ENHANCING GOVERNMENT EFFECTIVENESS IN THE WEST BANK

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THE ENHANCING GOVERNMENT EFFECTIVENESS PROJECT

CONTENTS

EXECUTIVE SUMMARY

This report presents a critical assessment of the level of effectiveness of the Palestinian Authority. It applies an analytical framework of government effectiveness developed by the Enhancing Government Effectiveness (EGE) Project of USAID. Part of the analysis included a study visit to the West Bank in January 2008 by a team composed of staff from USAID and Management Systems International (MSI).[1]

The report is divided into three parts.

Part I explains that the Palestinian authority is undergoing a dual transition from charismatic to rational, rule-bound legitimacy and from absolute one-person rule to that of a potentially disorderly, unstructured oligarchy. Today many of the institutions of the Palestinian Authority are neither traditional nor rational. Governmental effectiveness will depend on how successfully the dual transition process results in permanent institutions built upon rational/legal legitimacy. With two transitions occurring simultaneously many possibilities of transition failure exist. The post-charisma transition government is insufficiently institutionalized to establish rule based legitimacy for the future Palestinian state. Much more must be done to strengthen institutions and reorient government toward serving the needs of the population. The Palestinian authority must take the lead; there is much it can do internally to improve governance which can open avenues of cooperation with donors and with the international community.

Part II of this report analyzes the sources of struggle between Fatah and Hamas as they are engage in a zero-sum game for political power. It makes the argument that Fatah has inadvertently fostered the rise of Hamas by neglecting an important segment of its power base, the poorer segments and refugee camp sections of the Palestinian population. It explains why the Palestinian Authority and Fatah need to pay immediate attention to this disenfranchised groups that have become the base of support for Hamas. Fatah's neglect of this poorer group was due to its confidence in its pervasive presence in the Palestinian bureaucratic apparatus and its having crowded out any credible challenger. However, by raiding the coffers of government and failing to build strong agencies that can ably deliver public services, Fatah failed to meet the expectations and needs of the Palestinian population. This resulted in segments of the public switching their loyalty to Hamas, which has put comparatively more resources in its operations to deliver public services and has consequently been perceived as more attentive to public needs. This part of the report recommends that the international development community invest its resources into Fatah and the PA, to enable them to deliver quick impact welfare-enhancing projects as well as longer term measures that would ensure sustainable service delivery to the poorer sections of the Palestinian people. To be sure, the provision of aid must be carefully connected with verifiable assurances that it will be spent as intended. Unless the aid is tied to institution-building initiatives, it will suffer the fate of previous assistance that did not reach the Palestinian poor.

Part III of this report discusses the institutional weaknesses of PA ministries in terms of three main areas – policy credibility, human resource management, and general public management. We find the PA to severely weak across these areas. The lack of policy credibility is driven in great part by the PA's insufficient attention to internal and external stakeholder involvement in policy formulation, poor accountability for policy implementation, and inconsistent enforcement. Human resource management is

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[1] MSI is the contractor of the EGE project. The team included Messrs. Keith Schulz, Prof. Hilton Root, and Dr. Emil Bolongaita. Mr. Schulz is a Senior Governance Advisor at USAID, Dr. Root is a Professor of Public Policy at George Mason University, and Dr. Bolongaita is a Technical Director at MSI. This report reflects the views and analysis of Dr. Root and Dr. Bolongaita, and does not necessarily reflect those of Mr. Schulz and USAID. Research assistance was provided by Kanishka Balasuriya, a PhD student at GMU.

characterized by patronage-based employment with little attention to merit-based recruitment and performance-based regulations. The general management environment is not conducive to results-based management, with minimal capacities for planning, measurement, and evaluation. The report recommends several cross-cutting programs to address these systemic deficiencies and enhance the organizational capacities of the various ministries.

Part IV of this report discusses the team's specific visits to select ministries and outlines ministry-specific interventions.

PART 1: ANALYZING THE INSTITUTIONAL BASES OF THE PALESTINIAN AUTHORITY

The founding president of the Palestinian Authority Yasser Arafat established his stature as a great leader, the embodiment of the cause of Palestinian nationalism, by creating a reputation for generosity and reliability towards the backers who put him in power. That reputation was based upon his ability to manipulate formal institutions for personal and informal objectives. During his years as leader of the PLO he had to face a number of challenges from followers who were themselves adept at weaving webs of personal loyalty. Two defections that were effectively deterred were Abu Nidal in 1974 and the Abu Musa rebellion in 1983. To outmaneuver these challenges Arafat assembled extensive security services, far larger than any rival subgroup within the movement.[2] He imposed only loose restraints on the actions of the security services; they were protected by a culture of secrecy without any legal framework to govern their operations. Keeping the security forces inflated far beyond any tactical necessity Arafat maintained the illusion that he would win any power struggle within the party. But this meant he was never in a position to impose fiscal discipline on Palestinian finances and trim his payroll because the size of his security apparatus signaled his strength vis-à-vis any would-be rival. The security budget ballooned to consume upwards of 25% of total government revenues.[3] The costs of maintaining this inflated cohort of armed followers severely restricted his ability to provide necessary social services to the people of the West Bank and Gaza.

The Oslo accords anticipated an evolution of the Palestinian Authority from a revolutionary movement to a formal state. It endowed the nascent Palestinian state with institutions intended to be of a permanent character. It provided underpinnings for a rule of law that separates the officers of government from the part, establishes judicial independence, and calls for elections and local governance that if fully implemented would render the Palestinian authority into one of the most democratic regimes in the Middle East. However, this modernizing intent of the Oslo accords conflicted with Arafat's need to manifest that he was a person capable of great feats, able to lavish generosity towards his friends and apply terror to his enemies.

A conflict between the reformist culture of the Palestinian Legislative Council (PLC) and that of the rank and file PLO became apparent as the PLC advocated a number of reforms that would constrain the discretion of the President.[4] The legislative council was premised on the existence of an alternative power structure that was not organized around patron-client criteria. It passed laws liberalizing the right to hold public meetings, fostering judicial independence and promoting financial supervision. Arafat generally

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[2] For instance Parsons (2005) writes that the initial PA security force consisted of "…returnee PNLA soldiers and indigenous armed elements such as Black Panthers and the Fatah Hawks. The PLO's combat forces from the Diaspora were thus merged with local nationalist fighters to form the PA's security apparatus, all of which were subordinate to and dependent on the authoritative leadership of Arafat." (p.46)

[3] "…by mid-1998 the PA's civilian workforce approached some fifty thousand employees, not including local government employees and those hired on a daily basis, while the security services passed forty thousand to give an almost ninety thousand salaries on the public sector wage bill, around one fifth of the total Palestinian labor force costing 60 percent of the PA's budget. By 2003, the PA employed some 132,000 personnel in total." (Parsons 2005, 49)

[4] "For the PA, external pressure had seen Arafat relinquish the portfolio of minister of interior back in 2002. The momentum for reform forced more concessions the following year, most importantly the creation of the post of prime minister (with whom he would fight for control of the Ministry of Interior and by extension the security apparatus), and the empowerment of a respected finance minister. Both impinged on his patronage network." (Parsons 2005, 49)

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ignored the new liberal framework and did not enforce its key aspects such as the need for a professionally recruited independent judiciary and the elimination of State Security Courts.[5] The weak status of essential public institutions facilitated corruption but the weaknesses were intentional as they were intended to help secure Arafat's personal authority.

A system of patronage sustained the charismatic personalism of Arafat's rule and it required constant diversions from the rules of accountable governance. The nascent state institutions languished, circumscribed by the leader whose charismatic authority needed regular and prolific influx of funds. As President, Arafat micromanaged PA finances.[6] He obstructed any efforts at meaningful public oversight and he resisted the construction of any public body that would exercise such oversight, managing large portions of the PA budget through secret accounts.[7] Only the oversight of party regulars who were in effect Arafat's personal retainers was tolerated. He governed the PA's economic activities similarly without public oversight to ensure that any successful business venture depended upon his acquiescence.[8] It was widely recognized that to successfully do business under Arafat, connections to the President's office was needed. Boundaries between security, bureaucracy, and political party were all blurred.

Opacity also characterized the management of personnel. Hiring policies were vaguely defined and codified procedures were rarely communicated, let aside observed. The rules were never conveyed by the party leadership.[9] Weak institutionalization, irregular rule observation as well as legal ambiguity affected all aspects of public administration. As a result corruption became a norm.

Arafat preferred a governance framework that prevented supporters from maintaining communication among themselves. This put him at constant loggerheads with the PLC, which advocated reforms that would have made it difficult for Arafat to make credible promises to the security forces that kept him in power. Arafat proved very adept at circumventing the rule-making authority of the council. By interfering with the development of institutions that could exercise formal collective oversight, Arafat's reign provided inadequate endowments for a transition to a more complex political system. A state based upon personal devotion to an inspiring leader works according to very different principles from that of a rationally administered bureaucracy. In the former discretion secrecy and obedience are essential, in the latter structure, predictability and transparency are essential.

Impersonal institutions necessary to create a viable modern state were obstacles to Arafat's primary source of authority. Arafat deliberately avoided the rationalization of institutions that could be led by a successor, which helps explain why after his departure an orderly succession has not occurred. The personal constitution based upon personal ties of loyalty that underpinned Arafat's authority as leader of the PLO has not survived his departure. He had stunted all initiatives by his Prime Minister Mahmoud

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[5] According to one respondent "Arafat's was a personal government with no institutional legacy. Arafat circumvented all institutions so that nothing gets done procedurally. While the legislative council was putting pressure on Arafat to establish law and effective government, Western donors placed no emphasis on governance. When the legislative council tried to hold the government accountable they received no support from the US."

[6] Parsons (2005) quote Edward Said claiming that "At a donors meeting in Paris on April 25-6 1995, an IMF observer told me that the group voted $18.5 million to the Palestinian people: $ 18 million was paid directly to Arafat, $ 0.5 million put in the public treasury." (p131)

[7] "In 1997, the Palestinian Council ratified the Palestinian Basic Law to serve as the PA's interim constitution. The bill sat on Arafat's desk until 2002 when, under external pressure, he signed it and later approved amendments that transferred powers from the presidency to the new position of prime minister". (Jarbawi & Pearlman 2007)

[8] *The Guardian*, April 21, 1997: "…out of the $74 for which a ton of cement is sold in Gaza, $17 goes to the Authority, and $17 goes into his (Arafat's) own account in Tel Aviv bank." (Parsons 2005, 131)

[9] According to Nathan J. Brown (2002), "Hiring and personnel policies were loosely defined and were not followed when they were defined. The Palestinian Authority faced enormous and conflicting pressures on hiring…from the very beginning of its operations many political activists, former prisoners, and returning PLO cadres expected public employment as a reward for their national service."

Abbas to dismantle militant groups and establish a rule based alternative to personalized governance.[10] Since much of the budget came from external sources, Abbas with the help of the Finance Minister had tried to whittle down part of the budget that went directly to Arafat. Between 2002-2004, restrictions were placed on Arafat's control over Palestinian finance. Arafat wanted to ensure that he would be the most trusted public figure in the Palestinian territories even if this prevented Palestinians from developing loyalties to institutions needed for an orderly succession.

In this institutional vacuum, it is not surprising that when Arafat died his key backers considered themselves to be an alternative base of regime legitimacy. Their claims to leadership were based on clan and geographically based networks held together by personal charisma of the leadership. If the emerging oligarchy has its way, they will turn informal practices associated with Arafat's rule into rights and privileges protected by institutions. In other words they will seek a regime that normalizes the pattern of patronage-based rule established during the tenure of Arafat. What is needed, however, is an entirely different kind of transition that moves away from personalized sources of legitimacy towards rule based governance. By interfering with the development of institutions that could exercise formal collective oversight, Arafat's reign provided inadequate endowments for a transition to a more complex and post-oligarchic political system.

At the same time that a post-charisma transition is occurring, Fatah itself is fragmenting as it transitions from absolute personal rule to rule by oligarchy.[11] During his tenure in office as lifetime leader of the PLO grievances among subsets of supporters had no mechanism to be aired. The structure of the relationship of Fatah with its supporters is changing in many ways. The personal constitution based upon personal ties of loyalty that underpinned Arafat's authority as leader of the PLO has not survived his departure.

Rivalries festered and once Arafat departed unity shattered. This is the second phase or tier of the current transition process. Discipline fractured during the 2006 election when many Fatah candidates competed with each other allowing Hamas to win seats in districts where Fatah was actually the majority. Since there is no shared ideology to hold the party together, this second transition means a weaker Fatah vis-à-vis its external rival Hamas that does enjoy a shared ideology. Ideology seems to keep Hamas united despite geographic dispersion of its leadership. In the emerging oligarchic equilibrium within Fatah, the party is finding it more difficult to restrain the size of the coalition needed to keep it in power. The number of key backers that are required to keep the regime in power is mushrooming. The oligarchs seek

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[10] "Arafat both took advantage of and contributed to Abbas' weakness. Under the watchful eyes of the Americans, Arafat transferred formal control over most PA organs to the prime minister. Yet, as the PA was bankrupt and barely functioning, this hardly served as a political tool in Abbas' hands. Rather, the real source of domination in Palestinian politics remained Arafat's charismatic prestige and the informal system of political relationships that answered to him alone. Arafat continued to control his loyal cadres and many PA security force branches, thereby making it impossible for the prime minister to carry out the road map obligation to dismantle militant groups. In addition, Arafat remained at the head of Fatah and the PLO and used these bodies to outmaneuver the prime minister and to create contexts in which others criticized him. Polls showed that Arafat remained the most trusted public figure in the Palestinian territories, and that his performance earned more favorable reviews than that of Abbas." "After five and a half exasperating months in which his initiatives were stunted by Arafat on the one side and Israel and the United States on the other, Abbas submitted his resignation in October 2003 in an angry speech to the Palestinian Council. His strategy of balancing external and internal pressures in an effort to increase his personal authority had come to naught. Abbas left the West Bank and did not see Arafat again until he was called to his bedside during the last days of his life". (Jarbawi & Pearlman 2007)

[11] Jarbawi and Pearlman (2007) identify three groups: "… fragmentation within Fatah is better identified in terms of three broad camps: the "establishment" figures who traditionally held political and economic power over the movement and the machinery of the PA; "aspirant" leaders who enjoyed local-level legitimacy but were denied participation in vital national decision-making; and "street strongmen" who formed the al-Aqsa Martyrs Brigade to serve as a militia through which Fatah participated in armed activity during the second intifada."

to maximize expected payoffs by reducing security forces at the President's disposal. This is a trend that Hamas can exploit by bringing into its fold the security teams that Fatah lays off.

A transition away from charismatic authority in which regime legitimacy is intrinsic to the leader's personality towards more abstract civic legitimacy has started but it is only in its very early stages. Democratic and accountable governance has not yet become the focal point around which all the sides coalesce.[12] There is still extremely strong expectations within Fatah that the long established traditions of patronage, when recruitment into the civil service was loyalty rather than merit-based and which were institutionalized under Arafat, can be maintained. That legacy has riddled the government with personnel and practices that defy the principles of results-based management.

As we will describe in Part II, the PA lacks basic fiscal and budgetary capacity.[13] Many key ministries function like competing governments holding separate negotiations with donors.[14] Government organizations are webs of informal ties and rules. Clear policy objectives will not be easy to implement if they conflict with the objective of political patrons to reap rewards from having placed their own people in key positions.[15] The government falls short on procurement, personnel management and audit.[16]

Resolving the tension between governance predicated on ties of personal loyalty and that based on formal constitutional structures is going to determine the future of the Palestinian people as much as the outcome of the negotiations with Israel. In the end this may make the Palestinian Authority into a more credible negotiating partner. If it cannot ensure rule-obedience within its own ranks, how can the Palestinian Authority ensure Israel of its capacity to uphold the terms of a peace agreement?

At present there is no consensus among the Palestinian society on what constitutes legitimate authority. For instance, opinions polls indicate that the population gives equal emphasis to their leadership's ability to stand up to Israel, as much as it does to the creation of a rule-bound system for democratic governance. Factionalism and force continue to dominate law and institutions as a means to gaining statehood. Opinion polls indicate that Palestinian people see their aspirations for the future more in terms of nation building than in terms of state building. However, the institutionalization of the Palestinian Authority is fundamental to attaining the goals of the Palestinians for a better life. Unless this is accomplished, the door continues to be open for the persistence of charismatic politics and leadership.

In our assessment, the only way to prevent the collapse of the Palestinian Authority and build its capacity for effectiveness is to create institutions that increase the size of the coalition that supports Fatah (as discussed in section two). In the transition from armed struggle to state building, Fatah's provenance based on charismatic authority must be replaced by legalistic rule. The new criteria would constrain the privileges of the leadership clique subjecting it to a universal standard of accountability and transparency.

In the absence of internally generated resources *the donors and the international community can play a critical role if they link aid disbursements with strict guidelines that favor institutional deepening*. Aid must be focused to ensure that authority is legitimated by the depersonalized logic of institutions and legal

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[12] Palestinian leaders might want to consider how the Communist Party in China, after Mao Zedong and Deng Xiaoping, adopted a policy of 'no more great men, or their sons and daughters'. In the 60s and 70s, when China tried to be a beacon of world revolution, its economic failures undermined it geopolitical ambitions. Having shifted their focus to economic development, China is now becoming a major world power.

[13] In 2008 for the first time the government has a plan to combine the recurrent and development budget. Previous plans were essentially shopping lists.

[14] The PA still has no mechanism to determine what particular ministries have signed with particular donors.

[15] As one senior official said to us, "The public sector is not motivated by salaries. It is a spoils system without management system or monitoring."

[16] One respondent said that "In areas like health, the ministry does not have basic budgeting capacity."

principles. The critical concern is to strengthen institutions that can be a forum for communication in which constituents of the regime can communicate and can observe the payoffs going to particular coalition members. This means that *strengthening finance and budget, procurement, personnel management and audit functions will have long-lasting ramifications that will ensure a viable state as much as the possession of clearly defined external borders.*

The strengthening of these core functions of government is a prerequisite for increasing trust in the ability of Fatah to lead the Palestinian Authority. Fatah needs to build an effective executive by implementing results-based management systems in all government ministries and agencies. At some point, Fatah needs to restore the powers of the Palestinian Legislative Council. For now, Fatah needs to take advantage of a fleeting opportunity where it does not have legislative checks to act decisively in designing public policies and delivering results. There is clearly no shortage of donor-driven resources available to it. There is, however, a shortage of courage and competence in the Fatah leadership.

Of course, it is well recognized that gaining meaningful concessions from Israelis will bolster Mahmoud Abbas' claim to be the legitimate leader of Fatah and the Palestinian Authority. But this preoccupation with external obstacles should not divert attention from the fact that there is much that Fatah can do to increase the effectiveness of the Palestinian Authority. The theme that will make the PA into a viable force for well-being of the Palestinian people is that *development must continue, with or without peace*. Because President Abbas can never rival his predecessor's charisma, it will be by creating the institutions of a modern state that he will consolidate his survival, strengthen the PA, and push the peace process forward. In determining future priorities the Palestinian leadership should consider that since the end of the Second World War those leaders that failed at economic development generally did not succeed at any of their other objectives.

PART II: FATAH AND HAMAS: THE ANOMALY OF TWO WINNING COALITIONS

In his book *The Politics of the Palestinian Authority: From Oslo to al-Aqsa*, Nigel Parsons demonstrates that the bureaucracy of the Palestinian Authority is closely linked with the political party apparatus of Fatah. He attributes this to the large number of Palestine Liberation Organization (PLO) cadres who were absorbed to the public sector, upon their return from exile and at the creation of the Palestinian Authority (PA). By mid 1996, over 80 percent of the 38,000 returning PLO cadres were incorporated into the public sector. In fact, at the time, the unemployment rate in the Palestinian territories was around 35 percent, while that among the returnees was less than 2 percent.[17]

Ideally, bureaucracies are expected be resistant to political party interference (Watson 2003). The seminal sociologist Max Weber believed that procedural neutrality and impartiality -- which would define an ideal bureaucracy -- would help avoid nepotism and capriciousness. In contrast, Parsons shows that the Palestinian Authority and the Fatah party are overlapping organizations. He argues that the Palestinian Authority is the transitional form of the PLO, which was dominated by Fatah. Therefore, by extension, he argues that the PA is also dominated by and the practices and personnel of Fatah. To see how this trend

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[17] Salim Tamari, comments on Jill Tansley, *"Adaptation" in the West Bank and Gaza: Discussion Paper.* Refugee Working Group Intersessional, April 1996. Website, McGill University, Montreal (see http://arts.mcgill.ca/MEPP/PRRN/papers/tamari1.html).

has persisted, see Tables 1-3 below for a list of senior ranking members of the PA in 2003 and their affiliation to Fatah.[18]

TABLE 1: THE COMPOSITION OF THE CABINET OF THE PALESTINIAN AUTHORITY IN 2003

Institution	Position	Name	Rank in Fatah
	Prime Minister and Minister of Interior	Mahmoud Abbas	Central Committee
	Sec. Gen. to Cabinet	Hakam Balawi	Central Committee
Min. of Agriculture	Minister	Rafiq al-Natsha	Revolutionary Council
Min. of Education & Higher Education	Minister	Naim Abu al-Hummus	Rev. Council Observer
Min. of External Affairs	Minister	Nabil Shath	Cen. Com. Appointee
Min. of Information	Minister	Nabil Amir	Revolutionary Council
Min. of Local Government	Minister	Jamal al-Shubaki	Rev. Council Appointee
Min. of Negotiations	Minister	Saib Urayqat	Rev. Council Appointee
Min. of Prisoner Affairs	Minister	Hisham Abd al-Raziq	Rev. Council Appointee
Min. of Public Works	Minister	Hamdan Ashur	Revolutionary Council
Min. of Security Affairs	Minister	Muhammad Dahlan	Rev. Council Appointee
Min. Social Affairs	Minister	Intisar al-Wazir	Central Committee

TABLE 2: SENIOR OFFICIALS OF THE PALESTINIAN AUTHORITY IN 2003

Institution	Position	Name	Rank in Fatah
Min. of Culture	Deputy Minister	Yahya Hassan Yakhluf	Revolutionary Council
Min. of Finance	Deputy Minister	Muhammad Jaradat	Revolutionary Council
Min. of Interior	Deputy Minister	Abd al-Hay Abd al Wahid	Rev. Council Appointee
	Ass. Deputy Minister	Jamil Shihada	Revolutionary Council
Min. of Local Govt.	Ass. Deputy Minister	Ahmad Ghnaym	Rev. Council Appointee
Min. of Public Works & Housing	Deputy Minister	Marwan Abd al-Hamid	Revolutionary Council
Min. of Tourism	Deputy Minister	Abdallah Hijazi	Revolutionary Council
Min. of Youth & Sports	Deputy Minister	Jamal al-Muhaysin	Revolutionary Council
President's Office	Secretary General	al-Tayyib abd al-Rahim	Central Committee
	Deputy Sec. Gen.	Ramzi Khuri	Rev. Council Appointee
	Sec. Gen. to Cabinet	Ahmad abd al-Rahman	Revolutionary Council

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[18] The tables are from Nigel Parsons, *The Politics of the Palestinian Authority: From Oslo to al-Aqsa,* NY: Routledge (2005), pp. 145-147.

TABLE 3: FATAH CADRES HEADING PALESTINIAN AUTHORITY AGENCIES AND INSTITUTIONS, 2003

Institution	Position	Name	Rank in Fatah
General Control Institute	Chair	Jarrar al-Qudwa	Revolutionary Council
General Petroleum Corporation	Chair	Harbi Sarsur	Revolutionary Council
Palestinian Civil aviation Authority	Chair	Fayiz Zaydan	Revolutionary Council
Gaza International Airport	Chair	Fayiz Zaydan	Revolutionary Council
Palestine Airlines	Chair	Fayiz Zaydan	Revolutionary Council
Palestine Central Election Commission	Chair	Mahmud Abbas	Central Committee
Palestinian Council for Higher Education	Minister	Naim Abu al-Hummus	Rev. Council Observer
Palestinian National Comm. for Education, Culture & Science	Chair	Jihad Qurashuli	Revolutionary Council
Palestinian Olympic Committee	Chair	Ahmad Ali Arafat al-Qudwa	Revolutionary Council
Political Guidance Commission	Head	Uthman Abu Gharbuyya	Revolutionary Council
Telecoms & Post Office	Deputy Minister	Zuhayr al-Liham	Revolutionary Council

While the most, if not all, members of Prime Minister Fayyad's current cabinet are not officially affiliated with Fatah, the underlying senior leadership of the ministries and other Palestinian Authority agencies remain in Fatah's hands.

In this regard, having the bureaucracy directly under the wing of one political party compromises the neutrality and impartiality that is needed for a well-functioning government. It can also have a significant impact on the composition of winning coalitions. This section examines this particular feature of the fusion of Fatah and Palestinian Authority at greater depth, and the implications for their conjoined survival.

In analyzing the structure of the coalitions that are cobbled to pursue power in the West Bank and Gaza, we employ the model developed by Bruce Bueno de Mesquita and others (2003). According to this model, the leadership of a certain polity is assumed to depend on a particular set of elites to stay in power. In return for their support, the leadership rewards this group to a sufficient degree to maintain their support. The model calls this group the *winning coalition*; we synonymously use the term ruling elite.

Since a leadership often has the power to influence the manner in which government revenue is distributed, it can decide to reward its supporters by directly providing them with private goods. However, due to budget constraints, this is only sustainable if the winning coalition/ruling elite is relatively small compared to the government's revenue-base. On the other hand, if this coalition is large, the value of private goods received by individual coalition members will decrease, with the limited revenue split among so many. In such a situation, the leadership runs the risk of losing the support of members of the coalition who find the amount inadequate. Therefore, when the winning coalition/ruling elite is large, it is usually more strategic for the government to redistribute its revenue as public goods, rather than private goods.

The winning coalition/ruling elite, meanwhile, is nested within a larger group of people called the *selectorate*, or might be called the political elite. The selectorate/political elite is the group of people

within the polity who have "…the qualities or characteristics institutionally required to choose the government's leadership and necessary for gaining access to private benefits doled out by the government's leadership" (Mesquita, Smith et al. 2003, 42). These are notables in a state and society who have formal or informal authority to shape opinions that can help make or break a ruling regime. The leadership finds the ability of these notables to influence sections of the population valuable. For instance, by virtue of being community leaders, religious heads, military chiefs, tribal leaders, or the like, members of the winning coalition might be able to convince large sections of the selectorate to support the leadership.

The leadership rewards these notables or individual members of the winning coalition -- based on their value -- to maintain loyalty. However, a challenger to the leadership could decide to lure these members of the coalition by offering them larger rewards. By co-opting winning coalition members, the challenger expects to win-over their respective support-bases among the selectorate. If the challenger can convince a sufficient number of winning coalition/ruling elite members to defect (along with their support-bases) he or she can pose a credible challenge to the incumbent leader. In deciding to switch to the challenger, however, the winning coalition member would naturally calculate the reasonable chance or probability of the challenger becoming the leader. Otherwise, the defecting coalition member runs the risk of losing the benefits being receiving from the incumbent. The challenger should, in other words, be able to make a credible claim to leadership.

In the case of the Palestinian Authority, the fact that the bureaucracy is dominated by members of Fatah (as indicated in Tables 1-3) precludes the possibility of a credible challenge being made to the leadership from outside Fatah. Even though Fatah is fragmented and weakened as a political entity, a different political party will not be able to form a successful government -- because the bureaucracy is still under the control of Fatah. Thus a non-Fatah challenger such as Hamas will not be able to make a credible claim to the leadership of the Palestinian Authority. In this environment, there is little incentive for members of the winning coalition/ruling elite that support Fatah to defect. In fact, there is great risk in doing so. Therefore, by having its members control the PA's bureaucracy, Fatah has successfully protected itself from a credible external challenge.

Understanding the Bases of Power of the Palestinian Authority

The Palestinian National Authority (or Palestinian Authority -- PA) was formed in 1994 under the terms of the Oslo Peace Accord, which was signed between the Government of Israel and the PLO in 1993. With the PLO as a signatory, the terms of the accord effectively confirmed Fatah as the government-in-waiting of the Palestinian Authority (Parsons 2005). This also led to the return of PLO/Fatah leadership back into West Bank and Gaza from their exile outpost in Tunis.

The transition also marked the transformation of the PLO institutions into the bureaucratic backbone of the PA, in both West Bank and Gaza (Parsons 2005). Parsons claims that the institutions of the PA were populated by PLO members 'imported' from the Palestinian diaspora and others (mostly professionals) in the local areas supportive to the PLO cause. Similarly, the Palestinian security apparatus (Palestinian National Liberation Army - PNLA) was also created using PLO's combat forces and local nationalist fighters (Parsons 2005). Not surprisingly, the first PA elections in 1996 saw Fatah easily winning the majority of the Legislative Council while its leader Yasser Arafat, won the PA Presidency.

Parsons identifies four groups belonging to what he calls the nationalist elite that supported the rise to power of Fatah, as follows; first, the politically salient group (Fatah members/supporters) of the Palestinian diaspora; second, the personnel/cadres that staff the bureaucracy and the military; third, the Palestinian bourgeois and professional classes from West Bank and Gaza; and fourth, the poorer members of the refugee camp population.

Parsons argues that subsequently, a section of the fourth group in the above winning coalition – the poor refugee camp population -- became disenfranchised due to neglect by Fatah and the PA.

In keeping with the analytical framework, the Fatah leadership used political goods to reward the members of its winning coalition for their loyalty. In doing so, the level of access Fatah has into PA's bureaucracy was a clear advantage. It enabled Fatah to easily use the bureaucratic apparatus to extract revenue from the entire population, to receive foreign aid and revenue from outside, and to redistribute them among its coalition. Since Fatah does not run the risk of defection of its coalitional members, as discussed previously, it did not need to work towards expanding its winning coalition to also absorb sections of the disenfranchised. Also, since the PA's legitimacy (and therefore Fatah's) stemmed from the recognition awarded by Israel and the international community, Fatah saw little reason to reach-out to all segments of the Palestinian society. This threatened the disenfranchised groups under Fatah with permanent marginalization.

Radical groups, like Hamas and Islamic Jihad, have benefited from the situation by taking advantage of the disenchantment of these disenfranchised groups for support (Parsons 2005). Hamas, which was formed as an offshoot of Egypt's 'Muslim Brotherhood' in 1987, is the largest group operating outside the PLO umbrella.[19] Hamas is often credited with providing welfare services to these disenfranchised groups to attract their support.[20] The success with which Hamas managed to emerge as a viable alternative to Fatah is demonstrated by their majority victory in the Palestinian Legislative Council election in January 2006.

There were several reasons contributing to the increase of Hamas' strength vis-à-vis Fatah. Chief among these reasons is that Fatah lost the advantage of a charismatic leadership with the death of Arafat. The subsequent internal fragmentations within Fatah weakened it still further. This was reflected in the multiple Fatah candidacies in the 2006 parliamentary elections, in contrast to Hamas' disciplined line-up. The fielding of multiple candidates diffused the Fatah vote, preventing Fatah from winning the majority in districts it controlled., and allowing Hamas to win. Fatah's use of the PA's bureaucracy as a tool of patronage worsened the situation by marginalizing certain sections of Palestinians. Combined, these reasons allowed Hamas to emerge as a serious political contender at the expense of Fatah.

Figure 1 shows the popularity curves for Fatah and Hamas between the years 2003 to 2007 (the overall average covers both West Bank and Gaza). This is based on the Public Opinion Polls conducted by The Center for Development Studies at Birzeit University[21]. The figure confirms that both Fatah and Hamas have, to a great degree, inter-dependent popularity trajectories during this time period. The figure shows that the dip in popularity in one would usually result in spike for the other. In 2005, for instance, Fatah seems to enjoy a clear boost in popularity at the expense of Hamas. The most probable reason for this could be Israel's unilateral disengagement plan from Gaza in August 2005. With Fatah seen as the sole negotiator with Israel, it took a lot of credit for this turn of events. This policy victory for Fatah clearly translated into a setback for Hamas.

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[19] Attempts were made in 1990 to incorporate Hamas into the PLO, but its demand of 40% of Legislative Council seats was seen as unreasonable (Parsons 2005).

[20] The Council of Foreign Relations website notes that much of Hamas's annual budget is allocated for social services, funding schools, orphanages, mosques, healthcare clinics, soup kitchens, and sports leagues. See http://www.cfr.org/publication/8968/#12

[21] See http://home.birzeit.edu/cds/opinionpolls/. These results reflect the average annual score of the multiple Opinion Polls held each year. This method was considered superior as the time gap (in months) between Polls was not always constant. Also a corrupt link to the webpage of the 2002 results, constrained the analysis to the time period 2003-2007.

FIGURE 1. FATAH VS. HAMAS: POPULARITY POLL (OVERALL AVERAGE)

Fatah vs. Hamas: Popularity Poll (Overall Average)
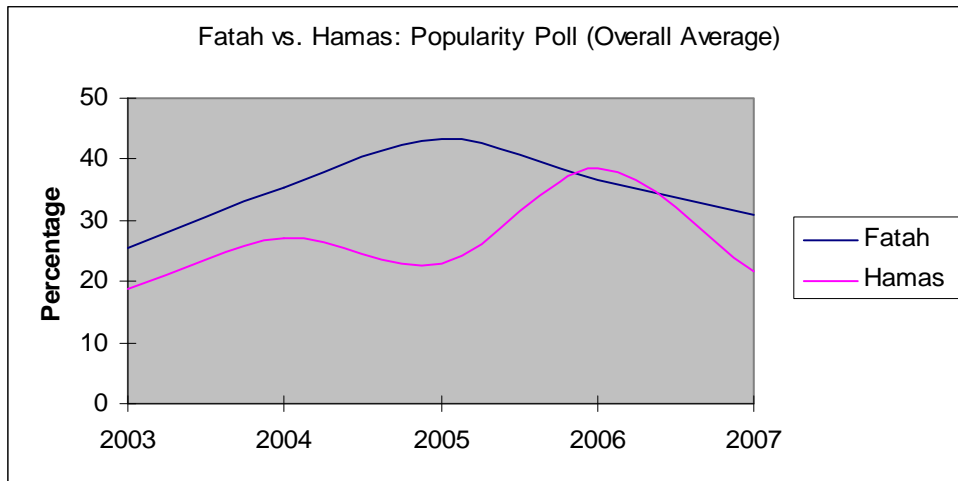
This interdependence seems to be even more pronounced in the West bank region than in Gaza. Figures 3 and 4 examine this trend separately in West Bank and Gaza. When comparing the two graphs, it is clear that the popularity curves of these two groups are more inter-dependent in the West Bank than in Gaza. Bigger dips in Fatah's popularity in the West Bank, correspond with the greater spikes enjoyed by Hamas. These two groups arguably would seem to be locked in a zero-sum game, where one's gain is the other's loss.

FIGURE 2. FATAH VS. HAMAS: POPULARITY POLL (WEST BANK AVERAGE)

Fatah vs. Hamas: Popularity Poll (West Bank Average)
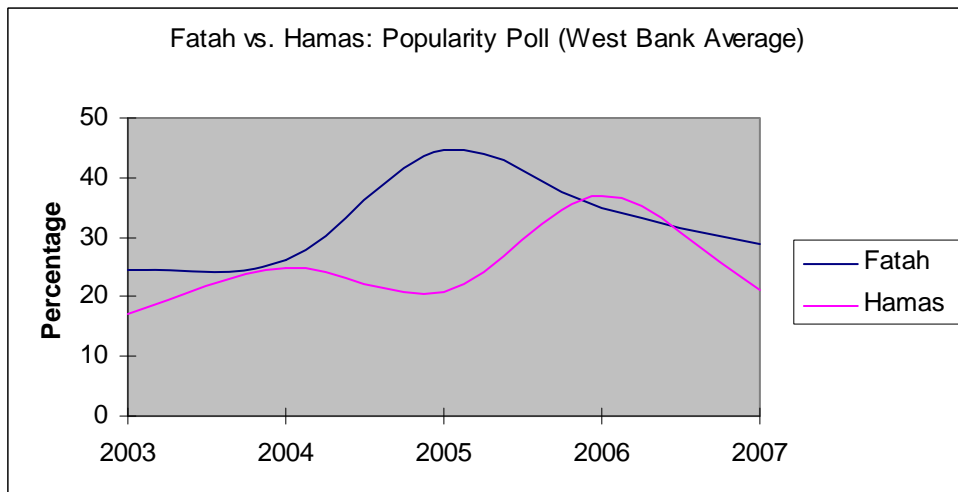
FIGURE 3. FATAH VS. HAMAS: POPULARITY POLL (GAZA AVERAGE)
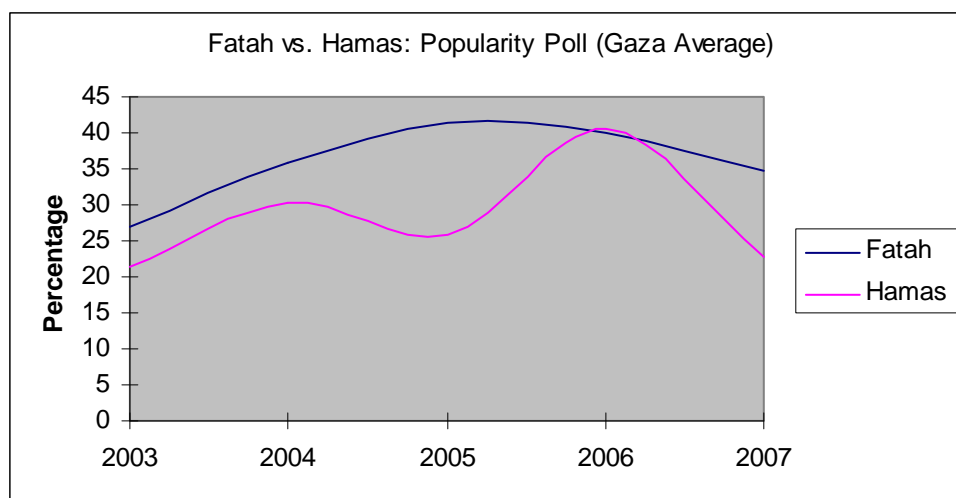
These findings validate the argument that Fatah and Hamas operate, to a great extent, on two separate tracks. That is, the bases of support of both groups are differentiating from each other and would seem to be difficult to dislodge. Large defections between the coalitions are not widely observed, especially from the Fatah coalition to Hamas. The grip Fatah has over the PA, through its control of the bureaucracy, seems to be an obvious reason for this. This could well be one of the reasons (along with international pressure) why Hamas was unable to form a successful government by itself in the wake of its Legislative Council election victory in 2006. Despite Fatah's obvious loss at the elections, Hamas was compelled to reach out to Fatah to form a National Unity Government[22].

These figures also confirm the fact that PA's dual transition from charismatic to rule-bound legitimacy (Jarbawi and Pearlman 2007) and from one-person rule to an oligarchy has left Fatah considerably weakened. This has allowed an ideologically unified group like Hamas to strengthen its support base polarization the Palestinian society[23]. However, despite the emergence of something similar to a two-party structure, a smooth power transition between them also cannot be expected due to Fatah's dominance within PA's bureaucracy. Due to political disintegration of Fatah, though it still controls a larger support base than Hamas, they lost seats running multiple candidates in a single district. If the election process was a proportional representative system Fatah would have most probably won. But the single member electoral system running more candidates than there are districts is a sure way to split the vote.

Implications for International Development Assistance

This report strongly advocates international development assistance that synchronizes closely with the reform efforts already underway in the West Bank. With Fatah and Hamas locked in a fight to gain support among the Palestinian people, intervention at the stakeholder level should be aimed at helping galvanize popular support behind Fatah, the party with the most at stake in the reforms. Needless to say,

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[22] This also collapsed subsequently leading to the current caretaker government under Fatah President Mahmoud Abbas.

[23] One of our interviewee pointed out "Hamas stays together through a clear idea of mission, a religious framework. Their message is your vote will be counted in heaven. You will be held accountable on judgment day. Fatah is loosely connected. With no ideology other than the liberation of Palestine to unite it. It has no defined policy for health, religion, or education. "

Fatah's recognition of Israel, its relatively moderate policies, and its history of engaging with the international community, makes it a more desirable partner in advancing reforms.

However, the analysis shows that Fatah has, as it were, shot itself in the foot. Its Fatah marginalization of the poorer segments of the population has allowed Hamas to gain in prominence. Hamas' climb in strength has consequently undermined Fatah's influence over the Palestinian public. This was demonstrated by the destabilizing situation that followed immediately after Hamas' election victory in 2006. In particular, the current situation in Gaza should convince Fatah and the international community that it cannot allow Hamas to run a parallel regime. Therefore, Fatah -- with the help of the international community -- should try to weaken Hamas by eroding its support base.

As discussed above, Hamas' main support base constitutes, along with the leftist factions, the poorer segments of Palestinian society who were disenfranchised under Fatah rule. With the international community providing Fatah with legitimacy, and its hold on the bureaucracy and the military providing it with control, Fatah had previously seen little reason to reach out to all segments of the Palestinian society. However, the rise of Hamas has become an unintended consequence of its neglectful policy. Therefore, in trying to reverse this situation, Fatah should now make a deliberate effort to reach out to the segments of the society that were previously left out.

For this to happen, Fatah through the PA will have to expand the composition of its winning coalition to provide public goods to marginalized segments of society. It needs to strengthen key agencies of the state to enable it to deliver public goods swiftly and satisfactorily. It has to pursue immediate as well as longer-term measures that will enable it to demonstrate quick impact as well as to lay the groundwork for long-term change. Many of these measures are outlined in the Palestinian Reform and Development Plan (PRDP), which received about US $7 billion in multilateral and bilateral pledges of support in December 2007.

These pledges of support, however, are not all immediately available. At present, budgetary restrictions constitute a very real obstacle for the PA. It is already facing a deficit of over $1 billion[24]. Nonetheless, given the importance of quick impact and longer-term measures to regain the level of stability required to predicate broader reforms, the current environment presents a window for intervention by the international community. By funding *welfare-enhancement programs* specifically targeting the disenfranchised segments of Palestinian society, the aid community can help the PA and Fatah broaden its base of support and thereby erode the foundation of Hamas' popularity.

PART III: A COMPARATIVE ASSESSMENT OF PALESTINIAN MINISTRIES AND AGENCIES

The Palestinian Reform and Development Plan (PRDP) for 2008-2010 presents a comprehensive agenda for good governance. It seeks to lay the bases for an independent and prosperous Palestinian state. Among the key reforms are the reconstitution of a single treasury account and the introduction of an upgraded accounting system in the Ministries of Education and Health to enhance control and cash flow management. The PRDP also specifies the need for systems that integrate policy-making, planning, budgeting and accounting processes. Notably it calls for the implementation of quick impact projects that would demonstrate the PA's ability – and more specifically Fatah's ability – to make a difference in quality of life compared to Hamas.
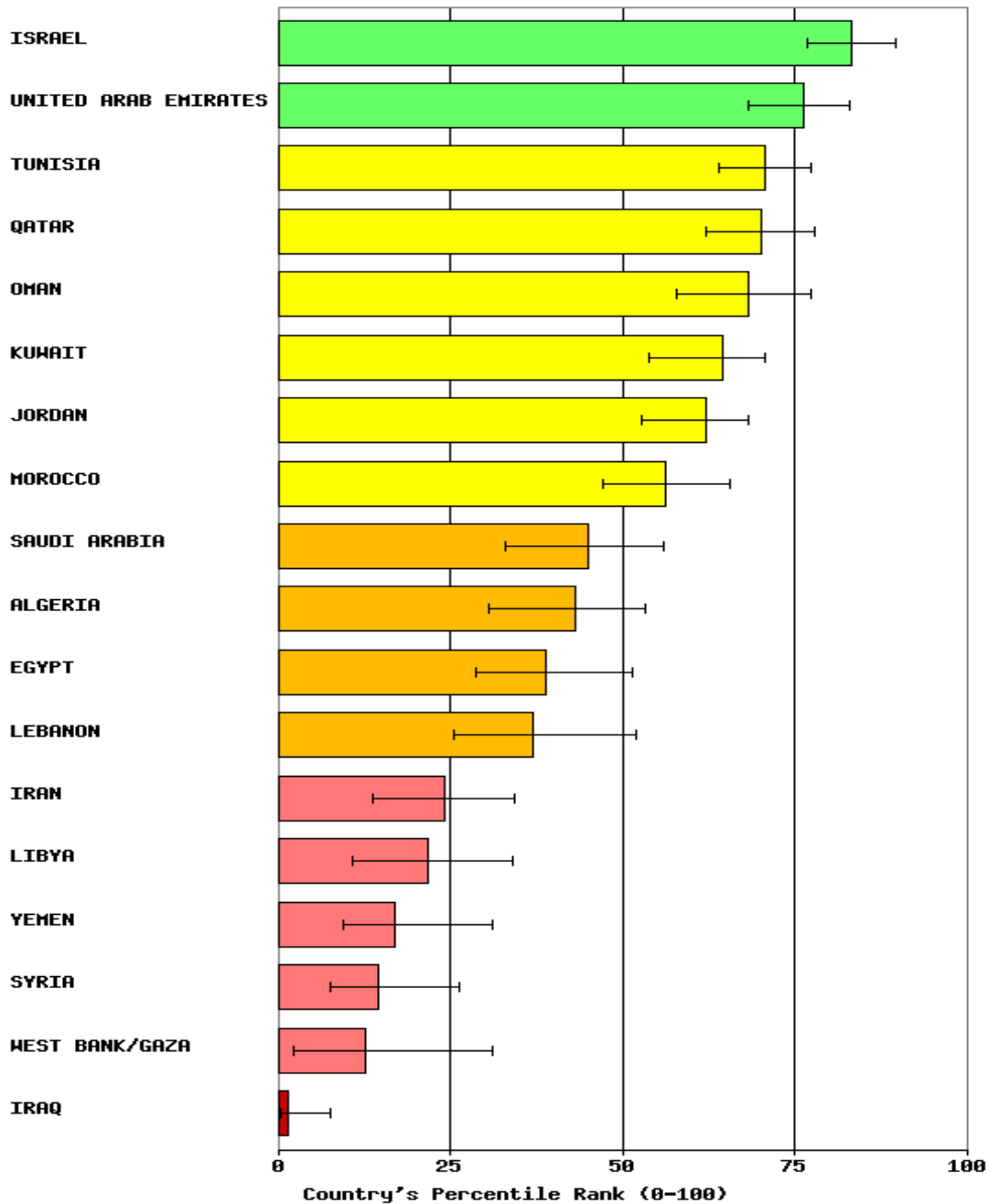
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[24] According to The World Bank's Economic Monitoring Report to the Ad Hoc Liaison Committee (September 24, 2007)

Laudable as this comprehensive agenda is, it does not tell us about the capacity of the PA to implement it. No less important, the PRDP remains more of a strategy document rather than an action plan. It identifies goals and objectives, but it does not go into the details on how to get things done. More importantly, it does not indicate the capacity of the PA to implement the plan. Does the PA have the requisite level of effectiveness to translate the plan into action?

At the outset, the PA's level of government effectiveness is the weakest in the region (with the exception of Iraq). The World Bank's assessment of government effectiveness and corruption in the West Bank and Gaza puts it at the bottom 12th percentile in the world (see Figures 4 and 5 for the West Bank and Gaza ranking relative to select countries in the MENA region). This rating on government effectiveness is based on an aggregation of different surveys and studies, assessing the quality of public services, the quality of the civil service, the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

FIGURE 4. GOVERNMENT EFFECTIVENESS (2006)

Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006
Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. Countries' relative positions on these indicators are subject to indicated margins of error that should be taken into consideration when making comparisons across countries and over time.
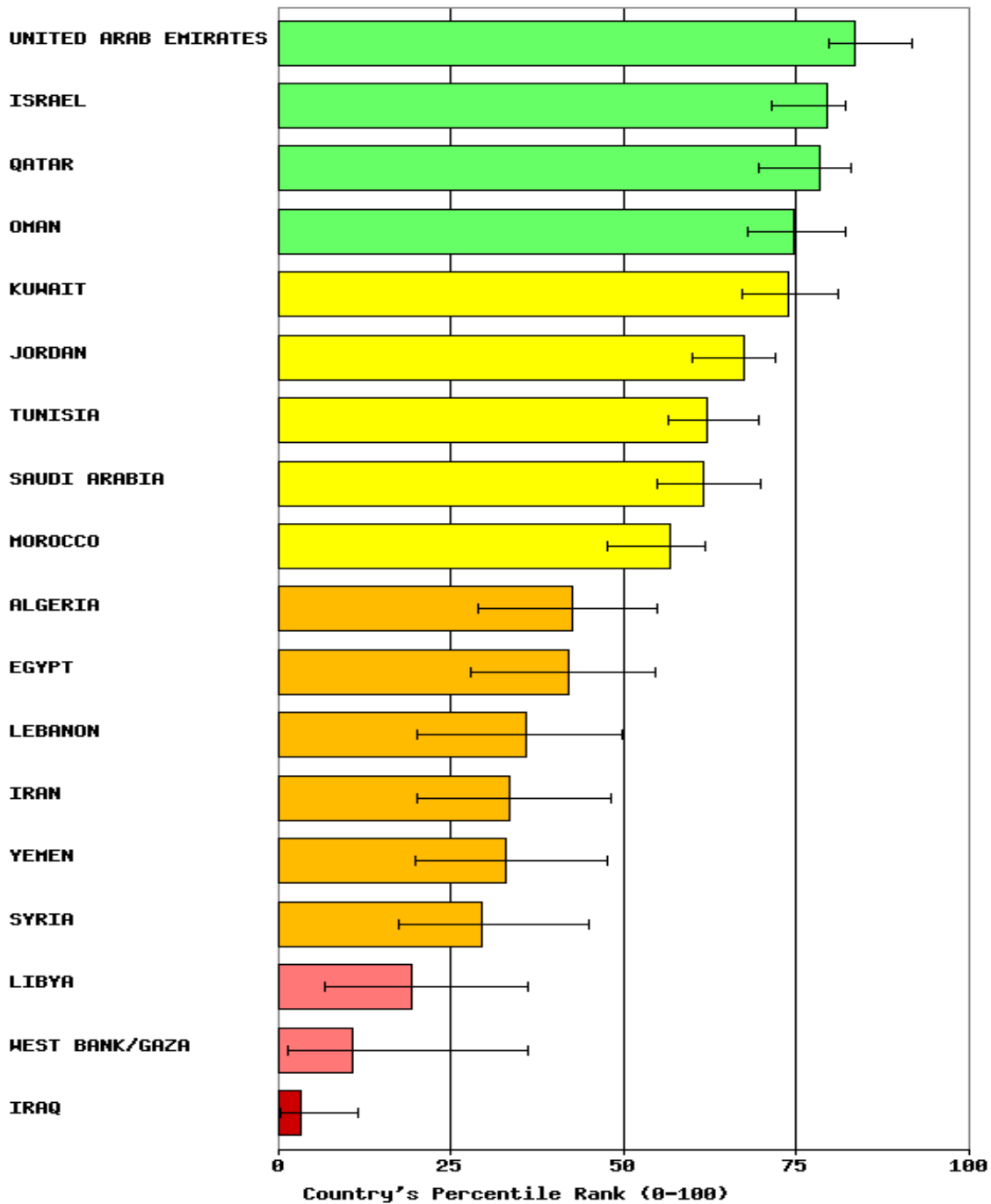
FIGURE 5. CONTROL OF CORRUPTION (2006)

Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006

Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. Countries' relative positions on these indicators are subject to indicated margins of error that should be taken into consideration when making comparisons across countries and over time.

Part three of this report assesses select ministries Palestinian Authority according to three dimensions of government effectiveness, namely policy credibility, general management, and human resource management. The report describes meetings with selected ministries and recommends possible activities to address organizational weaknesses and gaps that hinder the ministries from becoming more effective.

POLICY CREDIBILITY

In general formal rule enforcement in the Palestinian Authority is weak and unpredictable. Our assessment reveals a gap between formal institutions -- the rules and laws governing public service-- and informal institutions -- the unwritten norms and codes of conduct. This gap is a reflection of the transition referred to in Part 1 from charismatic leadership to law-based legitimacy.

Our distinct impression is that many officials have little reason to believe that rules will be swiftly and surely enforced or that policy will remain in effect for long periods of time. Their time horizons are short, which is not surprising given the recent changes at the top. Operation manuals and budget documents are not taken seriously in terms of implementation and are commonly disregarded or are not conveyed throughout the organization. This lack of consistent enforcement shapes the expectations of public officials, severely undermining policy credibility.

We observed the coalitional perspectives of senior officials that contribute to the weakness of formal rule enforcement. There is a sense of incompatibility between the interests of serving the public or serving the ruling party (which we argue in part 2 as a divergence that needs to converge). Although the ministers whom we met were independents and not members of Fatah, their second- and third-tier deputies were long-standing members of the party who have been with the ministries and agencies for many years. From an operational perspective, it was apparent to us that the influence of Fatah continues to be significant. This lack of separation between the political and agency objectives promotes behavior that sabotages the publicly-stated goals of the organizations.

Competition for public services, penalties for rule breaking, and a distinct results orientation are all weak. We observed that the *esprit de corps* of various ministries derived from the larger struggle to win independence for the territories and not from observance of agency goals. Many officials frequently identify their activities with the larger political mission rather than with organizational objectives to serve the public. This was reflected in a tendency of senior officials to redirect our agency-specific discussions to more general discussions of the broader political environment. The inability to see that implementing the mission of a ministry is critical to the struggle to build an independent and successful Palestinian state was frequently apparent.

There was one small sign of policy credibility that we witnessed in the Ministry of Transport. We met with Minister Mashhour Abudaka who animatedly discussed the role of e-governance in improving efficiency, effectiveness and revenue collection. After our meeting he invited us to join in the launching of the integration of information systems among the Ministry of Transport, the Ministry of Interior, and the Police Headquarters. We witnessed a demonstration of the integration of databases in the control room at Police Headquarters, i.e. a traffic policeman somewhere in the streets of Ramallah called in a license number of a vehicle and the data on the license plate quickly came up in a computer in the control room – showing vehicle owner, address, status of registration, unpaid fines, etc. The Minister described other e-integration initiatives, notably between the Ministry of Transport and the Judicial System. This prospective e-integration between the ministry and the courts would enable the Ministry to assist in the enforcement of judgments, i.e. not renewing applications for driver's licenses or car registration if court fines are not paid. Minister Abudaka's credibility in implementing his policies has grown as he has fired one ranking official in Ramallah and actually rejoiced in tickets given to family members.

However, the Transport Ministry was the exception in the visits that we made. In general, policies are facing credibility gaps because of unresolved tensions between implementing ministry mandates and the objective of political patrons to reap rewards from having placed their own people in key positions. We were informed of friction between the goals of the government to maintain independence and pressures from the party to strengthen loyalty networks.

Enhancing policy credibility is a change because the PA and its ministers must overcome the fact that officials typically do not expect rules to be enforced, that party pressures have be overriding considerations, and performance-based rules are not observed. In addition, line officials do not clearly understand the expectations of the ministers and personnel recruitment is largely controlled by the party with limited reference to operational objectives or functions.

Part of the problem of lack of policy credibility is that, with the exception of the Ministry of the National Economy, it is our understanding that regular consultations with private sector groups and NGOs are not being regularly conducted. This lack of interaction between the public and private sectors weakens the quality of policy deliberations and undermines policy due to the absence of broad stakeholder ownership. The lack of consultation has resulted in not hearing the public's concern for the poor service delivery of various agencies, i.e. the reported 4 to 5 hour queues to register property in the Palestinian Land Authority.

Moreover, what critically weakens PA policy credibility is that there is little fiduciary accountability in the PA. Ministries operate there budgets knowing the government has insufficient capacity to audit public accounts. The recently revitalized Finance and Administrative Control Bureau, which boasts of a strong regulatory framework, is understaffed, ill-equipped, and led by an individual with no background or training in auditing or financial investigation. Procurement units in the ministries are likewise understaffed, their functions under-funded, and fiduciary oversight virtually absent. This is exemplified in the Tender Committee of the Ministry of Finance, which handles all government procurement above US$ 15,000. It only has a staff of 4, including the head of the committee. It was evident that the committee's office was inadequately insulated from vested interests and that there were no serious measures in place to ensure integrity in its operations.

Unless the PA demonstrates that its policies will have the force of the state behind it, it will not be able to enhance the effectiveness of its public organs. Credibility is the spine of effectiveness. Without it, any change management agenda to enhance capacity is second-guessed and sidelined, if not sabotaged.

HUMAN RESOURCE MANAGEMENT

The PA must pay salaries for 115,000 employees, which "including unofficial ones, accounted for an estimated 61% of PA expenditures in 2005-06".[25] One of our interviewees commented that government jobs are best understood as transfer payments. The PA, in effect, is a jobs program. In Part 1, we describe the genesis of this practice. If the security services are included, it is possible that 145,000 Palestinians are on the government payroll, an estimated 25% of the work force. Fiscally this is not sustainable. Nevertheless, the PA continues to act obligated to absorb unemployed supporters, which results in bloated government payrolls, while the state needs a tight and fiscally solid framework suited to set targets for economic growth.[26]

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[25] See West Bank/Gaza Country Profile of the Economist Intelligence Unit.

[26] The PA is arguably among the worst in the MENA region (Middle East and North Africa), where civil service employment as a proportion of total employment is the highest in the world. In the mid-1990s, civil service employment, including in health and education, accounted for 17.5% of total employment in the region. In comparison, civil service employment accounted for 16% of total employment in Eastern Europe and the Former

The agencies that we visited did not have a reliable Human Resource Management Information System that contained accurate records of employees. There did not seem to be records of trainings received by staff. The dates when staff received increments or moved from one scale to another do not appear to be recorded and are not linked to performance evaluations. The date when employees would retire from the service are infrequently recorded.

When we asked questions in the ministries related to the motivational direction given to official career paths using organizational incentives for performance, we were routinely disappointed. Recruitment and promotion in a predictable bureaucratic career path were not backed by the existence of clearly articulated agency mission statements. Organizational culture and trust in rule enforcement was absent and reinforcement of performance through adherence to long-term career paths was weak.

In the present institutional environment of the PA many public officials are uncertain that they will see a relationship between their efforts and outcomes. Policies and resources flow are unpredictable. The government has inadequate mechanisms to ensure that staff supports government policy.

There is also no framework to learn from the unsatisfactory performance of programs and projects that in turn are taken into account while developing new programs and projects. The various ministries do not receive regular feedback on quality of services provided to the public and civil society. Officers report that there needs to be objective mechanism to assure staff that they will be fairly treated.

The impact of overlap of functions on public service is considerable and very adverse. In addition, employees are hardly recognized for good performance. The criteria for human resource appraisal are not known by employees. Penalties for non-performance are rare. Government agencies do not appear to have performance targets. A pre-announced performance appraisal system is not in place. Annual targets are not announced so that performance evaluation cannot be assessed based on the achievement of targets. Appraisals are conducted sporadically. Many government workers have never been appraised. Salary increments or promotion rarely reflect assessments by a supervisor. It would rarely matter if a supervisor gave a bad report because appointments are made on the basis of patronage.

Senior officials report weak communication with line managers, and as one moves down the administration hierarchy communication deteriorates and performance measures disappear.

GENERAL MANAGEMENT

Inter-department or inter-ministry coordination mechanisms are weak. Coordination meetings appear to be held infrequently. Such coordination meetings are most often between ministers through the Council of Ministers. The priorities of a ministry are determined by the Prime Minister and the President. However, it would seem that a skillful and innovative Minister can make room for ministry or line-level initiative. This was impressed on us by Transport Minister Abudaka, whose e-governance initiatives were self-driven, stemming from his experiences and advocacies in the private sector.

Contracts with the private sector are not routinely assessed or renewed on the basis of a performance review. A draft procurement reform law remains shelved after over a year of technical assistance from the

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Soviet Union, 6.3% in Asia, 6.6% in Africa, and 8.9% in Latin America and the Caribbean. In addition, the PA workforce, like the majority of MENA's civil service employment, is not in the health and education sectors but in government administration. In fact, some 10.5% of employment in the MENA region is in government administration. That compares with 4.2% in Eastern Europe and the Former USSR, 4% in Asia, 4% in Africa, and 5.4% in Latin America and the Caribbean.

World Bank. Requested expenditures are very rarely linked to physical outputs to be delivered. For example, when we asked the Ministry of Youth and Sports for a list of key targets and projects to meet those target we received only a list of equipment. The 20-page request for equipment did not provide information on how the equipment was linked to the performance objectives of the ministry. One official reported that strategies and policies are considered to be political ands therefore ministries only concentrate on their needs for materials and equipment.

We were unable to obtain from any of the ministries a list of programs that evaluated the organization's performance. The ministries were also unable to provide our team with any information that would have allowed us to determine if they would be able to achieve objectives of a given intervention. There was no formal system of evaluating programs/projects being implemented by any Ministry. At present neither programs nor projects are being systematically evaluated.

The management of the PA is not engaged on a systematic basis with its domestic stakeholders. Only the Ministry of National Economy reported regular consultations with associations/groups of citizens who are the users and consumers of the services produced by that organization. The other ministries did not. The Ministry of Planning noted that mechanisms for consultation are generally underdeveloped and that the National Economy ministry is an exception. In general ministries are not obligated to share official information, especially that relates to performance of the organization, with the public. Steps that an organization might take to foster greater communications with and accessibility by the public are not in place, i.e. setting up a complaints register, processing of complaints by public grievance units, holding regular meetings with clients and stakeholders, and participation of senior management in radio talk shows where the public is invited to call in their problems.

None of the agencies we visited appeared to have the capacity to relate physical outputs against the expenditure incurred. Nor are agencies required to do so in order to receive their next year's funding. Annual reviews of project manpower needs are rarely undertaken. Detailed information about future work-plans and staffing needs are unknown to a systematic fashion. A system for replacement of senior officials is not in place. Although all of the ministries asked for training and professional development of managers and staff there was no strategy upon which these requests were based.

Recommendations

Data on agency performance is generally not adequate to monitor or enforce a results-oriented performance management system. Many officials hold their position on the basis of trust and loyalty to the ruling party and so they will be unlikely to respond to transaction or function-specific incentives for better performance. Results-based management will be difficult to introduce without performance measures of inputs and outputs. Government employees are generally bound by a sense of loyalty and obligation to the party and they expect present and future benefits to flow from the continuation of those relationships. It is clear that *the strength of party loyalties and the fact that the party uses employment in the public sector as a means to reward political supporters impedes against effective performance of organizational goals at all levels of public service*.

Although many institution-building limits result from the Israeli occupation, there is room for the PA to improve its performance and expand it capacity to govern. We see considerable latitude for USAID to contribute to open, accountable, and responsive government by contributing to system and process re-engineering. We propose a number of interventions for consideration by the PA to address cross-cutting problems and issues. These training and technical assistance programs will be intensive learning exercises and will serve as critical examples of the commitment of the PA leadership to change systems and advance reforms. Especially in a hierarchical state and society, all levels of civil servants in the PA will

look to their superiors for indications that change programs are in favor and likely to persist before committing to them personally.

1. Executive Seminar on Managing Policy Change

The reforms envisioned in the PRDP entail political risks because they seek economic, political, environmental and social policy changes. Even if these reforms are sound, the likelihood of breakdowns at the implementation stage is high. The challenges are daunting: multiple and conflicting interests that feel threatened by policy change; diverse organizations and individuals whose actions must be coordinated; groups whose cooperation is needed but over whom the government has little or no direct authority; and, of course, limited resources. Furthermore, these factors are in continuous flux during most policy change efforts. Finding solutions to these challenges is essential to managing the implementation of new policies.

Among the topics that would be covered in this seminar are as follows:

- Determining the political and organizational obstacles to implementing specific policies
- Analyzing stakeholder interests and concerns
- Assessing public and private sector capacity to carry out policy change
- Designing innovative structures and processes to engage citizens, increase transparency and resolve conflicts associated with policy change
- Supporting and guiding organizations, and networks of organizations, charged with implementing particular policies

This training can be delivered over a 3 to 5 day period by 3 international development specialists. It will require about 3 to 5 days preparation, 2 day of post-training assessment and debriefing, and 3 days travel time for each consultant.

2. Executive Seminar on Institutional Development of Select PA Ministries

The PA ministries need assistance to become more productive, accountable, results-oriented and creative. As our analysis has shown, the focus needs to be on systems and incentives necessary to maintain institutional and individual commitment and performance over time. It is critical that the Ministries be involved in assessing their own problems and devising their own solutions. To help structure this process, we recommend that interested ministries participate in an organizational assessment and improvement strategy seminar. This seminar will provide a set of tools to help them clarify their goals and strategically manage the process of achieving them.

Specific areas to be tackled in this seminar will be as follows:

- Integrated systems for results-based management;
- Practical techniques to increase accountability and cost recovery;
- Strategic management procedures for managing policy implementation and scaling up successful pilot projects;
- Streamlined program and project management systems;
- Innovative mechanisms for coordinating actions of multiple organizations;
- Team-based solutions to complex problems; and
- Stakeholder and customer involvement processes.

The logistical needs of this seminar can be similar as the above.

3. Training of Trainers on Planning, Measurement, and Evaluation

The Ministry of Planning seeks to play an inter-ministerial coordinating role in planning, measurement and evaluation. It seeks to foster capabilities in these functions among other ministries. As explained above, the PA has no experience in performance-based management systems and in designing planning processes, information systems, and studies that are not only useful, but used. The notion of planning is top-down, with little regard for stakeholders and decision makers at others levels to define the issues and questions. It is not surprising that plans do not broad support, lack focus, bereft of performance information and full of unnecessary data.

The PA will benefit from the design and implementation of monitoring and evaluation systems that will allow senior decision-makers in the various ministries to track their organizations' overall performance and to report on that performance to policymakers inside and outside their organizations. The PA will benefit from strategies and tools on public consultation processes, agency-wide planning, performance measures, monitoring systems and reporting procedures.

Based on needs expressed and evident during our visit, we recommend that the training specifically cover the following areas:

- Development of program objectives and performance indicators;
- Conduct of program-level and cross-cutting evaluations;
- Participatory approaches to planning and evaluation;
- Evaluation of interventions in the areas of policy reform, enterprise promotion, technology transfer, democratic process, national resource management, organizational change and human resource development; and
- Assessing the impact of programs on women and other designated target groups.

We propose to create a cadre of specialists in planning, measurement and evaluation by conducting a training of trainers drawn from select staff in the Planning Ministry and other interested ministries. This training can be delivered in two modules: the first would be an intensive exercise over a 1-week period to learn the core skills; the second will be on-the-job mentoring where technical assistance will be provided to the PA trainers as they replicate the training for colleagues who will be involved in planning, measurement and evaluation.

If this program will seek to assist all PA ministries, we estimate it will require at least 2 international specialists to be resident in the West Bank for a 3-month period to lead the design and delivery of the modules.

PART IV: MINISTRY-LEVEL ANALYSIS

Our team visited a number of PA ministries and agencies. In this section of the report, we highlight ministry-specific observations and recommend areas for international development assistance.

The Ministry of Planning

The Ministry of Planning seeks to play a key coordinating role for all PA ministries. However, its stated objectives are not clear and contradictory. We were told that the ministry works to unify and link all governmental ministries and agencies with donors by functioning as the unique channel through which all

externally funded projects are processed, approved and appropriated. Second, the Ministry is supposed to ensure that other government ministries and agencies meet their policy targets. Third, the Ministry aims to provide forecasts upon which all future public investment can be based. In our view the ministry lacks the capacity to perform all three missions. The goals are themselves contradictory and the Ministry is not powerful enough vis-a vis other more powerful ministries (such as Defense and Finance) to maintain a results orientation.

In our analysis the planning functions in the Ministry of Planning are not performed effectively and often overlap with functions attributed to the Ministry of Finance and to the Ministry of National Economy. The weaknesses of the Planning Ministry stem from an absence of consensus on national objectives. There is also a lack of a medium-term strategic focus. The planning division does not have adequate information and tools to analyze different policy options. The actual actions of government diverge greatly from its plans, and as such planning is not taken seriously. Various organizations perform the same task,, which causes confusion and coordination problems. The functions of the ministry are also being performed by another ministry/department, as follows:

Coordinating: Various Ministries routinely enter into contractual relationships with donors. This makes it difficult for the Planning Ministry to coordinate aid flows on behalf of the Prime Minister. A further obstacle to coordination is that many ministries have functions that overlap and that they contract projects with donors that are repetitive.

Monitoring: The Planning Ministry is not properly situated to play the role of being an efficiency unit that reports to the head of state on resource utilization and rule adherence. To attain this objective it would have to be moved directly into the Prime Minister's office where it can assert authority over other larger and more powerful ministries with larger patronage followings. As a weak ministry it is not in a position to specify or reward good performance or to punish bad performance.

A second barrier to the performance of the ambitious role the Ministry has set for itself is that there exists no performance measure or agreed upon framework for measuring performance by which public sector organizations can be managed. Benchmarks for the performance of public sector institutions have not been created. Inputs do not flow from a common source so the government is not in a position to determine the resources that any particular ministry controls. Output measures that reflect the performance of different organizations are not available. The government needs to be a position where it can set up expectations about outcomes and results based on realistic assessments of inputs and it must develop mechanisms to hold ministers accountable for the implementation of those goals. An efficiency unit within the executive branch of government offers an option for accomplishing this objective.

Forecasting: As an organization authorized to make forecasts the Ministry of Planning does not have the necessary resources and it would be competing with other more resourced units in particular ministries that purport to have the same function. The Ministry of the Economy reports that the Planning Ministry is not credible to play the role of providing forecasts and that it sees itself as having the same mandate.

From the perspective of effectiveness, the planning or forecasting function that the Ministry of Planning aspires to would conflict with its monitoring function. The Ministry also does not have adequate means for rule enforcement in relation to budget or personnel management. It does not have the means to supervise and coordinate aid flows within various ministries. It cannot set binding policy direction and it cannot provide predictable financial or personnel management. Its many ambitious objectives conflict with each other.

Recommendation

To assist the Planning Ministry in clarifying and focusing its role, we propose that senior officials of the Planning Ministry and heads of the planning units in other ministries participate in an **Executive Seminar on Comparative Development Management**.

Like most other countries in the Middle East, the PA suffers from a lack of exposure to international models of development management. The Ministry of Planning, which aims to play leading role in development management, has received ideas about its role mainly from observations of the planning ministries of Egypt and Jordan. This is unfortunate because there is no long tradition of results-based management in the region. At a recent global roundtable on Managing for Development Results, the only delegation from the Middle East, North Africa or Central Asia was from Afghanistan. A recent global survey of government reform contained exactly one sentence on an Arab country (Oman). A recent study by Behrooz Kalantari takes a comparative approach in studying public management in the Middle East and reaches a similarly discouraging conclusion. It argues that the Middle East region, despite its rich culture and long history of administration, has demonstrated a great difficulty in maintaining viable, efficient, and effective public institutions. It contends that administrative culture in most Middle Eastern bureaucracies no longer matches peoples' expectations leading citizens to perceive their public institutions as corrupt and oppressive entities that only serve their political masters and try to preserve themselves. This finding is not unlike what we have seen in the West Bank.

Greater engagement of national leaders and senior public servants of PA with the examples of other regions can be expected to have significant positive effects on public administration reform and on their willingness to open their perspectives to other alternatives.

This seminar can be delivered over a 3-day period by 3 international development specialists. It will require about 3 days preparation, 2 day of post-training assessment and debriefing, and 3 days travel time for each consultant.

The Financial and Administrative Control Bureau

The Financial and Administrative Control Bureau is the supreme audit institution of the Palestinian Authority. The term "Bureau" may suggest that it is part of a Ministry but it is actually independent, reporting only to the Legislative Council. The head of the Bureau is appointed by the President to a 7-year term and he or she can only be removed by the Legislative Council. Its audit jurisdiction covers all agencies and offices of the PNA, including the Office of the President.

In principle, the importance of this Bureau cannot be over-emphasized. Its significance is rightly recognized by the Prime Minister. It appears to be the only agency (at least among those our team visited) that has been given resources to recruit and to support expanded operations. Unlike the rest of the PNA bureaucracy, which has been given instructions to maintain, if not reduce, personnel (as stated in the PRDP), the Bureau has been recently authorized to recruit about 110 new personnel (80 new auditors, and 30 support personnel). At the time of the MSI team's visit, 20 new personnel have been hired. In addition, we were told that the PM recently allocated the Bureau a budget of about US$250,000 for the purchase of IT equipment and furnishings for its new offices. During our visit, the Bureau showed us some of the 100 PCs, 10 laptops, and 2 scanners it recently bought (many still not out of their boxes).

Dr. Mahmoud Abu-Alrub, the head of the Bureau, is an independent, with no affiliation to Fatah. He has no experience in government. His last position was Dean of the Faculty of Economics at the An-Najah

University in Nablus. He is, however, a curious choice, because he has no professional background in auditing or accounting.

Dr. Abu-Alrub explains that his appointment reflects "strong political will of President and Prime Minister". He said that Hamas had opposed his nomination. He also alluded to the fact that he had political support when he fired 8 employees for cause sometime after he took over as Bureau head. However, he conceded that the organization, while powerful according to its charter, has weaknesses. It had no financial and operational autonomy. Disbursement of its budget was contingent on the PM's authority. Due to the PA's competing priorities, he said that in 2006, only 22% of its $7M budget was approved and allocated by the PM. However, he said that in 2008 he expects Bureau will get the full amount because of a commitment expressed by the Prime Minister.

In addition, unlike best-practice supreme audit institutions, the bureau has to follow civil services rules and salary standards, which means it finds it difficult to attract top talent. Similar to other agencies in the PA, the Bureau is not competitive with the private sector. The Bureau is rightly worried both about the recruitment and retention of its personnel.

The Bureau is increasingly active, but it has yet to accomplish results. In 2006, the office reportedly handled 260 reports. Of these cases, 20 were referred to the Attorney-General for further investigation, 5 cases were shelved for lack of evidence, and 8 cases are being prosecuted. None of the reports resulted in a single conviction. Most of the reports remain under review. The situation does not bode well for the credibility of the Bureau as an efficient and effective auditor.

The bureau is admittedly understaffed. At present there are 124 employees. Even assuming a highly-capable and productive staff, this is insufficient to conduct audits of the ministries and agencies of the PA. Dr. Al-rub spoke about an organizational culture in the PA that is against auditing, that is, a strong resistance to being examined and being held accountable. As discussed in Parts 2 and 3 of this report, this is not surprising in organizations that are not designed mainly to employ, not to perform.

The Bureau is notable in the sense that there is well-meaning leadership. Dr. Abu-Alrub was emphatic about his vision that the Bureau to be viewed as among the premier public sector agencies, attracting the best and the brightest, and imparting a sense to its staff that it is a privilege to work for the Bureau.

We agree with Dr. Abu-Alrub that his office needs immediate support in terms of training, for the existing as well as incoming staff. We commended him on the recruitment of new personnel from multi-disciplinary backgrounds – accounting, business administration, finance, economics, information management, engineering, and so on. In our view, the recruitment of applicants from different disciplines is along the lines of international best practice. The audit environment of bureaucratic entities is populated with different types of agencies – education, health, public works, etc. It is crucial to have auditors who have the skills to understand the operational aspects of different agencies. For example, auditors with engineering backgrounds will be more suited for auditing the Ministry of Transportation or Public Works, while auditors with education backgrounds will be suitable for examining the Ministry of Education.

It is promising that the bureau had 520 applicants for 110 posts, which suggests the Bureau is attracting a wide pool of applicants. Additionally notable is the fact that none of the applicants come from existing government employees, and that about 95% are new graduates. This recruitment of fresh graduates has its pluses and minuses. On the plus side, it suggests a high degree of "trainability". They are not "old dogs" who cannot be taught new tricks. They also have not yet developed "bad habits" of having previously worked in a dysfunctional and corrupt government. On the negative side, they are inexperienced and unfamiliar with the bureaucracy.

Based on the foregoing observations, the Finance and Administrative Control Bureau would benefit from focused technical assistance and training programs to enhance the capacity of the senior management of the Bureau and to scale up the capacity of its investigative staff.

Recommendation

As the supreme audit institution of the government, the Financial and Administrative Control Bureau plays an indispensable role in strengthening the PA. However, it remains an agency in its infancy where it may be raised to do great things, or do great harm. It is critical that the Bureau not become part of the problem it seeks to address (as it is the case in other countries where accountability agencies are themselves at the heart of corruption).

The activities we recommend for the Bureau are focused on three goals: increased risks of applied sanctions against corruption, reduced corruption opportunities, and greater public support and involvement in anticorruption. To help the Bureau achieve these goals, we proposed a number of key activities:

- **Financial Investigation Skills training programs – Basic and Advance Levels**
- **Organizational Development seminar to ensure alignment of organizational structures and strategies**
- **Establishment of an effective corruption complaint management system**

Specifically we recommend the following for the next two years:

- Three (3) basic-level Financial Investigation Skills training programs (1 per year)
- Three (3) advanced-level Financial Investigation Skills training programs (1 per year)
- One (1) organizational development workshop (year 1)
- Policy strategy paper on the establishment of an effective corruption complaint management system (year 1)
- Policy strategy paper on making financial investigations more effective (year 1)
- Three (3) monitoring and evaluation assessments of the Bureau's performance (1 per year)

We propose the following outcomes for measuring the Bureau's performance:

- Increased number of investigations resulting in prosecution
- Increased number of investigations resulting in corruption convictions
- Increased revenue collections of the PA
- Improved public perceptions of PA credibility to control corruption
- Reduced public perceptions of corruption in the PA

These recommended activities will need a long-term Financial Investigation or Audit Specialist who will exercise leadership in the design and delivery of the above programs as well as provide mentoring and coaching to the Bureau as needed. He or she will be assisted by short-term technical assistance as needed in the conduct of the trainings and consultancies.

Ministry of Finance

Our visit to the Ministry of Finance was limited to the ministry's Tender Department. The visit, however, was more revelatory than we expected. The MOF Tender Department supposedly handles all PA

procurement above US$15,000 that are not in the category of large-scale procurement (such procurements are handled by special committees formed by and composed of members of the Council of Ministers).

The MOF Tender Committee is severely understaffed. It only has 4 staff, including the head. The head, Mr. Nasser Khatib, admits his office has a large backlog, and that each of the staff are handling about 15 tenders at any one time. He said there was very little activity from February 2006 to June 2007, during the time of the Hamas-led government. However, since July 2007, he said that his office has handled about 146 tenders (roughly about 24 tenders a month).

The Tender Committee does not keep electronic records of its procurement. There is no up to date database of the tenders that it handles.[27] There is also not even a separate private space for the operations of the committee's small staff.[28] There is also no system for receiving and handling procurement complaints.[29]

Recommendation

We propose a series of financial management reforms for the Ministry of Finance. These recommendations need to be coordinated with other initiatives of other donors, particularly the World Bank, which has supported procurement reform. These are basic reforms that need to be viewed as building blocks for subsequent initiatives.

A. Improved Procurement Systems

We recommend strongly that the PA pass a decree on procurement reform. This could be based on the proposed bill on procurement reform that was developed by the World Bank. Pending passage of this regulation, the MOF needs to be assisted in developing and adopting procurement regulations especially for large procurements which are likely to be the targets of corruption.

We recommend the design and utilization of an Integrated Financial Management System (IFMS). This could be piloted in the Ministry of Finance and will be replicated in other ministries through their respective procurement committees. Extensive user training should be considered and user-friendly procedures for collection, inputting and use of data need to be developed.

Direct interface of central government units with IFMS will provide the MOF with access to budgeting and accounting information from different procurement entities. The IFMS can generate reports to identify high- risk or suspicious procurement activities to enable it to target audits effectively. Application

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[27] When we asked Mr. Khatib about the value of current procurement projects being handled by the Tender Department, he said "around one hundred thousand dollars". We expressed some surprise at the amount, noting that the figure seems rather low if the Tender Department is handling procurements over US$15,000. Mr. Khatib excused himself and said he would go to the next room to ask his staff for the figures. He returned a few minutes later and said that "yes, you're right, the figures are higher". We asked for specifics. He gave examples, noting his department is currently doing procurement of textbooks worth US$25 million annually, $12 million for uniforms, and $10M for the security sector.

[28] We observed a stream of visitors going in and out of the Tender Committee office freely during the course of our visit. Mr. Khatib said they were businessmen checking on procurement opportunities or the results of their bids. We expressed surprised at how freely the businessmen were gaining access to the inner sanctum of the Tender Department. Mr. Khatib offered to show us what they were doing, and we witnessed a couple of visitors perusing files and bulletin boards amidst a very cluttered office environment. Afterwards Mr. Khatib said that he wished there was less interaction between his staff and businessmen.

[29] We asked Mr. Khatib about complaints received by his office from bidders. He said his office has received about 25 complaints so far, found 2 of them to be valid, which led to reversal of awards. He said his office has discovered "many instances" of collusion among competing firms, as reflected in different bidders having the same addresses.

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of such audits will provide a deterrent effect to corrupt officials, demonstrating that procurement processes are being tracked to detect irregularities.

B. Increased Frequency of Procurement Audits

We recommend that the MOF create a procurement audit body. While the PA seeks to limit the expansion of personnel, the establishment of this body will is necessary to ensure that procurement audits are conducted. Targets on numbers of audits to be completed will be adopted to focus on results. The procurement audit body will profile procurement in PA agencies and to identify high risk and non-conforming activities for audit. An intensive mentoring approach will be applied to train audit staff.

C. Establishment of E-procurement System

The use of e-procurement can radically enhance the transparency, efficiency and accountability of the MOF by establishing regulated opportunities for registered suppliers to bid online for government contracts, either in competitive auction or individual tenders. In this regard, e-procurement will reduce costs, reduce face-to-face transactions, increase transparency in the bidding process, increase revenues, and allow small businesses to participate.

The above activities will require a long-term Procurement Specialist to help design the regulatory framework, lead the development and delivery of procurement training, and assist in the setting up of e-procurement systems. Short-term technical assistance will be needed for procurement audit specialists to conduct audit training. Hardware and software will be required to establish the e-procurement systems. IT specialists will be needed to conduct a feasibility study of e-procurement and to recommend measures and systems.

Ministry of Transport

The Ministry of Transport is not the place one might expect to meet a reformist official bent on advancing e-government. Yet that was precisely our experience when we visited Dr. Mashhour Abudaka, the Minister of Transport. An independent, Dr. Abudaka had no prior experience in government before his appointment as Minister. He previously managed an IT firm and was formerly the Executive Director of the Palestinian Information Technology Association.

In less than a year, Dr. Abudaka has managed to overcome major organizational constraints through what seems to be sheer tenacity and commitment to his vision of spreading e-government in the work of the Ministry and its interface with other agencies.[30] Dr. Abudaka sees IT and e-government as a solution to many of the problems plaguing his ministry and the PA at large. Among his current programs is the establishment of IT connectivity between the Control Room of the Police and the License Office of the Ministry. This helps to ensure enforcement of policy that every driver be licensed and that cars are registered. If this policy cannot be enforced and violators are not held accountable, he explained that road safety is reduced and public trust is diminished.[31]

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[30] Dr. Abudaka explained that his jurisdiction is limited by Israeli controls on the West Bank's borders, airspace, and territory. In addition the ministry is saddled by moribund entities such as the Airport Authority, the Port Authority, and the Palestinian Airline. He said these entities combined have about 1000 personnel on their payroll who continue to receive salaries despite the suspension of their agencies' operations. He said that the Ministry currently has about 700 active personnel. Dr. Abudaka explained that he cannot do anything with the personnel of the moribund entities. He said it is government policy to continue to pay them.

[31] After our meeting, Dr. Abudaka invited us to witness the launching of the IT connectivity between the Police and the Ministry. Officiated by Dr. Abudaka, the Chief of Police and the Interior Minister, we observed a trial run of the

Dr. Abudaka plans to extend his Ministry's e-government initiatives to the Courts. He says that court judgments are often ignored, and he said that connectivity between the Courts and the Ministry can link the issuance of licenses to payment of court judgments. We concurred that this would help foster rule of law.

In our view, the passion for e-government exhibited by Minister Abudaka is promising in many ways. As Coleman has noted, "E-government has the potential to improve the performance of public institutions and make them more transparent and responsive; facilitate strategic connections in government by creating joined-up administrations in which users can access information and services via portals or 'one-stop-shops'; and empower civil-society organizations (CSOs) and citizens by making knowledge and other resources more directly accessible." To be sure, making the transition from rudimentary government to e-government is a big leap, and one that requires not leadership, but supporting infrastructure and considerable resources. We feel that Minister Abudaka's vision needs to be supported as follows:

Recommendation

1. E-Government Training for PA civil servants

We recommend conducting e-government training that will demonstrate to policy-makers and planners the use of information and communication technology (ICT) in the delivery of public services. Examples will not just be PA initiatives but successful e-governance programs in Africa, Asia, and elsewhere. The MOT can be the lead agency, assisted by ICT associations in the West Bank.

The training could include officials in local government and non-government stakeholders who would help to strengthen their capacity to scrutinize central government and raise issues for public debate. E-government can enable NGOs and media to channel public demands that can translate to greater accountability. E-government has been pioneered to promising success in the emerging democracies of Eastern Europe and the former Soviet Union.

This activity will require short-term consultancy of an E-Government Specialist. The e-government training can be conducted in 2 days, and may be replicated depending on demand. Level of effort will include 3 days preparation, 2 day of post-training assessment and debriefing, and 3 days travel time for the consultant.

Ministry of National Economy

The Ministry of National Economy covers trade and industry issues. It is a critical ministry. It is unfortunate that it does not have a dedicated Minister. The current Minister is also concurrently the Minister of Public Works and Housing, and the Minister of Telecommunications and Technology. In this regard, with the Minister's highly divided attention, the National Economy ministry arguably does not have a focused leadership in place.[32]

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system at Police Headquarters. A traffic cop somewhere in a street in Ramallah called in a license plate number and an operator in the Police Control Room accessed the system connected to the License office to verify the license plate, providing the name of the owner, its address, status of registration, etc.

[32] We tried to meet with the Minister himself, but he was difficult to reach and his schedule was evidently compressed by the fact that he was also the Minister of two other ministries. We met instead with Deputy Minister Dr. Jawad Naji and Assistant Minister Nofal Abdel Hafiz.

The Ministry was clear about its mandate -- to "create an enabling environment for private sector". It was also clear about what this enabling environment entails, i.e. to establish industrial estates, address border-crossing issues for goods and services, and enhance the capacity of the Ministry.[33] The officials emphasized that the private sector is key to Palestinian growth. They said that the Ministry's proposed programs in the PRDP are primarily for the private sector and to be implemented by the private sector. They said that the Ministry consults closely with private sector business associations, explaining that they engage with about 11 to 15 private sector groups such as the Palestinian Business Council and the Chambers of Commerce.

The officials explained that while they are focused on their mission, they do have the capability to execute it. They said plainly that Ministry staff has little experience in private sector development or fostering entrepreneurial growth. Although the Ministry has about a thousand employees, with around 350 staff in the West Bank and the rest in Gaza, we were told that few of the staff have the expertise in what the PRDP asks the Ministry to do.

Recommendations

We think that USAID's ongoing Economic Growth projects are addressing the various concerns expressed by the Ministry of National Economy. These include, among others, the Palestinian Enterprise Development (PED) Project, the Small and Microfinance Activity for Recovery and Transition (SMART) project, and the Palestinian Integrated Trade Arrangement (PITA) project.

Ministry of Youth and Sports

The Ministry of Youth and Sports was most prepared in its meeting with our team in terms of a detailed list of needs. Foremost among their concerns was capacity-building and training in subjects related to youth and sports management. Second was the need for information technology equipment for their offices. Third, they wanted upgrading of facilities and equipment in the youth and sports centers.

The Ministry mentioned that USAID has already provided the Ministry with various types of support, including helping establish youth resource centers. This might partly explain why it was ready with such a list when we visited. Interestingly, the staff mentioned that some youth centers have been used as weapons training centers, as party development centers, or for teaching radicalism. Implicit in the discussion was that creating or refurbishing sports facilities could be magnets for recreational activities that will help prevent the youths from being recruited for radical activities. The discussion turned to the important role that sports associations can play in fostering community involvement and youth engagement in sports activities.

Notably, the officials we met did not articulate a vision or strategy for her Ministry. Yet it was clear to us that this Ministry can play a critical role in helping address the drivers of discontent and roots of radicalism among Palestinian youth. Studies of youth and violence have found a high correlation between the two. As USAID's Youth and Conflict states, "when young people — particularly young men — are

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[33] The Ministry sees the industrial estates as zones for job creation and export-driven growth. They discussed three areas of about 100 to 200 hectares that would constitute these industrial estates (Jenin, Hebron, and Jericho). They described potential funding from different countries for the construction of these estates. They envisioned USAID as coming in to provide a technical assistance fund to conduct pre-feasibility studies to attract firms to locate in these zones. The discussion on border-crossing issues focused on the restrictions of movement of goods and services all of which come through Israel. They said that "without the lifting of restrictions on movement and access, growth is impossible." They said that the PA is being choked by these restrictions. The Authority cannot ship to countries that do not recognize Israel. In addition they noted that the Israelis have high standards and specifications that are a form of protectionism against Palestinian goods.

uprooted, intolerant, jobless, and have few opportunities for positive engagement, they represent a ready pool of recruits for ethnic, religious, and political extremists seeking to mobilize violence."[34]

Recommendations

Support Sports-Based Community Development Programs

We recommend that the Ministry exercise leadership in fostering sports-based group activities in the West Bank that would foster positive identity, group empowerment, leadership development, teamwork, and self-governance skills under adult supervision. The Ministry can be the spearhead to develop youth centers as safe arenas for competition, for bonding with peers, and for developing friendship and relationships throughout the community. In this light, the Ministry's request for equipment for the youth centers and support for rehabilitation of youth centers makes sense and needs full support.

Ministry of Women's Affairs and Ministry of Tourism and Antiquities

Our meeting with the Ministry of Women's Affairs and the Ministry of Tourism and Antiquities was combined due to the fact that one minister, Dr. Khouloud Daibes-Abu Dayyeh, heads both ministries. Both topics were discussed, although women's affair was arguably closest to the Minister's priorities.

We were told that the Ministry of Women's Affair has four priority areas:

1) Women empowerment in the political sphere;
2) Women empowerment in the economic sphere;
3) Enhancing vocational training and technical capacity of women;
4) Combating violence against women.

Of these four areas, the Minister explained that she needs technical assistance in developing a national strategy for combating violence against women. She said that there is a need to draft legislation on violence against women, develop a media and communications campaign to raise awareness about the problem, conduct sensitivity training for men and also for women (so they can stand up for their rights), and sponsor vocational training for women.

The Minister explained that the importance of the Women's Affairs ministry lies in part on its cross-cutting work. It affects the work of other ministries, such as labor, social affairs, health, education, tourism, etc. The Minister and her staff acknowledged the support given by USAID's OTI project in providing equipment to the ministry and to the women's centers in the rural areas, as well as by the ANEERA project which gave US$1 million to rehabilitate Jericho sites following Mrs. Laura Bush's visit. Other donor projects include a joint-project between the Women's Affairs ministry and the Agriculture ministry to provide women who are heads of households with start-up capital. This was needed they said because women only constitute less than 13% of the labor force. There was also another joint project between the Women's Affairs ministry and the Telecommunications ministry to provide employment to women in the ICT sector.

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[34] Youth and Conflict: A Toolkit for Intervention, USAID April 2005.

Recommendation

Technical Assistance on Mainstreaming Gender in National Policies

The role of women as participants in, and beneficiaries of, social and economic progress is a major issue in the West Bank. This activity would assist the Ministry to develop procedures and interventions to integrate gender considerations into program strategies in the areas of economic policy, private sector development, education, and governance initiatives. It would also support the development of performance indicators and evaluation methods that reflect the effects of development programs on people's lives, including the effects of gender and other relevant criteria on access, participation and success.

Technical assistance may also be provided in the following specific areas:

- Girls' and Women's Education: developing advocacy and outreach efforts that enhance public support and financial resources for improving the educational opportunities for girls and women;
- Women in Management: providing internationally recognized training and advisory programs on career management for women and women in management;
- Women in Politics: analyzing the barriers to women's participation in politics and providing practical training for women who are current or potential candidates for public office; and
- Development of Women Entrepreneurs: assessing the needs and profiles of successful women entrepreneurs and delivering tailored versions of the firm's internationally known entrepreneurship development programs.

Depending on the priorities of the ministry, the implementation of these programs would require short-term technical assistance and training. A 3 to 6 month assignment of a Gender Specialist to work with the Ministry of Women's Affairs in developing the above programs would be ideal.

Palestinian Land Authority

The Palestinian Land Authority was not in our original list of agencies to visit, but we had heard numerous reports that it was one of the most inefficient frontline agencies in the West Bank. It was apparently not uncommon for citizens seeking to register their properties to wait for hours just to be able to get to the front counter. We also heard that the ones who were able to register their properties with dispatch relied on fixers who would arrange the registration of properties outside official premises with corrupt PLA officials. This agency seemed to us to reflect the serious disconnect between the PA and ordinary Palestinians. The public distrust in the PLA is high as it admits that it is finding it difficult to convince people to register their lands. Apparently many Palestinians rely on the current common practice of using irrevocable power of attorney documents.

Our visit to the PLA confirmed the reports of inefficiency and corruption that we heard. We learned that all PLA operations re manual and paper-based. We were told it was not unusual for files to be misplaced or lost. We also learned that the corruption vulnerability in the land registration process is not only due to the inefficiency and long lines of the application process (inviting the provision of "speed money"), but also in the payment of registration fees. The fee is currently pegged at 1% of the historical value of the land. The determination of historical value appears to be an ad hoc process because there is no policy governing the process and no assigned unit to handle the valuation. In this process, there seems to be an incentive for the registrant to have a low historical value of their property in order to pay a much lesser amount. Collusion between the registrant and the land valuation person cannot be discounted as a common practice.

The PLA interestingly has the potential to be a self-sustaining agency. We were told that in 2006, the PLA grossed about US$5 million. However, the PLA as an organization does not appear to be benefiting from its revenues. The officials we interviewed were unsure if the revenues covered the costs of the office, which has about 273 employees, 153 in the West Bank, and 120 in Gaza.

In our view the PLA should be a priority agency because of the importance of institutionalizing property rights in economic development. It is also a front-line service delivery agency that interacts with citizens everyday. If there is an agency that deserves attention to become a bastion of integrity, it is the PLA.

Recommendation

1. Establish a Queuing System

USAID through its *Netham* Rule of Law project has demonstrated the ease of implementation and quick impact that a queuing system can do in a heavily congested frontline office. This was the case when it implemented an automated queuing system in the Notary Public in Ramallah. According to Nabil Isifan, the COP of the Netham project, the project cost less than US$100,000. In addition to the automated queuing system, the activity entailed re-arranging office space to make it more spacious and welcoming, as well as making it non-smoking and air-conditioned. A similar system can be established in the PLA's district offices, beginning with the major areas such as Jenin, Bethlehem, Nablus, and Hebron.

2. Setting up a Records Management System

The PLA needs a records management system that will ensure accurate record-keeping, easy access, and document security. This system will address the perennial problems of lost and misplaced records, tampered files, and inefficient document retrieval process.

3. Automating the Registration Process

The registration process in the PLA needs to be automated for efficiency, security, and accessibility. Its current all-manual and hard-copy process needs to adopt electronic means to expedite the process. By automatic the registration process, face-to-face contacts with PLA officials are reduced and thus lessening corruption vulnerabilities.

 To implement the above activities, we would need short-term technical assistance to assess and design the three activities, namely a service delivery specialist to design the queuing system, a records management specialist to set up a records management system and conduct the training to maintain it, and an IT specialist who will assess the IT requirements for the automation of land registration. We envision a total of 3 person-months for these activities.

ANNEX 1. LIST OF MEETINGS

Palestinian National Authority
1. Dr. Mahmoud AbuAlrub, President, Finance and Administrative Control Bureau
2. Ms. Tahani Abu Daqqa, Minister of Youth and Sport
3. Dr. Mashhour Abudaka, Minister of Transport
4. Dr. Khouloud Daibes-Abu Dayyeh, Minister of Tourism and Antiquities and Minister of Women's Affairs
5. Mr. Nadim Al-Barahmeh, Chairman, Palestinian Land Authority
6. Dr. Jawad Naji, Deputy Minister of National Economy
7. Mr. Maher Ghnaim, Deputy Minister of Public Works and Housing
8. Ms. Salwa Hdeib/Qannam, Deputy Minister of Women's Affairs
9. Dr. Cairo Arafat, Director-General of Aid Management and Coordination, Ministry of Planning
10. Dr. Ali Jirbawi, Consultant/Team Leader for PRDP, Ministry of Planning
11. Mr. Nofal Abdel-Hafiz, Assistant Under Secretary of National Economy
12. Mr. Ibrahim Sabbah, General Director of Sports Affairs Department, Ministry of Youth and Sports
13. Mr. Mashhoor Basisy, Director of Planning Department, Ministry of Women's Affairs
14. Ms. Hanan Jarrar/Karout, Director of International Relations, Ministry of Women's Affairs
15. Mr. Hanna Nasser, Chairman, Palestinian Electoral Commission

NGOs and Other Stakeholders
1. Dr. Azmi Shuaibi, General Coordinator, Aman-Transparency Palestine
2. Dr. Nabeel Kassis, President, Birzeit University
3. Mr. Camille Mansour, Dean, Faculty of Law and Public Administration
4. Dr. Mohammed A. Abu-Zayed, Acting Head, Department of Public Administration
5. Dr. Daniel Arghiros, Governance Advisor, Office of the Quartet Representative
6. Prof. Nathan Brown, George Washington University
7. Dr. Edna Hidekel, Ramat-Gan College

USAID West Bank/Gaza
1. David Harden, Deputy Mission Director
2. Richard J Hough, Director of Programming
3. Nancy Shalala, Director of Democracy and Governance Office
4. Cara Stern, Deputy Director, Democracy and Governance Office
5. Mike Martin, Private Enterprise Office
6. Robert V. Burke, Trade and Economics Advisor
7. Gary Cohen, Chief, Water Resources and Infrastructure Office
8. Bassam M. Refai, Senior Engineering Manager
9. Elizabeth Drabant, Director, Health and Humanitarian Assistance
10. Andrew Plitt, Finance Director/Controller
11. Abeer Odeh,, Chief Financial Analyst
12. Jessica Lapenn, U.S. Embassy Political Section Chief

USAID Contractors

1. Nabil Isifan, Chief of Party, Netham, Rule of Law Program – Justice and Empowerment
2. Indeok Oak, Chief of Party, ARD USAID/OTI project in West Bank and Gaza
3. William Cleary, Consultant, Communications, ARD USAID/OTI project in West Bank/Gaza
4. Thamer Abu Baker, National Grants Specialist, ARD USAID/OTI project in West Bank/Gaza
5. Bassam Nasser, Program Development Specialist, ARD USAID/OTI project in West Bank/Gaza
6. Mark Leverson, Chief of Party, RAFEED project, Ramallah.

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