a result. Formal adoption of the AP by key implementing parties, such as the PA as a whole or the Palestinian Legislative Council (PLC), might also be considered, as this would represent an institutional and legislative commitment to implementation.

While implementation of the AP is a national responsibility, there are specific roles for key institutions and bodies. These roles are part of a multi-dimensional approach and are central to realization of the plan's objectives:

The PA has primary responsibility for implementing the AP. Hence, a commitment at the highest political level is essential for successful implementation.

The MoLG, in particular, has a crucial role in coordinating reform and providing necessary support to the LGUs.

NGOs, the private sector, APLA and village or joint service councils (JSCs) all have their own roles in AP implementation.

The international community, through bodies such as the RSGLG and Steering Committee, will have a crucial role in monitoring and evaluating the progress of reforms and providing resources and technical assistance.

UNDP will designate a project director who will cooperate closely with the MoLG and donor community to ensure accurate and prompt reporting, coordination and evaluation of the steps taken towards reform.

These nation-wide efforts must be complementary, collaborative and coordinated. The Project Profiles section of the AP identifies the roles and responsibilities of various stakeholders in carrying out project activities. These will be elaborated in the course of project proposal development.

2 Donor Coordination

In order to ensure continuous progress in the implementation of reforms, it is necessary to establish a donor coordination mechanism and to ensure that Palestinian authorities have a substantial role in the process. This has implications for notions of ownership and partnership, and it is also critical for successful policy reform and aid relationships. The existence of a number of donors—all with their own procedures and priorities—poses a challenge, as does the wide range of large and small project proposals—all with their own requirements and conditions, project cycles and procedures for appraisal, procurement and aid disbursement. Moreover, the trying, complex environment in which implementation of the AP will take place renders it all the more important to establish efficient monitoring and coordination mechanisms as well as firm management systems. This will guard against overlap and redundancy of efforts and help to ensure smooth and simultaneous implementation of reforms at various levels.

The RSGLG and Steering Committee will coordinate and monitor reform implementation jointly, in collaboration with the MoLG. A separate body will be formed within this structure to serve as a main point of contact and to manage implementation. In addition, a separate Office of the Project Director will be established within the MoLG to provide monitoring and oversight. Coordination should comprise standard components, such as information exchange, systematic division of labour and adherence to common policies, institutional frameworks and processes of performance monitoring. In the course of implementation, the MoLG, sector ministries, donor partners, civil society institutions and other stakeholders will be engaged and consulted on a regular basis.

3 Reform Management and Structure

3.1 Implementation Steering Committee

A Steering Committee will be established to administer and manage implementation of AP reforms. This committee will comprise the MoLG representative, the President of APLA (or designate), several chairpersons of village councils or JSCs (drawn by lot), a representative from the Ministry of Finance (MoF), relevant civil society representatives, a representative from the RSGLG and the project director. Other interested parties may be invited to attend the meetings upon Steering Committee approval. Active involvement of other ministries and offices is essential to the AP's success.

It is envisaged that the Steering Committee will meet quarterly with additional meetings held as necessary. The project director will chair the committee, and membership and working procedures will be established during the first month of AP implementation. Meeting minutes and details of the decisions taken will be referred to the implementing agencies (see below).

The Steering Committee will be responsible for the following main activities:

Providing general guidance regarding the establishment and implementation of individual projects;
Facilitating efficient coordination among beneficiaries and other ministries, agencies and donors;
Reviewing reports, work plans and budgets and making recommendations for their approval and
Monitoring and evaluating progress of individual projects and the overall AP reform process.

The Steering Committee will focus on policy and technical coordination but will not be involved in day-to-day operations.

3.2 Implementing Agencies

Implementing agencies will be identified as entities that will undertake individual projects and provide expertise. These agencies will be responsible for:

Developing projects and providing expertise for implementation;

Developing annual work plans, budgets and reports;

Maintaining regular contact with the implementation Steering Committee and other implementing agencies and

Developing monitoring and evaluation tools to track project progress and evaluate its effect on a quarterly basis.

4 Monitoring, Evaluation and Reform Management

Monitoring and evaluation of the AP will be undertaken at two levels:

- Individual Project Level: By the implementing agency and the MoLG, as represented by the appropriate directorate for the specific project.
- Overall Program Level: By the implementation Steering Committee.

Monitoring provides the information needed to assess plan implementation and to guide modifications and updates that will keep efforts on track. Regular monitoring reports, which will be made public, will ensure transparency and reinforce commitment.

At the inception stage of project implementation, key performance indicators (KPIs) will be designed for individual projects and for the reform program as a whole. The KPIs will be verified through a consultative process with the beneficiary communities and will be tailored to meet the needs of the program and to reflect donors' expectations. They will be revised and adjusted annually, since their relevance may change over time. These indicators will be grouped into two categories:

- Indicators that measure achievement (output).
- Indicators that measure outcome.

The KPIs and monitoring reports will be designed to provide valid and reliable information that is useful for program management as well as policy dialogue, in reasonable time and at reasonable cost.

4.1 Individual Project Monitoring and Evaluation

Accordingly, every project will be monitored and evaluated at several levels including:

Input monitoring, which is part of the routine project reporting that generally involves financial and/or descriptive documentation related to disbursement of funds, delivery of goods and materials and personnel needed to achieve objectives.

Output monitoring, which is also part of the routine reporting that tracks project output (e.g., activities completed, services delivered). The project team will carry out both input and output monitoring on a monthly basis.

Performance monitoring, which involves reviewing project progress against the work plan and project output against the objectives. Monthly performance monitoring meetings will take place with community participation through monthly meetings of the Project Working Committee (which includes implementing institutions such as NGOs, the MoLG, other relevant ministries, LGUs and the implementing agency). These meetings will also serve as forums for coordinating project activities, resolving any problems that arise and reporting on progress.

Mid-term evaluation, which will take place at the end of first year of project implementation (in the middle of the project life). It will focus on the effectiveness, efficiency and timeliness of implementation, highlight issues requiring decisions and actions and look at initial lessons learned about project implementation and management.

Final evaluation, which will be conducted at the end of project implementation. It will focus on the same issues as the mid-term evaluation but will also look at early signs of potential impact resulting from the project and issues of sustainability and soundness. It will also offer recommendations for follow-up activities.

4.2 Overall Program Monitoring and Evaluation

The Steering Committee will monitor the progress of the overall reform program on a quarterly basis to assess its performance, the outputs/outcomes produced against initial targets, demonstrated or expected impact, relevance to the national context and management efficiency. The evaluation will look at lessons learned and offer recommendations to improve program performance in subsequent activities. Such lessons and recommendations will also be incorporated in the work plans of individual projects.

4.3 Definition of Indicators of Project Achievement

In order to facilitate development of achievement indicators for designated sectors of the reform process, the indicators of project achievement as presented in the AP chart are summarized below:

Group I. Increase Decentralization within the Local Government System

- *Necessary amendments are made to operative local government laws and regulations.*
- *Property taxes are reassigned to LGUs smoothly and effectively.*
- *Modernized and regular arrangement of property assessment is institutionalised.*
- *A computerized system of property tax record keeping, billing and collection is set up and activated.*
- *A process of land registration is designed and implemented.*
- *LGUs begin to have more balanced budgets and fewer liquidity problems.*
- *A strategy for transferring economically viable and efficient people-centred expenditure responsibilities is adopted and implemented.*
- *A more decentralized administrative setting in the local government system is engineered and activated.*

Group II. Strengthen Fiscal, Organizational and Management Capacity of the Local Government System

- *Clear roles and responsibilities of different departments and individual staff contribute to harmonious, constructive and effective ministry work.*
- *The MoLG has clear strategies and policies on issues of local interest that support its operations and cooperation with other local government institutions.*
- *The internal capacity of the MoLG to carry out its core functions is enhanced.*
- *Skilled and efficient staff manage public resources effectively.*
- *An integrated, comprehensive financial management system supports decentralization with financial plans and budgets based and built in the localities.*
- *A comprehensive legal framework that establishes a planning system and regulates the process is enacted and enforced.*

- *Competent staff develop clear general guidelines for developing town plans.*
- *Town plans designed by LGUs are clear, comprehensive, accurately reflect the current situation and address local needs.*
- *Citizens are well informed and engaged in the planning process.*
- *LGUs' new boundaries and structures are clear, consolidated and published.*
- *Clear roles and responsibilities among different LGU departments contribute to constructive and smooth operation.*
- *Effective personnel management contributes to smooth LGU operation.*
- *Fiscal management systems contribute to LGUs' efficient management of public funds and enhance their sustainability.*
- *Town plans clearly and efficiently translate central guidelines and policies into concrete work plans that address local issues.*
- *LGUs demonstrate greater independence in their work.*
- *The MoLG efficiently performs its regulatory and advisory functions to support decentralization.*
- *Clear modes of interaction, roles/responsibilities and competencies of the central level with or in relation to local levels contribute to efficient public resource management and service delivery.*
- *The ability of LGUs to successfully engage in effective partnerships with other social actors is enhanced.*
- *Issues of local concern are represented in a comprehensive manner on the PA agenda.*
- *APLA's capacity to engage in advocacy, lobby successfully and provide technical support to LGUs is enhanced.*
- *APLA serves as an effective liaison between the MoLG and LGUs.*
- *Citizens are well informed about functions and competencies of LGUs and actively participate.*
- *Income-generation systems are put in place to ensure sustainability.*

Group III. Increase Citizen Participation in LGU Activities and Enhance LGU Transparency and Accountability

- *The Law on the Election of Local Government Authorities is clear, modernized, comprehensive and coherent.*
- *Comprehensive regulations further detailing the election process are implemented efficiently.*
- *Electoral bodies administer elections in a democratic and efficient manner.*
- *Well-informed citizens take part in the election process in large numbers.*
- *Local elections are conducted in a democratic manner.*
- *Newly elected representatives assume office following a transparent, free and fair election process.*
- *Modes of communication and cooperation between local authorities and citizens are used frequently and effectively.*
- *Local authorities launch more development projects in cooperation with citizens and/or NGOs.*
- *More NGOs engage effectively in local activities.*
- *LGUs communicate with citizens effectively and on a regular basis.*
- *Citizens are well informed about the work of local authorities and use the available tools to influence the decision-making process.*
- *All local government normative acts are published on time in the Palestinian Gazette.*
- *Well-informed citizens have public access to information on local issues and use the available tools to influence the decision-making process.*
- *Citizens understand the implications of legislation and regulations and use the available tools to participate actively in implementation.*
- *The accountability of local authorities is increased, and local government work is transparent.*

Group IV. Improve the Efficiency and Viability of LGU Utility Service Provision

- *Sound and effective accounting, reporting and control systems are designed and employed for utility provision functions.*
- *There is smooth conversion of utility services to investment centres.*
- *A clear and comprehensive action plan for long-term local utility restructuring is finalized and approved by all parties.*

VIII Envisaged Duration

This AP specifies program activity for a three-year period (January 2004 to January 2007), beginning with the launch of individual projects and progressing through their implementation. The timeline for implementation is subject to change, however, as necessitated by the outcomes of the monitoring and evaluation process. Such change is highly likely given the considerable level of risk surrounding reform plan implementation.

IX Project Team

The UNDP team that spearheaded development of the AP based on the Diagnostic Report included Dr. Naser Abdelkarim, as project team leader, and Ms. Maja Klimenta, as consultant. Mr. Ahmed Ghneim, Assistant Deputy Minister of Local Government, headed a counterpart team within the MoLG and maintained a continuous coordinating relationship with the UNDP team.

In the course of developing the AP, the team benefited from the support and advice of the RSGLG Steering Committee, select ministries and other PA agencies, APLA, the private sector, donor agencies and NGOs. Cooperation and regular meetings with MoLG officials contributed to the comprehensiveness and inclusiveness of the AP. Under the project's auspices, a series of workshops were organized that gathered representatives of local authorities, civil society, select PA ministries and donors to discuss and review the proposed course of action. The UNDP team would like to extend special thanks to the Minister of Local Government, H.E. Jamal Shobaki, for his continuous support, guidance and firm commitment to the reform process, as well as to the counterpart team within the MoLG.

ANNEX I: Action Plan Chart

(1) Overall (Underlying) Objectives	(2) Intermediate (Specific) Purposes	(3) Project Profile Reference	(4) Timeline	(5) Tasks/Activities Required	(6) Implem- entation Prerequ- isite	(7) Implementation Partners	(8) Expected Results (Outcomes)
<p>Group I</p> <p>Increase Decentralization within the Local Government System</p>	<p>A Institute legal changes necessary for increased decentralization .</p>	<p>1</p>	<p>A Total: 4 months A1 4 months</p>	<p>A1 Survey, identify and make necessary amendments to the legal framework of the local government system so as to render it more conducive to decentralization.</p>	<p>(A1) None</p>	<p>A1 Implementing agency (consultants), APLA, MoLG, PLC</p>	<p>A1.1 Necessary amendments are made to operative local government laws and regulations.</p>
	<p>B Increase options for local revenue generation to help LGUs attain sustainability.</p>	<p>2</p>	<p>B Total: 15 months B1 6 months</p>	<p>B1 Institute and complete modernized, regular reassessment (re-valuation) of properties located within the boundaries of individual LGUs. Modernize property tax record keeping, billing, collection and enforcement.</p>	<p>(B1) None</p>	<p>B1 Implementing agency, APLA, MoF, MoLG, PLA</p>	<p>B1.1 A modernized and regular property assessment arrangement is institutionalised, and property reassessment for a sample of at least 30 municipalities is completed during a pilot phase.</p>
			<p>B2 12 months</p>	<p>B2 In conjunction with strengthening municipal property tax administration, complete the process of PLA land registration in a selected sample of 30 municipalities, and restrict the use of irrevocable power of attorney for real estate transactions to 5 years or less (instead of the current 15).</p>	<p>(B2) None</p>	<p>B2 Implementing agency, APLA, MoF, MoH, MoLG, PLA</p>	<p>B1.2 A computerized system of property tax record keeping, billing and collection is set up and activated in the said sample of localities.</p> <p>B2.1 The process of land registration is initiated and fully completed for the selected municipalities.</p>

			B3 9 months	B3 Identify and put into effect regulations, procedures and systems that are necessary for reassignment of property taxes to LGUs.	(B3) None	B3 Implementing agency, APLA, MoF, MoJ, MoLG, PLC	B3.1 Property taxes are reassigned to LGUs smoothly and effectively, particularly in large municipalities.		
			B4 3 months	B4 Explore economic feasibility and provide other alternatives for local revenue generation, i.e., betterment levies, valorisation taxes and establishment of commercial ventures.	(B4) A1	B4 Implementing agency, APLA, MoF, MoLG	B4.1, 5.1 LGUs begin to have more balanced budgets and fewer liquidity problems.		
			B5 6 months	B5 Formulate and implement a comprehensive scheme of intergovernmental fiscal transfers, i.e., shared revenues, VAT rebates and development budgets.	(B5) None	B5, B6 Implementing agency, CMA, MoF, MoLG, PLC	B4.2, 5.2 A more effective intergovernmental fiscal transfer scheme is established and activated.		
			B6 3 months	B6 Authorize and encourage local capital financing with particular emphasis on public municipal bond offerings and equity sharing schemes.	(B6) A1		B6.1 Large LGUs begin to utilize long-term financing sources, i.e., issuing bonds and entering into joint investment projects with the private sector.		
			C Total: 4 months C1 4 months	C1 Conduct cost-benefit assessments of reassigning education, health and policing services to LGUs.	(C1) A1	C1 Implementing agency, APLA, MoE, MoH, MoI, MoLG	C1.1 A strategy for transferring economically viable and efficient people-centred expenditure responsibilities is adopted and implemented.		
			D Total: 6 months D1 2 months	D1 Identify where administrative changes are needed in the existing central-local relationship and make those changes, with particular attention to budgeting,	(D1) A1	D1 Implementing agency, APLA, MoLG	D1.1 A more decentralized administrative setting in the local government system is engineered and activated.		
			C Reassign more people-centred activities to LGUs to raise the rate of local expenditures to GDP, bringing it into line with international standards.	3					
			D Redesign and implement less restrictive MoLG administrative	4					

	controls over LGU affairs.		D2 4 months	project management and monitoring. D2 Strengthen the capacity of MoLG directorates with jurisdiction over inspecting and monitoring LGU activities.	(D2) None	D2 Implementing agency, MoLG	D2.1 The MoLG Directorate of Inspection and Monitoring is adequately staffed and begins functioning as effectively as possible.
Group II Strengthen Fiscal, Organizational and Management Capacity of the Local Government System	A Building capacity of the MoLG	5	A Total: 18 months A1 6 – 8 months A2 8 – 10 months	A1 Design and implement sound by-laws, a computerized management information system, organizational charts, operational manuals (i.e., with standardized accounting and reporting procedures), human resources manuals and job descriptions to create systems and clarify procedures within the MoLG. A2 Develop necessary MoLG strategies and policies. A3 Design and deliver hands-on training seminars to develop staff managerial skills. Seminars should cover record keeping, participatory decision-making, collection/dissemination of information and project formulation. A4 Design and deliver hands-on training in the area of fiscal and project management, with emphasis on budgeting, accounting and reporting.	(A1) None (A2) None (A3) None (A4) None	A1 Implementing agency (consultants), MoLG A2 Implementing agency (consultants), MoLG, NGOs A3 Implementing agency, MoLG A4 Implementing agency, MoLG	A1.1 Clear roles and responsibilities of different departments and individual staff contribute to harmonious, constructive and effective ministry work. A2.1 The MoLG has clear strategies and policies on issues of local interest that support its operations and cooperation with other local government institutions. A3.1 The institutional capacity of the MoLG to perform its core functions is enhanced. A3.2 Skilled and efficient staff manage public resources effectively. A4.1 An integrated, comprehensive financial management system supports decentralization with financial plans and budgets based and built in the localities.

	B Building capacity of LGUs	6	A3 6 months	<p>A5 Finalize and push for enactment of sound, modernized and unified planning legislation.</p> <p>A6 Design and conduct training seminars to enhance staff skills in developing general guidelines for town plans, with an aim towards improving their quality and inclusiveness. Publish town plans and develop public information campaigns to educate citizens on the planning process, with attention to its effects and citizens' role.</p>	<p>(A5) None</p> <p>(A6) None</p>	<p>A5 Implementing agency, LGUs, MoLG, PLC</p> <p>A6 Implementing agency, LGUs, MoLG, <i>Palestinian Gazette</i>, civil society</p>	<p>A5.1 A comprehensive legal framework that establishes a planning system and regulates the process is enacted and enforced.</p> <p>A6.1 Competent staff develop clear general guidelines for developing town plans.</p> <p>A6.2 Town plans designed by LGUs are clear, comprehensive, accurately reflect the current situation and address local needs.</p> <p>A6.3 Citizens are well informed and engaged in the planning process.</p>
			A4 6 months	<p>B1 Determine, consolidate and publish LGU structures for the entire Palestinian Territories.</p> <p>B2 Develop and implement by-laws, organizational charts, operational manuals (such as human resources manuals), job descriptions and standardized accounting and reporting procedures to create sound structures and establish efficient systems and measures (taking larger LGUs as a sample).</p>	<p>(B1) A5</p> <p>(B2) None</p>	<p>B1 Implementing agency, APLA, LGUs, MoLG</p> <p>B2 Implementing agency, LGUs, MoLG, information systems experts</p>	<p>B1.1 LGUs' new boundaries and structures are clear, consolidated, published and reflect local needs.</p> <p>B2.1 Clear roles and responsibilities among different LGU departments contribute to constructive and smooth operation.</p> <p>B2.2 Effective personnel management contributes to efficient LGU operation.</p>
			A5 6 months	<p>B3 Customize a sound, computerized and unified municipal accounting system that is based on the accrual principle, with pilot implementation.</p> <p>B4 Design and deliver staff training as needed, with emphasis on fiscal management skills, such as budgeting,</p>	<p>(B3) None</p> <p>(B4) None</p>	<p>B3 Implementing agency, APLA, LGUs, MoF, MoLG</p> <p>B4 Implementing agency, APLA, LGUs (sample), MoLG</p>	<p>B3.1 A standardized municipal accounting system is designed and implemented in a few selected municipalities.</p> <p>B4.1 Fiscal management systems contribute to LGUs' efficient management of public funds and enhance</p>
			A6 12 months				

	C Strengthen interaction between the central and local government	7	<p>B Total: 24 months B1 6 months</p> <p>B2 8 – 10 months</p> <p>B3 9 – 12 months</p> <p>B4 12 months</p> <p>B5 8 – 10 months</p>	<p>accounting and reporting. B5 Design and implement training to help staff develop inclusive and comprehensive town plans in accordance with MoLG guidelines.</p> <p>C1 Empower LGUs to issue regulations to carry out their functions as per local government legislation. C2 Develop ministry plans to regulate LGUs so as to improve cooperation with and empower LGUs, with priority given to establishing law enforcement forces and municipal courts.</p> <p>C3 Establish coordination mechanisms among ministries through regular meetings and consultations.</p> <p>C4 Develop tools to enhance communication between LGUs, the MoLG, citizens, and other PA ministries (taking larger LGUs as a sample).</p>	<p>(B5) None</p> <p>(C1) B1</p> <p>(C2) None</p> <p>(C3) B1</p> <p>(C4) None</p>	<p>B5 Implementing agency, APLA, LGUs, MoLG</p> <p>C1 LGUs, MoLG</p> <p>C2 Implementing agency, LGUs, MoLG</p> <p>C3 MoLG, PLC, select PA ministries</p> <p>C4 APLA, LGUs, MoLG, select PA ministries, civil society</p>	<p>their sustainability. B5.1 Town plans clearly and efficiently translate central guidelines and policies into concrete work plans to address local issues.</p> <p>C1.1 LGUs demonstrate greater independence.</p> <p>C2.1 The MoLG efficiently performs its regulatory and advisory functions to support decentralization. C2.2 Adequate municipal law enforcement and dispute settlement arrangements become functional. C3.1 Clear modes of interaction, roles/responsibilities and competencies of the central level with or in relation to local levels contribute to efficient public resource management and service delivery. C4.1 The ability of LGUs to successfully engage in effective partnerships with other social actors is enhanced. C4.2 Issues of local concern are represented in a comprehensive manner on the PA agenda.</p> <p>D1.1 Town plans are prepared and approved for 100 selected LGUs.</p>
	D Preparation of town plans for selected	8	<p>C Total: 24 months C1 immediately</p>	<p>D1 Produce 100 town plans for communities in the West Bank that either lack plans or have</p>	<p>(D1) A5</p>	<p>D1, D2, D3 APLA, Association of</p>	

	LGUs	9	C2 10 months	plans that are obsolete.		Engineers, MoLG, PA line ministries, PLA		
				D2 Enhance and strengthen the capacity of the Town Planning Unit of the MoLG.	(D2) None		D2.1 The Town Planning Unit of the MoLG is adequately staffed and equipped.	
				C3 12 months	D3 Maintain and develop the capacity of the private sector to produce town plans.	(D3) None		D3.1 Selected private sector enterprises with relevant engineering and planning expertise are well trained to produce town plans in accordance with MoLG guidelines.
	E Building capacity of APLA			C4 18 months	E1 Design and conduct training seminars to support APLA's advocacy and lobbying efforts and to develop APLA's capacity to provide technical support to LGUs.	(E1) None	E1 Implementing agency, APLA, LGUs	E1.1 APLA's capacity to engage in advocacy, lobby successfully and provide technical support to LGUs is enhanced.
				D Total: 30 months	E2 Identify channels for public information dissemination and design and implement a communication strategy to educate citizens on local governance, citizens' rights and responsibilities and community participation mechanisms.	(E2) None	E2 Implementing agency, APLA, LGUs, MoLG, civil society	E2.1 APLA serves as an effective liaison between the MoLG and LGUs. E2.2 Citizens are well informed about functions and competencies of LGUs and actively participate in local government.
				D1 18 months	E3 Explore fund generation measures and prepare strategy for institutional development and sustainability.	(E3) None	E3 Implementing agency, APLA, LGUs	E3.1 Income-generation systems are put in place to ensure sustainability.
			D2 6 months					
			D3 6 months					

			<p>E Total: 12 months E1 8 – 10 months</p> <p>E2 8 months</p> <p>E3 8 months</p>				
<p>Group III Increase Citizen Participation in LGU Activities and Enhance LGU Transparency and Accountability</p>	<p>A Support organizing for municipal elections <i>(In coordination with the RSG on Elections)</i></p>	<p>10</p>	<p>A Total: 6 months A1 3 months</p> <p>A2 3 months</p> <p>A3 2 months</p> <p>A4 2 months</p>	<p>A1 Improve the clarity and coherence of the Law on Election of Local Government Authorities through amendments. A2 Enact regulations to delineate election procedures and determine an elections date. A3 Establish appropriate bodies to conduct local elections. A4 Design and organize civic and voter education campaigns.</p>	<p>(A1) None</p> <p>(A2) A1</p> <p>(A3) A2</p> <p>(A4) A3</p>	<p>A1 Implementing agency, MoLG, PLC, RSG on Elections A2 Implementing agency, Elections Commission, MoLG, PLC, RSG on Elections A3 Elections Commission, PLC A4 Implementing agency, APLA, Elections Commission, LGUs, RSG on Elections, civil</p>	<p>A1.1 The Law on Election of Local Government Authorities is clear, modernized, comprehensive and coherent. A2.1 Comprehensive regulations further detailing the election process are implemented efficiently. A3.1 Electoral bodies administer elections in a democratic and efficient manner. A4.1 Well-informed citizens take part in the election process in large numbers. A4.2 Local elections are conducted in a democratic manner.</p>

	B Promoting citizen participation and increasing interaction with local government	11	A5 2 months	A5 Work with civil society to develop election-monitoring skills and organize an election-monitoring campaign.	(A5) A4	society A5 Implementing agency, Elections Commission, civil society	A4.3 Newly elected representatives assume office following a transparent, free and fair election process. A5.1 Local elections are conducted in a democratic manner.
			B Total: 24 months B1 12 months	B1 Institutionalise mechanisms to enhance consultation and participation of citizens in local government, such as standing committees, advisory boards, “open doors” and public debates.	(B1) None	B1, B2, B3, B4 Implementing agency, APLA, LGUs, MoLG, civil society	B1.1 Modes of communication and cooperation between local authorities and citizens are used frequently and effectively.
			B2 12 months	B2 Design and conduct trainings on citizen organizing, participation and communication.	(B2) None		B2.1 Local authorities launch more development projects in cooperation with citizens and/or NGOs. B2.2. More NGOs engage effectively in local activities.
			B3 10 months	B3 Assist LGUs in developing and implementing local communication plans.	(B3) None		B3.1 LGUs communicate with citizens effectively and on a regular basis, informing them about ongoing activities and implications for their daily lives.
			B4 10 months	B4 Strengthen civil society’s capacity to organize public information campaigns (in cooperation with the MoLG) to educate citizens on the functioning of local authorities.	(B4) None		B4.1 Citizens are well informed about the work of local authorities and use the available tools to influence the decision-making process.
			B5 immediately	B5 Publish all local government normative acts in the <i>Palestinian Gazette</i> within 30 days of enactment.	(B5) None	B5 LGUs, MoLG, <i>Palestinian Gazette</i>	B5.1 All local government normative acts are published on time in the <i>Palestinian Gazette</i> .
			B6 10 months	B6 Strengthen civil society’s capacity to organize public information campaigns	(B6) B5	B6, B7 Implementing agency, APLA,	B6.1 Well-informed citizens have public access to information on local issues

			B7 12 months	explaining the effects of laws' implementation and the tools available to citizens. B7 Institute regular performance reporting and report distribution and establish regular public meetings to solicit feedback.	(B7) None	LGUs, civil society	and use the available tools to influence the decision-making process. B7.1 Citizens understand the implications of legislation and regulations and use the available tools to participate actively in implementation. B7.2 The accountability of local authorities is increased, and local government work is transparent.	
Group IV <i>Improve the Efficiency and Viability of LGU Utility Service Provision</i>	A Upgrading of accounting and reporting practices for LGU utility services	12	A Total: 14 months	A1 Evaluate the soundness of existing costing and pricing practices with respect to local utility transactions.	(A1) None	A1, A2 Implementing agency (outsourced consultant(s)), APLA, MoLG, PEA, PWA	A1.1 Gap analyses are completed in the area of costing and pricing. A1.2 Necessary changes in existing practices are identified, beginning with large municipalities. A2.1 Sound and effective accounting, reporting and control systems are designed and employed for utility provision functions, beginning in large, relevant municipalities.	
			A1 3 months					
			A2 4 months	A2 Design and implement changes in existing practices to be more consistent with accrual accounting principles.	(A2) A1+ B3 of Group II			
	A3 3 months	A3 Reformat the utility chart of accounts and budget items, and activate a computerized accounting system accordingly.	(A3) A2	A3, A4 Implementing agency, APLA, MoLG	A3.1 The chart of accounts and budget items is reformatted and computerized.			
	B Assessment of economic viability of utility service	13	A4 4 months	A4 Prepare operational manuals for accounting, reporting and internal control to be implemented in relation to utility activities.	(A4) A2		A4.1 Manuals for accounting, reporting and control procedures are outlined and put into effect in a sample of large municipalities.	
B Total: 21 months			B1 Design and execute a process of utility asset/liability appraisal.	(B1) A3+A4	B1, B2, B3, B4 Implementing agency, APLA, MoLG, PEA,	B1.1 Utility assets and liabilities are identified and appraised fairly in a selected sample of large		
			B1 6 months					

	restructuring options		B2 3 months	B2 Develop and implement organizational, institutional and operational systems for newly founded investment centres.	(B2) B1	PWA	municipalities. B2.1 There is smooth conversion of utility services to investment centres in a representative sample of municipalities.
			B3 6 months	B3 Carry out a study to weigh long-term options for utility service restructuring, and make specific recommendations in this regard.	(B3) None		B3.1 The study is completed and relevant options are assessed.
			B4 6 months	B4 Finalize and approve a concrete action plan to restructure utility services according to the recommended long-term option.	(B4) B3		B4.1 A clear and comprehensive action plan for long-term local utility restructuring is finalized and approved by all parties.

ANNEX II: Project Profiles

Group I: Increase Decentralization within the Local Government System

Project 1: Institute legal changes necessary for increased decentralization

Rationale:

Reaching a satisfactory level of fiscal and administrative decentralization in the Palestinian local government system is not possible without having a conducive and responsive legislative base. The central-local relationship and revenue/expenditure assignments to local governments are determined by relevant legislation and related by-laws. The existing Local Government Law (LGL) of 1997 is too restrictive. Amending a number of articles in this law is a prerequisite and starting point in any reform process aiming for increased decentralization.

Overall timeline: 4 months

Specific Purposes:

Action/Task 1:

Survey, identify and make all necessary amendments to the legal framework of the local government system so as to render it more conducive to decentralization.

- Responsibilities/Partners/Set-up: Implementing agency (consultants), APLA, MoLG, PLC
- Timeline: 4 months
- Expected results: Necessary amendments are made to operative local government laws and regulations.

Estimated Budget: \$100,000 – \$120,000

Project 2: Increase options for local revenue generation to help LGUs attain sustainability

Rationale:

Financial sustainability is essential for enabling a locality to fulfil its responsibilities to constituents. It can only be achieved if LGUs are able to generate sufficient revenues on their own and to raise funds from various external sources as needed. Thus, there is a need to explore the economic viability of all potential LGU financing sources. Once local revenue generation capacity is enhanced, LGUs will be more viable and independent. This, in turn, supports the goal of increased decentralization.

Overall Timeline: 15 months

Specific Purposes:

Action/Task 1:

Institute and complete modernized, regular reassessment (re-valuation) of properties located within the boundaries of individual LGUs. Modernize property tax record keeping, billing, collection and enforcement.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoF, MoLG, Palestinian Land Authority (PLA)
- Timeline: 6 months
- Expected results: A modernized and regular property assessment arrangement is institutionalised, and property reassessment for a sample of at least thirty municipalities is completed during a pilot phase. A computerized system of property tax record keeping, billing and collection is set up and activated in the said sample of localities.

Action/Task 2:

In conjunction with strengthening municipal property tax administration, complete the process of PLA land registration and restrict the use of irrevocable power of attorney for real estate transactions to five years or less (instead of the current fifteen).

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoF, Ministry of Health (MoH), MoLG, PLA
- Timeline: 12 months
- Expected results: The process of land registration is initiated and is fully completed for the selected municipalities.

Action/Task 3:

Identify and put into effect regulations, procedures and systems that are necessary for reassignment of property taxes to LGUs.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoF, Ministry of Justice (MoJ), MoLG, PLC
- Timeline: 9 months
- Expected results: Property taxes are reassigned to LGUs smoothly and effectively, particularly in large municipalities.

Action/Task 4:

Explore economic feasibility and provide additional alternatives for local revenue generation, i.e., betterment levies, valorisation taxes and establishment of commercial ventures.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoF, MoLG
- Timeline: 3 months
- Expected results: LGUs begin to have more balanced budgets and fewer liquidity problems.

Action/Task 5:

Formulate and implement a comprehensive scheme of intergovernmental fiscal transfers, i.e., shared revenues, VAT rebates and development budgets.

- Responsibilities/Partners/Set-up: Implementing agency, Capital Market Authority (CMA), MoF, MoLG, PLC
- Timeline: 6 months
- Expected results: LGUs begin to have more balanced budgets and fewer liquidity problems, and an effective intergovernmental fiscal transfer scheme is established and activated.

Action/Task 6:

Authorize and encourage local capital financing with particular emphasis on public municipal bond offerings and equity sharing schemes.

- Responsibilities/Partners/Set-up: Implementing agency, CMA, MoF, MoLG, PLC
- Timeline: 3 months
- Expected results: Large LGUs begin to utilize long-term financing sources, i.e., issuing bonds and entering into joint investment projects with the private sector.

Estimated Budget: \$4.5 million – \$5 million

Project 3: Reassign more people-centred activities to LGUs to raise the rate of local expenditures to GDP, bringing it into line with international standards

Rationale:

The other component of decentralization is expenditure assignments, which must correspond to the functions and responsibilities designated by law. Thus, if increased decentralization is to be achieved in the Palestinian local government system, local functions/expenditures should be re-examined to identify those cost-effective ones that could be reassigned to LGUs. This is of course contingent on the availability of sufficient financing to meet any extra obligations.

Overall Timeline: 4 months

Specific Purposes:

Action/Task 1:

Conduct cost-benefit assessments of reassigning education, health and policing services to LGUs.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, Ministry of Education (MoE), MoH, Ministry of Industry (MoI), MoLG
- Timeline: 4 months
- Expected results: A strategy for transferring economically viable and efficient people-centred expenditure responsibilities is adopted and implemented.

Estimated Budget: \$80,000 – \$100,000

Project 4: Redesign and implement less restrictive MoLG administrative controls over LGU affairs

Rationale:

The LGL of 1997 outlines various administrative restrictions on the central-local relationship. Those restrictions cover issues of budgeting, planning, hiring, reporting and monitoring. Such restrictions are inconsistent with decentralization. Thus, some of those restrictions must be relaxed to allow LGUs greater freedom and flexibility. Following this relaxing of legal restrictions, the operational manuals that govern and guide MoLG-LGU relations must be revised.

Overall Timeline: 6 months

Specific Purposes:

Action/Task 1:

Identify where administrative changes are needed in the central-local relationship and make those changes, with particular attention to budgeting, project management and monitoring.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoLG
- Timeline: 2 months
- Expected results: A more decentralized administrative setting in the local government system is engineered and activated.

Action/Task 2:

Strengthen the capacity of MoLG directorates with jurisdiction over inspecting and monitoring LGU activities.

- Responsibilities/Partners/Set-up: Implementing agency, MoLG
- Timeline: 4 months
- Expected results: The MoLG Directorate of Inspection and Monitoring is adequately staffed and begins functioning as effectively as possible.

Estimated Budget: \$200,000 – \$250,000

Group II: Strengthen Fiscal, Organizational and Management Capacity of the Local Government System

Project 5: Building Capacity of the MoLG

Rationale:

One of the key preconditions for successful decentralization and coordination of the reform process is establishment of sound structures, internal policies and operational frameworks as well as clear strategies within the ministry. Training and capacity-building programs that tackle the main problems hindering local development (poor coordination and cooperation mechanisms among the various sectors; severe data collection constraints and poor records management; weak project management, monitoring and evaluation; lack of understanding of market economy mechanisms) are key to improving performance in central and local-level development planning and management. Establishing efficient fiscal management systems is also an important step in the reform process.

Overall timeline: 18 months

Specific Purposes:

Action/Task 1:

Design and implement sound by-laws, a computerized management information system, organizational charts, operational manuals (i.e., with standardized accounting and reporting procedures), human resources manuals and job descriptions to create sound systems and standardize procedures within the MoLG.

- Responsibilities/Partners/Set-up: Implementing agency (consultants), MoLG
- Timeline: 6 – 8 months
- Expected results: Clear roles and responsibilities of different departments and individual staff contribute to harmonious, constructive and effective ministry work.

Action/Task 2:

Develop necessary MoLG strategies and policies.

- Responsibilities/Partners/Set-up: Implementing agency (consultants), MoLG, NGOs
- Timeline: 8 – 10 months
- Expected results: The MoLG has clear strategies and policies on issues of local interest that support its operations and cooperation with other local government institutions.

Action/Task 3:

Design and deliver hands-on training seminars to develop staff managerial skills. Seminars should cover record keeping, participatory decision-making, collection/dissemination of information and project formulation.

- Responsibilities/Partners/Set-up: Implementing agency, MoLG
- Timeline: 6 months

- Expected results: The institutional capacity of the MoLG to perform its core functions is enhanced. Skilled and efficient staff manage public resources effectively.

Action/Task 4:

Design and deliver hands-on training in the area of fiscal and project management with emphasis on budgeting, accounting and reporting.

- Responsibilities/Partners/Set-up: Implementing agency, MoLG
- Timeline: 6 months
- Expected results: An integrated, comprehensive financial management system supports decentralization with financial plans and budgets based and built in the localities.

Action/Task 5:

Finalize and push for enactment of sound, modernized and unified planning legislation.

- Responsibilities/Partners/Set-up: Implementing agency, LGUs, MoLG, PLC
- Timeline: 6 months
- Expected results: A comprehensive legal framework that establishes a planning system and regulates the process is enacted and enforced.

Action/Task 6:

Design and conduct training seminars to enhance staff skills in developing general guidelines for town plans, with an aim towards improving their quality and inclusiveness. Publish plans and organize public information campaigns to educate citizens on the planning process, with attention to its effects and citizens' role.

- Responsibilities/Partners/Set-up: Implementing agency, LGUs, MoLG, *Palestinian Gazette*, civil society
- Timeline: 12 months
- Expected results: Competent staff develop clear general guidelines for developing town plans. Town plans designed by LGUs are clear, comprehensive, accurately reflect the current situation and address local needs. Citizens are well informed and engaged in the planning process.

Estimated Budget: \$1,000,000 – \$1,200,000

Project 6: Building Capacity of LGUs

Rationale:

In order to achieve systematic, harmonious interaction resulting from balancing power and responsibilities between the central government, other levels of government and non-governmental actors, the capacity of local bodies to carry out their decentralized responsibilities using participatory mechanisms must be enhanced. It is therefore essential to enhance the capacity of the LGUs, enabling them to gradually undertake greater responsibility for planning, management and resource raising and tailor them to local circumstances. Decentralization requires improved legal, regulatory and financial frameworks that ensure clear division of responsibilities, accountability and transparency. This project aims to ensure that the appropriate measures are put in place to facilitate this transition.

Overall Timeline: 24 months

Specific Purposes:

Action/Task 1:

Determine, consolidate and publish LGU structures for the entire Palestinian Territories.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, MoLG
- Timeline: 6 months
- Expected results: LGUs' new boundaries and structures are clear, consolidated, published and reflect local needs.

Action/Task 2:

Develop and implement by-laws, organizational charts, operational manuals (such as human resources manuals), job descriptions and standardized accounting and reporting procedures to create sound structures and establish efficient systems and measures (taking larger LGUs as a sample).

- Responsibilities/Partners/Set-up: Implementing agency, LGUs, MoLG, information technology systems experts
- Timeline: 8 – 10 months
- Expected results: Clear roles and responsibilities among different LGU departments contribute to constructive and smooth operation. Effective personnel management contributes to efficient LGU operation.

Action/Task 3:

Customize a sound, computerized and unified municipal accounting system that is based on the accrual principle, with pilot implementation.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, MoF, MoLG
- Timeline: 9 – 12 months
- Expected results: A standardized municipal accounting system is designed and implemented in a few selected municipalities.

Action/Task 4:

Design and deliver staff training as needed, with emphasis on fiscal management skills, such as budgeting, accounting and reporting.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs (sample), MoLG
- Timeline: 12 months
- Expected results: Fiscal management systems contribute to LGUs' efficient management of public funds and enhance their sustainability.

Action/Task 5:

Design and implement training to help staff develop inclusive and comprehensive town plans in accordance with MoLG guidelines.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, MoLG
- Timeline: 8 – 10 months
- Expected results: Town plans clearly and efficiently translate central guidelines and policies into concrete work plans to address local issues.

Estimated Budget: \$ 1.5 million – \$1.8 million

Project 7: Strengthen Interaction between the Central and Local Government

Rationale:

An integral part of the decentralization process is developing new avenues for intergovernmental and inter-municipal coordination, cooperation and collaboration. In order to facilitate transition to decentralized local government, it is necessary to identify appropriate and streamlined communication structures within ministries, ministerial-level agencies and localities. Defining roles and functions of LGUs at different levels with clearer differentiation of characteristic and management modality between those in urban and rural areas, and creating communication channels that will enhance transparency and support innovative exchange between various governmental levels are imperative to the implementation of viable reforms. Internal administrative capacity is essential to promote participation, decentralization, improved service delivery and overall performance of the local public sector.

Overall Timeline: 24 months

Specific Purposes:

Action/Task 1:

Empower LGUs to issue regulations to carry out their functions as per local government legislation.

- Responsibilities/Partners/Set-up: LGUs, MoLG
- Timeline: immediately
- Expected results: LGUs demonstrate greater independence.

Action/Task 2:

Develop ministry plans to regulate LGUs so as to improve cooperation with and empower LGUs, with priority given to establishing law enforcement forces and municipal courts.

- Responsibilities/Partners/Set-up: Implementing agency, LGUs, MoLG
- Timeline: 10 months
- Expected results: The MoLG efficiently performs its regulatory and advisory functions to support decentralization. Adequate municipal law enforcement and dispute settlement arrangements become functional.

Action/Task 3:

Establish coordination mechanisms among ministries through regular meetings and consultations.

- Responsibilities/Partners/Set-up: MoLG, PLC, select PA ministries
- Timeline: 12 months
- Expected results: Clear modes of interaction, roles/responsibilities and competencies of the central level with or in relation to local levels contribute to efficient public resource management and service delivery.

Action/Task 4:

Develop tools to enhance communication between LGUs, the MoLG, citizens and other PA ministries (taking larger LGUs as a sample).

- Responsibilities/Partners/Set-up: APLA, LGUs, MoLG, select PA ministries, civil society
- Timeline: 18 months
- Expected results: The ability of LGUs to successfully engage in effective partnerships with other social actors is enhanced. Issues of local concern are represented in a comprehensive manner on the PA agenda.

Estimated Budget: \$175,000 – \$200,000

Project 8: Preparation of Town Plans for Selected LGUs

Rationale:

Town plans influence the social and economic development, transport and environmental quality of targeted communities, and they should facilitate the communities' sustainable development. Historically, however, in the Palestinian Territories they were rarely prepared based on community development needs, but rather on the needs of the ruling regimes to maintain control and security. During the Israeli occupation period, planning responsibilities in the West Bank were taken over by the Israeli High Planning Council (HPC), consisting of a group of six military officers appointed by the commander of the West Bank. During that era, the period between 1981 and 1985 holds significance in the history of town planning. During that period, the HPC commissioned an Israeli consultant to prepare town plans for 283 villages. The main feature of these plans was the "plan boundary," whose main purpose was to restrict Palestinian development and building expansion to a very limited geographic area, outside of which no development was allowed. Furthermore, these plans were used to justify the demolition of houses located outside plan boundaries. After the Oslo accords, the PA assumed responsibility for planning within areas A and B. Accordingly, town plans were prepared for a number of communities in the West Bank by either:

- A- Large municipalities themselves, where the technical and financial capacity was available;
- B- The MoLG, for the village councils lacking the capacity to produce plans and
- C- The private sector (on behalf of village councils), for the local authorities lacking the technical capacity but possessing the financial resources to contract private sector institutions.

By the time that the MoLG was established in late 1994, the vast majority of Palestinian communities were in desperate need of town plans. During the past four years, the MoLG, through its Town Planning Unit, prepared 107 emergency town plans—all of which were approved. However, the capacity and resources of the MoLG are far fewer than those required to meet the existing needs of communities for town plans.

Overall Timeline: 30 months

Specific Purposes:

Action/Task 1:

Produce 100 town plans for communities in the West Bank that either lack plans or have plans that are obsolete.

- Responsibilities/Partners/Set-up: APLA, Association of Engineers, MoLG, PA line ministries, PLA
- Timeline: 18 months
- Expected results: Town plans are prepared and approved. for 100 selected LGUs.

Action/Task 2:

Enhance and strengthen the capacity of the Town Planning Unit of the MoLG.

- Responsibilities/Partners/Set-up: APLA, Association of Engineers, MoLG, PA line ministries, PLA
- Timeline: 6 months
- Expected results: The Town Planning Unit of the MoLG is adequately staffed and equipped.

Action/Task 3:

Maintain and develop the capacity of the private sector to produce town plans.

- Responsibilities/Partners/Set-up: APLA, Association of Engineers, MoLG, PA line ministries, PLA
- Timeline: 6 months
- Expected results: Selected private sector enterprises with relevant engineering and planning expertise are well trained to produce town plans in accordance with MoLG guidelines.

Estimated Budget: \$4 million – \$4.5 million

Project 9: Building Capacity of APLA

Rationale:

The importance of the Association of Palestinian Local Authorities lies in its unique role as an interlocutor between LGUs and the ministry. Founded in cooperation with the MoLG, APLA has become a major player in enhancing the public administration system in the West Bank and Gaza Strip and the performance of local authorities. In order to promote decentralization and facilitate contact and cooperation between the central government and its local units that represent citizens, it is necessary to build the operational and institutional capacity of APLA as an independent, self-sustaining organization that advocates and lobbies for the collective interests of its members—Palestinian LGUs—and provides additional technical support to strengthen them.

Overall Timeline: 12 months

Specific Purposes:

Action/Task 1:

Design and conduct training seminars to support APLA's advocacy and lobbying efforts and to develop APLA's capacity to provide technical support to LGUs, such as capacity building for local council members, strategic planning and organizational development.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs
- Timeline: 8 – 10 months
- Expected results: APLA's capacity to engage in advocacy, lobby successfully and provide technical support to LGUs is enhanced.

Action/Task 2:

Identify channels for public information dissemination and design and implement a communication strategy to educate citizens on local governance, citizens' rights and responsibilities and community participation mechanisms.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, MoLG, civil society
- Timeline: 8 months
- Expected results: APLA serves as an effective liaison between the MoLG and LGUs. Citizens are well informed about functions and competencies of LGUs and actively participate in local government.

Action/Task 3:

Explore fund generation measures and prepare strategy for institutional development and sustainability.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs
- Timeline: 8 months
- Expected results: Income-generation systems are put in place to ensure sustainability.

Estimated Budget: \$200,000 – \$250,000

Project 10: Support for Organizing Municipal Elections

Rationale:

Organizing new municipal elections is a crucial step towards increasing the legitimacy of Palestinian leaders in the eyes of the public and paving the way for democratic development. Delayed on many occasions in the past due to the unstable political environment, democratic municipal elections would mark a further transition towards self-rule and demonstrate the government and people's commitment to the reform process. In order for elections to be free and fair, it is necessary to lay the groundwork for a credible electoral process. Amending electoral legislation to best accommodate the current conditions is the first step. Furthermore, it is important to establish appropriate bodies to administer elections according to regulations, review voter lists and conduct civic education campaigns to promote citizen participation in the process and encourage local monitoring.

Overall Timeline: 6 months

Note: This project will be closely coordinated with the RSG on Elections.

Specific Purposes:

Action/Task 1:

Improve the clarity and coherence of the Law on Election of Local Government Authorities through amendments.

- Responsibilities/Partners/Set-up: Implementing agency, MoLG, PLC, RSG on Elections
- Timeline: 3 months
- Expected results: The Law on Election of Local Government Authorities is clear, modernized, comprehensive and coherent.

Action/Task 2:

Enact regulations to delineate election procedures and determine an elections date.

- Responsibilities/Partners/Set-up: Implementing agency, Elections Commission, MoLG, PLC, RSG on Elections
- Timeline: 3 months
- Expected results: Comprehensive regulations further detailing the election process are implemented efficiently.

Action/Task 3:

Establish appropriate bodies to conduct local elections.

- Responsibilities/Partners/Set-up: Elections Commission, PLC
- Timeline: 2 months

- Expected results: Electoral bodies administer elections in a democratic and efficient manner.

Action/Task 4:

Design and organize civic and voter education campaigns, including the GOTV.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, Elections Commission, LGUs, RSG on Elections, civil society
- Timeline: 2 months
- Expected results: Well-informed citizens take part in the election process in large numbers. Local elections are conducted in a democratic manner. Newly elected representatives assume office following a transparent, free and fair election process.

Action/Task 5:

Work with civil society to develop election-monitoring skills and organize an election-monitoring campaign.

- Responsibilities/Partners/Set-up: Implementing agency, Elections Commission, civil society
- Timeline: 2 months
- Expected results: Local elections are conducted in a democratic manner.

Estimated Budget: \$250,000 – \$300,000

Project 11: Promoting Citizen Participation and Increasing Interaction with Local Government

Rationale:

Improved local governance entails more legitimate, transparent and accountable local authorities; an active and inclusive local political process and institutional mechanisms for citizens' information, consultation and participation in all stages of the local public resources management cycle. It is crucial for the success of reforms that citizens have the power and the feeling they are holding the government accountable through elections, parliament and direct participation in the planning of their locality, and that their government operates in a transparent way in terms of its decisions, contracting and financial management. Efforts to enhance citizen participation require a fundamental change in attitude, on the part of municipal officials and citizens alike. Municipal officials must recognize the benefits of including citizens in decision-making and of ensuring that municipal government is a service-oriented operation. Citizens and NGOs should feel that municipal government is accountable to them. It is imperative to re-examine the citizen-municipality relationship, establish community strategies for improvement and begin implementing those strategies through the cooperative efforts of municipalities, civil society, the media and citizens.

Overall Timeline: 24 months

Specific Purposes:

Action/Task 1:

Institutionalise mechanisms to enhance consultation and participation of citizens in local government, such as advisory boards, standing committees, "open doors" and public debates.

- Responsibilities/Partners/ Set-up: Implementing agency, APLA, LGUs, MoLG, civil society
- Timeline: 12 months
- Expected results: Modes of communication and cooperation between local authorities and citizens are used frequently and effectively.

Action/Task 2:

Design and conduct training sessions on citizen organizing, participation and communication.

- Responsibilities/Partners/ Set-up: Implementing agency, LGUs, MoLG, civil society
- Timeline: 12 months
- Expected results: Local authorities launch more development projects in cooperation with citizens and/or NGOs. More NGOs engage effectively in local activities.

Action/Task 3:

Assist LGUs in developing and implementing local communication plans.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, MoLG, civil society
- Timeline: 10 months

- Expected results: LGUs communicate with citizens effectively and on a regular basis, informing them about ongoing activities and implications for their daily lives.

Action/Task 4:

Strengthen civil society's capacity to organize public information campaigns (in cooperation with the MoLG) to educate citizens on the functioning of the local authorities.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, MoLG, civil society
- Timeline: 10 months
- Expected results: Citizens are well informed about the work of local authorities and use the available tools to influence the decision-making process.

Action/Task 5:

Publish all local government normative acts in the *Palestinian Gazette* within thirty days of enactment.

- Responsibilities/Partners/Set-up: LGUs, MoLG, *Palestinian Gazette*
- Timeline: immediately
- Expected results: All local government normative acts are published on time in the *Palestinian Gazette*.

Action/Task 6:

Strengthen civil society's capacity to organize public information campaigns explaining the effects of laws' implementation and the tools available to citizens.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, civil society
- Timeline: 10 months
- Expected results: Well-informed citizens have public access to information on local issues and use the available tools to influence the decision-making process.

Action/Task 7:

Institute regular performance reporting and report distribution and establish regular public meetings to solicit feedback.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, LGUs, civil society
- Timeline: 12 months
- Expected results: Citizens understand the implications of legislation and regulations and use the available tools to participate actively in implementation. The accountability of local authorities is increased, and local government work is transparent.

Estimated Budget: \$750,000 – \$800,000

Project 12: Upgrading of Accounting and Reporting Practices for LGU Utility Services

Rationale:

One of the main deficiencies in the current accounting system applied by the majority, if not all, of Palestinian LGUs is the use of cash basis instead of the accrual basis for measurement and recognition of economic transactions and events. This makes it very difficult, if not impossible, for LGUs to conduct sound and effective financial management. This includes the functions of budgeting, costing, pricing, reporting and controlling. Best practices in local government strongly suggest that designing and implementing a well-functioning accounting system (as part of a comprehensive management information system) is a precondition for having sound LGU management. A Gap analysis of LGU practices in the area of financial management should be conducted. Based on this analysis, changes should be proposed and implemented so as to make those practices more consistent with modern ones.

Overall Timeline: 14 months

Specific Purposes:

Action/Task 1:

Evaluate the soundness of existing costing and pricing practices with respect to local utility transactions.

- Responsibilities/Partners/Set-up: Implementing agency (outsourced consultant(s)), APLA, MoLG, Palestinian Energy Authority (PEA), Palestinian Water Authority (PWA)
- Timeline: 3 months
- Expected results: Gap analyses are completed in the area of costing and pricing. Necessary changes in existing practices are identified, beginning with large municipalities.

Action/Task 2:

Design and implement changes in existing accounting and control practices, making them more consistent with accrual accounting principles.

- Responsibilities/Partners/Set-up: Implementing agency (outsourced consultant(s)), APLA, MoLG, PEA, PWA
- Timeline: 4 months
- Expected results: Sound and effective accounting, reporting and control systems are designed and employed for utility provision functions, beginning in large, relevant municipalities.

Action/Task 3:

Reformat the utility chart of accounts and budget items, and activate a computerized accounting system accordingly.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoLG
- Timeline: 3 months
- Expected results: The chart of accounts and budget items is reformatted and computerized.

Action/Task 4:

Prepare operational manuals for accounting, reporting and internal control to be implemented in relation to utility activities.

- Responsibilities/Partners/Set-up: Implementing agency, APLA, MoLG.
- Timeline: 4 months
- Expected results: Manuals for accounting, reporting and control procedures are outlined and put into effect in a sample of large municipalities.

Estimated Budget: \$900,000 – \$1,000,000

Project 13: Assessment of Economic Viability of Utility Service Restructuring Options

Rationale:

There seems to be confusing evidence as to the best course of action in terms of utility service provision (currently undertaken by most Palestinian LGUs). The PA favours the option of utility regionalization, yet no concrete steps have been taken towards that goal due to strong opposition from LGUs. The issue of utility restructuring needs further investigation and analysis to determine the most economically viable option. This is important because premature restructuring decisions pose genuine threats to at least some local government stakeholders.

Overall Timeline: 21 months

Specific Purposes:

Action/Task 1:

Design and execute a process of utility asset/liability appraisal.

- Responsibilities/Partners/ Set-up: Implementing agency, APLA, MoLG, PEA, PWA
- Timeline: 6 months
- Expected results: Utility assets and liabilities are identified and appraised fairly in a selected sample of large municipalities.

Action/Task 2:

Develop and implement organizational, institutional and operational systems for newly founded investment centres.

- Responsibilities/Partners/ Set-up: Implementing agency, APLA, MoLG, PEA, PWA
- Timeline: 3 months
- Expected results: There is smooth conversion of utility services to investment centres in a representative sample of municipalities.

Action/Task 3:

Carry out a study to weigh long-term options for utility service restructuring, and make specific recommendations in this regard.

- Responsibilities/Partners/ Set-up: Implementing agency, APLA, MoLG, PEA, PWA
- Timeline: 6 months
- Expected results: The study is completed and relevant options are assessed.

Action/Task 4:

Finalize and approve a concrete action plan to restructure utility services according to the recommended long-term option.

- Responsibilities/Partners/ Set-up: Implementing agency, APLA, MoLG, PEA, PWA
- Timeline: 6 months

- Expected results: A clear and comprehensive action plan for long-term local utility restructuring is finalized and approved by all parties.

Estimated Budget: \$900,000 – \$1,000,000