EDITORIAL

Sehr geehrte Damen und Herren,
liebe Freundinnen und Freunde
der Friedrich-Ebert-Stiftung,

der Stein kommt ins Rollen - der auslaufende Zwei-Jahres-Plan von Premierminister Salam Fayyad „Ending the Occupation, Establishing the State", gepaart mit dem diplomatischen Gerangel um den Gang von Präsident Mahmud Abbas zu den Vereinten Nationen und der Aufnahme als Vollmitglied in die UNESCO haben Palästinas Staatlichkeit und den Prozess der Staatsbildung international zu einem Top-Thema gemacht, das derzeit hochdiskutiert wird. Kritisiert wird vor allem die „Einseitigkeit" dieses Unternehmens, da es die Staatswerdung Palästinas nicht durch Verhandlungen mit Israel, sondern internationale diplomatische Anerkennung zu erwirken versucht. Dass dieser Schritt aber nach Jahren festgefahrener Verhandlungen durchaus positive Aspekte bringt und keineswegs eine Alternative für Verhandlungen aus palästinensischer Sicht darstellt, wird selten erwähnt. Es geht hier lediglich um die Stärkung der palästinensischen Verhandlungsposition, nicht aber eine Delegitimisierung Israels.

Neben all der Kritik an dem Unternehmen an sich stellen sich jedoch andere Fragen, die bedacht werden sollten, wenn man von der Staatlichkeit Palästinas spricht: In wie weit ist die Palästinensische Autonomiebehörde bereit für diesen Schritt? Sind die entscheidenden Institutionen vorhanden? Und wie will man in dieser Angelegenheit mit der nationalen Aussöhnung verfahren, die gegenwärtig in Kairo zwischen Hamas und Fatah ausgehandelt wird?
Gemeinsam mit unserem Partner, dem Palestine Economic Policy Research Institute (MAS), haben wir zu diesem Thema eine Studie veröffentlicht, die oben gestellte Fragen behandelt.

Viel Vergnügen bei der Lektüre!

Mit den besten Grüßen aus Jerusalem

Dr. Michael Bröning

Direktor des Büros der Friedrich-Ebert-Stiftung in Ost-Jerusalem

Palestine Economic Policy Research Institute

From Palestinian Authority to a Palestinian State

Adel Zagha
Joseph DeVoir [1]

The combination of the expiration of Prime Minister Salaam Fayyad's two-year national plan and the flurry of diplomatic activity surround President Abbas' bid for full membership to the United Nations, has put the issue of statehood and state-building at the forefront of the international agenda. But just how prepared is the Palestinian Authority for this transition – not merely on paper, but in terms of its real institutional capacity. The following report seeks to answer this question.

[1] Dr. Adel Zagha is an Associate Professor at BZU. Joseph DeVoir is a Research Associate at the Palestine Economic Policy Research Institute-MAS.

Introduction

In September 2011 the Palestinian Authority's ambitious two-year program "Palestine: Ending the Occupation, Establishing the State" was scheduled for completion. According to the World Bank, [2] there has been substantial progress in implementing the program's goals and policies centred on the objective of building strong state institutions.

In his speech at the commencement ceremony at Al-Quds University in the summer of 2009, Prime Minister Salaam Fayyad reiterated the aims of his Government:

> "to function and work in spite of the Israeli occupation and to establish the state through the building of public institutions which are capable of providing services to the citizens in an effective and equitable manner, and in the framework of a clear vision which seeks to establish and consolidate the prerequisites to reach a speedy ending of this brutal occupation."[3]

This report will assess the readiness of the Palestinian Authority's institution for statehood - apart from the political processes and issues that have been drawing so much attention of late. We aim to look deeper, not only which institutions are in place, but how well they are actually functioning. The World Bank recently concluded that:

> "in areas where *government effectiveness* matters most – security and justice; revenue and expenditure management; economic development; and service delivery – Palestinian public institutions *compare favourably to other countries in the region and beyond*. These institutions have played a crucial role in enabling the positive economic growth in the West Bank and Gaza in recent years." [4]

The report first briefly reviews a number of theoretical paradigms around statehood. The following section specifies the objectives and the methodology adopted of the analysis. The third looks into the institutional culture, content, technology, as well as human and financial resources at the disposal of ministries on the road to statehood, followed by our conclusion.

States, Statehood and State-building

The term "state" can be used to mean both *a geographic sovereign political entity with a permanent population, a defined territory, a government, and the capacity to enter into relations with the other states, as defined under international law*; [5] or more simply, as a set of social institutions claiming a monopoly of the legitimate use of force within a given territory. [6]

'Statehood' is a term used to describe the status conferred upon a functioning, internationally recognised and geographically bound grouping. This status is dependent upon outside recognition, rather than domestic institution building. 'State-building' describes the process of moving toward or earning this status. Because this paper does not look into the external factors inhibiting the development of Palestinian institutions, we will be focusing on the domestic sovereignty side of the coin – or in the words of Tilly,

> "the emergence of specialized personnel, control over consolidated territory, loyalty, and durability, permanent institutions with a centralized and autonomous state that held the monopoly of violence over a given population". [7]

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[2] World Bank, September 18, 2011: 5
[3] Fayyad, Salaam, 2009. Commencement address at Al Quds University.
[4] September 18, 2011: 5. Note: Italics are added by the authors for emphasis.
[5] Montevideo Convention on the Rights and Duties of States, December 26, 1933, Article 1
[6] Max Weber, 1919
[7] Tilly, 1975: 70f

Two Broad Approaches to State-building

There are two main theoretical approaches to state-building, broadly defined as 'from without' and 'from within' - or better, that which is imposed on the society from beyond, or that which grows out of it. The first school sees state-building as an activity undertaken by external actors attempting to build or re-build the institutions of a weaker, post-conflict or failing state. They view state-building as the activity of one country in relation to another, usually following some form of intervention. While it seems that this school of thought was clearly in the minds of policy makers in such state-building ventures as Iraq and Afghanistan, for the most part this line of thinking has fallen out of favour among academics and development practitioners. It is reminiscent of a colonial logic that either discredits or neglects local initiative and universal rights.

The second strand of theory and definitions gained momentum following the signing in 2007 of an international accord between donor nations on their work in conflict affected and weak states. [8] This new approach recognises the need for external actors to follow rather than lead and encourage a state-building process that is an indigenous one based on national goals. Illustrations of this approach include a report by DFID for the OECD, [9] as well as work by the Overseas Development Institute.

Across the two streams of theory and writing one thing is certain: there is no clear cut and standardised path toward statehood. Some believe that supporting state-building requires the fostering of legitimate and sustainable state institutions, but many accept that strategies to achieve this have not yet been fully developed. Little of the post-conflict support to state-building undertaken so far has been entirely successful.

While approaches such as the Whaites model have illustrated that state-building is a universal phenomena, meaning that a degree of learning by example is possible. However, there is a tendency to narrow the discussion to the most problematic contexts. As a result much of the literature on state-building is preoccupied with post conflict issues. [10]This fits with the case of Palestine, but only in terms of broad themes, such as:

✧ Security provision in a conflict environment
✧ How to disarm, demobilize and reintegrate armed forces or militias
✧ Mass unemployment, typically resulting from conflict or autocratic mismanagement
✧ High rates of illiteracy amongst the generations weaned in conflict
✧ The distortionary and unsustainable affects and benefits of international aid, both socially and economically

Approaches to State Building

While there are many specific techniques for creating a successful state building strategy, three approaches have been identified by the recent 2010 UNRISD report. [11] These three approaches would all fall under the endogenous, or 'statehood from within' school of thinking, and are: Good Governance, New Public Management, and Decentralization. [12]

Good Governance

Good governance is a very broadly used term for successful ways a government can create public institutions that protect people's rights. According to Khan, [13]

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[8]   (OECD, Do No Harm in State-building 2009).
[9]   (DFID, Building Peaceful States and Societies 2010).
[10]   See e.g. (Dahrendorf, 2003), (The Commission on Post-Conflict Reconstruction, 2003), (Collier, 2003) (Fukuyama, 2004), (Paris, 2004), (Samuels 2005).
[11]   UNRISD 2010. "Building State Capacity for Poverty Reduction." Chapter 10, pp. 3–36.
[12]   Ibid.
[13]   Khan, Mushtaq H. Governance, Growth and Poverty Reduction. Governance, Growth and Poverty Reduction. DESA, June 2009. Web. 10 Nov. 2010.

"The dominant 'good governance' paradigm identifies a series of capabilities that, it argues are necessary governance capabilities for a market-friendly state. These include, in particular, the capabilities to protect property rights, enforce the rule of law, effectively implement anti-corruption policies and achieve government accountability."

This paradigm emerged in the 1990s along with many other liberal theories that aimed to blame society's ills solely on the mismanagement of public affairs and resources. This approach involves enforcing the rule of law, creating stronger property rights, and reducing corruption. By focusing on improving these three traits, a country can improve its market efficiency. [14]

New Public Management

New Public management uses market-based reforms within the public sector to provide the government with the necessary power to implement a development plan on the economy while also using competitive market based techniques to enhance public sector production.

Decentralization

Decentralization" seeks to reduce rent-seeking behaviour and inefficient resource allocation associated with centralized power by dispersing such power to lower levels of government, where the poor are likely to exercise influence and a variety of actors may participate in the provision of services." [15]

While it is understood that improving rule of law and reducing corruption are important methods to increasing the stability and legitimacy of a government, it is not certain whether or not this approach is a good basis for a state-building approach. One of the downsides of these approaches is a weak government, precisely when a stronger one is needed.

Study Objectives and Methodology

The following section seeks to analyse the technical capacity for statehood in PA ministries by looking at:

✧ the ability of the PA institutions to perform, sustain themselves and self renew;
✧ the staffing of these institutions with adequate and capable employees according to the existing job description, skills requirement and organizational hierarchy; and
✧ the readiness of work regulations in these institutions and the adherence to them.

We used a questionnaire to collect data on certain aspects, while others were reviewed using the existing literature and interviews. This approach allowed us to look at both 'what is' and 'what should be', according to previous studies and live feedback from employees at each of the ministries.

The Questionnaire

The questionnaire covered three areas: [16]

✧ the system in place at the ministry;
✧ the human capacities of these institutions; and
✧ the working environment embodied in the system of regulations and adherence to them.

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[14]   Ibid.
[15]   Khan, Mushtaq H. Governance, Growth and Poverty Reduction. Governance, Growth and Poverty Reduction. DESA, June 2009. Web. 10 Nov. 2010., p. 30.
[16]   A copy of the questionnaire is attached at the end of this study.

Within these categories, sixty questions looked into the business, technology, content, culture, human resources and financial aspects of the institutions involved. The ministries surveyed were: [17]

- ✧ the Ministry of Finance (MoF)
- ✧ the Ministry of National Economy (MoNE)
- ✧ the Ministry of Planning and Administrative Development (MoPAD)
- ✧ the Ministry of Interior(MoI)
- ✧ the Ministry of Foreign Affairs(MoFA)
- ✧ the Ministry of Health(MoH)
- ✧ the Government Media Centre

Figure 1 below sketches the relationships between the areas of concern and overall institutional readiness.

Figure 1: Readiness Framework
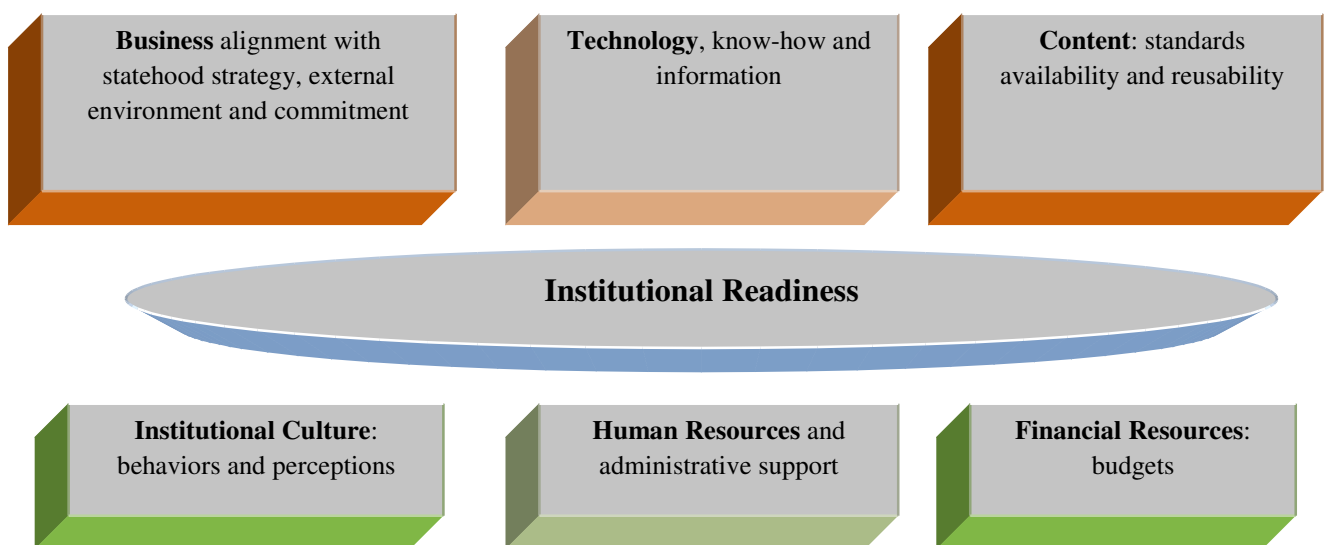
Source: Adapted from Bordis, S.A. and Ponlymenakon A. (2004). E-Learning Readiness Interventions. Proceedings of World Conference on E-Learning in Corporate, Government, Health Care and Higher Education, 2004. Washington, DC., USA. PP. 1622-1629.

Institutional readiness is the result of interrelationships between these factors. This is compatible with the endogenous model as it looks at the issues on a technical, rather than the political level.

The model provides us with six essential questions:
- ✧ What are the long-term goals of the institutions involved?
- ✧ What are the steps need to be taken to reach these goals?
- ✧ How well prepared are the institutions involved to meet future goals?
- ✧ What are the short-term goals of the institutions that help to achieve ultimate goals?
- ✧ How can the institutions involved sustain their efforts on the pathway towards future goals?
- ✧ What are the milestones or benchmarks to be reached along the way?

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[17] Interviews were conducted with the Ministers or the Deputy Minister of these institutions. However, we were not able to get the response on the questionnaire from the Ministry of Foreign Affairs and the Ministry of National Economy. Nevertheless we were able to interview the Minister of National Economy, Dr. Hasan Abu Libdeh but were not able to interview the Minister of Foreign Affairs or any of his aides. In the case of the Ministry of Interior we were able to interview the Deputy Minister responsible for the civil affairs, Dr. Hasan Alawi. Although no ministry or body was chosen to represent the infrastructure sector, we believe that what applies in other sectors applies there as well. However, as far as development of the infrastructure is virtually foreign-aid dependent, the budget for this sector might not be an issue in the short- to medium-terms, but it will become important to secure its budget from internal sources in the long-term.

In addition to these core questions, we also gave the interviewees the opportunity to comment in writing upon completion of the survey. [18]

Findings and Discussions

We will present the findings as outlined in figure 1 above. The answers are measured on a Likert scale from 1 to 5, 1 being for strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree.

Business

The results indicate that virtually all ministries involved developed plans in line with the national plan for statehood and that they have clear agendas to move toward this aim. As for the implementation, it all ministries claimed to have partially fulfilled their action plans for this transformation. The fulfillment of the action plans, however, was not uniform across all ministries, due to their different sizes and the scope of their work. In addition, we were not able to find out if the work of one ministry hinged upon the work of another. While such interrelationships are not easy to detect or illustrate, we became aware of their importance during interviews.

Another interesting result in the table below is the uniformity in the responses concerning the strength of the planning and agenda of the ministries in line with the national plan. However, the results are flipped upside-down when asked whether there is more that the ministry can do in this regard. Across the board, respondents were, at the same time, satisfied with the ministry's mission and plan to achieve it and hoping for more improvement.

Table 1: Questions & Answers Related to Business

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. Steps taken by the ministry are in line with the plan of transformation into statehood.	-	-	-	**80%**	20%
2. There is a clear agenda for this transformation within the ministry.	-	-	-	**80%**	20%
3. The ministry had implemented all necessary actions for the transformation process.	-	20%	20%	60%	-
4. The ministry had only partially implemented necessary actions for the transformation process.	-	20%	-	80%	-
5. There is no need to implement any actions on the part of the ministry for the transformation process.	20%	**80%**	-	-	-

Ministerial Breakdown of Action Plans

The Government Media Center

The director of the Government Media Center, Dr. Ghassan Khatib, indicated that three main tasks are still in the pipeline:

◇ the adoption of the two drafts of laws on audio-visual media which have been completed and widely discussed. Some journalists are still dissatisfied with the draft; [19]
◇ the establishment of the Higher Council of Information; and
◇ the *abolishment of the Ministry of Information.*

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[18] Interviews and data collection were conducted during the summer of 2011.
[19] See "Al-Hal" Newspaper, issue # 76, October 4th, 2011, p. 14.

Ministry of Interior

According to the Deputy Minister, Hassan Alawi, a number of tasks are yet to be achieved. These include:

✧ the development of the organizational structure in a way that is appropriate to statehood. [20]
✧ the digitization of all ministry's processes, including civil records;
✧ the activation of the ministry's portal and connecting it to the services provided to the public;
✧ the introduction of the biometric system into the ID cards and passports processes;
✧ the *activation of electronic linkages between all ministries*;
✧ the introduction of an electronic document management and archive systems;
✧ the adoption of quality assurance systems in the ministry's operations;
✧ rethinking the strategic plan of the ministry in a way more appropriate to statehood; and strengthening of the level of transparency in the operations of the ministry.

Ministry of Health

The Minister of Health, Dr. Fathi Abu Mughli, outlined the tasks he believes that the ministry should perform:

✧ the continuation of the development of planning mechanisms at the ministry;
✧ the review of the organizational structure of the ministry; and
✧ the establishment of a comprehensive mandatory health insurance in the oPt.

Ministry of Planning and Administrative Development

The Minister of Planning and Development, Dr. Ali Jarbawi, believes that the ministry should supervise the process of planning for the transformation to statehood. He has presented a vision on how should the ministry be operating under the condition of statehood to the cabinet, but it has yet to be approved.

We know that some work of other ministries was not fully completed as well. For example, a new law governing civil service should have been completed during the first half of 2011, but it is not yet ready and is perhaps one of the most difficult laws facing the cabinet.

Our reading of the above outlined tasks is that, while there has been great progress made across ministries, the organizational structure of all of them still need to be consolidated into a more efficient system that reduces staff redundancy. The number of ministries needs to be reviewed and inter-ministry linkages, both in terms of communication systems and the level of cooperation, need to be strengthened.

Technology

The results of our survey show that there is a strong agreement that the PA has the technical capacity to transition to statehood. It seems that most ministries are well equipped, have the necessary working systems, and their employees have good knowledge of the working systems. However, few did indicate a lack of certain systems and equipment. For example, the Deputy Minister of Interior indicated the need for more modern equipment to ensure speed and security, more developed IT systems to do the work electronically and the need for the biometric system. Some had indicated a lack of funds for better wages for those skilled in IT.

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[20] According to the Deputy Minister, there are 1700 civil employees at the Ministry of Interior. He is convinced that the civil section of the ministry can do the same job, if not better, with only 1000 of them. He also noted that many general director at the ministry could be disposed of without any significant loss to effectiveness or functionality

Table 2: Questions & Answers Related to Technology

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. The ministry has the necessary physical requirements to become a ministry within a state.	-	-	-	40%	60%
2. There are specific departments in the ministry.	-	-	-	20%	80%
3. There is a specific organizational structure in the ministry.	-	-	-	20%	80%
4. There is a clear organizational structure in the ministry.	-	-	-	20%	80%
5. All departments has the equipment and tools necessary.	-	-	-	20%	80%
6. There are working systems appropriate for a ministry of a state.	-	-	-	40%	60%
7. All employees working at the departments of the ministry have good knowledge of the operating systems in the ministry.	-	-	-	40%	60%

Content

According to the results, with the exception of the MoPAD, all other ministries' powers are well known to the public. In addition, there is very strong agreement about the ownership of clear short-term and long-term objectives manifested in the program of the 13th Government.

Table 3: Questions & Answers Related to Content

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. The ministry has clear powers.	-	-	20%	40%	40%
2. The powers of the ministry are well known to the public.	-	-	20%	60%	20%
3. There are clear short-term objectives for the ministry.	-	-	-	20%	80%
4. There are clear long-term objectives for the ministry.	-	-	-	20%	80%
5. There is harmony between the short-term and long-term objectives.	-	-	20%	20%	60%
6. There is a well-defined plan that shows the pathway of the ministry to its long-term objectives.	-	-	-	60%	40%
7. There are clear milestones on the pathway towards the long-term objectives of the ministry.	-	-	-	60%	40%

While two ministries were able to outline some basic elements of the short-term and long-term objectives, it seemed superfluous to ask the others about the distinction between the short- and long-term objectives. If anyone reads through the program of the 13th government and the strategic objectives to be achieved by each sector, no such distinction is made in a program only slated for two years. The clear focus on the ultimate goal and the broad strategy, combined with the relatively short period of time for implementation, made it apparent that most ministries do not know about the milestones or benchmarks on the road to achieving these goals. [21]

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[21] Our own assessment of the objectives in the different plans of the ministries is that they tended to mix up between long- and short-term objectives, i.e. between what is urgent to transform themselves into the apparatus of a nation state and what would be a normal objective to a well established state. They were not able to make such distinction and it was no one's intention to mark the milestones on the pathway to long-term objectives. Is it a milestone to "increase the budget of a ministry"? Is "continuing the implementation of a strategic plan" a milestone? Or is creating "a conducive work environment" a milestone?

There is much more to a plan than the beginning and the end. There are also the short term objectives that are crucial to the daily functioning of a nation state. As such, we cannot judge the readiness for statehood on these broad objectives, because they are objectives of an already well-established nation state. Rather we should concentrate on what is crucial for the transformation process into statehood today. As a late starter, the PA is a position to do that. These objectives must include a small government and *functioning* institutions, rather than the sheer existence of institutions. It also requires cost-effective measures to handle operations and the ability to deliver public services of at least standard quality in security, civil protection and a monopoly over the use of violence.

Institutional Culture

In nine of seventeen questions officials (ministers or deputy ministers) were neutral about questions related to institutional culture. In two questions, some of them were even critical about the system of annual evaluations of the employees. Even when respondents felt positively about the work of the ministry, it was much less enthusiastic than in other areas.

We have concluded that the position that the institutional culture at the ministries need to be changed more towards professionalism and away from loyalty to individuals or political groups. Some ministers considered such change crucial for the functioning of these institutions.

The Minister of Health, Dr. Fathi Abu Mughli, criticized the lack of teamwork, and referred to many instances when there was no compliance with the job description. He commented that, while employees were often good on their own, they are not accustomed to teamwork. In the Ministry of Interior, the Deputy Minister, Dr. Hasan Alawi, was very critical about the employment system that did not prioritize merit over personal relationships or *wasta*. He stressed the need for a rotation in many posts at the ministry.

Table 4: Questions & Answers Related to Culture

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. There is an integrated legal environment regulating the work of the ministry.	-	-	20%	40%	40%
2. There are clear regulations for the operations of the ministry's departments.	-	-	-	60%	40%
3. Available regulations and by-laws are being implemented at the ministry.	-	-	20%	40%	40%
4. Ministry's employees are abiding by the regulations.	-	-	-	100%	-
5. The employees consider the service to the country and citizens as a high value of their work.	-	-	40%	60%	-
6. The employees have professional work relations.	-	-	60%	20%	20%
7. There is a hierarchy at the ministry based on merits.	-	-	40%	60%	-
8. The ministry commits to transparency standards in its operations.	-	-	-	60%	40%
9. There is internal audit of the work at the ministry.	-	-	-	60%	40%
10. The ministry's employees respect the requirements of audit and cooperate to meet these requirements by providing the necessary data.	-	-	-	60%	40%
11. There is a well-known job description for every job at the ministry.	-	-	-	40%	60%

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
12. The minimum requirements of skills and academic degrees are well defined for each job.	-	-	-	60%	40%
13. There is a serious and regular annual evaluation of all employees.	-	-	40%	60%	-
14. The annual evaluation at the ministry is a two-way street (top-down and bottom-up).	**40%**	20%	-	**40%**	-
15. There are clear regulations for reward and penalty at the ministry.	-	20%	20%	60%	-
16. Disciplinary actions are being taken against those who do not fulfill their job.	-	-	20%	80%	-
17. Distinguished employees are being rewarded at the ministry.	-	-	40%	60%	-

Another interesting finding (emboldened above) is the perception in some ministries that evaluation is not equally shared throughout the different echelons of the institution. While this is perhaps not too surprising, there were also a high number of respondents who felt that this was not the case.

Human Resources

Although there is a near consensus about the adequacy of the human resources, their knowledge and qualifications, their knowledge of the ministries' missions, their level of coordination, their ability to adapt to the transformation process to statehood and their recognition of the challenges posed by the transformation process, there is a strong agreement about the need to dispose of many jobs in favor of a smaller government size. [22]

However, a minority recognized a need for new vacancies in the transformation into statehood. The need for such vacancies was recognized at the Ministry of Interior. Some include a general directory for quality assurance and strategic planning, a department for community networking, a quality comptroller office at the services provision centers, the chief of staff at the Minister's office, and the unit for crisis and disasters management.

Table 5: Questions & Answers Related to Human Resources

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. There is a complete team of employees at the ministry.	-	-	20%	60%	20%
2. There is a qualified team of employees at the ministry.	-	-	-	100%	-
3. The team of employees knows the mission of the ministry.	-	-	-	100%	-
4. The team of employees work in the spirit of the ministry's mission.	-	-	20%	80%	-
5. There are jobs at the ministry of which it can dispose of without harming its effectiveness.	20%	-	-	20%	**60%**
6. There is a dire need to create new vacancies at the ministry to make the transformation to statehood possible.	20%	**60%**	-	-	20%

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[22] Payroll data for mid-2011 show a total of over 152,000 permanent staff, with close to 88,000 in the West Bank and 63,000 in Gaza15. Within this total are close to 64,000 security staff (30,000 in West Bank, 34,000 in Gaza), roughly 45,000 teachers (34,000 in West Bank, 11,000 in Gaza) and over 12,000 health workers (close to 6,000 in West Bank, 7,000 in Gaza). A number of staff hired directly by the *de facto* authorities in Gaza since 2007, of all categories, are outside the PA payroll.

| Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
7. There is effective coordination between the team of employees.	-	-	-	100%	-
8. There is on-going training for the cadre at the ministry in accordance with technology development and work requirements.	-	-	-	60%	40%
9. The team of employees recognizes the challenges posed by the transformation into statehood.	-	-	20%	80%	-
10. The team of employees can quickly adapt with the requirements of the transformation process into statehood.	-	-	-	100%	-

The staffing of the Palestinian Authority has always been a concern for donors and the local civil society. In terms of aggregate number of public employees, the PA does not appear to be significantly overstaffed. The World Bank concluded that,

"(a)t 2.2 civil servants per hundred population, the PA compares favorably to its neighbors. Lebanon, Egypt, Jordan and Syria all have higher ratios-although it should also be noted that, on average, the MENA region has the largest public sectors and highest per capita staffing ratios of any developing region of the world, (See Figure 2)." [23]

Furthermore,,

"until recently, even the security services- widely perceived to be the area where the most overstaffing and patronage based recruitment has taken place- did not appear to be particularly overstaffed by international norms. As of 2005, the ratio of military and police to the population in WBG was around 1:143 and 1:70, respectively. Comparable ratios for Jordan include 1:67 for the military and 1:94 for the police, and figures for Lebanon are 1:53 for the military and 1:239 for the police. Decisions in late 2005 and early 2006 to recruit nearly 14,000 additional trainees have significantly degraded these numbers for the PA, and such comparisons provide only a rough starting point for analysis. Yet the basic point remains; in terms of pure numbers of staff employed, the PA is not wildly overstaffed vis-à-vis its neighbors." [24]

Figure 2: Service Staffing Per Capita for Selected MENA Countries
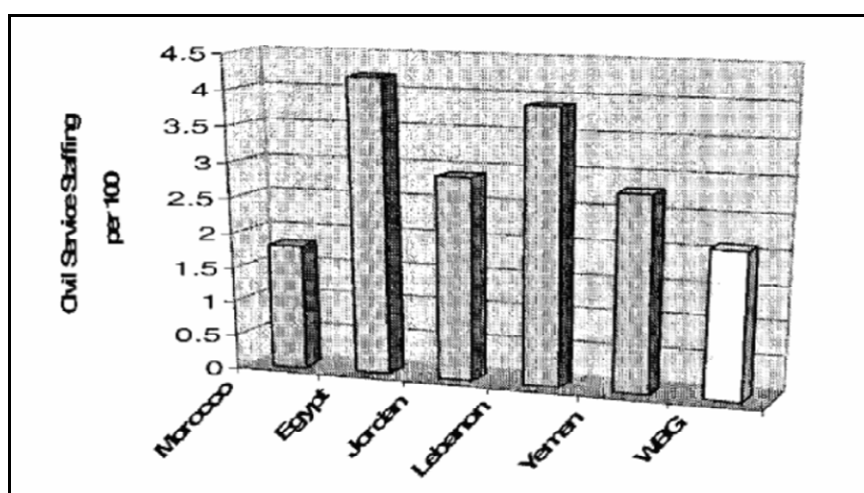
Source: World Bank (March 2007). West Bank and Gaza Public Expenditure Review
From Crisis to Greater Fiscal Independence, volume 1, p. 13

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[23]   The World Bank (March 2007)
[24]   The World Bank (March 2007)

The World Bank suggest that "(l)est this conclusion appear overly cheerful, several other factors need to be taken into consideration. First, the PA is not a state and does not deliver all of the services that a government typically would, such as maintaining an air force or collecting customs revenue. Even domestically, it does not provide services to all Palestinians. UNRWA provides health, education and urban social welfare services to as many as 1.4 million Palestinians listed as refugees. Another 300,000 Palestinians live in East Jerusalem, where services are provided by the GOI. By some estimates, after these factors are taken into consideration, PA civilian employment increases to around 4 civil servants per hundred population, which would put it on the upper end for staffing in MENA."[25]

As the transformation into statehood becomes complete, the problem of staffing has to be addressed with the vision of reducing the size of the government to an affordable level. However, one should be practical and recognize that some problems can only be solved with the passage of time as dramatic changes might prove to be impractical, if not impossible.

Financial Resources

Table 6: Questions & Answers Related to Financial Resources

Question	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. Sufficient financial resources are allocated to the ministry.	-	20%	-	80%	-
2. The ministry has a clear and public budget.	-	-	20%	20%	60%
3. There are definite regulations about how to spend the available ministry's budget.	-	-	-	60%	40%
4. The budget regulations are strictly followed.	-	-	-	60%	40%
5. The ministry collects fees against services it provides to the public.	40%	-	-	20%	40%
6. Fees are collected through the banking system.	40%	20%	-	20%	20%
7. There is an internal auditor office of the execution of the budget at the ministry.	-	-	-	40%	60%
8. When the process of transformation is completed, the ministry will require more allocated financial resources.	-	20%	-	20%	60%
9. The ministry's departments participates in the preparation of the draft budget according to clear instructions.	-	-	-	40%	60%
10. There is limited and definite flexibility to reallocate funds from one budget item to another.	-	-	20%	40%	40%
11. There is an appropriate financial planning mechanism at the ministry.	-	-	-	60%	40%

With the exception of the Ministry of Finance, where fees are collected through the banking system, many ministries do not collect fees because they do not provide direct services to the public (like the MoPAD and Government's Media Center). The rest collects fees in the form of stamps.

✧ Most of the ministries believe they receive sufficient funds and most of them believe that when the transformation to statehood is completed, their needs for extra budgets will rise.
✧ Most of them agree or strongly agree that there is limited flexibility to reallocate funds from one budget item to another.

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[25] This analysis does not include the GCC countries, which have by far the highest staffing ratios per capita in the MENA region. However, for many GCC countries, civil service staffing is viewed not in terms of service delivery, but as a way of redistributing revenues from oil and natural gas (World Bank, 2007).

- Most of these ministries believe that they have good financial regulations and that they are strictly followed. Financial planning is based on participatory approach.
- There is almost a consensus about the availability of internal financial auditing at the ministries and the same is true for financial planning.

The need for the digitizing of all financial processes was identified by the MoI. Public financial management is a crucial concern for the transformation of the PA into statehood, as much as it is a concern to the donors. According to the PA,

> "the Government has continued the path towards fiscal stability and reduced reliance on external support. In line with this policy, the recurrent budget deficit (on a commitment basis) was reduced from USD 1.6 billion in 2009 to USD 1.15 billion in 2010. With the addition of development expenditures, the budget deficit totaled USD 1.45 billion in 2010. The deficit covered by donors amounted to USD 1.28 billion." [26]

This issue has three dimensions:
- the tax effort encompassing issues like the tax system and administration (the tax bases, rates, reliance on direct and indirect taxes, the tax evasion);
- the over-dependence on the clearance of revenues collected by Israel and transferred to the PA; and
- control of current expenditures that encompass issues like employment in the public sector, the wage expenditure, pension fund and transfers, and net lending.

These dimensions were also studied in details by many organizations, including the World Bank, the IMF, different UN agencies and local research institutes, such as MAS. With budget support reaching 100% of the budget current deficit, in addition to full financing of development expenditures, the fiscal stability of the PA and future State of Palestine is questionable. Fiscal reforms are still in demand and they encompass a widening of the tax base, a reduction in tax evasion, increasing tax compliance, limiting employment at the public sector, containing the wage, redrafting the pension fund law in way that makes it financially sustainable and rationalizing other operational expenses.

The PA record in fiscal reforms is referred to as a model for developing countries, even though the nation state did not emerge yet. Brynen argues that: [27]

> "there has been significant reform of PA public finances with a combination of international pressures and domestic discontent with corruption helping to buttress the position of […] Palestinian reformers. Diversions have been ended, new structures for managing public investments have been established, revenue accounts have been consolidated, expenditure monitoring and control has been improved, monopolies practices by the PA have been curtailed, payroll systems have been strengthened, a new unified income tax law has been adopted, [28] and overall transparency and accountability have been enhanced. The system of government accounting has been unified between the West Bank and Gaza, and strengthened. The General Personnel Council was brought under the Ministry of Finance auspices, thereby strengthening payroll management. A Wage Bill Containment Plan has been agreed with donors. In view of the failing of the General Control Institute, the Ministry of Finance has developed its own internal audit capacity. Indeed, in its 2004 Country Financial Accountability Assessment, the World Bank assessed the Palestinian public financial management system as posing only "significant" risks, with the likelihood that it would achieve a rating of "moderate" on the CFAA four-point (low/moderate/significant/high) by 2005. Given that 14 of 26 states assessed by the World Bank in 2003 had ratings of "high" risk- and that only four had ratings of "moderate" or "low" – this would suggest that the management of public finances in the (proto-state) PA is now the same or better than most other well-established developing countries."

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[26] April 2011: 17
[27] Brynen (May 2011)
[28] As of the 1st of October 2011 a new income tax law was published.

However, this path is becoming more challenging with the approaching vote on full membership of the State of Palestine in the UN system. Tough decisions and difficult challenges are on the horizon. Striking a balance between the fiscal requirements of the state and the fiscal capabilities of it is very delicate. The PA acknowledges that the need for a social safety net is of utmost importance in this condition. Dialogue and participation of a wide range of stakeholders in reaching these decisions is the key to strike that balance. After all,

> "budgets do not exist solely to be balanced, nor are they used exclusively to provide services in some theoretically optimal way. They are critical elements of political stabilization, of consolidating state power, and of winning support for incumbent political elites. This reality is now well understood, not only by politicians and diplomats, but increasingly by international financial institutions as well." [29]

The Security and Justice Sector

The history of the Palestinian Judiciary is marked by years of political instability which ultimately resulted in the loss of the Palestinian people's faith in their justice system. One of the key components of 'healthy' statehood is the state's monopolization over the use of force and violence within its borders. [30] Within the West Bank today, the PA does exercise this monopoly. Following both the first and second Intifadas large numbers of young men who had been engaged in resistance, were now unemployed. Furthermore, the security branches were a myriad of different organs under different ministries. The establishment of the PA and its security forces provided the opportunity that Palestinians needed to transition these youths from the street into stable secure employment.

The Security Sector

Our survey did not extend to the sector of security and justice, but it is a crucial benchmark in the state-building process. According to the World Bank's report to the Ad Hoc Liaison Committee (AHLC), [31]

> "The PA has made major progress in bringing safety and security to the West Bank in recent years. It has deployed a large number of newly trained security forces throughout the major cities who have helped restore security and create a sense of normalcy."

> "The improved security situation has led the GoI to reduce some of its internal security restrictions and is often cited by businesses as an important reason for the increasing economic activity. Records indicate a total number of 63,515 persons on the PA security forces payroll in early 2010, of which slightly more than half are assigned to Gaza […] Security personnel in the West Bank have been extensively trained by US and other Western government teams, and their capacity has been greatly strengthened. A remaining challenge is ensuring that the PA's security forces continue to apply proper legal procedures in the arrest and detainment of citizens." [32]

In Focus: Gaza

The ongoing lack of unity means that the PA does not extend a monopoly over the use of force over the whole of the oPt, rather only the West Bank, with the exception of East Jerusalem. Since 2007,

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[29]   Rex Brynen (May 2011: 31).
[30]   We say 'healthy' because there are a number of internationally recognized states that do not exercise this power, such as in Afghanistan, Mexico or the Philippines.
[31]   World Bank, AHLC, 2011. Sustaining Achievements In Palestinian Institution-Building And Economic Growth. Economic Monitoring Report To The Ad Hoc Liaison Committee. September 18, 2011. Available online at: www.worldbank.org/ps.
[32]   63% of Palestinians felt secure as opposed to 32% in March 2008, while two thirds of Palestinians rate the provision of security services as good. A study by the Fafo Institute for Applied International Studies also reports that nearly 60% of respondents felt that the PA had improved the security situation in the West Bank (cited in World Bank, AHLC, 2011).

Gaza has been under the de-facto control of the Hamas authority. In addition, Hamas does not appear to have a total monopoly over the Gaza Strip with a number of instances of internal violence, attacks against aid workers and attacks against Israel that were not sanctioned by Hamas.

The Justice Sector

The Palestinian justice sector has witnessed significant reforms during the last five to ten years, as especially since 2007. According to the World Bank, [33]

> "The Strategic Justice Council, the Ministry of Justice, and the Attorney General Office have been transformed from person-centred bodies into real institutions with clear mandates, modus operandi, and strategic visions. The Ministry of Justice has started conducting regular exercises on annual strategic planning. In an attempt to realize and expedite capacity building and institutional development, the Ministry of Justice has succeeded in obtaining funding for top notch experts and consultants to be housed at the Ministry […] This is part of a broader effort, highlighted in the 2009 Program of the 13th Government, to modernize the legal framework and is being done in a consultative manner, involving civil society, the private sector, and academic experts."

As a result of these measures, the effectiveness of the courts and Palestinian perceptions of them have improved. More cases are being managed, more courthouses are being built, more specialised legal bodies have been created, and capacities have been strengthened.

Recent studies cited by the World Bank show that the West Bank compares favourably to other countries in the Middle East and North Africa (MENA) on judicial accountability indicators, with the exception of asset disclosure. [34]

Conclusion

> "the basic institutional building blocks of a modern state- with appropriate separation of powers, checks and balances – *are now in place*. The only remaining impediment to their *full functioning* is the continued occupation and denial of our right to independence." [35]

The drive of the PA towards statehood is understood within the framework of an endogenous model that is led by local initiative with international support. It is the Palestinians who are charged with preparing the institutional capacity and the functioning systems of the state.

Ignoring the actions of Israel, our analysis showed that the PA is ready for the transformation into statehood phase as the backbone of this state is there the monopoly over violence, the power to represent and enter into agreement, the capacity to deliver public services, and with a financial system that can be contained to achieve stability in the long term.

The PA institutions have the physical infrastructure, the legal environment, the technology, the institutional culture, the required human resources and financial resources needed. However, there are certain concerns that must be addressed in the areas of institutional culture, the efficiency of its systems in terms of the size of the government and its wage bill.

Although the record of the PA seems impressive, there are still more reforms required. However, there are problems that cannot be solved except with the passage of time. The size and affordability of

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[33] World Bank, AHLC, 2011. Sustaining Achievements In Palestinian Institution-Building And Economic Growth. Economic Monitoring Report To The Ad Hoc Liaison Committee. September 18, 2011. Available online at: www.worldbank.org/ps.

[34] World Bank, AHLC, 2011. Sustaining Achievements In Palestinian Institution-Building And Economic Growth. Economic Monitoring Report To The Ad Hoc Liaison Committee. September 18, 2011. Available online at: www.worldbank.org/ps.

[35] PNA, April 2011: 5. Note: Italics are added by the authors for emphasis.

the government is crucial to the health of a future State of Palestine. But it is important to remember that it is very crucial to strike a balance between balancing the budget and political stability. Without understanding from the donor community to this requirement, the PA will have to build a consensus among the Palestinian stakeholders about the major trade-offs we as Palestinians are facing and have to reckon with.