

Reforming aid management in the West Bank and Gaza

**A paper commissioned by the co-chairs of the Local Aid
Coordination Secretariat**

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Abbreviations

AHLC	Ad Hoc Liaison Committee
COGAT	Office of the Coordinator of Government Activities in the Territories
DAG	Donor Advisory Group
DARP	Development Assistance and Reform Platform
GOI	Government of Israel
JLC	Joint Liaison Committee
LACS	Local Aid Coordination Secretariat
MOFP	Ministry of Finance and Planning
MOPAD	Ministry of Planning and Administrative Development
MOU	Memorandum of Understanding
NGOs	Non Governmental Organizations
NPA	National Policy Agenda
OECD	The Organization for Economic Cooperation and Development
PA	Palestinian Authority
PMO	Prime Minister's Office
SWGs	Sector Working Groups
TGs	Thematic Groups
UNSCO	United Nations Special Coordinator Office for the Middle East Peace Process

1. Context, next steps and summary of recommendations

1.1 Context

The co-chairs of the Local Aid Coordination Secretariat (the LACS) -- the Prime Minister's Office of the Palestinian Authority (PMO), Norway, UNSCO and the World Bank -- have requested an independent review of the aid coordination system in the West Bank and Gaza. This review follows earlier studies of the aid coordination system by Mokoro Ltd. (1999, 2003), and of the Local Aid Coordination Secretariat by NORAD/COWI Consulting (2012).

The current review team visited Jerusalem, Ramallah and Tel Aviv twice in late 2015 to hold discussions with the Palestinian Authority (PA), development partners and the Government of Israel (GOI)¹. This report reflects those discussions, and has taken account of the views provided both by the co-chairs and by other interlocutors. While not all points have been agreed by all parties, the authors believe that the report represents an acceptable degree of consensus, and a strong basis for reviving a largely ineffective aid coordination effort.

The *political* opinions expressed in this report, on the other hand, are those of the team, and do not represent the views of any organization.

1.2 Next steps

Using this report, the co-chairs will now prepare a Decision Note that reflects their decisions on how the aid management system will be reformed. The Decision Note will contain a clear implementation timetable, and will be circulated widely. It should be circulated alongside this report so that any discrepancies between the two documents are apparent.

Implementation of the reforms should be guided by an Oversight Group consisting of the four co-chairs and the EU (as the major donor to the West Bank and Gaza).

The AHLG chair, Norway, has agreed to commission a 'light' independent review of progress in reforming the aid management system, which should take place by mid-2017.

1.3 A summary of key recommendations

An opportunity to transform today's moribund aid *coordination* structures into an effective aid *management* system has been provided by the PA's decision to replace the unrealistic Palestinian National Development Plan with a costed National Policy Agenda

¹ The team consisted of Nigel Roberts (Team Leader), Elizabeth Sellwood and Dana Almubaied. The two visits were from August 31-September 7 and from December 2-7, 2015.

(NPA), and to give the PMO responsibility for NPA preparation and strategic aid management.

The proposed new system is described below.

- It is based on four structures: the **Donor Advisory Group**, **Working Groups** and the **Joint Liaison Committee** (meeting locally), plus the **Ad Hoc Liaison Committee** (meeting internationally).
- The **Donor Advisory Group (DAG)** would operate at two levels. The apex-level group would be chaired by the Prime Minister and would meet quarterly; the Working Level group would be chaired by a senior official from the Prime Minister's Office and would meet more frequently. Apart from the PMO and the new Ministry of Finance and Planning (MOFP), the DAG would consist of Heads of Mission (Prime Minister's level) or Heads of Cooperation (Working Level) from 12 development partner agencies, and would call on senior PA officials as required. The Prime Minister's DAG would advise the PA throughout the NPA formulation process, help the PA monitor the delivery of the NPA, and advise on its subsequent annual adjustment (based on outcomes and available fiscal resources). The group would thereby focus on key Palestinian priorities and policies, and would seek to tackle issues requiring high-level intervention. The Working Level DAG would focus on monitoring the Working Groups' Sector/Thematic Action Plans. To prevent unwieldiness, each participating institution would send only *one* representative to any DAG meeting.
- Approximately a dozen **Working Groups** would be created, to match the National Policy Agenda's *core* sectors and cross-sectoral themes. Each Working Group would establish an annual Sector/Thematic Action Plan, in close coordination with the PMO. Working Groups would report progress every quarter to the Working Level DAG. Membership of a Working Group should be restricted to a maximum of 12 persons (the 5-6 highest-contributing donor agencies, a UN representative², 2-3 PA representatives; 2-3 representatives from the private sector and civil society; and others with special contributions to make).
- Assuming Government of Israel agreement, the **Joint Liaison Committee (JLC)** would be revived to address practical bottlenecks to Palestinian economic activity. The JLC would ideally establish rolling, verifiable six-month Action Plans; these would align with and feed into the Rolling Results Agenda that the AHLC should develop. There should be 9 permanent members of the JLC: Norway as Chair, the PMO and MOFP, the Israeli Ministry of Foreign Affairs, the Office of the Coordinator of Government Activities in the Territories (COGAT), the US, UNSCO, the Office of the Quartet and the EU. As with the DAG, only one representative from each participating institution should attend meetings: all other attendees would be technical specialists called in to discuss a specific agenda item.

² On occasion, two UN participants might be warranted -- such as in the health sector, where both WHO and UNICEF are important players.

- Future **Ad Hoc Liaison Committee** meetings should be built around a Rolling Results Agenda that, while strategic in character, embodies key actions from the Working Groups' Sector/Thematic Action Plans and the JLC's Action Plans. The Rolling Results Agenda would thereby consist of a monitorable set of PA, donor and GOI commitments. Two AHLC meetings should continue to be held each year -- a Spring meeting in Brussels and a Fall meeting in New York. The New York Meeting would feature a Ministerial meeting at which formal papers and statements are presented, and development assistance pledges made. Once again, implementation of this revived approach will require Government of Israel agreement and cooperation.
- Neither the **Local Development Forum** nor the **Friends of the Chair** group is essential to the effective operation of the new aid management system, but can be summoned as and when the occasion demands (Norway may, for example, wish to call periodic donors-only meetings; the Prime Minister may wish to announce new PA initiatives or invite public feedback on PA performance).
- The **Local Aid Coordination Secretariat (LACS)** has an important part to play in ensuring that the new aid management system works well. It is time to begin integrating the LACS into the PA, but this must be done carefully. For formal reporting purposes, the LACS should come under the PMO, but should be jointly managed by the PMO and one of the co-chairs under the terms of a Memorandum of Understanding containing benchmarks that the PMO would agree to meet before the PA assumes full responsibility for the LACS.
- The **Development Assistance and Reform Platform (DARP)** would be adjusted, and a concerted effort made to maintain it in real time. The new system would be developed by MOFP staff in partnership with the LACS, and maintained collaboratively by both institutions. LACS involvement should help ensure stronger donor commitment to maintaining the system.

2. The political outlook, and its impact on aid flows and aid management

The prospect of a two-state solution to the Palestinian-Israel conflict has never seemed more remote, but no alternative approach has international diplomatic support. In this political desert, Israel continues to expand and protect settlements and settlement-related infrastructure in the West Bank. Gaza remains cut off from the West Bank, its land and sea borders under tight military control.

Although Palestine has been recognized as a sovereign state by 136 countries³, it does not follow that the Palestinian Authority is a sovereign government: it was created under the Oslo Accords as a self-governing interim administration, giving it a legal status akin to that of a local authority. As such, it exercises only as much control as the occupier permits over internal security and movement, water resources, airspace (including the telecommunications spectrum) and the territory of Areas A and B -- and none over its external borders, or Area C (which accounts for some 64 percent of the West Bank). This limited span of control was further diminished by the PA's displacement from Gaza by Hamas in 2007. The Oslo Accords have not been revoked, but remain effective only by default: a permanent settlement of unresolved Final Status issues was supposed to have been reached by 1999, but remains out of reach. The two-state solution envisaged under the Oslo Accords remains a rhetorical goal of international diplomacy, but many believe it is now unachievable⁴.

What is more, neither the PA in the West Bank nor Hamas in Gaza have held open elections since 2006⁵, and any popular mandate either may have had has expired. The PA is also in leadership transition, a situation which has raised concern among Palestinians, Israeli policy-makers and third-party observers about the stability of Palestinian governance⁶.

³ Representing 70 percent of the current membership of the United Nations.

⁴ At the Saban Forum in Washington DC on December 5, 2015, US Secretary of State John Kerry stated that "current trends are leading to a one-state reality."

⁵ Municipal elections were held in the West Bank in 2012, but Hamas declined to participate.

⁶ "When there is a lack of sovereign stability, this ultimately radiates to other places. It finds expression in the [PA] security forces, and how much they can control armed Tanzim operatives, how much they can control the Fatah organization, and internal power struggles," the (senior Government security) source said. *PA Instability Adding to Unrest*, Yaakov Lappin, Jerusalem Post, July 10, 2015. PA instability was also alluded to by Secretary of State Kerry at the Saba Forum. Kerry sees the current lack of any political progress as delegitimizing the Palestinian Authority: "there are valid questions as to how long the PA will survive if the current situation continues. Mark my words.....Without the Palestinian Authority, Israel will be responsible for civil administration of the West Bank -- it costs billions.....Without the Palestinian Authority's security forces, the IDF would be forced to deploy tens of thousands of soldiers to the West Bank indefinitely." In an interview with Ben Caspit cited in Al Monitor on February 10, 2016, Israeli Minister for Jerusalem Affairs and Immigration Absorption Zeev Elkin bemoans what he sees as the likely disintegration of Fateh after the Abbas era comes to an end: "Sadly, we and the Americans are currently working with the idea that (the PA) will survive forever, and we are focusing our efforts on resuscitating a dying body. We have to change our tactics and internalize the fact that an era is coming to an end. We have to ask ourselves: How will we live and function on the day after, in the new period? I admit that there's a chance it won't happen, but the odds are very high".

Development partners continually debate how to respond to the withering away of the Oslo process. It is a matter of continuing distaste to diplomats that third-party financial support for the PA helps subsidize the occupation of the West Bank and Gaza⁷. Some worry that the donors' extended presence in the West Bank and Gaza has had the perverse effect of helping 'normalize' the status quo⁸.

The reasons for continuing donor engagement are many and varied. There is a fear of 'puncturing the narrative', and inviting criticism from both the PA and Israel for withdrawing assistance. There is concern for the welfare of a Palestinian population that would not receive equivalent levels of financial support from Israel. There is a belief that a continued donor presence has some positive influence on Israeli behavior -- and also on PA governance. There is also a reluctance to set aside hard-won institutional gains, and a residual hope that the political tide will one day turn in favor of a two-state solution.

This bleak outlook is affecting aid commitments. While pledges of \$3.5 billion to Gaza reconstruction show that a humanitarian emergency can evoke a powerful international response, development assistance has declined in the past two years⁹. At a time of cyclical reductions in OECD aid budgets, political stagnation makes it to defend aid allocations to the West Bank and Gaza. The problem is further compounded by the escalating security and refugee crisis in the Middle East and Europe, which has shifted attention away from the Palestinian question to a degree unprecedented since the beginning of the Oslo process¹⁰.

The disconnect between the two-state goal that the PA and the donor community still publically subscribe to, and that goal's insubstantiality, has affected the quality of PA strategic planning and the commitment with which all parties approach aid management. As the direction of travel has become increasingly obscure, aid structures that were created to advance statehood have lost energy, and have become places where political rhetoric often substitutes for purposeful action. As a result, from the AHLC through the Local Development Forum to the Sector Working Groups, ritual often replaces substance, and representation at meetings can seem more important than tangible results. Alternative fora have sprung up to compensate for these unproductive structures, adding even more pieces to a complex, expensive system.

⁷ This has concerned donors for many years. See, for example, the 2003 Mokoro report: "Many of our interviewees mentioned the paradox that, by stepping up their support, donors could be seen as financing Israeli re-occupation, and absolving GOI of its responsibilities for the welfare of the population under international humanitarian law. There is no simple answer to this dilemma: donors acted effectively in mitigating the humanitarian crisis and in keeping Palestinian institutions alive. However, this issue affects the scenarios we describe later, since, at some point, developmental agencies may decide that their involvement is no longer justified, and leave the field to agencies with an exclusively humanitarian mandate".

⁸ At the Saban Forum, "Israeli Defense Minister Moshe Ya'alon...confounded listeners by promoting "modus vivendi" as a semi-permanent solution to the Palestinian problem, as if it was a novel diplomatic concept rather than a fancy word for the status quo" Haaretz online, December 7, 2015.

⁹ By 16 percent overall, with budget support declining by 29 percent (*Economic Monitoring Report to the AHLC*, World Bank, September 30, 2015).

¹⁰ Though it was suggested to the team that Europe's current concern with refugees could in fact help sustain aid flows to the Palestinians, on the grounds that relative stability in the West Bank acts as a disincentive to Palestinian emigration -- and also as a dampener to potential radicalization.

The Palestinian aid coordination system has become middle-aged and unfit for purpose, but is not beyond all remedy. Accepting that the donor community is likely to remain engaged in the West Bank and Gaza, reform of the system is both necessary and achievable. It must start with a realistic PA strategy that development partners are prepared to align with, and with donors' willingness to subordinate national political interest to creating structures that can deliver practical outcomes. A well-functioning aid management system is one of the best ways to protect the West Bank and Gaza's diminishing share of global aid allocations.

While much can and should be achieved by concerted cooperation between the PA and the donor community, the impact of aid management reform will remain limited if the Government of Israel does not cooperate in making the JLC and AHLC more effective. As the occupying power, Israel holds the keys. At times in the past, Israel has seen the Palestinian economy as a source of stability; at others, as a way to exert political pressure. With stability at a growing premium in today's turbulent Middle East, a constructive approach to facilitating Palestinian development is very much in Israel's self-interest.

3. Flaws in the current aid coordination system

Today's aid coordination structures derive from, and are similar to, those endorsed by the December 2005 AHLC meeting¹¹. Some of its components no longer function (the Joint Liaison Committee, the Task Force on Project Implementation, the four Strategy Groups¹²), while others have been added over time to respond to opportunities (the coordination efforts of the Office of the Quartet Representative), anomalies (Palestinian Authority service delivery management in Hamas-controlled Gaza) or emergencies (the Gaza Reconstruction Mechanism).

By common consent, today's aid coordination system is incoherent, excessively complicated and ineffective.

- Sound aid management should serve clear strategic objectives: coordination is important, but should not be the driving purpose. The basis of any good aid management system is a clear, realistic development strategy which a government can use to engage, and discipline, development partners. This does not exist in the West Bank and Gaza: the current Palestinian National Development Plan is disconnected from PA fiscal and implementation realities.
- In a situation in which Israel continues to control many of the levers of the Palestinian economy, good trilateral cooperation is vital. Israeli facilitation remains erratic and predominantly bilateral (including with donors). Collective problem-

¹¹ The system endorsed at the December 2005 AHLC meeting was expected to provide "coherent technical assistance and financial support based on national priorities to the Palestinian people in line with the OECD-DAC Paris Declaration on Aid Effectiveness".

¹² For Infrastructure, Economic Policy, Governance and Social Development.

solving of the type attempted by the AHLC and the Joint Liaison Committee, halting even in the heyday of these structures, has ceased.

- Today's structures deliver meetings, not outcomes. None of the elements of the aid coordination system, from the AHLC to the Sector Working Groups (SWGs), operate on the basis of work plans and systematic progress evaluations.
- Donors often seem more concerned to maintain a "seat at the table" than to contribute to a functioning aid coordination system. This produces congested, tedious meetings in which many participants come to read approved statements rather than to solve problems.
- Important Arab donors, who have no physical presence in the West Bank or Gaza, are inevitably absent from the local aid coordination system, and no adequate measures have been taken to compensate for this.
- The development administration of Gaza is bizarre, due to the political division between Hamas and Fateh and the PA, and donors' unwillingness to deal with Hamas as a conventional development partner.
- As one would expect, Sector Working Groups (and their associated Thematic Groups) are of variable quality; more importantly, though, the results of their efforts are not systematically channeled anywhere, and have little influence on the Palestinian strategic agenda or on 'apex-level' development discussions.
- The Ministry of Planning and Administrative Development has not enjoyed the confidence of the donor community in recent years. This is symbolized by an unresolved 'ownership' issue *vis-à-vis* the Local Aid Coordination Secretariat: MOPAD believed that the LACS' functions should pass over to them, while donors were reluctant to see this happen. MOPAD was also responsible for the aid data base, the Development Assistance and Reform Platform (the DARP). By common consent, this does not work: from MOPAD's point of view the problem has been donor reluctance to report properly, while donors are more inclined to blame MOPAD for inefficient data base management and the inaccessibility of the system.

4. Current PA reforms to the machinery of government: from aid coordination to aid management

A recent PA decision to reform the development planning and the management of international assistance opens the way to improving the effectiveness of today's ineffective aid coordination system.

According to a Cabinet Directive of October 27, 2015, the PMO is now responsible for strategic aid management¹³. On behalf of the Cabinet, the PMO will develop a National

¹³ "The Prime Minister's Office will oversee the strategic dialogue with donors, including the AHLC, LDF and LACS structures"-- Cabinet Directive of 27/10/2015.

Policy Agenda by the end of 2016¹⁴; critically, the NPA will be linked to the PA's annual budget, and thereby grounded in fiscal reality. The Directive also clarifies that MOPAD has been disbanded, and a new Ministry of Finance and Planning created.

It was subsequently clarified to the donor community¹⁵ that MOFP will be given the responsibility for developing sector strategies consistent with the NPA; this it will do by overseeing sector groups that will be led by the appropriate PA agency and will include donor, UN, civil society and private sector representatives.

In principle, these are excellent decisions, and provide an opportunity to correct an essential flaw in today's aid system -- the lack of credible Palestinian strategic planning. The 2011 Busan New Deal argues for a single "country-led vision and plan" and a government/donor "country compact to implement the plan" as the basis for mutually accountable aid management. The PA's reforms could move aid coordination towards true aid management.

Doing so, though, will require significant changes of behavior both by the PA and by the donor community.

- To create credibility and act as a compelling foundation for aid management, the NPA must be focused, and actionable. It must avoid goals that are beyond the PA's financial and human resource capabilities. It must also recognize the limits to Palestinian autonomy resulting from Israeli occupation policy, and the PA's dependence on declining donor fiscal support¹⁶.
- The NPA will have a six-year horizon. Even though the volatility of the Palestinian/Israeli relationship confounds predictions about what will happen even a year away, it is reasonable to stake out a medium-term vision -- provided that the NPA retains the flexibility to adjust. This is best assured by keeping six-year objectives modest and few in number, and by focusing planning activities on *annual program budgeting*.
- Donors need to respond to a committed NPA by adopting the framework as the basis for their own planning, and disciplining their tendency to base project selection on global corporate priorities (as opposed to the needs of Palestinians).
- The NPA process involves significant capacity challenges for the PA. The PMO will assume heavy responsibilities for planning and coordination, and MOFP will be engaged in 'real' sector planning for the first time. The detailed division of labor and

¹⁴ Interim national priorities for 2016 will be ready by May 2016, to avoid an excessive hiatus.

¹⁵ At a meeting hosted by the Local Aid Coordination Secretariat between donors and Dr. Estephan Salameh, Head of the PMO's Policy Priorities and Reform Unit, on November 19, 2015.

¹⁶ The three over-arching objectives of the NPA are to end occupation, to build a state, and to safeguard the two-state solution. Clearly the PA and the NPA, of themselves, will not be able to bring these objectives about. This does not render them meaningless. It is possible to identify specific advances in wellbeing and governance that are achievable under present constraints, and which would also contribute to the solidity of a future state.

coordination between these entities will need careful management. Both the PMO and MOFP would be well-advised to recruit top-drawer independent planning expertise to help them deliver.

- In addition to this, it is important that the NPA is properly integrated with, and reflects, the work of the Ministerial Committee for Area C established by a Cabinet Directive on August 25 and chaired by the Prime Minister¹⁷, and the work of the National Office for Gaza Reconstruction.

5. The new aid management system: principles

To be truly effective, the new aid management system should be based on the following principles.

- The NPA's annual development and governance targets should be clear, monitorable and within the capacity of the PA to deliver -- given a reasonable degree of Israeli facilitation/non-interference.
- Israeli cooperation is essential to the success of the NPA. The nature of this cooperation needs to be clearly specified, and to the extent possible, agreed on with the GOI.
- Purposeful aid management in the West Bank and Gaza is best approached by convening the key parties around an action agenda. It follows from this that the PA/donor/Israeli engagement structures at all levels should be geared to achieving results.
- This in turn means that groups should be small, interactive, and few in number. Outcomes, not political representation, should determine who is invited to participate in meetings. Groups should all commit to clear-cut outputs, and should report regularly on the achievement of results. Coordination and information exchange are important by-products of good aid management -- but they are not its principal purpose.
- The aid management system should be built around the whole annual planning cycle: program budgeting, program implementation, program review and annual adjustment of the National Priority Agenda.

6. The new aid management system: structures and functions

The proposed new system, and its relationship to the new PA planning process, is represented in *Figure 1*. It is based on four structures: the **Donor Advisory Group**, the **Working Groups** and the **Joint Liaison Committee** (meeting locally), and the **Ad Hoc Liaison Committee** (meeting internationally).

¹⁷ The Ministerial Committee for Area C is serviced by a technical committee consisting of senior officials from relevant PA ministries, authorities and commissions.

6.1 Local structures and functions

The Donor Advisory Group

At the apex of the local system sits the Donor Advisory Group. An initial meeting of this Group, chaired by the Prime Minister, took place in November 2015. In addition to the PMO, MOFP and the Ministry of National Economy, 12 development partners were invited: Norway, UNSCO, the European Union, the World Bank, the International Monetary Fund, the United States, the Office of the Quartet, Japan, Germany, Sweden, France and the United Kingdom. This group includes today's most influential development partners represented locally.

The DAG would operate at two levels. An **apex-level Prime Minister's DAG**, chaired by the PM, would meet quarterly to focus on the NPA and major policy initiatives. A **Working-Level DAG**, chaired by a representative from the Prime Minister's Office, would meet more frequently, and would concentrate on monitoring the Working Groups' Sector/Thematic Action Plans (see below). Donor membership of the Prime Minister's DAG should be at Head of Mission level; of the Working Level DAG, at Head of Cooperation level.

Under the PA's recent aid management reforms, the responsibility for developing the National Policy Agenda falls to the PMO, acting on behalf of a Ministerial Reform and Development Committee chaired by the Prime Minister, and assisted by an inter-ministerial Technical Committee.

The following points are worth making:

- The size of the DAG is close to being unwieldy. This can be controlled if every participating institution sends only *one* representative.
- Given the importance of development partners to the success of the NPA, both as donors and on account of their relationships with the GOI, the DAG will advise the PA throughout the NPA formulation process, help the PA monitor the delivery of the NPA, and advise on its subsequent annual adjustment (based on outcomes and available fiscal resources).

Working Groups

The current aid coordination system features 19 Sector Working Groups and Thematic Groups (TGs), membership of which is predominantly PA, donor and UN, with NGO and private sector representation where this is deemed important¹⁸. The better-functioning SWGs/TGs are the most valuable parts of today's aid system.

¹⁸ Thus the Private Sector, Development and Trade SWG includes representatives from banking and business associations, while the Agriculture SWG includes various international and Palestinian NGOs.

The NPA process envisages the creation of sector groups overseen by MOFP, led by the appropriate PA agency and including donor, UN, civil society and private sector representatives.

It would be inefficient and confusing to maintain two elaborate sets of sector structures. It makes better sense to create one set of Working Groups. These should be responsible for NPA-driven sector and thematic planning, the monitoring of sector/thematic program delivery, and project-level coordination and information sharing.

To build an effective Working Group system, the following adjustments to current practice should be adopted.

- The number and precise focus of the Working Groups should be based on the NPA's *core* sectors (e.g. agriculture, education, justice) and *core* cross-sectoral themes (e.g. private sector development and trade, local development, humanitarian relief). To ensure manageability both of the NPA and of the Working Group system, the number of core sectors and themes, and thus Working Groups, will be held to 12 - 15 in total. Working Groups will be identified by the PMO, with the PMO's choice reviewed by the Working Level DAG.
- The Working Groups will be chaired by a senior PA official, with a key donor serving as deputy chair: it is not appropriate that donors should *co*-chair groups responsible for PA sector/thematic planning. To maintain continuity, the deputy chair should be the same as the donor co-chair of the pre-existing SWG, if one exists and if it has been functioning well¹⁹.
- Membership of a Working Group will be limited to a number that allows substantive interaction, and thereby encourages accountability²⁰. Working Groups should consist of no more than 12 individuals: a representative from each of the 5-6 highest-contributing donors in the previous PA fiscal year; a UN representative (or, in exceptional circumstances, 2)²¹; 2-3 PA representatives; 2-3 representatives from the private sector and civil society; and specified others. Thus if necessary, the chair can identify a technical advisor to support the Group; where relevant, the Office of the Quartet may be represented.
- Working Groups should, as a matter of course, ensure effective coverage of PA operations in Gaza.

¹⁹ Thus, for example, Sweden should act as deputy chair of the Environment Working Group, presuming one is created. However, where a current SWG is commonly acknowledged *not* to be working well -- such as the Private Sector Development and Trade SWG -- the current donor co-chair (in this case the World Bank) should not necessarily become the deputy chair of a new Private Sector Development and Trade Working Group. If the PMO deems that the donor co-chair of a dysfunctional SWG has not performed well, then a different deputy chair should be selected for the new Working Group.

²⁰ An example of unwieldiness is provided by the current Private Sector Development and Trade SWG, which has some 40 official members and can feature upwards of 60 participants at its meetings.

²¹ See footnote 2.

- To deal with the need for greater inclusiveness and broader communication, the Working Group chair will hold periodic *open* meetings -- to which other PA, donor, UN, private sector and civil society representatives would be invited.
- Each Working Group will establish an annual Sector/Thematic Action Plan, in close coordination with the PMO. Working Groups would report progress every quarter to the Working Level DAG.
- The idea of creating a Strategy Group consisting of the chairs and deputy chairs of all the Working Group was considered by the team. Its purpose would be to ensure that Working Group deliberations are shared across sectors, and that outcomes are channeled up to the policy level (thereby influencing annual adjustments to the NPA). On reflection, this additional layer does not seem necessary -- *provided* that the PMO monitors the Working Groups' Sector/Thematic Action Plans effectively, and that the Working Level DAG reviews them regularly.
- The importance of monitoring and information dissemination to the effectiveness of the whole system should be self-evident. The LACS will assist all partners to sustain a meaningful flow of information.

The Joint Liaison Committee

The Joint Liaison Committee has not met since 2009, and trilateral development cooperation has been in abeyance for several years. With the political stability of the PA at issue, and with radicalism endangering the stability of the Middle East, there is a powerful rationale for Israel to promote, and facilitate, Palestinian economic development in the West Bank and Gaza.

Both the Israeli Ministry of Foreign Affairs and COGAT have indicated some interest in participating in a revived JLC -- provided that it is used to address practical bottlenecks to development activity, rather than as a polemic political forum. Israeli officials make the valid point that there are other fora more suitable for political discussion. The revival of the JLC has not yet been agreed with Israel, and the co-chairs should approach the Israeli authorities as a collective, stressing the importance to the stability of the Palestinian economy, and the security of the State of Israel.

- If a new set of Terms of Reference can be agreed by all participants, the JLC should focus on addressing the day-to-day impediments to development progress emanating from the "peculiar institution" of occupation -- in particular, movement and access restrictions in both the West Bank and Gaza, revenue and payment clearance issues that have not been resolved bilaterally, access to and the development of Area C, and donor project facilitation.
- In pursuit of this objective, the JLC should establish rolling, verifiable six-month Action Plans; these would align with and feed into the Rolling Results Agenda that the AHLC will develop (see below). Transparent Action Plans are a solid basis on

which all three parties (the PA, the GOI, donors) can cooperate, and from which they can receive credit or be answerable for shortcomings.

- Meetings should be kept as small as possible. There would be 9 permanent members of the JLC: Norway as Chair, the PMO and MOFP, the Israeli Ministry of Foreign Affairs, COGAT, the US, the EU, UNSCO and the Office of the Quartet. As with the DAG, only *one* permanent representative should attend: all other attendees would be technical specialists called in to discuss a specific agenda item. By the same token, meetings should be informal and business-like: no set speeches are needed.
- Meetings should be called as frequently as necessary to make progress on outstanding issues. The chair of the JLC would deliver a JLC progress report at each meeting of the AHLIC.

Other fora

No mention has been made either of the **Local Development Forum**, or of the **Friends of the Chair** group.

Neither forum is essential to the effective operation of the new aid management system. They should therefore be seen as optional, to be summoned as and when the occasion demands.

Thus the Prime Minister or members of his Cabinet may from time to time wish to convene open meetings of diplomats, development partners and representatives of the private sector and civil society, in order to present PA initiatives, explain particular challenges, or solicit feedback on PA performance. If so, such meetings should be as informal and interactive as possible, and should favor question and answer sessions and debate over the presentation of formal position papers.

Norway may also decide to convene an off-line meeting of key donors²², for example prior to an AHLIC meeting. So might another donor. Any aid management system should provide scope for donors to meet on their own if they feel the need to do so.

Gaza presents a special case, due to the lack of PA presence, donors' unwillingness to work explicitly with Hamas, and tight Israeli and Egyptian control of Gaza's borders. Following the 2014 Gaza war, the United Nations has assumed a more dominant role in securing Gaza access than the PA under the **Gaza Reconstruction Mechanism**, and works closely with Israel to bring in reconstruction material. This anomalous situation may continue for some time, since there is no imminent prospect of political reconciliation between Hamas and Fateh. It is nonetheless important that other donors remain involved in areas of development in which the UN system does not possess a comparative advantage, that the PA is not further displaced, and that Israel allows development work to take place.

²² The Friends of the Chair group currently consists of PA reps, UNSCO, the US, the World Bank, the IMF, the EU, France, the Local Aid Coordination Secretariat and the Office of the Quartet.

This reinforces the need for the new Working Groups to address PA operations in Gaza. A review of the effectiveness of the National Office for Gaza Reconstruction should also be undertaken, and its relevance/relationship to the new aid management structure considered.

A variety of **humanitarian fora** exist, involving the UN, the PA, donors and NGOs. Much humanitarian relief is funded outside the PA budget, either through the UN system or through NGOs. A Humanitarian Thematic Group is an essential part of the new structure. It should monitor the scale and scope of humanitarian assistance, and build links between the NPA, the Working Groups, and the key humanitarian initiatives. The humanitarian/development relationship should be surfaced regularly at the DAG.

Special attention should be vested in communicating with **Arab donors** not represented on the ground in the West Bank and Gaza. The LACS should ensure that tailored briefings on aid management are communicated regularly to these donors. The chair of the AHLC, working closely with the PMO, should also request development partners with representation in Arab countries to brief their host governments on progress, and on financing needs.

6.2 International structures and functions

The Ad Hoc Liaison Committee

An international apex body is needed to safeguard aid flows to the Palestinians and to provide an accountability platform against which the performance of all parties can be measured. Despite its eccentricities, the AHLC is accepted by everyone, and has been well-managed by Norway over the 21 years of its existence. Norway, moreover, is the custodian of continuity and institutional memory. There is no reason to consider changing chairmanship arrangements²³.

With no credible horizon for a negotiated peace, though, the AHLC has gradually lost direction. Recent AHLC meetings have tended to be static fora in which formal reports and statements are presented. The chair's summaries consist of non-binding exhortations to all parties (to Israel on facilitating movement and access, to the PA on improving governance, and to donors on increasing funding); accountability is consequently quite limited.

These deficiencies can be addressed by introducing a style of operation consistent with what has been proposed for the new local aid management structures.

As observed earlier, development aid to the West Bank and Gaza is in decline. Although it is unrealistic to expect this trend to reverse without meaningful political progress, the prospects for limiting the decline are improved if good stewardship of development assistance can be demonstrated to those who determine aid allocations. This in turn means that AHLC meetings need to showcase *results*.

²³ Norway is AHLC chair, the US and the EU are AHLC co-sponsors, and the EU and the UN are AHLC co-hosts.

- Future AHLC meetings should be built around a Rolling Results Agenda that is strategic in nature, and which also lifts key actions from the Working Groups' Sector/Thematic Action Plans -- and hopefully, from JLC Action Plans. The Rolling Results Agenda should thereby consist of a monitorable set of PA, donor and GOI commitments. The Agenda would be developed and updated by the chair of the AHLC.
- Each meeting would concentrate on what has or has not been achieved over the previous six months, and would end up specifying what each party needs to do over the coming six months -- including how shortcomings should be addressed.
- Two AHLC meetings should continue to be held each year -- a Spring meeting in Brussels, and a Fall meeting in New York held during the UN General Assembly meetings. The New York AHLC would feature a Ministerial meeting at which formal papers and statements are presented, and development assistance pledges solicited.
- Formal reporting in New York should be kept minimal: a PA paper on NPA progress/the Rolling Results Agenda; an IMF macrofiscal update; a World Bank report on development strategy and real sector developments; a UN humanitarian and political update; and a GOI report on trilateral cooperation targets and achievements. All papers should be limited to 20 pages for the sake of participants' mental health.

7. System facilitation: the Local Aid Coordination Secretariat and the Development Assistance and Reform Platform

The Local Aid Coordination Secretariat

The LACS has been providing valuable and competent facilitation services. It has an important role to play in helping ensure that the new aid system works well. Apart from the logistics of arranging meetings, preparing minutes and disseminating information between different parties, several tasks stand out:

- DAG meetings will need to be carefully prepared (agendas, background papers, guest invitations, etc), and the LACS would be available to help the PMO if required.
- Working Group Sector/Thematic Actions Plans, JLC six-monthly Action Plans and AHLC Rolling Results Agendas need to be produced on time, checked for consistency and accuracy, and properly disseminated.
- The chairs of the Working Level DAG, the JLC and AHLC need to monitor outcomes on a regular basis, and will need support if they are to do this well.
- MOFP will need help to revive the development assistance data system (see below).

It is time to begin integrating the LACS into the PA, but this must be done carefully; it would be a serious matter if the LACS' efficiency or neutrality were compromised at a time when the PA has taken on an ambitious planning and monitoring agenda, and needs the LACS more than it did before.

At present, the LACS has no institutional 'home', and the effect of having 4 co-chairs²⁴ is that no-one fully 'owns' the institution.

- For formal reporting purposes, the LACS should now come under the PMO. Norway and other contributing donors will route their financial support to the LACS through the PMO.
- The LACS will be jointly managed by the PMO and one of the co-chairs, under the terms of a LACS Project Memorandum of Understanding (MOU) to be agreed between the two parties. A revised LACS Terms of Reference that reflects its role in the new aid management system should be drafted by the head of the LACS, agreed by the PMO and the concerned co-chair, and made an integral part of the MOU.
- The MOU would spell out the LACS' role and functions, expected outputs, staffing and administrative support needs and budget. The MOU would also specify how the LACS' analytical independence will be protected.
- The MOU would contain benchmarks, to be agreed between the PMO and the said co-chair that the PMO would agree to meet before the PA assumes full financial and governance responsibility for the LACS; the team's assumption is that this process will take two years.

The Development Assistance and Reform Platform

The DARP has proven unworkable, and needs to be simplified and maintained in real time. This of course means that donors must provide the information requested from them in a digestible format, and on time.

- The essential information required for planning purposes is not complicated (though its collection and maintenance is a painstaking business): a list of all donor-funded projects (including projects to non-PA recipients) is needed, sorted by donor, by instrument and by NPA sector/thematic area. For each project, the following should be reported: the original pledge (with date), the amount committed by signed agreement (with date), disbursements to date, and both planned and actual disbursements in the current fiscal year. All these fields are already part of the DARP, but are not often presented in a prompt, user-friendly fashion.
- Properly linked, this data can provide a comprehensive picture of key trends in donor financing -- by sector, by instrument, and by speed of delivery.

²⁴ MOPAD (now the PMO), Norway, the World Bank and UNSCO.

- The streamlined DARP should be developed by MOFP staff in partnership with LACS, and maintained collaboratively by both institutions. In time, LACS should withdraw from DARP administration. This process should be spelled out in the LACS MOU.

Figure 1: The new aid management system: structures and functions

