

## **APPENDIX 4: MoLG CAPACITY ASSESSMENT**

# **Proposed Local Governance and Services Improvement Program (P148896)**

## **Technical Assessment**

### **MoLG Capacity Assessment**

#### **I. INTRODUCTION:**

1. As part of the Technical Assessment for the proposed Local Governance and Services Improvement Program, a rapid capacity assessment was carried out for the Ministry of Local Government (MoLG), to assess MoLG current capacity for performing its mandated tasks and in particular supporting the VCs to deliver services. This would lead into capacity building and technical assistance activities needed to support the MoLG in carrying out its oversight role under the proposed LGSIP. The assessment was carried out to ensure that the MoLG has the capacity to provide overall support and guidance to LGUs targeted under the program to help them provide sustainable services to their citizens in accordance with predictable financing and GG principles. The focus on the MoLG is necessitated by its mandate as confirmed in its Mission Statement “working on building the capacities of LGUs and enhancing their resources to enable them to achieve the welfare of their citizens/constituencies within the framework of the good local governance<sup>1</sup>”, and by the proposed LGSIP objectives. The assessment reviewed the MoLG’s implementation of its mandate, in general, but focused particularly on some of the directorates and units that are expected to play critical roles under the proposed LGSIP, including the following: (i) General Directorate of Joint Services Councils; (ii) General Directorate of Projects; (iii) General Directorate of Guidance and Monitoring; (iv) General Directorate of Urban Planning and Organization; (v) General Directorate of budgets; (vi) the Complaints Unit; and the Ministry of Finance Financial Controller (See Annex 1 for MoLG Organizational Structure).

#### **II. SUMMARY:**

2. For the proposed LGSIP, the following functions of MoLG are particularly critical:
  - Perform a sound and transparent selection<sup>2</sup> of VCs and JSCs that would qualify for the investment grant cycles, and submitting the selection for the LGSIP Program Committee’s approval through the Program Manager (MDLF<sup>3</sup>).
  - Following the Program Committee’s approval, announcing to eligible VCs and JSCs the selection, eligibility criteria, financial allocations, and initial capacity building activities;
  - Oversight; in terms of receiving and approving Annual Budgets from VCs and JSCs, in accordance with the Annual Budget Cycle which starts on November 1 of every calendar year;
  - MoLG screening of minimum participatory annual capital investment planning requirements for VCs, and provision of capacity building to VCs in participatory annual capital investment planning;

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<sup>1</sup> Ministry of Local Government Public Relations and Media Unit, 2013.

<sup>2</sup> According to the VC Annual Eligibility Assessments to be carried out on an annual basis, and the JSCs eligibility assessment to be carried out in 2016 and in 2018 following the one already carried out in 2014 - 2015 during Program preparation.

<sup>3</sup> Based on the assessment of the MoLG the MDLF confirms the final financial allocations to eligible LGUs and submits the lists for the endorsement of the LGSIP Program Committee.

- MoLG support to the VCs that are eligible for implementing individual investments under Component I in all aspects of investment program cycle, including the review and approval of bidding documents, review of Operations and Maintenance (O&M) plans, providing periodic sight supervision, reviewing site reports, reviewing and approving contractors invoices (for the case of small VCs executing via JSCs), while making sure investment planning, execution, and operation are carried out in accordance with technical requirements/specifications (including procurement and financial management), in accordance with Annual Capital Investment Plans, and in accordance with sound environmental and social considerations.
  - Preparation of indicative capacity building needs for non-eligible VCs and JSCs, and executing capacity building activities aiming at supporting non-eligible VCs and JSCs to meet minimum eligibility requirements for investment funding under the LGSIP;
  - Supporting physical planning activities for VCs, as needed;
  - Supporting the improvement of VCs service delivery financial and technical capacity, through (i) the development and implementation of strategies, legal reform, and guidelines, including, but not limited to, a transparent system for the allocation of transportation tax to VCs, guidelines for developing VCs own source revenue, review of VCs' and JSCs' revenues and expenditure assignments to establish sustainable intergovernmental fiscal framework, guidelines for tariff structure of services, the application of GG Framework for joint service provision, and developing a revised policy directive for the consolidation of small, non-viable LGUs; and (ii) consequently, providing needed training to VCs and JSCs by the different MoLG departments.
3. The assessment of the MoLG confirmed overall the appropriateness in the selection of the MoLG from a technical soundness and a mandate<sup>4</sup> perspective to provide guidance and support VCs, to meet LGSIP results. One particular strength of the MoLG is its capacity to branch out with directorates in the 11 West Bank Governorate with 201 MoLG staff. (about 56% of total MoLG staff, with the average of 18 staff per directorate<sup>5</sup>). The capacity assessment confirmed that in principle, the MoLG does not need to hire additional civil servants to support LGSIP, but may need to organize relocating some staff between the MoLG centrally and in the directorates, as needed, especially to make a more optimal use of more than 130 MoLG planners and civil engineers. It would also be essential for the MoLG to consider streamlining some of the responsibilities that offer a degree of overlap between the different MoLG Departments, including developing/reforming standards for processes that would clarify roles and responsibilities and speed up. The following sections of the assessment provide more details on this, including the following example: Contractor invoices are reviewed technically and financially two times, once by the District Directorate and once by the Directorate of Projects, and then reviewed financially two additional times, by the MoLG Finance Department, and then by the MoF Financial Controller, between submitting payment request to contractor and issuance of the check.
4. The MoLG may need to acquire the services of short term and long-term consultants to support LGSIP oversight activities and policy formulation, and to inform refinements in standards and procedures, to avoid any gaps. Capacity building and training would also be required focusing on certain areas where

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<sup>4</sup> Basic Law of the Palestinian Authority and Local Authorities Law No. 1 of 1997

<sup>5</sup> MoLG Human Resource Development Strategy, 2014.

the MoLG capacity is limited, for example, in management of consultancy and training contracts under Component III. The assessment also noted that coordination and sharing of experiences and knowledge between the MoLG Directorates and units is sub-optimal. A Program Committee is proposed to carry out overall program coordination tasks, which will comprise MoLG, MoF, and MDLF. To that end, there is a need to ensure sufficient level of technical coordination between the number of MoLG Directorate and units involved, to ensure LGSIP results are met.

5. The capacity assessment noted clear shortcomings that would require provision of technical assistance to the MoLG as part of the program, including some that could be provided under Component III of the proposed LGSIP. For instance, field visits to sampled directorates confirmed that key central-level GDs are mirrored in terms of staff and functions. This, in theory, would help decentralize and streamline the MoLG oversight and facilitate interaction with LGUs. In practice however, the assessment confirmed redundancy in the application of oversight mandated practices at the directorates as well as centrally. This could be streamlined under the proposed LGSIP, and the MoLG has already showed enthusiasm towards the proposals that would be detailed out in the Program Operations Manual in order to provide clear guidance to MoLG relevant staff.
6. Another key finding of the assessment confirmed that some of the MoLG GDs which traditionally received systematic and focused foreign technical assistance and capacity building activities are more advanced in terms of preparing their own strategies, as well as technical knowhow and staffing capacities, compared to other MoLG departments not receiving foreign aid attention. Therefore, the Pre-appraisal mission launched an exercise to be confirmed by Appraisal to map out on-going and future capacity building and technical assistance provided to the MoLG with the MoLG Human Resource Development Strategy and Departmental Training Plan for the years 2014 – 2017. Based on this exercise, it has been agreed that the MoLG would prepare a consolidated capacity building plan for the first year of LGSIP implementation focusing on the MoLG’s mandated program oversight tasks, including specifying the sources of funding under the Government Program, and funding gaps which need to be covered under LGSIP. As such, the first annual capacity building plan, and hereto each successive annual/updated capacity building plan would optimally attempt to cover on a gradual, prioritized manner, a range of strategies, guidelines, and training (for MoLG and for LGUs) in support of the MoLG’s Strategic Framework for MoLG 2015 to 2017.
7. The assessment also confirmed that capacity building would be required for higher level oversight institutions to enable them to carry out the independent verification of results met by the MoLG and the MDLF, such as the State Audit Bureau, because the MoLG’s GD of Guidance and Monitoring, traditionally tasked with carrying out independent technical/financial, and administrative audit on MoLG and LGUs affairs, is not eligible to carry out independent verification tasks under the proposed LGSIP, due to conflict of interest, since it is a GD within the MoLG. The State Audit would also benefit from capacity building support to carry out “value for money” audits in VCs and JSCs.
8. The green boxes in subsequent sections of the assessment provide more details on recommendations specific to MoLG assessed departments.

### **III. REVIEW OF MOLG, AND MOLG KEY DIRECTORATES MANDATE**

## **A. The mandate of the Ministry of Local Government:**

9. The MoLG is “responsible for the local authorities in Palestine. It is in charge of developing their capacities and improving their resources so as to better provide for the wellbeing of citizens within the framework of good governance”<sup>6</sup>. The Palestinian Authority adopts a ‘Federal System for Local Government’, where the central government is the national body, which nevertheless delegates some authorities and responsibilities to the local authorities. Those responsibilities are outlined in the Local Government Act No. 1 of 1997.
10. The MoLG was established in May 1994 to support the statehood agenda of the, then, 1-year old Palestinian Authority. Primary on the PA’s agenda for the MoLG was local infrastructure expansion. Upon the establishment of the MoLG, the number of Local Government Units has increased between 1994 and 1997 from 139, to 350<sup>7</sup>. The current number of LGUs (municipalities and Village Councils) is 377, including 241 VCs.
11. The following are the general responsibilities of the MoLG set at the establishment of the MoLG: (i) developing laws, regulations and instructions that support the development and improvement of public services; (ii) Monitoring and supervising the enforcement of laws, regulations, and instructions concerning local authorities; (iii) Organizing the Ministry’s policies and strategic plans and monitoring the implementation of these plans; (iv) providing local authorities with all the necessary information on their responsibilities and functions; (v) endorsing local governments’ budgets; (vi) monitoring the local authorities work and ensuring their abidance with the applicable laws, regulations, and instructions; (vii) providing guidance to local authorities in setting designs and specifications for local infrastructure; (viii) Assisting in providing sources of funding for vital local projects that are beyond the respective local budget; (ix) and investigating administrative performance of local authorities and guide them towards increasing their productivity and efficiency.
12. The Ministry’s first 5 year strategic plan (2010 – 2014) was developed in 2009 in which the MoLG specified its vision, mission, strategic values and regional strategies. As of 2010, the vision statement of the MoLG has been stated as follows: “*Good local governance able to achieve sustainable development with effective community participation*”. In the 2010 – 2014 Strategic Plan, the MoLG’s goals evolved as follows:
  - a. Empowering the local government units to build up effective institutional capacities;
  - b. Promoting the Ministry’s capacities in planning, guidance, and monitoring to better lead the LG sector;
  - c. Promoting the concept of partnership between LGUs and the private and public sectors, in order to generate local development, and to enhance the fiscal autonomy of LGUs.
13. The Ministry has further devised its strategic directions for LGUs support as follows:
  - a. Increasing the level of decentralization in local government;
  - b. Institutionalizing community participation in LGUs;

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<sup>6</sup> Ministry of Local Government Public Relations and Media Unit.

<sup>7</sup> Background Note on Villages in the West Bank, the World Bank, 2014.

- c. Stimulating the concept of partnerships with the private sector (PPPs) and with civil society organizations, to achieve sustainable development.
14. To achieve the above, the MoLG has devised its strategic directions for its own development, as follows:
- a. Promoting formulation of policies and planning in the Ministry;
  - b. Developing and adopting human resource policies in the Ministry;
  - c. Strengthening capacities of the ministry staff in local and regional planning;
  - d. Strengthening the ministry capacity in management, monitoring and evaluation of functions and projects;

#### Key Recommendations – Assistant Deputy Minister for Directorates Affairs

In addition to the Directorates/Units met, the Assistant Deputy Minister for Directorates Affairs was met and the following were key recommendations in which the proposed LGSIP is fully consistent with, and aims to support:

- Strong incentives are needed for joint service delivery;
  - Strong support is required for reforming the Good Governance framework of joint services provision, and any associated training and capacity building for improved good governance;
  - Reform in the Local Government fiscal transfers, including standardizing the allocation for, and predictability of the transportation tax transfers to LGUs, will contribute greatly to eliminating the net lending problem;
  - Legal reform is required to enable the Government system to deal with amalgamation structures that have mixed results on the ground or where problems between the members of the amalgamation exist;
  - Standardization of criteria used for approving and implementing local governments investments that are financed under the MoLG’s “transferable” budget line (ILS 100 m in 2014), and subject to the discretion of the Prime Minister.
- e. Enhancing the appropriate working conditions for its staff, to achieve effectiveness and better performance;
  - f. Providing a suitable working environment which takes into consideration gender aspects;
  - g. Development electronic and automatic operational system.

15. While the assessment is not intended to go into the details of the Ministry’s strategic directions and assess progress made to date in meeting those directions, the following section provides a more detailed review of the daily functions and capacities of some of the key MoLG Directorates and Units. It is worth noting however that the MoLG has already gone through a recent strategy development exercise which has resulted in the development of the MoLG Strategic Framework for 2015 – 2017. More details on the evolution of the MoLG’s strategic directions and its priorities for the LG sector are under the Technical Assessment Document.

### **B. Directorate for Joint Services Councils**

16. This Directorate administers joint local services delivery structures, affairs, and incentives for joint cooperation among LGUs, and was established specifically to push for the MoLG’s amalgamation policy by supporting joint establishments for planning and development that would eventually evolve into regional service clusters or amalgamated municipalities. In essence, the Directorate aims to support the realization of effective joint services councils that contribute to achieving sustainable local and regional development. The Directorate derives its legal mandate from the Local Governments Act No.

15 which gives H. E. Minister of Local Government the authority to establish JSCs for the management of joint local services and infrastructures for LGUs.

#### Directorate of Joint Services Councils – Main Recommendations

17. Since its establishment, the Directorate has been promoting the benefits of joint cooperation through public awareness activities, and by directing donor assistance investments in support of financing large infrastructure projects in JSC areas. The Directorate is the MoLG's body responsible for screening priorities for investments in JSCs while the MoLG's budget Directorate has been receiving annual budget statements from JSCs beginning with the year 2013. The Directorate is also in charge of providing

The following activities where support would be envisaged:

- (i) Training for JSCs (qualified and non-qualified) on Good Governance framework for joint service provision (translation of the GG framework and elements, dissemination and training);
- (ii) Revising the draft JSCs Bi-law taking into consideration the GG framework;
- (iii) Providing additional training in West Bank to LGUs on the Solid Waste and water Tariff Structure manuals (already existing manuals);
- (iv) Development of standards and guidelines on tariff structure for standard jointly provided local services (other than water and solid waste);
- (v) Development of manual for solid waste landfill construction.
- (vi) Training, in cooperation with the MoLG Budgets Department on the new budget template for JSCs

It is important to note however, that the PA should be discouraged from endorsing the allocation of transportation tax funds to Solid Waste JSCs, as those critical funds are needed for supporting critical services financing for small LGUs, and because solid waste management is an income-generating activity.

technical training to JSC staff (in house and outsourced, which has so far not been systematic, and also tended to be limited to certain sectors that were heavily donor-supporting, such as solid waste management. Currently, there are 92 JSCs of which 82 are in the West Bank<sup>8</sup> - 55 of these were deemed active JSCs.

18. On the legal aspects, the Directorate proposes elections dates for amalgamation applications and reviews the legal requirements and fulfillments of amalgamation applications, and provides recommendations to H. E. Minister of Local Government on establishment of new JSCs and dissolving troubled or non-performing ones. It is worth noting however that rarely has the Directorate put its mandate on dissolving non-performing JSCs into effect. The JSCs Assessment mentioned earlier aims at providing the Ministry with sufficient data to screen for and make corrective measures with non-performing JSCs.

19. With systematic and focused donor support, the Directorate has instilled a number of key reform initiatives in the past few years, including the following: (i) developed an Amalgamation Policy and an Amalgamation Manual (with support from MDLF); (ii) developed the National Solid Waste Management Strategy in 2013, which confirmed that only one JSC for solid waste management should

<sup>8</sup> Joint Services Councils Assessment, 2014 - 2015. Out of the 90 JSCs, the Assessment indicated that X JSCs are currently active, and in accordance with 9 good governance indicators, the JSCs that have been found to be viable, and would be eligible for the first LGSIP program cycle are X.

exist in each of the 11 West Bank Governorates; (iii) developed the Joint Services Councils Strategy for 2014 – 2018, in 2013, which identified the types of JSCs as single services and multiple-service JSCs, and empathized the financial, technical, and legal empowerment of JSCs to provide local services for small LGUs. (iv) The Directorate is also currently revising the JSCs bylaw of 2006. (v) A new budget template has also been prepared for JSCs as a first step towards making annual budget submittal for JSCs mandatory, as in the case for Municipalities and Village Councils (VCs).

20. The MoLG also proposed a list of JSCs (those for solid waste management) to the Council of Ministers to approve an annual predictable allocation of transportation tax to those JSCs. (vi) As part of the preparation of the proposed LGSIP, the World Bank and BTC funded jointly an assessment of the Joint Services Councils (JSCs) in the West Bank and Gaza in full coordination with the Directorate. Some of the key outputs of the assessment were: (i) the development of an electronic database of all active and inactive JSCs in the West Bank and Gaza with up to date and comprehensive data on staffing, membership, service coverage, and contact information. Prior to this assessment, a database of all JSCs did not exist; (ii) development of a ranking system for active JSCs based on the principles of Good Governance (GG) for joint service provision; and (iii) development of GG framework to be the basis for formalizing agreements between LGUs for joint services, and for further adoption by existing JSCs as internal bylaws. The GG framework is currently being proposed for adoption by the MoLG as one of the disbursement triggers under the proposed LGSIP. The Directorate has 7 staff out of which 2 are supported on project basis.
21. **Future Plans:** The Directorate is currently envisaging establishing a specialized solid waste management training center at Al-Minya landfill site, in cooperation with the higher Joint Services Council for Solid Waste Management for Hebron and Bethlehem. The initiative is supported through Japanese funding but the JCSs Directorate will develop the training and curriculum.

### **C. Directorate of Projects**

22. The MoLG describes this Directorate as one of the most important Directorates, being in charge of providing infrastructure services to LGUs. Theoretically, the Directorate consists of the following Departments who seem to have a number of overlapping tasks: (i) Program Design and Coordination Department, in charge of maintaining a database of LGU priorities, and prepares proposals for funding assistance based on priorities submitted by LGUs; (ii) Bids and Contracts Department, assists LGUs in preparing technical specifications and bids, distributes standard bidding documents to LGUs, reviews bids prepared by LGUs, and participates in tender committees. This Department also has a record of qualified consulting firms; (iii) The Supervision and Follow Up Department participates in developing standards and templates for projects and follow up, in coordination with relevant Authorities, maintains a record of agreements/contracts for implementation of investments in LGUs, collects and analyzed data related to contracts implementation from District Offices, maintains a data base of on-going and completed investments financed by the PA and donor-funded infrastructure investments in LGUs, carries out field supervision and technical oversight, reviews variation orders, recommends handover committees at LGUs and attends/certifies handover of completed contracts for infrastructure and goods to the LGUs authority; (iv) Infrastructure Department assists the LGUs to improve LGU infrastructure sectors, such as roads, water and waste water, electricity, and heavy machinery, through maintaining a database of minimum specifications for local infrastructure, and also monitors contracts progress and



carries out field visits, as needed. In general, the Directorate of Projects has been monitoring the technical compliance of capital investments and LGUs grants that are financed through the MoF, and a number of bilaterally financed donor interventions in LGUs.

23. In practice, with only 9 staff at the Directorate in the West Bank (all engineers sitting at the Headquarters), the average number of staff per given department is 2 staff. In addition, due to the limited number of staff at the Directorate, it is understood that each staff is assigned a regional area within the West Bank (North, South, and Middle), carrying out a mix of the responsibilities of the 5 different departments. As such, the departmental boundaries

within this Directorate are blurred. With those staff work closely the MoLG District Directorates' engineers (called supervising engineers who report administratively to the Director General of a given District Directorate but report technically to the Director General of the Projects Directorate). According to the Director General of Projects Directorate, the Directorate manages implementation of local governments investments totaling around 27% of the developmental budget that the MoLG received from the MoF for the fiscal year 2014, which was ILS55 million. In addition, according to the MoLG, by the end of 2010 the value of donor and MoF-funded infrastructure projects supporting LGUs that were directly supervised through the Directorate has totaled around US\$95 million, cumulatively.

**The 5 Steps of Oversight:**

24. The following description briefly summarizes the role of the Projects Directorate in the prioritization and oversight of implementation of local service delivery investments<sup>9</sup>:

**Directorate of Projects – Main Recommendations**

The staff of the Directorate of Projects is anticipated to participate in oversight under the proposed LGSIP in terms of overseeing the :

- (i) The Ministry has 136 engineers and planners in total who should be properly utilized to support the overall oversight role of the Ministry under LGSIP – this is especially that none of VCs in the West Bank has a full time Engineer;
- (ii) the new public procurement law would require launching of training sessions for MoLG staff and all LGUs, based on the forms and instructions currently being prepared and to be ready by the end of August, 2015;
- (iii) The Directorate has prepared a User Manual for reviewing contractors' invoices which is currently reviewed by the Directorate of Legal Affairs. It is proposed to review the Manual prior to its finalization for any needed changes to support LGSIP implementation;
- (iv) The Directorate needs to adopt minimum requirements for Strategic and Development Planning, and for Annual Investment Planning, to be prepared by LGSIP Appraisal (refer to Step 1 in the below table for detail on the current requirements);
- (v) It is recommended that the MoLG revisits its procedures for site supervision carried out by the Projects Department, by determining the number of minimum site visits per contract with the contract amount.

<sup>9</sup> Key informant interviews. February, 2015.

	<b>Step</b>	<b>Description</b>	<b>Comments</b>
1	Project Concept Review	<p>There are different tools that the Directorate uses for reviewing proposals and projects concepts, including a database of LGUs priorities at the Projects Directorate that is updated with input from the District Directorates on an annual basis. The Directorate also is in direct coordination with the District Offices who submit on a regular basis proposals from LGUs. Minimum requirements for the selection of a proposal are the following: (i) Strategic Plan, (ii) LGU Council decision on the justification for the proposal/project, with proof of community participation. While a plus in favor of the selection process would be a commitment by the LGU for its own contribution towards the total cost of the project.</p>	<p>On the strategic plan, field visits revealed the degree of looseness in this requirement, as many small LGUs do not have strategic plans.</p> <p>In addition, the MoLG's implementation of pilots for strategic development and investment planning under the developed SDIP-Light has so far produced mixed results, and was deemed by some LGUs as complex. As such, the MoLG's decision to adopt the SDIP-Light formally is pending further review of the tool. In the meantime, minimum requirements for strategic development planning need to be developed for LGSIP.</p> <p>On the LGU Council decision, there is looseness in the community participation requirement. A public meeting with minutes and signatories is usually considered as evidence of community participation in the prioritization.</p> <p>LGU contribution towards the total cost of the proposed project is usually checked against the LGU's budget, to determine the LGU's capacity to meet its obligation.</p>
2	Project Detailed Review	<p>Project proposal/concept initially approved by the Projects Directorate is consulted with the Directorate of Urban Planning (to check compliance of the proposal with physical plan), and is reviewed internally for technical soundness.</p>	<p>It is understood that at this stage, requirements for licensing from other PA institutions are also screened for by the MoLG Projects Directorate and the LGU is referred to the appropriate government parties for licensing, through a recommendation through the District Offices.</p> <p>It is also understood that field visits to the proposed site may be carried out either by the Directorate, or by the district office, or representatives from both.</p>
3	Tendering	<p>Bidding documents (using the templates provided by "Tender Book") and technical specifications/drawings, etc... are reviewed once by the District Office covering the geographical District that a given LGU is part of, administratively, and once at the Projects Department.</p>	<p>The District Office participates in bid opening and evaluation.</p> <p>When complexity requires, LGUs are required to prepare technical drawings and specifications using licensed engineering offices, irrespective of the size of the LGU. The Projects Directorate maintains a database of licensed engineering offices.</p>
4	Oversight of projects execution	<p>Periodic field visits if needed (it was not possible to get an estimate of the number of field visits, but based on the review of two sample contracts, the Directorate Staff carry out 1-2 visits per infrastructure contract, including one mandatory visit at contract completion/handover. It was further</p>	<p>During implementation the Projects Directorate also reviews contractors' invoices, as explained under the Financial Controller Section.</p>

		understood that the District Directorate staff may carry out more frequent site supervision visits.	
5	Handover	A representative from the Projects Directorate joins a representative from the District Office to oversee and certify the official handover of a completed works contract or delivered goods. It was understood that this is carried out irrespective of the contract amount.	During handover, the Projects Directorate also reviews contractors' invoices, as explained under the Financial Controller Section.

**D. Financial Controller Functions**

25. The Financial controllers are appointed by the Ministry of Finance to PA Ministiers, including the MoLG<sup>10</sup>. It is understood that their mandate is to review and audit the financial and technical soundness (if relevant) of payment claims on contracts, which are submitted by contractors hired to deliver local government investments that are financed from funding by the MoF or through Bi-lateral funding. On the other hand, the Financial Controllers do not have a mandate to review payment claims for LGU self-generated revenues or sources of funding other than MoF. As such, in the context of the LGSIP and its proposed financing instrument, the mandate of the MoLG Financial controller would be applicable in principle for investments implemented by VCs (whether directly by the VC or indirectly on behalf of the VC by the JSC).

26. The Financial Controller is involved in the review of the financial soundness of an invoice once the invoice has been reviewed technically and financially by the Projects' Department, and reviewed financially by the Finance Department, and prior to the recommendation to H. E. Ministry of Local Government to submit to the Minister of Finance a request for release of contract payment. The below diagram depicts the contractors invoice review and payment processing and the area where the financial controller is involved:

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<sup>10</sup> It is understood that this refers to the MoLG government's budget item for LGUs Developmental Budget.

**Diagram 1: Sample Financial Control Process for an Investment Contract financed through MoLG budget allocation from MoF**

Step	Remarks
<b>Step 1: Contractor submits invoice along with supporting documents to the District Office, and District office reviews invoice</b>	<ul style="list-style-type: none"> <li>Justified by the MoLG as a preparatory first line of communication with contractors. Invoices and supporting documents reviewed from an accounting and technical standpoint;</li> <li>This procedure is not entirely clear. Based on field visits to some VCs, the VCs receive the contractor's invoice and submit to the MoLG District Office.</li> </ul>
<b>Step 2: District Office confirms adequacy of documentation and submits invoice to MoLG Projects Directorate</b>	If invoices are not adequate or supporting documents missing, the invoice is sent back to the contractor.
<b>Step 3: Projects Directorate reviews invoice and technical supporting documents (assigned engineer)</b>	Invoices and supporting documents reviewed again from an accounting and technical standpoint. When asked why Steps 1 and 3 are similar, it was justified as a way to double check the soundness of the first review. It has been highlighted that in many cases the review at the Projects Directorate reveals issues with the invoices.
<b>Step 4: If invoice passes check, Projects Directorate sends package MoLG Financial Department. The Financial Department confirms financial soundness of invoice and sends to Financial Controller with a payment claim "cover letter".</b>	
<b>Step 5: Financial Controller approves invoice for MoLG Minister's signature</b>	This step is required by the Ministry of Finance, and performed by the Ministry of Finance Internal Controller sitting at the MoLG.
<b>Step 6: Minister sends a cover letter (with a number of approved invoices) to Minister of Finance</b>	
<b>Step 7: MoF transfers payment to contractor upon Minister of Finance Signature</b>	

Short processing time (this is less regular) Around 18 work days when paperwork is complete

Long processing time (this is more regular) Up to 4 months if paper work is not complete

27. Based on the above, it is understood that each contractor invoice is reviewed for technical and financial soundness (for example, supply in accordance with bill of quantity, or specifications, the supplier provided Bank guarantee, the supplier submitted invoice as per agreed contractual provisions, etc...) once at the relevant MoLG District Office, once at the Directorate of projects, once at the General Administration of Audit and Control, by MoLG Financial staff, and once by the MoF controller.

28. **Timeframe for processing of contractors invoices:** The process is rather repetitive and excessive. According to the MoLG, an “optimal” invoice/transaction requires around 18 work days divided as follows: 5 work days at the MoLG District Office, 5 work days at the Directorate of Projects, 3 days with the Audit and Control Administration, 3 work days with the MoF controller, and 2 work days for Minister’s signature. However, it was further understood that: (i) the majority of invoices are below optimal; (ii) the bulk of the delay, especially with incomplete invoices sits with the Directorate of Projects due to the limited number of staff compared to the volume of invoices, because the latter is required to make sure each contractor invoice is complete with supporting documents before the invoice

is sent to the Audit and Control Administration. On average, it is understood that invoices take between 3 – 4 calendar months for full payment. The following are two mitigation measure that the Projects Directorate is considering: (i) The Directorate has already asked for a seconded accountant to facilitate the Projects' Directorate financial review of the invoices. With an accountant appointed at the Directorate of projects, the MoLG anticipates to consolidate steps 3 and 4 in the diagram above, into one step; (ii) the Directorate of Projects is in the process of developing written procedures for contracts/invoices review process with performance standards for monitoring the review time per invoices. The draft is currently undergoing the review of the Legal Department and may be approved within months.

#### **E. General Directorate of Urban Planning and Organization**

29. This Directorate has been operating since the establishment of the MoLG in 2014. According to the Director General of Planning, this Directorate represents the largest of MoLG Directorate in terms of the sub-divisions it has serving, as well as in terms of staff reporting technically to this Directorate. The Directorate is mandated with developing and updating laws and regulations related to urban planning and building regulation, developing manuals and standards/codes required to assist LGUs in performing their responsibilities in planning and development, building the capacity of LGUs and the MoLG staff for urban planning. The Directorate has the following 6 departments: Local Planning, Regional Planning, Organization Department, Maps and Surveying and GIS, Detailed Planning, and Studies. One directly related committee to this Directorate is the High Planning Council (HPC). The Directorate was established in accordance with the Cities, Villages, and Buildings Law Number 79 for the year 1966. The GD of this Directorate also serves at the MoLG Minister's advisor on the HPC.
30. The Directorate has 22 civil servant staff and 8 contract-based staff who are funded through donor support. Those staff are located centrally in Ramallah. In addition to those, it is understood that around 40 staff in the District Directorates report administratively for their respective Directorate General Directors, but are accountable technically to the Director General of Planning. The majority of the 11 MoLG District Offices in the West Bank include a Planning and Organization department, and the relatively small District Office include one or two staff assigned planning and organization functions. Those include building inspectors, surveyors, architects, and a limited number of urban planners. The head of each Planning and Organization in the District Office is also the Head of the Regional Planning Committee for each Governorate. The following provides an overview of the mandate and activities of the different departments:

##### **Local Planning Department:**

31. This department is in charge of the following key functions: (i) Support and capacity building to local governments in the preparation of new local Master Plans; (ii) Preparation of Local Master Plans on behalf of small and weak-capacitated LGUs; (iii) technical review of Master Plan revisions/amendments; (iv) carrying out of diagnostic and situational socio-economic assessments; (v) supervision and oversight of the planning and organization divisions and staff sitting in the MoLG District Directorates; (vi) Preparing urban plan packages for submittal through the review processes and overseeing incorporation of comments in the review and finalization of urban plans; and (vii) strategic planning. The latter is a new concept and is not a function mandated by the Law. Some of the key past and on-going activities of the department were the following:

- **Master Planning:** Perhaps master planning exercises represent the largest function of this department in terms of resources allocated and volume of work. A master plan forms the fundamental basic layer for proper strategic and investment planning for a given administrative boundary (local, regional, etc.), and for local integration and expansion. A **Master Planning Manual** has been developed and is used by LGUs for carrying out and approving master plans in accordance with the Law, and this department is in charge of facilitating the preparation, technical review, and approval, and also provision of technical judgment, as required, on objections. In the cases of small communities, in general, and Area C communities in particular, Master Planning is carried out by the Department. The process of joint/clustered master planning starts with a proposal/request that is either sent from the Directorate office on behalf of a cluster, or endorsed by the District Directorate. It is currently estimated by the MoLG that out of the 378 LGUs in the Palestinian Territories, 300 LGUs already have approved Master Plans, including 30 cluster Master plans (the latter applicable to small communities and Area C communities<sup>11</sup>).
- **SDIPs:** Oversight of the development and testing of the Strategic Development and Investment Plans (SDIPs) for municipalities, and carrying out the training on the process, with the support of the consultants and MDLF and in accordance with the **SDIP Manual**. All 137 Palestinian municipalities now have their SDIPs prepared. Based on lessons learned from the development of the process and an evaluation of 66 Municipal SDIPs, it is understood that the department currently reviews (for updated SDIPs) consistency of SDIPs with the NDP (2014 – 2016) 4 strategic pillars.
- **SDIP-Light:** A simplified approach to strategic development and investment planning has been developed by the Ministry, with external funding and technical support from JICA, in the form of a **SDIP-Light Manual and Tools**. The process was tested during development of the Manual in a small cluster in the Jerusalem Area<sup>12</sup>, and in another limited number of areas other areas where the Joint Services Councils (JSCs) were used as the administrative platform for supporting SDIP-Light at the LGUs level, and integrating the individual SDIP-Light(s) with the municipality SDIP in that cluster. It is worth noting however that the application of SDIP-Light has so far produced mixed results and some participating LGUs rated the tools and requirements as being too complex for small and less capacitated LGUs. As such, it is understood that the MoLG is currently reviewing the SDIP-Light requirements. As the Program Manager, the MDLF would be required to detail as part of the Program Operations Manual the minimum requirements for strategic development and investment planning for eligible LGUs (VCs and JSCs) while the MoLG reviews the requirement of SDIP-Light.

### **Regional Planning Department:**

32. This department is mandated to support the following main functions:

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<sup>11</sup> Master planning in Area C is subject to the approval of the Israeli Civil Administration, as per the provisions of OSLO Accords. However, as inspired by the Palestinian Government's National Development Plan 2014 2016, the MoLG plays a hand-holding, oversight, and advocacy role to support Master plans preparation and submittal, supported by the **European Union**. Master planning in Area A and B is under the Jurisdiction of the Palestinian High Planning Council

<sup>12</sup> The cluster included Rafat, Al-Jdeirah, and Bir Nabala.

- **Governorate-level Master Plans:** In theory this means support to master planning activities similar to the Local Planning Department, but on the district level. District Level Master planning is not exercised, justified by the difficulty in implementing district-level planning due to the geographical, political, and administrative limitations for regional-level master planning in the West Bank due to the fact that 60% of the West Bank is in Area C and outside of the Palestinian Government’s control and also because of disputes on Palestinian regional planning boundaries that are deferred to the final status arrangements.
- **Regional SDIPs:** District level SDIPs have been facilitated by this department based on the **SDIP manual** which has been tweaked to fit the concept and application of regional planning. It is understood that the main differences are the following: (i) regional planning exercise involves all LGUs and JSCs located in a given governorate, triggers the formulation of a Steering Committee which constitutes representatives of line ministries, security forces, water and electricity utilities, the Governor’s office, and other key stakeholder organizations, and is Chaired by the Governor. It is understood that the process

#### Directorate of Planning – Main Recommendations

- This Directorate has been and would be anticipated to be a primary partner to MDLF in supporting investments in Area C as per the final description of the component in the LGSIP Program Document. Under Component IV of LGSIP –Investments in Area C, Financing Partners are considering the option of supporting master planning exercises in Area C clusters along with strategic development exercises.
- The early testing of SDIP-Light has so far produced mixed results and some participating LGUs rated the tools and requirements as being too complex for small and less capacitated LGUs. As such, it is understood that the MoLG is currently reviewing the SDIP-Light requirements. As the Program Manager, the MDLF would be required to detail as part of the Program Operations Manual the minimum requirements for strategic development and investment planning for eligible LGUs (VCs and JSCs) while the MoLG reviews the requirement of SDIP-Light.
- The utilization of GIS and advanced Aerial photography to speed up review is still not optimal and there is a need for public awareness to improve the public hearing/objections handling during the Master Plan Review Process. In addition, the Master Plan approval process is lengthy, involves multiple layers of approvals, and is protracted. In a number of instances it has taken up to 10 years to approve Master plans, which is detrimental to achieving local development objectives that the MoLG aims to achieve.
- National level pressure is required to establish a linkage between the detailed cadastral layers from the Palestinian Land Authority in real time with the GIS at the MoLG.
- The key limitation of LGU investment planning and land use information in the GIS database at the MoLG Planning Directorate is the lack of investment planning information at the Village Councils level. All SDIPs and their detailed information on the municipal level are already integrated in the database. The former is justified by the lack of a standardized approach for investment planning in villages, which makes it difficult to integrate within an electronic database. An attempt to support a national standard approach through use of SDIP-Light is currently being evaluated.
- Under the proposed LGSIP, this GIS database can provide a range of administrative, special, service delivery, and demographic baselines, for targeting, and can also be used in the future for tracking progress.

has been successfully tested in Jenin governorate, based on which it was carried out in Salfit and will be carried out soon in Qalqilia, Tubas, and Bethlehem governorates. (ii) this exercise maps out macro-level regional infrastructure needs, including hospitals, tertiary education institutions, regional landfills, water/wastewater treatment facilities, etc..

- **The Palestinian National Spatial Plan:** This effort is coordinated with the Ministry of Planning and Administrative Development, which is the primary host of the National Spatial plan.
- Drafting of regional planning studies with relevant Ministries and other Palestinian Authority agencies.

### **Maps, Surveying, and Geographic Information Systems:**

33. This department is in charge of preparing specifications, launching, and reviewing of aerial photos. In addition, this department is responsible for drawing/plotting, and scaling of draft and final master plans (at local and regional levels), and adjusts and finalizes master plans in accordance with the reviews of the HPC and approved objections. This department provides copies of master plans and aerial photos for line ministries and research institutions. The MoLG has established one of the most comprehensive national databases for local governments in the entire West Bank and Gaza. Once the detailed cadastral layers from the Palestinian Land Authority are added in real time, and GIS is linked with PCBS census data, this may become the “most” important of national databases. The database – called GeoMOLG - is currently accessible by 120 institutions nationwide, with the number of users increasing rapidly, and can already provide a wide range of special, administrative, service delivery, land use, demographic and socio-economic data on-and-for LGUs. For instance, the Ministry of Social Affairs is currently relying on socioeconomic data provided by the database on the LGUs level for targeting under social programs. according to the MoLG, field visits of MoLG staff in Hebron District Directorate were reduced from 15 per week to 4 per week, and the MoLG in general has a saving of ILS400,000 and 1,400 work days across its central and district offices in the West Bank per year, as a result of establishing GeoMOLG
34. Under the proposed LGSIP, this database can provide a range of administrative, special, service delivery, and demographic baselines, for targeting, and can also be used in the future for tracking progress. There may be also room for supporting policy around use of technology in master planning reviews and approvals. Service delivery and infrastructure layers are available for all LGUs (including buildings, water/waste water networks, roads, etc...). The only main limitation so far is the lack of investment planning information at the Village Councils level. However, all SDIPs and their detailed information on the municipal level are already integrated in the database. The former is justified by the lack of a standardized approach for investment planning in villages, which makes it difficult to integrate within an electronic database. In fact, it has been strongly recommended to the Bank team considering agreeing with the MoLG on a standard annual investment planning template for VCs (based on existing experiences) for rolling out gradually under the proposed LGSIP. See Annex 3 for more details on the MoLG GIS Database.

### **Department of Architectural Organization:**



35. This department is in charge of regulating construction planning and permitting at the local and regional master plans levels, as well as in areas outside the boundaries of master plans that are within the Palestinian Authority control. As such, this department issues and disseminates updates and clarifications on by-laws and instructions for construction permitting and other land-use activities. The department also reviews and provides a technical report on applications from line ministries and other government agencies for the allocation of state land for public benefit (for example, a police station). Such a report is submitted to the Land Allocation Committee, headed by the Minister of Local Government for consideration. It is understood that this department receives complaints on disputes with LGUs regarding construction permitting, either directly from the public, or from LGUs.

**High Planning Council (HPC) and Technical Support Department:**

36. This department virtually hosts the HPC, which meets once per month to review and approve final master plans and SDIPs, and to review objections from citizens as part of the Master Plan public review process. The department staff organize objection cases as well as master plan and SDIP files in their final form to be ready for submittal to the HPC. As the name also states, it is understood that this department provides capacity building, administrative and technical support in topics related to urban planning. For example, this department organizes urban planning training for new LGU heads following each local elections cycle.

**Directorate's Future plans:**

37. The department's plans are focused on advancing the GeoMOLG and enabling it to better service delivery and inform policy making:
- Agreed with PCBS to provide the verification of information made available under the LGU profiles (for all LGUs), and hence the baseline of LGUs profiles for 2015;
  - Agreed with PCBS to link the 2017 census with the GeoMOLG, including mapping of buildings and residential buildings;
  - Attempting to reach an agreement with the Palestinian Land Authority to provide the land parcellations layer for integrating into GeoMOLG, on an updated real time basis;
  - The MoLG is planning to provide public access to the database for citizens under what they describe as phase III of system accessibility after completing MoLG access (phase I), and launching institutions access (phase II). This would be subject to reaching optimal levels of accuracy and reliability (especially with GIS data).
  - Electronic Master planning reviews and approvals using GeoMOLG.
  - Electronic issuance of construction permits.

**Capacity Building and technical assistance needs:**

38. The department seems to be adequately capacitated with staff and equipment, largely due to the systematic and long term support from GIZ. There are currently 4 full time and 4 part time GIS experts and data entry staff, and a system administrator, in addition to technical oversight consultants supported by GIZ. In the meeting, however, the following two critical issues were highlighted:
- Reliable internet access for VCs is required, for VCs to reliably access and update their information on the integrated portal (including to update data and to submit budgets);

- The approval process for master planning includes 3 administrative layers (Local Planning Committee, District Planning Committee, and HPC), making it complex and time consuming to get master plans approved. According to the GIS department, for some LGUs, it has taken up to 10 years to approve a master plan due to complications faced with the legal review process and addressing objections through the public viewing process. It is therefore recommended to consider legal and regulatory reform in this manner. Similarly, the various committees need proper training on the use of latest technology in the field, to achieve more efficiency and reliability in the review process;
- Master planning processes require the understanding of, engagement, and ownership of citizens. It is understood from the MoLG that in many cases, citizens are either not aware of the master planning process and therefore do not attend public meetings or are not aware of the objections option and procedures. On the other hand, the master plan presentation for public viewing is too complex for the ordinary citizen to understand. Accordingly, more simplification of the public viewing process and templates, more public awareness, and the development of appropriate objection/grievance redress procedures for the public, are required.

## **F. Complaints Unit**

39. This unit at the MoLG was established in 2009 in accordance with a Council of Minister’s Resolution and with the key purpose of achieving the principles of accountability, transparency, and integrity in the local government sector. The objective was to “deepen the communication between the citizen and his/her LGU to put solutions to complaints and concerns”. The unit is operated under a Special Complaints System which was enacted by the Council of Ministers decrees in 2003 and 2005, and is affiliated directly with H. E. Minister of Local Government’s Office. Since then, the Complaints Unit has been handling complaints in local governance affairs and it is mandated to communicate /coordinate with LGUs and other PA agencies that may be involved in the complaint or relevant to is, as needed. As such, the Complaints Units handles the following range of complaints but is not limited to them: Complaints from citizens on LGUs (permitting/licensing for construction/master planning/zoning/alleged corruption of LGU staff), complaints from contractors against LGUs or the MoLG, complaints from citizens or LGUs on district offices. The Complains Unit centrally is staffed with the complaints manager, an engineer and also a social development specialist. All 3 may carry out field visits for inception. However, each of the 11 District Directorates in the West Bank also has a complaints handling officer who reports technically to the Complaints Unit Manager.

### **Complaints System in the MoLG<sup>13</sup>:**

40. The MoLG Complaints Unit has developed a User Guide on complaints based on the Complaints Bi-law. According to this guide (and as confirmed by the Complaints Unit Manager) the default arrangement for receiving complaints is the following:

**STEP ONE:** Citizen is to submit a complaint to the LGU (one stop shop, complaints officer, etc..). The Special Complaints System has designated acceptable timeframes for responding to the citizen;

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<sup>13</sup> More details on the MoLG Complaints handing system are available in the Environmental and Social Safeguards Assessment for the proposed Local Governance and Services Improvement Program.

**STEP TWO:** If there is no response on the complaint within the timeframe designated in the Special Complaints System, the citizen should approach the District Office Directorate with copies of the communication with the LGU;

**STEP THREE:** If the District Office does not cooperate or does not provide a response, the citizen can submit a written complaint to the Complaints Unit at the MoLG along with copies of supporting documents, and should receive a response within 1 week<sup>14</sup>. According to the Special Complaints System, the citizen should receive a receipt for the complaint from the MoLG. The Unit is mandated with verifying the soundness of complaints and grievances and directing them for further follow up within the Molg or with other government agencies, as appropriate. The MoLG is mandated to classify and archive complaints received. In practice, the issue of documentation is weak and there is a need to establish a database and proper archiving system for complaints.

41. Due to lack of public awareness on the procedures, the Complaints Unit is constantly approached directly by citizens and contractors. The Palestinian Independent Commission for Human Rights<sup>15</sup> also submits complaints on behalf of citizens directly to the Complaints Unit at the MoLG. The Complaints Unit usually documents complaints received and communicates in writing with the party complained against. There is no formal log system for complaints, however each

### Main Recommendations – Complaints Unit

Clearly, the presence of a functioning Complaints Unit at the Molg is notable and commendable. However, and especially given the large volume of complaints received and the limited staffing capacity to handle complaints adequately, more support would be needed focusing on:

- strengthening the grievance redress mechanism at the LGUs level as a means of reducing the volume of complaints coming to the Molg Complaints Unit;
- public awareness in the District offices and LGUs focusing on heads, staff, LGU Council members, as well as citizens. The MoLG has developed simple and user-friendly guides to both LGUs staff and citizens, but require support to roll out public awareness, sponsor workshops for LGUs, on a regular basis;
- supporting an electronic complaints logging system.
- Strengthening the coordination between the judiciary and executive authorities and enforcement of court decisions.
- There needs to be proper coordination and clarity of roles between the Complaints Unit and the Directorate of Urban planning within the MoLG, as both appear to accept complaints from citizens on Master Plans during the public viewing process.
- It is also important to leverage on the capacity of the MoLG Complaints Unit in future GRM training to LGUs envisaged under LGSIP.

<sup>14</sup> In the Special Complaints System for the Council of Ministers General Administration for Complaints, for 2010, it is specified that the public office should respond in writing to the complainant informing that the complaint will be processed for further follow up, or is rejected, within 3 days.

<sup>15</sup> The Independent Commission for Human Rights (ICHR) was established in 1993 upon a Presidential Decree issued by President Yasser Arafat in his capacity as President of the State of Palestine and chairman of the Palestine Liberation Organization. The decree was subsequently published in the Official Gazette in 1995. ICHR commenced its activities in early 1994. In accordance with the Presidential Decree, the duties and responsibilities of ICHR are as follows: “to follow-up and ensure that different Palestinian laws, by-laws and regulations, and the work of various departments, agencies and institutions of the State of Palestine and the Palestine Liberation Organization meet the requirements for safeguarding human rights”. The decree entrusted ICHR with the drafting of its statutes in a manner that would ensure its independence and effectiveness.

complaint is assigned a reference code and a receipt is given to the complainant for follow up. Once closed, the complaint is dated and documented in physical files in the form of “Closing Report”. When inquired about the average time for handling complaints, it was understood that a large number of complaints is handled momentarily or within a week, but that some complaints can take up to 5 months or more, depending on the complexity of the complaint and the departments within our outside of MoLG that are involved. For example, if a complaint involves a realignment in a master plan, then addressing the complaint usually takes several months due to other procedures governing master planning. It was further understood that the volume of calls to the Complaints Unit may be relatively high, but many of those calls do not constitute valid complaints.

42. **Addresses for and guidance on complaints:** A complaints section on the MoLG website and on the LGUs portal – Baladiyat.ps – allows a complainant to send an e-mail to the Complaints Unit or call the Unit directly on the MoLG telephone/fax numbers presented on the websites. There has been a consideration, in cooperation with the Council of Ministers, to enable the Central Complaints Handling Unit at the Council of Ministers to view electronically the MoLG electronic log of complaints received by e-mail (through the websites) to monitor the timeliness of MoLG’s response, but this is still at early stages of conceptualization. It was understood that the Ministry used to direct complainants to a hotline which was stopped recently due to callers’ abuse. It is understood that complainants can still call the Unit at the Ministry’s publically available telephone numbers.

**G. Budgets Directorate<sup>16</sup>**

43. It is understood that the oversight and control of the execution of LGU budgets is a shared mandate between the Directorate of Guidance and Monitoring, and the Budgets Directorate. The Budgets Directorate is also mandated with assisting the LGUs to achieve optimal utilization of their financial resources. The Directorate receives the annual LGUs budgets, reviews and endorses them. The Budgets Directorate also

Budgets Directorate – Main Findings & Recommendations
<p>The Budgets Department and a number of field visits to VCs indicated that LGUs do not require at this stage further training on the electronic budget submittal process, as it is still on-going with support from BTC. However, the following could be proposed for further development:</p> <ul style="list-style-type: none"> <li>• Sub-projects proposals under LGSIP should be consistent with the budget submittal timeline (Budget preparation announcement in September, LGUs submit to MoLG in November, and endorsement between December and March), and proposed sub-projects should be included in the annual budgets;</li> <li>• Training, in cooperation with the MoLG JSCs Directorate on the new budget template for JSCs;</li> <li>• A relatively large number of LGUs has high staffing numbers in a way not consistent with the services they provide or the relative size of the LGU. For this problem, the Budgets Directorate identified Activity Use Budgeting as key training required for the Directorate staff, District staff, and for LGUs.</li> </ul>

provides capacity building and handholding to LGUs on matters with budgeting. For example, the Budgets Directorate holds orientation workshops for new elected LGU heads on the budget process.

<sup>16</sup> The Fiduciary Systems Assessment includes more details on the mandate, capacity, and processes used by the MoLG Budgets Department.

The MoLG takes pride in the utilization of an electronic budgeting system which allows LGUs (irrespective of size) to upload their annual budgets and submit them electronically. The budget Directorate includes 5 staff, in addition to a financial management specialist in each of the 11 District Directorates. The Fiduciary Systems Assessment provides a more detailed analysis of the capacity of the Budgets Directorate vis a vis its mandate, and the current relationship with LGUs.

44. During an interview with the General Director of the Budgets Department, some of the main challenges highlighted were the following: (i) Most LGUs deal with the issue of preparing and submitting budgets as a legal requirement, and do not appreciate the importance of preparing sound budgets. As such, a large number of budgets submitted, though sound from an accounting perspective, are poorly planned. In addition (ii) the relatively low collection rate for local services also reflects badly on the overall strength of the LGU budget. Further analysis by the Bank’s team also suggests that the overall lack of predictability of Government transfers of local revenues to LGUs makes it very difficult for LGUs to adequately plan for budgets; (iii) A relatively large number of LGUs has high staffing numbers in a way not consistent with the services they provide or the relative size of the LGU. For this problem, the Budgets Directorate identified Activity Use Budgeting as key training required for the Directorate staff, District staff, and for LGUs.

**H. General Directorate of Guidance and Monitoring**

45. It is understood that historically this Directorate had responsibilities monitoring the soundness of financial, technical, and administrative performance of LGUs. Nowadays, the Directorate maintains the administrative and financial monitoring but its technical audit responsibilities are limited to, for instance, investigating public safety and health violations of LGUs. Another early mandate which is now transferred to a Formations and Elections Department was the review of the soundness of mayors and VC hears’ and elections committees appointments. The Directorate has 10 staff centrally, but each District Directorate has 2-3 staff forming the District Office Guidance and Monitoring Unit. The division of labor between the central level and district level unit is blurred, but it was understood that the 10 staff centrally are seconded to districts as needed in situations where the district unit staff are not adequate for inspection and other field responsibilities. The number of relevant staff in the Districts is 35.

**Monitoring and Follow Up Department - Recommendations**

While independent verification under the proposed LGSIP would need to be carried out by another PA agency outside of MoLG (to avoid conflict of interest), the General Directorate of Guidance and Monitoring Directorate continues to play a very important role in reforming the financial and administrative performance of LGUs. To enable the Directorate to carry out its responsibilities diligently, the following would be envisaged:

46. **Main Responsibilities:** This department is mandated to carry out at least 3 regular spot visits for each LGU in the West Bank. Due to limited resources the spot visits have been dropped to 1 visit per year. Following each visit, the

- Development and adoption of standards and minimum triggers for technical and financial auditing spot visits;
- Specialized training in detecting administrative fraud and corruption in LGUs;
- Practical training, including learning from regional or international best practice and standards in audit functions.
- The Directorate could be provided with support to carry out training to new Mayors and VC Heads on the Mayors’ Code of Conduct.

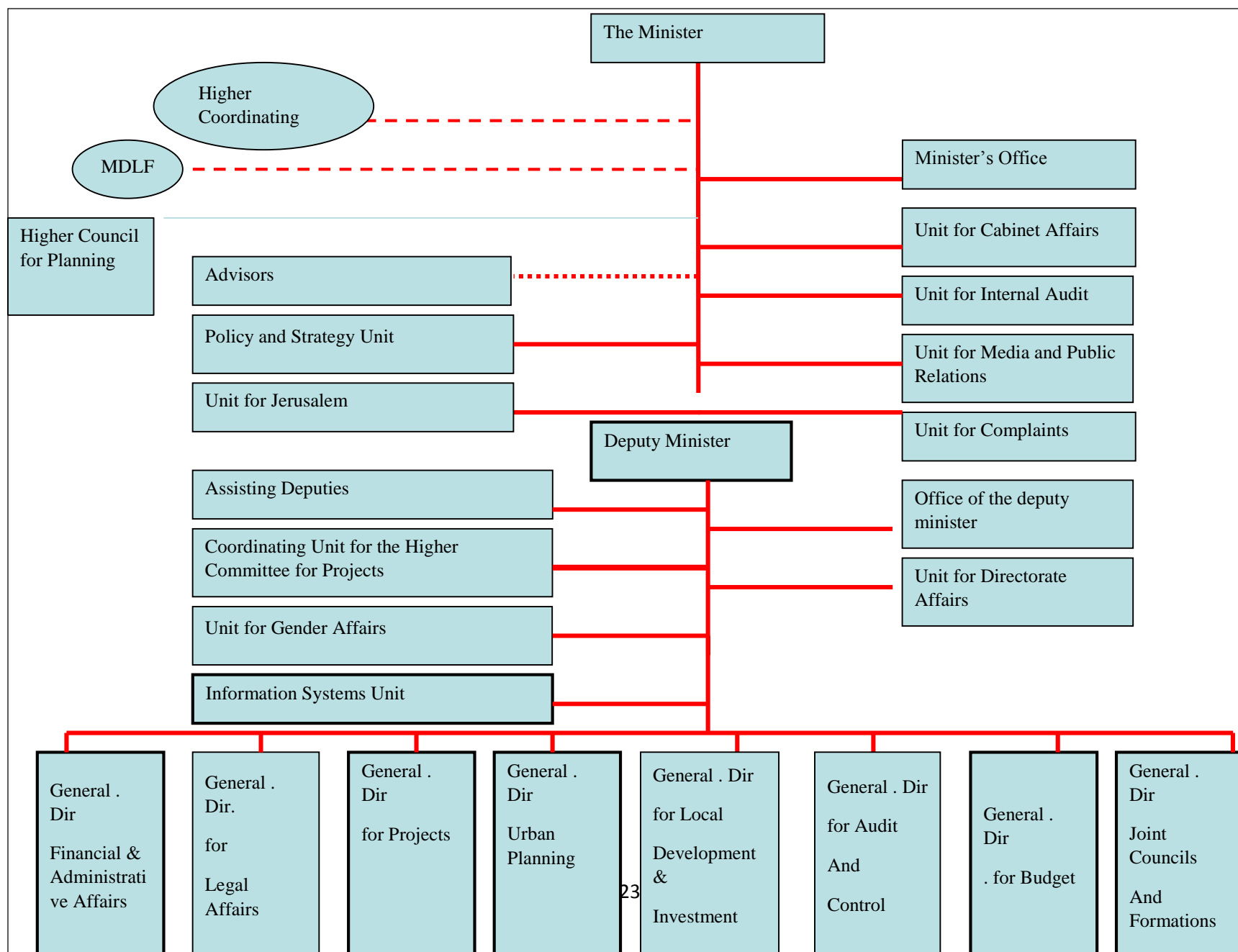
staff member submits a report to the District Directorate, which submits the report to the Deputy Minister of LG who sends the report to the Director of the Guidance and Monitoring Directorate, centrally. The Directorate then prepares comments/recommendations and sends back to the District Directorate via the Deputy Minister.

47. Some of the key financial responsibilities of the Directorate of Guidance and Monitoring are the following: (i) monitoring the actual executed budget and its compliance with the planned approved budget. For LGUs that are consistently not in compliance with the budget execution standards, the MoLG appoints a financial controller to the LGU from the department staff for a period of few months to resolve issues and help restore the financial situation of the LGU. The Directorate has received instructions in the past two years to monitor strictly the budget movements related to water and electricity expenditures. (ii) monitoring and rectifying irregularity in recurrent budget execution, including exaggerated expenses (such as salaries, hospitality, etc...); (iii) monitoring LGUs Bank accounts and related irregular transactions; and (iv) inspecting and auditing warehouse records and advising on corrective measures. Among the administrative issues that the Directorate monitors are assets records in storage, vehicle movements, LGU staff appointments, leave records, and retirement. The Directorate has already developed a policy paper on guidance and monitoring of LGUs, and a Code of Conduct for Mayors and VC heads.
48. Based on the mentioned responsibilities, the capacity assessment considered recommending the use of the Directorate of Guidance and Monitoring to carry out independent verification functions under the proposed LGSIP. However, this consideration was later excluded due to conflict of interest perceived in carrying out the expected verification functions over MoLG oversight under LGSIP, by one of its own Directorates.
49. LGUs are required to carry out internal control functions, but it is understood that this requirement is loose with small and less capacitated LGUs, while the requirements are strict with Municipalities classified as A and B<sup>17</sup>. The latter are required to have an internal control unit, while LGUs less than this qualification are required to have an internal control officer. The Directorate of Guidance and Monitoring is currently developing a unified electronic reporting system for all MoLG Directorates. The aim is to develop minimum standard times for carrying out the responsibilities within the department, and to unify the reporting templates among all District offices. The Program is anticipated for launch in March 2015 and operation in June 2015.

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<sup>17</sup> Classification by the MoLG related to size of the population, LGU function, and its capacity.

**Annex 1: MoLG Organogram 2014 (Source: MoLG)**



## **Annex 2 - List of People Met:**

H.E. Mr. Mohammed Hasan Jabbareen, Deputy Minister of Local Government  
Mr. Abdel Karim Sider, Assistant Deputy Minister of Directorate Affairs  
Mr. Tawfeeq Boderi, Assistant Deputy Minister of Planning  
Mr. Walid Al-Halayqah, Director General of the JSCs Department  
Mr. Sulaiman Abu Mufarreh, MoLG JSCs Department  
Mr. Izziddin Abdul Samad, Policy Unit  
Mr. Mohi El Ardah, Director General of General Directorate of Projects  
Mr. Mutasem Anani, General Directorate of Projects  
Mr. Moayad Shihadeh, General Directorate of Projects  
Ms. Buhaisa Al Asaad, General Directorate of Projects  
Mr. Azzam Hjouj, Director General, General Directorate of Urban Planning and Organization  
Mr. Jamal Numan, General Directorate of Urban Planning and Organization  
Mr. Shukri Radayda, Director General of Budgets  
Mr. Mohammad Hassasneh, Directorate of Guidance and Monitoring  
Mr. Mustafa Salah, Directorate of Guidance and Monitoring  
Mr. Mohammad Mohesen, Director of Complaints Unit  
Mr. Samir Dawabshe, MoLG Nablus District Office  
Mr. Yousif Thabet, MoLG Nablus District Office  
Mr. Hilal Snono, MoLG Nablus District Office  
Mr. Safwan Al-Halbi, Director General, Ramallah District Office  
Mr. Abdullah Abdelwahed, Deputy Director, Ramallah District Office  
Mr. Mutaz Nawwas – Financial Controller (MoF)  
Mr. Rani Daoud – Technical Advisor – GIZ



### **Annex 3 - Assessment of the GIS activities at the MoLG:**

The main objective behind establishing this department was to strengthen the MoLG's capacity for regulating special planning at the LGU level and for improving the efficiency and accuracy of issuing construction permits in small communities (communities that do not have the capacity and mandate of construction licensing). Some specific objectives include the following: (i) Speeding up the processing of LGUs applications that require initial spatial data input due to spatial data digitization; (ii) reduction in field visits as a result of availability of aerial photos with high resolution (according to the MoLG, field visits in Hebron district office were reduced from 15 per week to 4 per week, and the MoLG in general has saved ILS400,000 and 1,400 work days across its central and district offices in the West Bank per year, as a result of establishing GeoMOLG). GeoMOLG project was launched in 2012 and the system is now live. Other databases are also included along with GeoMOLG under the [Baladiyat.ps](http://Baladiyat.ps) website and are fully integrated and compatible with each others, and are accessible via user profile with different accessibility rights, depending on the user. The key ones are the following:

***GeoMOLG:*** An integrated special information system of the MoLG. The system provides web-based access to institutional clients on data inputted originally through the efforts of the Mapping, Surveys, and GIS Department staff but fully capable of accepting data entry from LGUs via user access. The database includes all structural plans (on the district levels, from the British mandate<sup>18</sup>) and all master plans completed up to the date of the visit, matched with aerial photos obtained between 1997 and 2014, with the latter obtained in very high resolution (15 centimeters scale<sup>19</sup>), provided through funding from GIZ. The database can provide the administrative boundaries and the elections boundaries for all municipalities and village councils, and can provide the information on the area of Areas A, B, and C (in accordance with OSLO Accords). The software is linked with and compatible with the other systems on the MoLG portal [baladiyat.ps](http://baladiyat.ps), including the budget software, and the LGUs profile.<sup>20</sup>

***LGU Profiles:*** This database includes information more related to the administration, staffing, and services delivery functions of LGUs. The information includes the following: population, LGU type, area, date of establishment, Board members, staff, including their names and educational attainment and type of contract, membership in Joint Services Councils, types of services provided, administration infrastructure (such as service buildings owned by the LGUs, lands and other properties owned by the LGUs, current projects/investments, etc.). It is worth mentioning that the exercise that the Policy Department launched early during program preparation fed into the completion of this database.

***Budgets Portal:*** This is the same web-based system that the MoLG department has adopted and trained LGUs to use.

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<sup>18</sup> It is understood that those old-dated plans are the same plans used by the Israelis for permitting in Area C, where there are no master plans approved.

<sup>19</sup> Under the Land Administration Program, the Palestinian Land Authority was not permitted by the Israelis to obtain aerial photos of this scale.

<sup>20</sup> The following is a summary of the types of spatial data provided by GeoMOLG: Urban master plans (in Areas A, B, and C), approved, and in objection phase; Partial master plans (from the Israeli occupation prior to 1992); modifications on master plans, administrative classification in accordance with Oslo Accords, land use maps (including for agricultural use); cadaster maps (blocks and parcels); natural reserves; rivers and streams; state land (registered, announced, surveyed); different layers of communities (LGU administrative, services, master plans status); public facilities; aerial maps, services infrastructure.