

APPENDIX 1: VILLAGE COUNCIL ASSESSMENT

Village Governance and Service Delivery

A Background Note on Villages in the West Bank

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LIST OF ACRONYMS

BTC	Belgian Technical Cooperation
DJC	Department of Joint Services Councils
FY	Fiscal Year
ILDS	Interim Local Development Strategy
JSC	Joint Services Council
JICA	Japan International Cooperation Agency
LGA	Local Government Act
LGI	Local Government and Infrastructure program
LGU	Local Governmental Unit
MDP	Municipal Development Program
MDLF	Municipal Development and Lending Fund
MoF	Ministry of Finance
MoLG	Ministry of Local Government
MoT	Ministry of Transport
PC	Project Committee
PNA	Palestinian National Authority
SDIP	Strategic Development and Investment Planning
SWM	Solid Waste Management
USAID	United States Agency for International Development
VDP	Village Development Program
VNDP	Village and Neighborhood Development Program

0 EXECUTIVE SUMMARY

Background

1. There are 378 Local Government Units (LGUs) in the Palestinian Territories, of which 135 are municipalities and 243 Village Councils (VCs). While municipalities have access to funds under the Municipal Development Project (MDP) implemented by the Municipal Development and Lending Fund (MDLF), no systematic transparent funding mechanism exists for the smaller VCs.

2. Following the recently closed World Bank financed Village and Neighborhood Development Project (VNDP), the present Technical Assistance (TA) has the overall objective of assisting the Ministry of Local Government (MoLG) in developing a program to strengthen village governance and their local infrastructure development.

3. The present background note presents initial findings on the legal framework for local service delivery and on VCs' administrative structure, staff, service delivery, financing and inter-governmental relations, including Joint Services Councils (JSCs). It is based on a desk review; financial data from 166 villages and structured interviews with 5 selected LGUs – two small and two larger VCs and a municipality D.

Village Councils in the Palestinian Local Government System

4. After the Oslo Agreement in 1993, the number of LGUs increased from 139 to well over 350 by 1997. The most recent figures for the number of LGUs are 135 municipalities and 243 villages, but the exact number of VCs may be slightly lower according to MoLG. Generally, the main difference between municipalities and VCs is the size of the population. Most municipalities have more than 5,000 inhabitants, while around 70% of VCs have populations below 3,000.

5. A large number of small villages makes it difficult to leverage economies of scale in service delivery and presents a major challenge to the long-term sustainability of local service delivery. In addition, the current governance and financing structure for local service delivery remains unclear, including in joint service provision arrangements with other LGUs. At the same time, the Government's approach to consolidation of the large number of small LGUs has progressed with mixed results only. In general, VCs are reluctant to give-up their current status.

6. The 27 functions all LGUs are supposed to deliver are specified in the Local Government Act (LGA, 1997) and further specified in 41 tasks according to MoLG's guidance. The LGA and by-laws also provide for LGUs' establishment of JSCs to

deliver service jointly and 71 JSCs exist today in the West Bank. Many of these are not sustainable as they were created by specific one-off projects and externally funded initiatives.

7. According to a World Bank study (2010), 80% of all municipalities provide only 12 or less of the 27 functions and all except one municipality out of the 27 municipalities with less than 5,000 inhabitants perform 12 functions or less. Likely VCs with far smaller population cover even fewer functions compared to municipalities with less than 5,000 inhabitants.

8. The study of four VCs shows that the two smallest LGUs carry out only 4 functions, while the largest carry out 8 and 10 functions as presented below:

- i) All four VCs: Secondary Solid Waste Management services through JSCs
- ii) All four LGUs: Budgeting
- iii) Three LGUs: Water services partly or fully (the smallest do not provide this service)
- iv) Three VCs: Trade/ business licensing
- v) Two VCs: Public parks, cemetery maintenance and social services
- vi) One VC: Electricity, street cleaning, construction permits, school maintenance, after school activities and planning

VC governance structure and administration

9. The four interviewed VCs have between 9 to 11 council members with a quota system with 2 female councilors. None of the village councils were elected in 2012 by popular vote but based on recommendations by representatives of the major clans and families in the villages (acclamations).

10. The two smaller VCs do not have staff operating in full-time, while the larger VCs have hired permanent staff. All four VCs have basic communication means and their own buildings, constructed with donor-support. The staff number varies from two to eight staff. All four VCs have an accountant and fee collector. The two larger also have two technicians (engineer), social worker and some cleaners.

Village Finance

11. The information on VCs finance is based on an analysis of 166 VCs' own-source revenues and expenditures in 2010 and in 2011 and additional information

from the four VCs and the municipality D. A full-fledged analysis of VCs' financial position is practically impossible due to the current accounting practices, and lack of key data, e.g., actual amount of VCs debt to Israeli Water and Electricity companies.

12. However, the available data shows that out of 166 VCs, 56 VCs had a deficit in 2010 and 49 in 2011 in the total own-source revenue account and the total balance is presented below:

Table: Own-source revenue account balance.

	FY 2010			FY 2011		
	Revenue	Expenditure	Balance	Revenue	Expenditure	Balance
Operating Account (Op)	15,121,045	23,466,143	-8,345,098	21,062,204	24,396,373	-3,334,169
Enterprise Account(En)	85,780,835	66,114,294	+19,666,541	68,872,293	53,196,961	+15,675,332
Total Own-Source Account (Op+En)	100,901,880	89,580,437	+11,321,443	89,934,497	77,593,334	+12,341,163

13. The balance with a surplus presents however only relatively positive figures as many mandatory services are not provided and LGUs are not paying their bills to Israeli Water and Electricity companies, thus building up large arrears.

14. VCs and municipalities have almost the same revenue assignments comprising of local taxes, fees, and fines. VCs are however not entitled to property tax revenues. Instead, VCs may collect and retain the low yielding ceiling tax and personal tax. Only 33 VCs out of the 166 VCs reported collection of their ceiling tax and personal tax in 2010 and 2011.

15. None of the 4 interviewed VCs collected ceiling and personal taxes, but instead they seek financial contributions from village residents to contribute to financing specific investment projects, e.g., renovation of public buildings and local roads.

16. The 4 VCs only had rudimentary expenditure control systems in place. All hold bank accounts under their official name and have a working "Financial Committee" to co-sign all bank transactions etc. All have information on the amount of arrears and debt, but no direct invoices from the Israeli utility companies.

Joint service provision and amalgamations

17. All five VCs interviewed are members of at least one JSC. Solid waste management is the most common function provided by the JSCs. The four of the five LGUs are generally positive for more consolidated arrangements, including amalgamation. But preliminary steps must be taking before amalgamating as LGUs prefer to maintain their original identity. Furthermore smaller LGUs are concerned about having less representation in the municipal council and larger LGUs are concerned about smaller LGUs' capacities.

18. According to interviews and desk review it seems like the most active JSCs are service oriented providing: solid waste management, water supply and waste water, but building licensing, road /infrastructure maintenance and waste water treatment are also important.

1 INTRODUCTION

1.1 Background

1. There are 378 Local Government Units (LGUs) in the Palestinian Territories, out of which 353 are located in the West Bank (110 municipalities and 243 villages), and 25 are located in Gaza (all municipalities). At a 74% urbanization rate, LGUs face increasing pressures to provide better services to their citizens. The World Bank and other Development Partners (DPs) support local governments in the Palestinian Territories to improve basic local infrastructure and services. For example, the Municipal Development Program (MDP)¹, managed by the Municipal Development and Lending Fund (MDLF)², provides investment funds to municipalities through a transparent performance-based allocation formula: municipalities qualify for a higher share of funds and capacity building in line with their administrative, service delivery, and financial performance. In addition, the recently closed Village and Neighborhood Development Project (VNDP)³ supported by the Bank financed small-scale social infrastructure and community services targeting marginalized and geographically isolated villages and neighborhoods⁴.

2. However, despite the support, local authorities continue facing significant investment needs. While the 135 municipalities have access to funds provided by the MDLF, no systematic funding mechanism exists to finance investments in small LGUs, i.e., Village Councils (VCs). VCs cannot access funds under the ongoing MDP. This leaves a funding gap for the 243 villages and marginalized communities. At the same time, it would not be viable to continue approaching these small communities without putting special emphasis on leveraging economies of scale. The majority of villages are too small, with an average population of less than 3,000. This makes it difficult to provide core local infrastructure services in an efficient and financially viable manner. However, not much knowledge is available about the governance, technical and financial capacity of VCs providing services.

¹ The MDP combines a first phase (MDP-I) with total financing of US\$ 37.69 (ref: ICR) financed by the Bank and other development partners (Fiscal year 2009/10 – 2013/14), and closed on 31 August, 2013 (ref: ICR), and the second phase (MDP-II), which is on-going with current financing of US\$ 74.85 (ref PAD).

² MDP was established in 26 January 2010 (effective date)

³ Fiscal year 08 – 14, US\$10 million Grant from the International Development Association

⁴ The VNDP financed small-scale projects in 93 village Council areas in the West Bank and 16 marginalized neighborhoods in Gaza.

3. The Palestinian Authority (PA), through the Ministry of Local Government (MoLG), has sought the World Bank's support in designing a Program to address capacity building and infrastructure investment needs of small LGUs not currently benefitting under MDP. Although VNDP supported village and neighborhood level infrastructure through a Community Driven Development (CDD) participatory process, the project's scope did not include addressing the core requirements for viable service delivery and capacity building needs of Village Councils. As a response to the MoLG's request to tackle service delivery and financing in small communities, this Technical Assistance (TA) activity has the overall objective of assisting the Ministry in developing a program to support strengthening village level governance and local infrastructure development.

4. This TA has 3 specific objectives, as follows: (i) assisting the Ministry in designing the principle parameters of a Village Development Program, including the design of institutional arrangements and targeting criteria for disbursing an allocation of US\$5 million PA-own funds for village development as immediate continuation of VNDP following its closure in October 2013; (ii) producing a background note on villages in the West Bank to address the knowledge gap on VC's governance, technical and financial capacity to improve service delivery; and (iii) support designing the basic concept of a Village Service Delivery Improvement Program. Findings from a review to achieve the second objective under this TA are summarized in the present background note.

1.2 Objective and methodology

5. This background note summarizes findings of the TA to inform the MoLG, the Bank and other Development Partners in preparation of a proposed Village Development Program. In particular, the note reviews (i) villages administrative structure and service delivery functions; (ii) financing of VCs, including self-financing; and (iii) inter-governmental relations of villages, including with municipalities and Joint Services Councils (JSCs). The note also provides a brief overview of the evolving legal and institutional local government framework.

6. This document presents a situational analysis of VCs based on (i) a desk review; and (ii) structured interviews with 5 selected LGUs. The interviewed LGUs were selected as case studies for further analysis and, for comparison with VCs, includes one municipality classified as 'Category D' equivalent to the lowest tier of municipalities (see section 2.1). Specifically, the following methodology was applied:

- a. **Desk Review:** Review of available reports and literature on villages in the West Bank.
- b. **In-depth surveys and structured Interviews:** Interviews with representative from the 5 selected LGUs and JSCs. A copy of the questionnaires is available in Annex B.
- c. **Review of published financial information:** Review of available budget information for 166 VCs for the years 2010 and 2011.
- d. **Consultative Meetings:** Meetings were also held with representatives from the policy and planning departments at the MoLG and other PA agencies to obtain information on strategic short- and long-term initiatives aimed at increasing basic service delivery in villages.

7. In light of the limited time and budget available, the background analysis conducted by the consultant was restricted to in-depth reviews with 5 LGUs. Although this does not reflect a representative sample, the selection was deemed appropriate to compare core functions and administrative structure of typical LGUs of (i) different size; (ii) capacity; and (iii) geographic location. 4 VCs of different population size were compared to one ‘Category D’ municipality, as the next closest comparator in the Palestinian LGU system⁵. The VCs were selected in consultation with the MoLG and included two relatively small size and two relatively large size VCs.

Table 1: LGUs selected for case studies and in-depth analysis

Population Range	LGU Name	Population
Population below 999	Ein Synia	812
Population between 1,000 - 2,999	Wadi Rahhal	1,606
Population between 3,000 - 4,999	Beit Imrin	3,131
Population above 5,000	Kufor Dan	5,788
Municipality D (population below 5,000)	Deir Istia	3,335

MoLG operate with four categories of municipalities: A, with more than 15,000 inhabitants; B municipalities with between 10,000 and 15,000 inhabitants; C with between 5,000 and 10,000 inhabitants and class D municipalities with between 1,000 and 5,000 inhabitants. This follows a modification of the distinction after 1994, when PA categorized 14 governorate centers as municipality A, 24 municipalities established before 1994 as B, municipality C were those established after 1994 with a population of more than 15,000 and municipality D with a population between 5,000 and 15,000.

2 VILLAGE COUNCILS IN THE PALESTINIAN LOCAL GOVERNMENT SYSTEM

2.1 The evolving framework – a brief background

8. Local governments in the West Bank and Gaza have a long history and predate the establishment of the Palestinian Authority (PA). Some LGUs were created as early as the second half of the 19th century. Over decades, these local authorities performed under the complexities of different political and legal regimes. In historical Palestine, there were 22 ‘local councils’ under the British Mandate (1920 – 1948). During the Israeli occupation of the West Bank and Gaza, municipalities were the only administrative institutions that were allowed to exist and function officially. After the signing of Oslo Agreements in September 1993 and the following establishment of the first Palestinian central government administration, the MoLG was set up in 1994.

9. After its establishment, the concern of the MoLG was to increase the territorial administration in the PA’s autonomous control, in areas A and B, and C⁶, with particular focus on large population centers and communities adjacent to East Jerusalem. This was done while keeping in mind a heavy-political agenda of strengthening the Palestinian national presence within the PA autonomous zones, in preparation for the statehood which was foreseen as part of the Oslo Accords. After Oslo, local governments were particularly weak and their legitimacy undermined as many viewed them as a legacy of the occupation forces. Capitalizing on political will, reinforcing a national Palestinian identity at the local level, and to overcome an institutional and service delivery gap at the local level that would worsen if local governments continue to lose face, the PA further accelerated the promotion of LGUs, through decentralization measures, including the approval of the creation of new LGUs. Giving a legal status to even the smallest community was viewed as a political gain for the PA.

10. By the mid-1990s, the number of LGUs increased from 139 (109 VCs and 30 municipalities) prior to the establishment of the PA, to well over 350 by 1997. The

⁶ 6 Area 'A' (18 percent of the West Bank): Full civil and security control by the Palestinian Authority. Area 'B' (21 percent of the West Bank): Palestinian civil control and joint Israeli-Palestinian security control. Area 'C' (61 percent of the West Bank): Full Israeli civil and security control, except over Palestinian civilians. These areas include all Israeli settlements (cities, towns, and villages), land in the vicinity of these localities, most roadways that are connected to the settlements as well as strategic areas described as "security zones."

majority of those new LGUs were (and still are) Village Councils (VCs) and Project Committees (PCs). The political and geographical fragmentation of the Palestinian Territories in connection with the implementation of the Oslo Agreements has given a paramount importance to local government units in service delivery, especially in areas where the relatively young central government was politically, geographically, and fiscally constrained.

11. In the time of this rapid increase of LGUs, MoLG as a central authority was still in its early developmental stage. During this period, no clear criteria were determined as the basis for establishing new LGUs. Reportedly, the primary distinction between municipalities and VCs has been the size of the population⁷, i.e., LGUs of a population more than 5,000 were defined as municipalities, while those with less than 5,000 people would be regarded as VCs.

12. However, the classification by population only provides limited guidance. Today, some VCs have exceeded this population threshold but remain classified as VCs. At the same time, there are a number of LGUs with a population of less than 5,000 people which were granted the status of ‘Municipality D’. Overall, however, VCs are generally smaller than municipalities.

13. Overall, the tendency to establishing a large number of LGUs was, at least partially, influenced by political consideration to strengthen Palestinian identity in local governments as part of future Palestinian Statehood. Between 1993 and 1999 the number of LGUs further expanded to include up to 127 Project Committees (PCs). PCs did not have any elected councils and provided only one or a few functions e.g. implementation of specific projects. However, PCs were completely abolished through a wave of MoLG driven consolidation efforts in 2010 and 2011. Communities under these PCs were merged into geographically adjacent VCs and municipalities.

14. According to the MoLG, by the end of 2012, 243 villages existed in the West Bank. More recently, this figure is being reduced to 217 VCs across the West Bank as a result of on-going amalgamation initiatives. However, no precise numbers exist as of yet. The majority of VCs, around 70%, have populations of below 3,000 (see Table 2).

Table 2: Number of VCs according to the Population size

⁷ After 1994 the PA categorized municipalities by their size of populations, whereas municipality A as governorate center and B as being established before 1994, but C as being established after 1994 and above the population of 15,000 D as being the population of between 5,000 and 15,000.

Range of Populations size	Number of VCs
0-100	1
101 – 500	24
501 – 1,000	23
1,001 – 3,000	123
3,001 – 5,000	57
Above 5,000	15
Total	243

Source; MoLG (2012)

2.2 Key challenges for local service delivery

15. As a result of the young and evolving framework, LGUs face significant challenges in providing services in an effective and sustainable manner to all citizens in the Palestinian Territories. The challenges faced by LGUs are further aggravated by the peculiar political, social and geographic characteristics in the West Bank and Gaza. The key challenges can be summarized as follows:

- a. **The large number of LGUs makes it difficult to achieve economies of scale in service delivery.** The majority of VCs (more than 70%) is very small with a population size of below 3,000. At same time, VCs have identical functional assignments as (generally larger) municipalities. Hence, the administrative burdens of VCs in small communities make service delivery expensive and cost-ineffective.
- b. **No consistent local governance structure exists.** The current institutional framework and governance structure for joint service provision blurs roles and responsibilities of LGUs, Joint Services Councils (JSCs), and public utilities⁸. Financing, management and supervision arrangements are unclear, and weaken both vertical accountability between higher and lower levels of government; and horizontal accountability between citizens, local authorities, and service providers. JSCs have no direct or only weak accountability links to the service users and end beneficiaries and tend to be accountable only to their member LGUs. The lack of funding to match functional assignments, cross-subsidies of local services, and accumulating arrears exaggerate the fiscal stress of central and local authorities.

⁸ Water and electricity utilities.

Generally, minimum service level and performance standards remain undefined.

- c. **Lack of vision for viable and sustainable service delivery at the small LGUs level:** Support to villages has focused mainly on small-scale capital expenditure funding, and improving community development and investment planning. However, less urgency was given on assuring minimum service levels and long-term financial sustainability. Often, operation and maintenance cost of new infrastructure has been neglected and result in declining service levels.
- d. **Quality and access to services remains an issue in small LGUs.** The lack of adequate funding is causing significant decline in the quality of basic local services currently provided by small LGUs. Capital investment needs remain large. Core municipal infrastructure services such as sanitation, solid waste collection, and water supply remain incomplete in many of the small and geographically isolated communities. In addition, institutional capacity is very limited. Many VCs operate without permanent staff and don't have the capacity to ensure minimum service standards. Often, administrative structures only exist on paper.
- e. **The current LGU consolidation approach progressed with mixed results only.** Over the past several years, the MoLG acknowledged the need to better leverage economies of scale in local service provision. However, the attempt to reduce the overall number of administrative units, widely described as 'amalgamation', has demonstrated only mixed results to date. There has been general reluctance of VCs to give-up representative functions and, overall, little enthusiasm to share available investment funds among a larger constituencies. In addition, and with the lack of carefully planned public awareness efforts, many VCs viewed the prospect of consolidation as threatening to their own local identities, which in the first place were nurtured by the MoLG and its wave of politically influenced creation of additional LGUs. Out of the eight municipalities established during the last 4 years through the amalgamation processes, MoLG reports at least two as not very stable after the local elections in late 2012, and at least one at risk to disintegrate.
- f. **Shortage in availability of land for physical and spatial planning and local economic development.** This is largely influenced by the inability of

LGUs to expand spatially beyond Areas A and B that, together, represent only 40% of the autonomous Palestinian Territories areas as defined by the Oslo Agreements. The Government of Israel (GOI) has been applying a system of strict requirements and conditions for licensing for service delivery expansion and physical planning in Area C. Area C is particularly fragmented with the presence of Israeli settlements, and ring roads surrounding Palestinian villages that are reserved for vehicular travel of Israelis. Of the 271 villages 149 are in Area C.

2.3 Policy Development and Reforms: Recent attempts of consolidation

16. Throughout the first decade of 2000, the MoLG together with the international community initiated a multitude of local governance reforms. Alongside these strategic documents, MoLG has been focusing on controlling and consolidating an over-grown number of LGUs, in order to render the municipal services more efficient, effective, and closer to the local communities, and to enhance citizen participation and local accountability.

17. MoLG's approach for the consolidation of LGUs consisted of the implementation of a number of amalgamation initiatives⁹, using, at large, financial incentives through donor-financing to gain LGUs buy-in. Prior to that, the MoLG has developed its amalgamation policy and prepared a Manual for Amalgamation of Municipalities which was adopted by the MoLG in 2009 and the first amalgamation initiative was applied in 2010.

18. While reducing the number of LGUs remains a policy goal of the MoLG, a few developments have further altered realities on the ground: A number of VCs¹⁰ have attracted targeted and fairly significant infrastructure investments financed through donor support, aiming at improving local services delivery – those VCs could be perceived as relatively better 'equipped' to continue to function as LGUs compared to most of their peers that haven't received significant support. In addition, the de-facto geographical marginalization of some village communities, especially in Area C, and their heavy isolation as a result of movement restrictions by-pass roads and the

⁹ 4 new municipalities were formed, by incorporating 27 VCs/PCs, and as of January 2013, 11 more new municipalities were formed by incorporating 43 VCs/PCs.

¹⁰ *Interim Local Development Strategy (ILDS) in Jordan Valley regions financed by JICA, Employment Generation Program financed by KFW, Local Government Infrastructure Program financed by USAID, Future for Palestine program financed by GIZ, Local Development Program (LDP II&III) financed by Denmark, Local Government Reform Development Program (LGDP) financed by BTC, etc.*

Separation Barrier, have made it difficult, in some instances impossible, to include them as part of a joint-service delivery scheme. In fact, in many JSC jurisdictions, a number of VCs are members¹¹ but virtually receive no service as a result of this isolation. In addition to that, generally, recent LGU consolidation initiatives have produced mixed only results. Many amalgamated LGUs are already facing problems in undertaking new/ additional functions, resulting in defective service delivery and additional rather than fewer administrative and financial burdens. As such, without a carefully considered incentive system and public awareness efforts to promote the benefits of consolidation, even in the most limited sense, VCs will continue to exist as administrative bodies for a while.

19. The MoLG has been trying recently to approach village service delivery differently. The MoLG has requested the Bank to provide assistance in designing a local government support program to address capacity building and infrastructure development needs of villages, in particular. The Village Development Program as envisaged by the MoLG would give more emphasis on leveraging economies of scale in service provision to provide core local infrastructure services in VCs in a financially viable manner. In that sense, the MoLG is shifting its focus towards subjecting VCs to provisional steps towards building administrative and financial capacities before possible upgrading into municipalities or through a form of LGU consolidation. A performance-based and incentivized grants allocation formula would be developed similar to the manner currently applied with the Municipal Development Program.

¹¹ Beit Iksa village

3 THE LEGAL AND INSTITUTIONAL FRAMEWORK OF VILLAGES

3.1 Legal framework

20. The Local Government Law was passed in 1997 by the Legislative Council. It defines the system and legislative framework for local governance in the West Bank and Gaza. According to the law, any decision about boundaries and changes to the number of local authorities shall be decided by the Council of Ministers. The law specifies twenty-seven functions under municipal responsibility (see section 3.2.), which are mainly within public utilities (water supply, solid waste management, and electricity), urban planning and regulation. The law only refers to local authorities and does not distinguish between functions for municipalities and villages which, in effect, are supposed to fulfill the same functional responsibilities and collect the same kind of revenues.

21. Generally, the main difference between municipalities and VCs is the size of the population, i.e., with a few exceptions, municipalities have more than 5,000 inhabitants. Two more differences prescribed in the legal framework are notable, as follows: (i) VCs collect different types of taxes and fees, e.g., property tax for municipality, ceiling tax for VCs; and (ii) municipalities have the right to remunerate mayors and council members as opposed to VCs.¹² Particularly the second factor largely differentiates the organizational and administrative structure of both VCs and municipalities.

22. All LGUs can establish Joint Services Councils (JSCs) for joint service delivery. The possibility of forming JSCs dates back to the Local Government Act (Art. 27 C), which permits the Minister to establish JSCs upon the approval of the concerned local authorities. The law permits JSCs to manage joint services, their own revenues, staff and budgets. Further regulations on JSCs' functioning and establishment are detailed in the existing by-law on JSCs from 2006, which modified by-laws from 1998 and 2003. JSCs are a key element of the PNA strategy to improve service delivery through cooperation between LGUs, in particular smaller ones.

23. After a Joint Councils Strategy 2010-2014 was published in April 2010, JSCs have been established widely with the purpose of improving planning and service delivery by enabling economy of scale and thus increasing the efficiency and effectiveness of selected services, e.g., for water and waste management. JSCs have often been started with support from donor-funded projects, including from the World

¹² MoLG

Bank, JICA, Danida and AfD to motivate LGUs to form JSCs. However, JSCs have often shown limited sustainability once donor funding vanished.

24. According to the Joint Service Councils Department at the MoLG, 71 JSCs existed in the West Bank in 2013. Of these are 30 single service JSCs of which 23 deal with solid waste management: 36 deal with planning and development and 5 were established for future amalgamations. About 40% of the existing JSCs are not sustainable as they depend on financing from specific donor-funded initiatives.

25. Each JSC has its own bylaw (regulation, agreement), which is normally developed under MoLG's or a projects' guidance and shall be approved by MoLG. JSCs' shall pass their budgets to MoLG for its approval and MoLG is carrying out some monitoring of their performance.

26.

3.2 Functional assignments

27. As indicated above, VCs have the same functional assignments as municipalities and are expected to provide the same services according to the *Palestinian Local Authorities Law of 1997* (Law 97). The law assigns 27 different functions to LGUs in general, as shown in the following table. This Law does not delineate any defining distinctions between the mandatory functions of municipalities and VCs.

Table 3. Local Government Functions (ref. Article 15, 1997 Local Government Law).

Functions
1. Town and streets planning (master plan and/or investment plan)
2. Building and construction permits
3. Water supply
4. Electricity distribution
5. Sewage (public toilets)
6. Public markets
7. Commerce & business licensing
8. Public hygiene (street cleanings, waste collection)
9. Public health & supervision (solid waste management)
10. Public stores (supervision of commercial, entertainment entities)
11. Public parks
12. Precautions for natural disasters
13. Cultural, sports facilities
14. Public transportation
15. Control and monitoring of street vending activities
16. Control of weights and measurement
17. Advertisements/signboards
18. Demolition of Buildings
19. Sales of land and parcels

20. Beggars control
21. Cemeteries
22. Hotels and guesthouse controls
23. Animal livestock control
24. Control of Stray Dogs
25. Budgeting, staff
26. Management of LGU assets
27. Fire fighting
28. Others

28. Since the 27 service functions required by the Law are rather general, MoLG has further disaggregated those functions to a set of more specific tasks (see table 4). The idea behind the “concept of desirable tasks” developed by MoLG was to give more specific guidance to LGUs about their mandatory functions prescribed in Law 97. The table below is a synthesis of several lists developed by MoLG for different categories of municipalities, from ‘Category A’ to ‘D’. It was developed for Category D municipalities and VCs which, according to MoLG, should carry out the same tasks except for “Street naming and numbering”. The total number of tasks arrives at 41.

Table 4: List of Tasks for Category D municipalities and VCs

Planning and construction
1. Paving and cancellation of streets
2. Marking/adjusting street alignments
3. Construction and rehabilitation of sidewalks
4. Prevention of encroachments
5. Monitoring/inspection of buildings construction
6. Monitoring/inspection of buildings demolition, alteration, and restoration
7. Licensing for the abovementioned
8. Determining/allocating locations and sizes of buildings
9. Determining/calculating ration of building to land
Public health and safety
1. Street cleaning
2. Supplying population with drinking water
3. Supplying population with water for other uses
4. Determining specifications for meters and pipes
5. Organization of water distribution
6. Determining fee structure and prices for water
7. Pollution control/prevention for water sources, including springs, aquifers, and wells
8. Solid waste and garbage collection from households, markets, and streets
9. Transfer and extermination of garbage/solid waste

10. Monitoring of the behavior of households and merchants vis a vis organizing solid waste disposal
11. Abatement of pest, rodents, reptiles, mosquitoes and other insects
12. Organizing and inspection of restaurants and cafes
13. Demolition of harmful buildings
14. Demolition of odorous buildings
15. Establishment and cancellation of cemeteries
16. Allocation of cemetery locations and specifications
17. Transfer and burial of the deceased
18. Preservation of the privacy of cemeteries in coordination with relevant government bodies
19. Protection against a stray dogs and extermination of rabid dogs
Administration and financial management
1. Monitoring/inspection of advertisement boards
2. Organizing advertisements
3. Issuing warnings to owners/agents of buildings intended for demolition
4. Endorsement of Annual budget
5. Preparation and endorsement of the closing accounts
6. Management of local council buildings
7. Management of local council financial assets
8. Construction of buildings needed for the local council
9. Leasing/mortgaging of the abovementioned buildings for a period of time not to exceed 3 years
10. Acceptance of gifts, wills, donations
11. <i>Street naming and numbering (for Municipality D)</i>
General services
1. Street lighting
2. Supply of electricity for households
3. Demolition of buildings of at-risk structure

Source: MoLG

4 FINDINGS: WHAT SERVICES DO VCs PROVIDE IN PRACTICE?

29. This chapter examines what functions and tasks VCs provide in practice. The five LGUs selected for this review were interviewed with two different sets of questions: one with the list of 27 functions based on Law 97; and the other with the list of 41 tasks designed by MoLG.

30. However, before delving into the discussion of VCs' actual functions, it is worthwhile revisiting the service delivery in municipalities in general. According to a 2010 World Bank Report¹³, 82 out of 132¹⁴ municipalities performed between 6 to 12 functions; and 23 municipalities performed 5 or less functions. Table 5 below extracts main findings of the report.

Table 5. Classification of municipalities based on population and number of services provided

Population	Number of Services					Relative Weight
	Less than 5	6 to 12	13 to 18	19 to 24	Total	
Less than 5,000	8	18	1	0	27	20.5%
5,000 to 10,000	13	36	5	3	57	43.2%
10,000 to 50,000	2	25	10	2	39	29.5%
More than 50,000	0	4	4	1	9	6.8%
Total	23	83	20	6	132	100%-
Relative Weight	17.4%	62.9%	15.2%	4.5%	100%-	

Source; Municipal Finance and Service Provision (World Bank, January 2010). Slightly modified.

31. Overall, the findings suggest that about 80% of municipalities provide only 12 or less services. Furthermore, all except one municipality out of the 27 municipalities with less than 5,000 inhabitants perform 12 functions or less¹⁵.

32. Although no equivalent analysis exists for villages, it is assumed that VCs with far smaller population cover even fewer functions compared to municipalities with less than 5,000 inhabitants. The following analysis will be review this in more detail based on the example of the five selected LGUs.

¹³ Municipal Finance and Service Provision (World Bank, January 2010).

¹⁴ 132 was the number of municipalities in 2010.

¹⁵ To be more precise, out of these 27 municipalities, 18 fall into the category of "minimum 6 to maximum 12 services", 8 to "less than 5 services", only 1 falls into "minimum 13 to maximum 18".(p18 of before mentioned report)

4.1 VCs' functions performed in line with Law 97

33. Table 6 below summarizes (i) the types and number of functions as per Law 97; and (ii) the delivery mode, i.e., direct provision by VCs or through JSCs.

Table 6. Functions provided in villages per Law 97

Names	Functions based on Law 97, article 15	
	Directly by the VC	Delegated to JSC
Ein Synia	<ol style="list-style-type: none"> 1. Public park 2. Trade/business (craft) licensing 3. Budgeting 	1. Solid Waste Management (SWM)
Wadi Rahhal	<ol style="list-style-type: none"> 1. Water 2. Budgeting 	<ol style="list-style-type: none"> 1. SWM 2. Water (in process)
Beit Imrin	<ol style="list-style-type: none"> 1. Water 2. Electricity 3. Trade/business (craft) licensing 4. Street cleaning 5. Cemetery maintenance 6. Budgeting 7. Social service for handicapped 	<ol style="list-style-type: none"> 1. Preparation of master plan 2. SWM
Qfar Dan	<ol style="list-style-type: none"> 1. Construction permit 2. Trade/business (craft) licensing 3. Public parks 4. Cemetery maintenance 5. Budgeting 6. Social service for disabled 7. Maintenance of school facility 8. After-school activities 	<ol style="list-style-type: none"> 1. SWM 2. Water
Deir Istia	<ol style="list-style-type: none"> 1. Master plan 2. Construction permit 3. Water supply 4. Electricity distribution 5. Trade/business(craft) license 6. Street cleaning 7. Supervision of wrecking buildings 8. Budgeting 9. Management of municipal assets (in process) 10. Kindergarten 	<ol style="list-style-type: none"> 1. SWM 2. Regional planning

34. The comparison suggests that smaller VCs deliver fewer functions compared to their larger peers: Out of the interviewed villages, small VCs conduct 4 functions, while large VCs conduct up to 10 functions. Close to all of the VCs seem to provide water and solid waste management services. However, beyond those, the range of services provided is rather diverse and incomplete:

- a. All LGUs provide **Solid Waste Management** services through JSC.

- b. **Water services** are provided (i) fully through a JSC by one VC; (ii) partly independently and partly through a JSC (processing) in one VC; (iii) fully independent by the municipality and the remaining VC; and (iv) not at all by the smallest VC.
- c. All LGUs carry out **budgeting**.
- d. Three VCs and the municipality manage **trade/business licensing**.
- e. **Electricity, street cleaning and construction permits** are only provided by one VC and the municipality.
- f. **Public parks, cemetery maintenance, and social services** are only provided by two VCs.
- g. **School maintenance, after school activities, planning** are done by one VC.
- h. Only the municipality carries out **management of municipal assets and supervision of buildings demolition**.

35. All LGUs included under this review are members of one or more JSCs. The most common function provided through a JSC is SWM. This particular type of service-oriented JSC setup covers the whole governorate to sub-governorate level, and operates only with a single function. The main task of JSCs for SWM is secondary collection of solid waste and transfer to the final disposal sites¹⁶. This is a common practice, including in the SWM JSCs in Jericho and the Jordan River Valley. Primary collection from households and street cleaning is not commonly functioning in most of the reviewed VCs.

4.2 VCs' tasks performed in line with MoLG guidelines

36. As seen above, small VCs conduct a fairly limited number of functions, whereas larger VCs carry out more functions, closer to the service levels of 'Category D' municipalities. The following section provides a more detailed review of the 41 tasks assigned to VCs by the MoLG guidelines.

¹⁶ One large scale sanitary landfill is operational in the Jenin region (Zahrat A-Finjan) serving mostly the northern West Bank communities and parts of the middle West Bank. Two other landfill sites in Ramallah and Hebron-Bethlehem regions are under development. According to MoLG's strategy on SWM, all solid waste generated in the West Bank shall be consolidated to these three main sites.

Table 7: Comparison of functions/tasks coverage

Names	Functions of Law 97	41 tasks of MoLG	Percentage of the 41 tasks
Ein Synia	4	4	9%
Wadi Rahhal	4	6	14%
Beit Imrin	9	13	31%
Qufor Dan	10	13	31%
Deir Istia	12	31	75%

37. Comparing the functions per Law 97 and tasks per MoLG guidelines between VCs and the municipality suggests a remarkable difference: while VC's task coverage does not differ much from the numbers of functions they provide, the municipality D task coverage soars in comparison with the numbers of functions provided. VCs seem to be implementing functions with far fewer implemented tasks compared to the municipality, at least in the observed case of Deir Istia. A more detailed review of the differences is provided in table 8 below, comparing task coverage of Qufor Dan (large VC) and Deir Istia (municipality D).

Table 8. Comparison of tasks by surveyed VC and Municipality D

Task category	Tasks covered by Qufor Dan	Tasks covered by Deir Istia
Planning /construction	<ol style="list-style-type: none"> 1. Monitoring of building construction 2. Monitoring of building demolition, alteration, restoration 3. Licensing of construction 4. Determining/allocating locations and size of building 5. Determining/calculating ration of building and land 	<ol style="list-style-type: none"> 1. Paving and cancellation of streets 2. Marking/adjusting street alignments 3. Construction and rehabilitation of sidewalks 4. Prevention of encroachments 5. Monitoring/inspection of buildings construction 6. Monitoring/inspection of buildings demolition, alteration, and restoration 7. Licensing for the above mentioned 8. Determining/allocating locations and sized of buildings 9. Determining/calculating ration of building to land
Public health /safety	<ol style="list-style-type: none"> 1. Transfer and disposal of solid waste 2. Preservation of cemeteries 	<ol style="list-style-type: none"> 1. Street cleaning 2. Supplying population with drinking water 3. Supplying population with water for other uses 4. Determining specifications for meters and pipes 5. Organization of water distribution 6. Determining fee structure and prices for water 7. Solid waste and garbage collection from households, markets, and streets (JSC) 8. Transfer and extermination of garbage/solid waste (JSC) 9. Monitoring of the behavior of households and merchants vis a vis organizing sold waste disposal 10. Abatement of pest, rodents, reptiles, mosquitoes and other insects 11. Organizing and inspection of restaurants and cafes 12. Demolition of harmful buildings
Administration /finance	<ol style="list-style-type: none"> 1. Endorsement of annual budget 2. Endorsement of closing accounts 3. Management of VC building 4. Management of financial assets 5. Acceptance of donations 	<ol style="list-style-type: none"> 1. Issuing warnings to owners/agents of buildings intended for demolition 2. Endorsement of Annual budget 3. Preparation and endorsement of the closing accounts 4. Management of local council buildings 5. Management of local council financial assets 6. Construction of buildings needed for the local council 7. Acceptance of gifts, wills, donations
General services	<ol style="list-style-type: none"> 1. Street lighting (maintenance only) 	<ol style="list-style-type: none"> 1. Street lighting 2. Supply of electricity for households 3. Demolition of buildings of at-risk structure
Total Task Number	13 tasks	31 tasks

38. One of the main differences is the availability of **utility services** in the municipality, such as water and electricity, which increases the tasks performed to at least an additional 5 or 6 compared to the VC. Under the category “**Planning/ construction**”, particularly tasks related to civil engineering, both LGUs provide construction permits. However, the municipality covers more sub-tasks while the VC only conducts a minimum range of tasks.

39. The same trend can be observed in the category of “**Public health/ safety**”, particularly for SWM related tasks. The VC Qfar Dan only provides secondary waste collection services through a JSC, but none of the tasks pertaining to waste disposal and public hygiene. The municipality Deir Istia, in contrast, puts a lot of effort in “Public health/ safety” with the number of tasks mounting up to 12 in this single category.

40. Concerning the “**Administration/ finance**” category, both LGUs implement an almost equal number of financial/ asset management related tasks. The interviews revealed that LGUs with utility services have accumulated large debts, especially from the electricity service, which will be examined later.

41. The above analysis suggests that examining the 27 mandatory functions from the Law 97 only is not enough to fully understand differences in local provision between VCs and municipalities; and across VCs. The example of Qfar Dan and Deir Istia reveals that VCs carry out far fewer of the 41 tasks assigned by MoLG, despite almost similar number of functions.

42. In sum, the analysis in this chapter suggests VCs core functions performed regularly include budgeting, licensing, water service and solid waste management. Larger VCs implement more functions than smaller ones, but still much less compared to the municipality D. The service delivery gaps between large VCs and municipality D can be found mainly in the ‘planning/ construction’ and ‘public health’ category.

5 VILLAGE GOVERNANCE AND ADMINISTRATION

5.1 VC governance structure

43. This chapter takes a further look at the 5 LGUs' councils, their administration and their staff situation. It is based on information from the five LGUs provided by questionnaires and during interviews.

44. VCs have a basic assembly structure with regular basis of congregations and recording system. In the VCs and municipality D reviewed as part of this background paper, the number of council members varied from 9 to 11 according to the population size, and all of the VCs apply a quota system for female council representation, which is a requirement by the Local Council Elections Law (Law no. 10, 2005).¹⁷.

45. One main difference is the election of VCs. Village Council members are not elected by popular vote but based on recommendations by representatives of the major clans and families in the villages (acclamations). This finding corresponds to the results of the latest local elections in 2012/2013, where local governments were elected by acclamations in 218 out of 338 LGUs.¹⁸ The 218 LGUS with acclamation were most likely VCs.

Table 9: Result of municipal/ village council assembly

Names	Members (female)	Major Clans	Popular Elections	Elected in:	Meeting Frequency	Minutes
Ein Synia	9 (2)	2	No	2012	By-weekly	available
Wadi Rahhal	9 (2)	5	No	2012	monthly	available
Beit Imrin	9 (2)	4	No	2012	weekly	available
Qufor Dan	11 (2)	3	No	2012	weekly	available
Deir Istia	11 (2)	8	Yes	2012	weekly	available

5.2 VC administrative structure

46. The MoLG has developed an organizational chart covering both municipalities and VCs (see attached in Annex B). Findings from this review indicate that the MoLG does not enforce the preparation and confirmation of organizational charts. For

¹⁷ Local Election Law of 2005, article 17. According to this, the LGU of less than 1,000 does not necessarily set up obligatory quota of 2 female seats, in contrary to the case of Ein Synia.

¹⁸ Central Elections Commission, Palestine (www.elections.ps/tabid/979/language/en-US/Default.aspx).

example, interviews with the 5 LGUs suggest that small VCs do not have a clear organizational chart. More importantly, those VCs do not have permanent staff assigned to all organizational functions. On the other hand, large VCs prepare organizational charts and update them on a regular basis, with departments spanning multiple and/ or permanent staff. The municipality D covered under this review, in particular, does not have an organizational chart. This municipality, in turn, has fixed operating departments with a number of staff adequate to perform its basic functions.

47. All five LGUs included in this review have full or part time accounting staff, which indicates that they are able to fulfill their budgeting and accounting functions. All LGUs also retain basic communication means, such as phones and fax.

Table 10: Overview of administrative features

Names	Organizational Structure		Staff		Others
	Fixed Structure	Office (owned/rented)	Full time	Part time	Communication Means
Ein Synia	N/A	Available (owned)	No	Accountant Fee Collector	phone/fax
Wadi Rahhal	N/A	Available (owned)	No	Accountant Fee Collector	phone/fax
Beit Imrin	Available (annually renewed) 1. Finance	Available (owned)	Accountant Secretary Electric technician Water technician Cleaner (2)	Social worker	phone/fax internet (web site)
Qfar Dan	Available (since 2010) 1. administrative /finance 2. Engineering	Available (owned)	Accountant Collector Civil engineer (2) Social worker	N/A	phone/fax internet (web site)
Deir Istia	N/A 1. Finance 2. Engineering 3. Technical (water/electricity)	Available (owned)	Secretary Collector Utility manager Warehouse manager Accountant Engineer Cleaners(3)	N/A	phone/fax internet

48. Small VCs do not have staff operating in full-time, while the large VCs have resources to hire permanent staff. The municipality D and large VCs are similar in their human resource capacities apart from the fact that the municipality D has a full time Mayor. Another interesting finding is that most VCs, irrespective of the size, hire collectors who visit each household and collect service charges on a door to door basis.

49. Additional findings from the interviews are summarized in the following
- a. All four VCs have their own buildings and basic communication means. However, administrative building were generally constructed with donor-support and not financed by the VCs.
 - b. Large VCs with certain years of operation seem to have rather well established administrative structure, coming close to the municipality D.
 - c. All four VCs have an accountant, full-time or half-time, with at least a few years' experience as CPA.
 - d. Generally, full-time staff work in the office from 8am-2pm, while part-time work on a need basis only.

6 VILLAGE FINANCE

50. This chapter presents VCs' financial situation based on an analysis of 166 VCs' own-source revenues and expenditures in 2010 and in 2011.¹⁹ It presents VCs' revenue sources and provides an overview of VCs' financial position for operations and enterprises, revenues and expenditures. The final section provides specific information from the interviews conducted for this background paper to comprehend VC's practice in expenditure control, debt management, revenue collection, fixed asset management, and accounting.

51. Although only one third of VCs recorded a deficit in 2010 and 2011, overall, VCs' find themselves in a dire financial position. Main reasons include that VCs (i) provide only a few core services, in particular water and solid waste management; (ii) cross-subsidize their functions by non-payments and accumulating arrears from water and electricity consumption owed to Israeli companies; and (iii) development budgets are mainly financed from external sources.

52. A full-fledged analysis of VCs' financial position is practically impossible due to the current accounting practices and lack of key data, e.g., actual amount of debt to Israeli Water and Electricity companies.

53. In principal, VCs have the same revenue sources as municipalities, with exception of the property tax. VCs shall collect ceiling and personal tax, which in practice, however, are hardly collected and only generate about 3% of VCs' revenues. Although VCs are assigned central government transfers, i.e., from transportation tax revenues, funds are transferred irregularly and lack predictability for VCs. Actual allocations vary heavily from year to year and put further strain to VCs' limited financial planning capacity.

6.1 VCs' Budget Document Structure

54. The MoLG made annual budget document submission mandatory for VCs in 2009; hence data on the VCs' budgets is available from fiscal year (FY) 2010 onwards. 166 VCs' executed budget documents were available for this study at the MoLG budget department for the FY 2010 and 2011. The budgetary sheets are identical to the one

¹⁹ This paper defines "own-source revenue" as the revenue sources assigned to Local Government Units (municipalities and village councils) by Local Government Law in 1997. The data source was the executed budget documents available at the Ministry of Local Government (MoLG) budget department.

municipalities are required to use, with minor modifications to reflect a slightly different operating revenue assignments between VCs and municipalities.

55. The VCs' budget document is comprised of 4 accounts: operating, enterprise, development, and accounts payable/ receivable. This background paper focuses its analysis on the accounts which record VCs' own-source revenues, expenditures, operating and enterprise accounts. Operating account's revenues are local taxes; user fees, except for water and electricity; fines, and non-capital grants from the PA and international donors. Operating expenditure is categorized in functions, although with very limited details. Functions are not linked to specific operating revenue sources. The enterprise account is comprised of water, electricity, and unspecified "others" user fees and expenditures financed from the fee revenue.

56. Development accounts' revenue comprises grants for capital investments, predominantly from international donors, and any surplus from operating and enterprise accounts. Reporting in development accounts is limited, although several VCs have been receiving international assistance funds.²⁰ Accounts payable and receivable are not thoroughly reported either.²¹

6.2 VCs' Revenue Assignment: similar to municipalities, yet significantly less actual revenue per capita

57. VCs and municipalities have the same revenue assignments, with a slight difference in operating revenue assignments. The overall similar revenue assignments are the result of a lack in differentiation between municipalities and VCs in the Local Government Law of 1997. The Law does not distinguish between different LGUs.

58. Unlike municipalities, however, VCs are not entitled to property tax revenues – one of the most efficient and important revenue sources for local governments (see Table 12).²² Instead, VCs may collect and retain ceiling tax and personal tax; and can

²⁰ Based on the interview with the MoLG budget department. It is critical to identify the amount, frequently, and the content of international assistance funds VCs have been receiving in subsequent studies.

²¹ Based on the interview with the MoLG budget department. VCs do not fully grasp and/or report the amount of accounts payable as well as accounts receivable, particularly in their non-water, non-electricity arrears. No breakdown of arrears per item (e.g. electricity) was available.

²² Property tax can be applied only within the municipal boundaries. This is specified in the "Jordanian law of 1954 concerning the Land and Building Tax", which gives the only applicable legal background to the tax.

charge fees for agricultural product and cattle inspection. Ceiling tax is levied on every room of each household. Although it could hence be interpreted as a similar tax to property tax, ceiling tax has the disadvantage that no statutory ceiling tax rate is set by the MoLG. In addition, no valuation of village houses and rooms has been conducted systematically to draw the currently implemented annual rate of 7 NIS per room annually²³. The lack of valuations of village houses and rooms, in turn, makes the ceiling tax not buoyant to the local economy.

59. However, in the current administrative setting, the ceiling tax has a potential advantage relative to the property tax given the degree of control VCs can exercise in administering ceiling tax revenues. VCs can collect and fully retain ceiling tax revenue, while property tax has historically been collected by the MoF in West Bank and is subjected to the MoF's interception to offset municipalities' electricity and water arrears to Israeli suppliers. The unpredictability of the amount and timing of the property tax transfer made municipalities' financial management challenging.²⁴

60. Personal tax is levied annually on the villages' individual male residents older than 20 years. No statutory tax rate is set by the MoLG on this tax either, while the actually implemented tax rate seems to be 20 NIS per male resident.²⁵

61. The financial implication of this difference remains to be seen due to the fact that a statutory tax rate is not set for the ceiling and personal Tax; and very few VCs collect both taxes. The VCs' executed budget documents show that only 33 VCs out of the 166 VCs reported their ceiling tax and personal tax in 2010 and 2011.

²³ The 7 NIS rate was observed during this study team's visits to 4 sample VCs (Ein Synia, Wadi Rahaal, Beit Imrin, Qfar Dan).

²⁴ The MoF started to publish the amount of interception per municipality since January 2013 at a quarterly basis. Although this is a significant step, more clarity in the presented information would be needed to make the publication usable for municipalities and their stakeholders.

²⁵ The implemented rate was drawn based on this study's visits to 4 sample VCs above.

Table 11: Local Government Units' (municipalities and VCs) revenue assignments (Local Government Law, 1997)²⁶

Category of revenue source	Collection and Retention	Village Councils	Municipalities
Taxes	By LGUs (VCs and Municipalities)	- Ceiling tax - Personal tax	
	By PNA (transferring the revenue to LGUs after deducting its management fee or share)	- Transportation tax (Ministry of Transportation (MoT) 50 %, VCs 50%.	- Transportation tax (MoT 50 %, Municipalities 50%. - Property tax (MoF 10%, Municipalities 90% share)
Service Fees	By LGUs (VCs and Municipalities)	- Crafts and Industrial Fees - Agriculture product and cattle inspection fees - Building License Fees - Official Document preparation - Signboard fees - Rents from village-owned properties - Village Fines - Electricity - Water - Solid Waste - Waste Water - Slaughterhouse - Vegetable market - Public parking - Kindergarten - Primary health clinic	- Crafts and Industrial Fees - Building License Fees - Official Document preparation - Signboard fees - Rents from municipality-owned properties - Municipal Fines - Electricity - Water - Solid Waste - Waste Water - Slaughterhouse - Vegetable market - Public parking - Kindergarten - Primary health clinic
	By PNA (transferring the revenue to LGUs after deducting its management fee or share)		- Profession Permit Fees (MoF 10%, Municipalities 90 %)

62. On the actual collection of own-source revenues (sum of operating and enterprise revenues), the VCs reported significantly less own-source revenue per capita than municipalities. Municipalities' per capita own-source revenue was more than twice

²⁶ The law does not specify the items under "user fees". This study interviewed the MOLG to list operational details.

that of VCs' in 2010 and 2011.²⁷ In 2011, the VCs' per capita own-source revenue was 196 NIS, while municipalities' per capita own-source revenue was 412 NIS. In 2010, the VCs' per capita own-source revenue was 215 NIS, while municipalities' per capita own-source revenue was 515 NIS.

6.3 VCs' Own-Source Revenue Account: deficit or misleading surplus?

63. Out of 166 VCs whose executed budget data was available in 2010, 56 VCs had a deficit in the total own-source revenue account (operating account balance plus enterprise account balance). The number of VCs with deficit shrank to 49 in 2011. The indebted VCs allegedly delay their payments to suppliers and use any significant user fee revenues such as electricity and water to cross-subsidize non-electricity and non-water related payments.²⁸

Table 12: Own-source revenue account balance – aggregate of 166 VCs

	FY 2010			FY 2011		
	Revenue	Expenditure	Balance	Revenue	Expenditure	Balance
Operating Account (Op)	15,121,045	23,466,143	-8,345,098	21,062,204	24,396,373	-3,334,169
Enterprise Account(En)	85,780,835	66,114,294	+19,666,541	68,872,293	53,196,961	+15,675,332
Total Own –Source Account (Op+En)	100,901,880	89,580,437	+11,321,443	89,934,497	77,593,334	+12,341,163

64. However, the remaining VCs' surplus does not necessarily reflect good fiscal health, but could be the simple reflection of limited services provided. According to the expenditure items which could be observed in the budget documents, 135 VCs provide only up to 3 services (electricity, water, and solid waste) in 2010 and 119 VCs in

²⁷ 95 municipalities' budget documents, whose executed budget data was available at the MOLG, were analyzed for this purpose.

²⁸ Based on the interview with the MOLG budget department. A future study will be needed to identify the way VCs without any significant user fee revenues (e.g. electricity and water) have been financing their debts.

2011.²⁹ In 2010, 31 VCs provided only solid waste services, compared to 47 VCs in 2011 (see table 13).

Table 13: VCs’ major services to their citizens, from FYs 2010 and 2011

Number of VCs which provided services, out of 166 VCs	FY 2010	FY 2011
Solid Waste primary collection	158	159
Water	117	108
Electricity	94	77

Source: FY 2010 and 2011 executed budget documents, operating and enterprise expenditure sheets.

65. VCs’ total own-source revenue account surplus should also be discounted given the fact that VCs have been accumulating arrears to Israeli electricity and water suppliers. Historically, VCs have not been fully paying their bills for electricity and water purchases from Israeli suppliers.³⁰ VCs’ arrears to Israeli suppliers trigger a Net Lending process – where Israeli authorities deduct the Palestinian VCs’ electricity and water arrears from the national transfer revenues (usually from customs) due to the PNA; and the PNA in turn applies an interception against VCs’ transportation tax revenue share. For municipalities’ Net Lending, the PA uses property tax and profession permit fee revenues as sources for such interception. While the PA started to publish its interception amount to municipalities’ property tax and profession permit fee revenues since January 2013, no equivalent information of the interception exists for VCs’ transportation tax in public documents as of January 2014.

66. Another critical factor which enabled the VCs’ surplus is the exclusion of capital expenditures from both operating and enterprise accounts. The VC finance stakeholders believe that the VCs’ capital expenditures are only possible by the grants from international donors and the PA due to their scarce own-source revenues.³¹ As per MoLG guidance, capital expenditures enabled by grants from external sources, predominantly international donors, are to be reported in the development sheet of budget documents, opposed to the operating or enterprise sheet. However, as VCs rarely fill the development sheet of budget documents, additional qualitative research would be required to understand VCs’ capital expenditure financing.

²⁹ Solid waste service’s exact revenue and expenditure is unknown, as it is categorized under “health expenses” in operating account without any disaggregation. The claim is based on an observation during this study team’s visits to 4 VCs and an interview with the MoLG budget department.

³⁰ A future follow-up study needs to identify whether all of the VCs have been receiving bills from the Israeli suppliers. The four VCs visited by this study testified that they had never received bills.

³¹ Based on interviews with international donors, the MoLG budget department, and the 4 VCs visited.

6.4 Operating Account Deficits: major driver of the total own-source revenue account deficit

67. The overall own-source account deficit (operating account balance and enterprise account balance) was driven predominantly by the deficit in VCs' operating accounts. The number of VCs with operating account deficit was 129 in 2010 out of the 166 VCs with available data for this study, and 96 in 2011. In aggregate of the 166 VCs, the operating account was in a significant deficit in 2010 (8,345,098 NIS) – at the level of 36 % of 2010 operating expenditure and 56 % of 2010 operating revenue. Although the annual operating deficit decreased drastically in 2011, at 3,344,169 NIS is still remains significant. The 2011 annual operating account deficit was at the level of 14% of 2011 annual operating expenditure and 16% of 2011 annual operating revenue.

68. The significant operating deficit decline was predominantly the result of a 500% increase in transportation tax revenues transferred to VCs from the Ministry of Transportation (MoT) via MoLG in 2011. As a consequence, VCs' operating revenue per capita more than tripled in 2011, reaching the level of 113 NIS from 32 NIS in 2010.

69. Meanwhile, VCs' operating expenditure per capita increased by 6% from 50 NIS in 2010 to 53 NIS in 2011. To better understand the cause of this operating expenditure increase and manage the expenditure growth, this background paper recommends that VCs' solid waste management related revenues and expenditures be made explicit. They should be moved from the operating account to a separate enterprise account in the budget documents with a service-by-service breakdown of revenue and expenditure. Solid waste management's relatively large revenue and expenditure distort the overall operating account, as the following operating revenue and expenditure sections will illustrate. Providing more details on the services financed from the operating revenues in the operating sheet of the budget documents would also be crucial to increase efficiency in the operating account.³²

³² In the same manner as municipalities, VCs' operating expenditure is currently categorized into following functions; General & Administration, Health (most likely solid waste is a hidden item in this category), Education, Loans & Contribution, General Services. More explanations are available in "Operating Expenditure" section.

6.5 Operating Revenue: slim tax revenue, dependency on user fees and unreliable tax revenue transfer from the PA

70. VCs' operating revenues are comprised of local taxes, fees, and fines (table 14). Between 2010 and 2011, operating revenues grew by 39 %, predominantly due to a sudden increase of transportation tax revenue.

Table 14: Summary of VCs operating revenue for FYs 2010 and 2011

Revenue Source	FY 2010(NIS)	%	FY 2011(NIS)	%
User charges (predominantly Solid Waste Management Fees)	5,752,669	38.04	5,774,054	27.41
Fees (licensing, paperwork)	3,269,009	21.62	3,817,581	18.13
Others (VC assets' rental and donations from the community)	2,588,329	17.12	2,836,785	13.47
Grants from the PA and international donors (non-capital) ³³	1,590,782	10.52	664,962	3.16
Transportation Tax	1,433,163	9.48	7,359,506	34.94
Ceiling Tax and Personal Tax	478,459	3.16	532,989	2.53
Loans	8,544	0.06	76,327	0.36
Total Revenue	15,121,045	100.00	21,062,204	100.00

Source; the MoLG budget department

71. The VCs' operating revenue data illustrate a fairly high dependency on user charges, which is believed to be predominantly solid waste management fees.³⁴ Given the magnitude of solid waste management related revenue and expenditure, the inclusion of solid waste management fees into the operating account significantly distort the VCs' operating revenue potential and actual realization data.

72. Once the solid waste management fees are properly re-categorized under enterprise, the biggest operating revenue source becomes transportation tax, considering the transferred tax amount remains at a level similar to 2011. Licensing and paperwork fees include revenues from licensing of agriculture products, industries and crafts,

³³ Governmental aid and international donation (non-capital) is regularly recorded by VCs in the operating revenue budget sheet, although no such revenue is assigned to VCs by Local Government Law in 1997.

³⁴ Water and electricity user fees are recorded in the enterprise sheet of the budget documents. Major and at times only user fees reported under "User charges" is solid waste management fee, according to the MoLG budget department.

ratification of transactions/ paperwork, and building. The second biggest operating revenue categories are revenues from VCs' assets rental and donations from the local community. Given VCs' significantly lower per capita revenue compared to municipalities, it is possible that VCs have been trying to sustain their limited services by renting out assets provided by international donors in the past, as well as seeking local communities' own contributions. Further research is needed to identify community contributions' usage, viability, and sustainability, in addition to qualitative research to better understand VCs' capital investments.

73. Usually, tax revenues are an important revenue source for local governments to provide public services for which no user fees can be charged, such as local roads or social services. However, VCs' tax revenues in aggregate make up only 12.64 % of the total operating revenue in 2010, despite a significant increase to 37.47 % in 2011 from the upsurge in transportation tax revenues.³⁵

74. VCs are particularly dependent on transportation tax revenues. This dependency, however, only adds to the vulnerability of VCs' finances due to the lack of transparency and predictability in the transfer mechanism. By law, transportation tax is collected by the PA which retains 50 % of the total collected amount before transferring the remaining 50% to the VCs. In reality, however, the PA intercepts a part of the collected revenue to make VCs indirectly remit Net-Lending without disclosing the interception and remaining arrears' amount per VC.

75. The transportation tax revenues' allocation mechanism among VCs is equally unclear. No information is available to understand based on which principles the 50% share is being allocated across VCs. The MoLG has been updating its "transfer criteria" annually, according to each year's socio-economic situation. However, the criteria, allocation amount per VC, and timing are not revealed to VCs in advance. No consultation takes place with any other stakeholders beyond the MoLG.³⁶ This practice makes VCs' financial management extremely challenging. In addition, it appears that the MoF also transfers a certain amount to VCs directly under the name of transportation tax, while allocation criteria and timing remain equally unknown.³⁷

³⁵ The reason of this sudden increase could not be attained by this study.

³⁶ The "Criteria" for FY2010 allocates 75% of the entire revenue to population sizes, 10% for the purpose of encouraging amalgamation, another 10% for municipalities in financial crisis and 5% for Jerusalem LGUs. The entire revenue in FY2010 is 133,216,717.04NIS. For 2012 and 2013, it seems like no amount has been transferred to the LGUs due to PAs financial crises.

³⁷ Based on the interview with the MoLG budget department.

Those two channels of transportation tax transfers are not harmonized. In FY 2010, only 34 out of 166 VCs reported transportation tax receipts in their budget documents, In 2011, this number increased to 93.

76. While VCs have two taxes (personal tax and ceiling tax), which they can collect and retain directly, only 33 out of the 166 VCs reported revenues from ceiling tax and personal tax in 2010 and 2011.

6.6 Operating Expenditure: no significant services except for solid waste management

77. VCs' operating expenditure grew less than operating revenues, i.e., only 8% from 2010 to 2011. To identify the major driver of this growth, however, the current functional categorization of operating expenditures in the budget documents is not helpful. Expenditures are categorized at an aggregated level, including "General and Administrative Expenses" and "General Services", with the exception of "Health and Solid Waste Management" and "School Rehabilitation" expenditures. According to the MoLG budget department, General and Administrative Expenses include salaries for staffs working for unspecified services, stationaries, advertisement, and unknown maintenance items. General Services include maintenance cost for VCs' assets.

78. 'General and Administrative Expenses' is the largest operating expenditure category in both 2010 and 2011. Expenditure under this category accounted for up to 35 % and 38 % of respective year's total operating expenditure; and grew by 13 % from 2010 to 2011. The largest expenditure in this category is estimated to be salaries.³⁸ However, the specific break-down of services provided under this category cannot be derived from the budget document. The second biggest expenditure category, solid waste management, accounted for 27 % and 31 % of the respective year's total operating expenditure and increased by 19% in 2011. The third biggest expenditure category was maintenance cost for VCs' assets, equivalent to 27% of the total operating expenditure in 2010 and 21% in 2011. The capital investments needed for such assets are believed to have been financed predominantly from international donors.³⁹

79. A more accurate and comprehensive understanding of expenditure needs is required to improve expenditure management and increase operating efficiency. As stated earlier, in particular solid waste management expenditures should be made

³⁸ Based on the interviews to the 4 VCs, as well as the MOLG budget department.

³⁹ Based on the interview with the MoLG budget department. The observation could not be verified by the budget document, due to the incomplete reporting in its development account sheet.

explicit and reported under the enterprise account. Second, the budget document categorization in the operating expenditure should become more detailed to provide a clear picture of services financed from operating revenues.⁴⁰

Table 15: Summary of VCs operational expenditure for FYs 2010 and 2011

Expenditure Source	FY 2010(NIS)	%	FY 2011(NIS)	%
General and Administrative Expenses (Salaries, stationary, advertisement etc.)	8,153,699	34.75%	9,214,228	37.77%
Health care and solid waste ⁴¹	6,314,110	26.91%	7,506,225	30.77%
School rehabilitation ⁴²	1,961,825	8.36%	1,703,106	6.98%
Loans/Contribution	752,414	3.21%	803,997	3.30%
General services (maintenance cost of VCs' assets)	6,284,095	26.78%	5,168,817	21.19%
Total Expenditure	23,466,143	100%	24,396,373	100.00%

Source; MoLG's budget department

6.7 Enterprise Account Balance: deceiving surplus on water and electricity accounts

80. VCs' enterprise account is comprised of water, electricity, and "other enterprises" categories. 139 out of 166 VCs reported water or electricity revenues and expenditure in 2010, compared to 117 VCs in 2011. Only a handful of VCs reported any data in "other enterprises" categories, i.e., 20 VCs in 2010 and 17 VCs in 2011 – indicating a limited menu of enterprises VCs deliver in general.

81. VCs' water and electricity accounts recorded an aggregate surplus for 2010 and 2011 (table 16). However, the enterprise surplus was achieved only in the context of the

⁴⁰ In the same manner as municipalities, VCs' operating expenditure is currently categorized into following functions; General & Administration, Health (most likely solid waste is a hidden item in this category), Education, Loans & Contribution, General Services. More explanations are available in "Operating Expenditure" section.

⁴¹ Although the category says "health and solid waste", the MoLG believes that it is predominantly solid waste expenses. Healthcare related expenses (rehabilitation of clinic, equipment and staff) are usually provided by the Ministry of Health, not through LGUs.

⁴² School rehabilitation is financed from education tax (7% of property tax). Education tax is not LGUs' own-source revenue as it is collected, retained, and spent only for the purpose of school rehabilitation by an education committee (comprised of Ministry of Education and LGU representatives).

VCs' chronic underpayment of bills from Israeli electricity and water suppliers, as well as the exclusion of water and electricity capital investment expenditures from the enterprise account.⁴³ VCs have been indirectly paying for their electricity and water arrears through the transportation tax intercept imposed by the PA. However, adding this payment amount to the enterprise expenditure is impossible due to the lack of information regarding the outstanding amount of arrears and the interception per VC. If those hidden expenditures are added to the enterprise expenditure data, the true balance of the water and electricity accounts might as well be deficit.

82. VCs' enterprise accounts also illustrate the potential significance of water and electricity user fee revenues as a share of total own-source revenues—particularly electricity revenues. The aggregate revenue amount from water and electricity user fees reached more than 5 times of the total operating revenues in 2010. Although the aggregate revenues decreased in 2011, by 24 % for electricity and 6 % for water, the total revenue from water and electricity was still 3 times higher than the total operating revenue in the same year.⁴⁴ The decline of electricity revenues coincided with a decline in electricity expenditures and can be explained as a reflection of the electricity service transfer from some VCs to electricity utilities.⁴⁵

Table 16: Water and Electricity Account Data – from Enterprise Sheet of Budget Documents

	FY 2010		FY 2011	
	Water	Electricity	Water	Electricity
Number of implementing VCs	118	95	115	83
Total revenue (NIS)	18,755,108	67,155,527	17,566,687	51,305,606
Total expenditure (NIS)	18,516,900	47,597,394	16,335,432	36,908,399
Balance	238,208	19,558,133	1,231,255	14,397,207

⁴³ According to the MoLG budget department, capital investments necessary for VCs' water and electricity operations were historically financed from external donors' funds. Such expenditure was to be recorded in the development sheet of the budget document, yet most of the VCs do not fully fill in the sheet.

⁴⁴ The total revenues from water and electricity are 86,438,790NIS in FY 2010, and 73,421,449NIS in FY 2011. These figures are far larger than the operating revenues for both FY, i.e. 15,309,343NIS for FY 2010 and 22,402,055NIS for FY 2011 (table 13 and 14).

⁴⁵ This assumption is based on interview with the World Bank's electricity project in West Bank and Gaza. The assumption could not be verified due to the unavailability of the list of VCs and municipalities which transferred their water and electricity services to utilities.

6.8 VCs' Financial Practice: findings from 4 VCs and 1 'Category D' municipality

83. As explained earlier, 4 VCs and 1 category D municipality were interviewed to obtain insights into VCs' day to day financial management practices. All interviewed VCs and the municipality only had rudimentary expenditure control systems in place. All hold bank accounts under their official name and have a working "Financial Committee" to co-sign all bank transactions, keep the records for bank deposits, and make LGUs' financial account information available to the public upon their visits.

84. The VCs and the municipality D presented significant constraints to conduct proper debt management. Although all were able to present the item and amount of arrears and debt, their electricity arrear figures' accuracy was compromised due to the fact that none of them have ever received direct invoices from the Israeli Electricity Company. Historically, their electricity arrears have been notified unilaterally by the MoF. Interviewed VCs explained that they have been taking some long term measures to pay back arrears in installments. Given the magnitude of arrears and limited available revenues, VCs has also hoped the PA would support arrear reduction in an organized repayment scheme. VCs use a cash based accounting system for other, non-water and non-electricity arrears. Hence, they are not in a position to systematically track those debts.

Table 17: VCs and category D municipality' Financial organization

Names	Account name	Financial Committee	Current Balance	Debts amount
Ein Synia	VC	Available	5,000JD	15,000NIS for SWM(JSC)
Wadi Rahhal	VC	Available	0	1mNIS(water)
Beit Imrin	VC	Available	170,123NIS 100,000\$	1.5mNIS (75% electricity, 25% Water)
Qfar Dan	VC	Available	150,000NIS	6.1mNIS (electricity)
Deir Istia	Municipality	Available	150,000NIS	1.5mNIS (66% electricity, 34% water)

85. In terms of revenue collection, none of the 4 VCs collected ceiling and personal taxes. The reason was explained with the current financial distresses among village residents. Although VCs do not collect those taxes, they still seek financial contributions from village residents to contribute to financing specific investment projects, e.g., renovation of public buildings and local roads. It should also be noted that the category D municipality collects both ceiling tax and personal tax. However, the municipality intends to cease ceiling tax collection once their fiscal cadaster is completed and property tax collection starts in their jurisdiction by the MoF.⁴⁶

⁴⁶ According to 1954 Jordanian Law on tax for lands and buildings, in order for the municipality to collect the property tax, fixed land registries is needed within the municipal boundary and properties must be valued.

Table 18. Main revenue sources⁴⁷

Names	Taxes	Operating Revenue	Enterprise Revenue⁴⁸	Others
Ein Synia	N/A	Resident certification /birth certificate	Solid Waste Management (SWM)	N/A
Wadi Rahhal	N/A	Ratification/transaction	Water SWM	N/A
Beit Imrin	N/A	Industry/Craft licensing (though not by law VC revenue) Ratification/transaction Street cleaning	Water Electricity SWM	Rent of VC bldg space Donations
Qfar Dan	N/A	Building licensing piggy-back fees to the ministry's license fees Industry/Craft licensing Ratification/transaction Transportation fee (from MoT, when it is received)	SWM	Rent of VC bldg space Donation
Deir Istia	Ceiling Personal Education	Building licensing Industry/Craft licensing Ratification/transaction	Water Electricity SWM	Tender doc /advertisement

86. Overall, the LGUs interviewed for this background paper have only limited assets with almost no engineering equipment. The two small VCs did not have any VC asset registry, while larger VCs and the category D municipality had a basic, hand-written one.

87. All of the interviewed LGUs have 1 accounting staff per LGU with a CPA certification. However, smaller VCs' accounting staff worked part time staff (2 to 3 days per week), while larger VCs and the category D municipality had full time accounting staff. All used a cash based accounting system, with the exception of water

⁴⁷ This is not based on the actual budget data verifiable in the budget document, but interviews.

⁴⁸ Although Solid Waste Management fee revenue is classified as an operating revenue item in budget documents, this study moved it to the enterprise to present more accurate picture of operating revenue.

and electricity accounts for which they used a modified accrual system based on the guidance from the MoLG.

Table 19: Asset management/accounting systems

Names	Fixed Assets Management		Accounting System		
	Asset register	Tangible assets	Software	Auditing	Accountant availability
Ein Synia	N/A	VC building (1), furniture, electric device	Available (cash base)	N/A	1 person, part time
Wadi Rahhal	N/A	VC building, land (1.5d), furniture, electric device	Available (cash base)	N/A	1 person, part time
Beit Imrin	Available (simple handwritten list)	VC bldg, furniture, electric device	Available (cash base)	N/A	1 person, full time
Qfar Dan	Available (simple handwritten list)	VC bldg(2), Land (empty), Tractor (1), vehicle (1), furniture, electric device	Available (cash base)	N/A	1 person, full time
Deir Istia	Available (simple handwritten list)	Municipal building (2), land (municipality, parking), electric device, furniture	Available (cash base) ⁴⁹	N/A	1 person, full time

⁴⁹ They, however, use modified accrual system only for water and electricity.

7 INTER-GOVERNMENTAL RELATIONS

7.1 Joint service provision

88. The review for this background paper suggests that no VCs provide services jointly with neighboring municipalities, apart from the fact that from time to time VC citizens travel to the nearest municipality to receive selected central governmental services not available in villages, e.g., health, education, and agriculture. During the interviews VC officials indicated little to no interest in entering joint service provision schemes. They also indicated that municipalities would be reluctant to cooperate with smaller and less functional LGUs.

89. At the same time, all VCs interviewed for this paper are members of at least one JSC. SWM is the most common function provided by the JSC which collects and hauls waste to the transfer station or disposal sites located outside the VCs' boundaries. Other joint functions provided by JSCs include water supply and planning & development—quite common functions amongst JSCs in general. A desk review of available documents⁵⁰ conducted for this paper indicated the following functions are also provided by a large number of JSCs:

- a. Building licensing
- b. Road/infrastructure maintenance
- c. Waste water treatment

7.2 Perception of amalgamation policy

90. Apart from Qufor Dan, the interviewed VCs indicated a generally positive attitude to more consolidated arrangements, including MoLG's amalgamation policy. However, all VCs stressed the importance of taking preliminary steps before amalgamating or 'merging' to form larger LGUs, i.e., forming JSCs to build trust and allow time to practice cooperation and actual joint service delivery.

91. However, important concerns were raised during the interviews, including:

- a. LGUs want to maintain their original identity;

⁵⁰ Reports documents on JCs baseline survey by MoLG's JC department (2009)

- b. Smaller LGUs are concerned about having less representation in the municipal council because of the smaller population;
- c. Larger LGUs are concerned about smaller LGUs' capacities and the associated extra financial/ administrative burden.

Table 20: LGUs perception on consolidation approaches

Names	Joint services with upper LGs/JSCs		Perception of 'amalgamation'
	Municipality	JSC	
Ein Synia	No	SWM	Conditionally positive; with certain years of building trust via JSC
Wadi Rahhal	No	SWM	Conditionally positive; with certain years of building trust via JSC
Beit Imrin	No	SWM Planning/Development Management of parks Sewage (in process)	Conditionally positive; with certain years of building trust via JSC
Qufor Dan	No	Water SWM	Negative

7.3 JSCs experience to date: are they functional and effective?

92. A desk review of available documents⁵¹ and interview findings reveal that most active JSCs are service oriented; and the most common functions provided are utility type of services, i.e., SWM, water supply and waste water. There are several successful cases of regional (governorate, or cross-governorates level) JSCs of SWM, or sub-regional JSCs of water services, all of which have a potential for privatization or transforming into utility companies, but hardly for merging into new municipal entities because the original context of such JSCs is simply to increase the scale economy and the efficiency of certain services.

93. There have been various attempts and investments to promote joint service delivery approaches to achieve economies of scale, regardless of their intention to contribute to amalgamation initiatives or not⁵². However, findings suggest that most

⁵¹ Various data and task documents from MoLG's department of JCs.

⁵² E.g. : Village and Neighborhood Development Project financed by the World Bank, Local Government Infrastructure Project (USAID), Improvement of Solid Waste Management in the West Bank

have not yet achieved the outcomes intended by MoLG's amalgamation policy. Nevertheless, important lessons learnt can be derived from the joint planning and community facilitation/ mobilization initiatives. Some of these lessons are already being re-examined by various donors and MoLG⁵³.

94. A common tool of these projects is the introduction of "Joint Projects", which are preconditions to access and co-manage funds by two or more VCs. During the present review, the team visited a typical case of JSC in the north of the West Bank, which was originally established within the scope of the VNDP's project activities. This case revealed that member VCs had no intention or interest in conducting "Joint Projects". Findings also suggested some duplication of "Individual Project", which may be the result of VCs limited capacity to develop project proposals for joint initiatives; the fact that localities are too dispersed; or a lack of interest⁵⁴.

95. At the same time, stakeholders acknowledged the importance of community mobilization, which reportedly contributed to enhancing community participation in various village activities and played an important role in raising awareness of local service delivery issues—in particular in the case of the Bank supported VNDP. Usually at the project implementation level, the main role of a community mobilizer is to make sure that relevant stakeholders participate in the planning and implementation process, including for "Joint Projects" with VCs and/ or JSCs. However, findings suggest that mobilizers' impact on communities and VCs may offer lessons for the potential role in village development, and hence, technical assistance to VCs.

(JICA), Local Development Program III (Danida) and Local Government Reform and Development Program (BTC).

⁵³ Currently there is an initiative centered by MoLG's planning dep. to develop rather simpler format of strategic planning tool for VCs in line with SDIP.

⁵⁴Please refer to " Mid-term Evaluation report of Village and Neighborhood Development Project (March 11)" and documents from the project "Improvement of Local Governance System in Palestine " financed by JICA.

8 ANNEX A: METHODOLOGY

1. Given the scarcity of formal documentation and data limitations, the present study depends primarily on information gained by questionnaires and interviews with 5 LGUs. For analyzing the financial aspect, the study depends on the data kindly shared by MoLG's budget department. The data includes the executed budget of FY 2010 submitted by 174 VCs, and FY 2011 by 180 VCs.

2. The 5 LGUs do not pretend to reflect a representative sample, thus the selection of 5 LGUs was deemed appropriate to compare core functions and administrative structure of typical LGUs of (i) different size; (ii) capacity; and (iii) geographic location. 4 VCs of different population size were compared to one category D municipality, as the next closest comparator in the Palestinian LGU system.

Table 21. Selected Villages in the sample

#	Type of VCs	Selected Numbers
1	Population above 5,000	1
2	Population between 4,999 – 3,000	1
3	Population between 2,999 – 1,000-	1
4	Population below 999	1
5	Municipality D (population below 5,000)	1
	Total	5 LGUs

3. The 5 LGUs were selected in consultation with the MoLG, and based on the following criteria: (i) two relatively small size VCs, (ii) two relatively large size VCs, and (iii) a municipality D from locations in different parts of the West Bank.

4. The selection also avoided participation of newly elected village officials as they might not be appropriate as subjects of interviews due to their presumably limited knowledge about VCs operations. The following table shows the basic profile of sampled LGUs.

Table 22: The basic profile of surveyed LGUs

Names	LGU Type	Governorate	Population	Households	Establishment
Ein Synia	VC	<i>Ramallah</i>	812	130	1996
Wadi Rahhal	VC	<i>Bethlehem</i>	1,606	300	1996
Beit Imrin	VC	<i>Nablus</i>	3,131	520	1964

Qufor Dan	VC	Jenin	5,788	962	1965
Deir Istia	Municipality D	Salfeet	3,335	700	1971

Source: Population: PCBS. Number of households: Interviews with VCs.

5. The two relatively small size VCs, Ein Synia, Wadi Rahhal, (Small VCs) were established in 1996, whereas the establishment of two other relatively large size VCs, Beit Imrin, Qufor Dan, (Large VCs) and the municipality D (Deir Istia) dates back to mid 60's.

6. All five LGUs were visited and interviews were carried out by a team of Bank and MoLG staff following a standard questionnaire. Actual inscription of the questionnaires was conducted based on face-to-face interviews with selected VCs' officials, rather than mere exchange of electronic communication such as emails and faxes.

9 ANNEX B: QUESTIONNAIRE ON NEW VILLAGE DEVELOPMENT PROGRAM

<Questionnaire>

1. Administration

1-1 About the council assembly

q-i. Does the village have a council assembly?

Yes/No

q-ii. If it does, how many assembly members are there? (how many women?)

q-iii. If it does, how often does the assembly take place?

Once in a week a month few month half a year a year irregular

q-iv. When assembly takes place, is there usually a written minutes prepared?

Yes/No

q-v. If the assembly meeting doesn't take place, what do you think is the main reason?

Lack in leadership of the VC

Assembly members are busy with other choirs

There simply no needs for this

Others; (specify;)

q-vi. How were these assembly members selected?

election nomination by MoLG

nomination by village communities (without election)

others (specify;)

1-2 About the organizational structure

q-i. Does the village have a complete organizational structure?

Yes/No

q-ii. Does the village have a permanent office?

Yes/No

- If yes, is this a rented office? or owned office?

rented

owned

other (specify; _____)

- If not, where is the provisional office or assembly space?

(specify; _____)

q-iii. What sort of administrative departments does the village have? (select from the followings)

- Administrative Finance/budgeting Services Engineering/projects Planning
 Public relations Cultural IT others (specify; _____)

q-iv. How many staff does each department have? (Mention the department to which each belong)

- a. (department) _____ (number of staff)
b. (department) _____ (number of staff)
c. (department) _____ (number of staff)
d. (department) _____ (number of staff)

q-v. What are the major means of communications of the village office?

- telephone fax internet others (specify; _____)

2. Functions/Services

2-1 About the types of functions/services

q* Please write down the types of services that the village conducts. (simple version)

q** Please choose from the followings, the types of services the village conducts (specific version) and its mode of operations;

Local Government Functions (Article 15, 1997 Local Government Law)	Answer (check)		Mode of Operations (check)			
	Yes	No	by village	outsourcing	by JC	others
1. Planning and construction licensing						
▪ Town and streets planning (master plan and/or investment plan)						
▪ Building and construction permits						
2. Infrastructures and service provision						
▪ Water supply						
▪ Electricity distribution						
▪ Sewage						
▪ Roads						
▪ Public parks						
▪ Public markets						
▪ Public stores						
▪ Sports and cultural institutions						

▪ Flood and disaster prevention						
▪ Stations for public transportation means						
▪ Cemeteries						
▪ Maintaining hygiene						
▪ Monitoring public health and taking necessary measures						
▪ Demolition of buildings						
▪ Taking care of beggars (& banning begging)						
3. Regulation						
▪ Regulating crafts and industry						
▪ Regulating peddlers and vendors						
▪ Regulating advertisements						
▪ Regulating hotels						
▪ Regulating animals						
▪ Licensing dog ownership						
▪ Regulating weights and scales						
4. Administration						
▪ Preparing and executing budget						
▪ Administrating public properties						
5. Others						
(specify)						
(specify)						
(specify)						

2-2 About the spatial planning

q-i. Has there ever been any land registration activities?

Yes/No

q-ii. Does the vc have a zoning/spatial plan?

Yes/No (if yes, verify with zoning map or areal photo)

q-iii. If yes, when was the latest zoning/spatial plan prepared?

q-iv. If yes, was the plan approved by the MoLG?

3. Human Resources

3-1 Paid employees

q-i. How many paid employees does the village hire?

q-ii. Please specify the job titles/descriptions, working hours, and years of experience of above mentioned employees.

	Job titles/descriptions	Working hour	Years of experience
--	-------------------------	--------------	---------------------

Employee #1		am/pm - am/pm	years
Employee #2		am/pm - am/pm	years
Employee #3		am/pm - am/pm	years
Employee #4		am/pm - am/pm	years
Employee #5		am/pm - am/pm	years
-		am/pm - am/pm	years
-		am/pm - am/pm	years

3-2 Voluntary staff

q-i. How many voluntary staff does the village have?

q-ii. Please specify the job title and job description of above mentioned voluntary staff.

	Job titles/descriptions	Working hour	Years of experience
Voluntary staff #1		am/pm - am/pm	years
Voluntary staff #2		am/pm - am/pm	years
Voluntary staff #3		am/pm - am/pm	years
Voluntary staff #4		am/pm - am/pm	years
Voluntary staff #5		am/pm - am/pm	years
-		am/pm - am/pm	years
-		am/pm - am/pm	years

4. Financing

4-1 Bank account

q-i. Does your village have a bank account?

Yes/No

q-ii. If yes, under which bank holder's names among the followings is it registered?

- VC name
- Individual's name (such as village head or council member)
- others (specify; _____)

q-iii. In case of individual account, does the account have separate division for village account?

- yes, there is a separate division for village account
- no, it's managed all together

4-2 Assets

q-i. How much money does the village bank account have currently? (irrespective of under village/individual name)

(NIS/ \$ / Jordan Dinar)

q-ii. What are the sources of income for the village? Please choose from the followings;

Types of Income	Answer (Check)		Manner of collections (check)			
	Yes	No	Bank transfer	VC collectors	Voluntary	Others (specify)
Taxes						
Ceiling tax						
Personal tax						
Education tax						
Fees						
Building licensing						
Industries and crafts						
Cleaning fees						
Billboards/Signs						
Agricultural product						
Environment and cattle						
Ratification of transactions/paperwork						
Professions fee						
Vehicle fees						
Stone quarries fees						
Ratification of construction						
Street lighting						
Utilities						
Electricity						
Water						
Solid waste						
Sewage						
Others (donation, individual contributions, etc)						
(specify)						
(specify)						
(specify)						

q-iii. Does the village have debts?

Yes/No

q-iv. If yes, how much is it?

(NIS/ \$ / Jordan Dinar)

q-v. If yes, who are the debtee/creditors? (or what are the sources of the debts?)

- banks PA institutions Utility companies (such as Israel IEC, or Mekorot)
 Individuals Private companies others (specify;)

q-vi. Does the village have asset registry system (or sheet)?

Yes/No

q-vii. Please mention in the following box the tangible assets the village owns.

Category	Types/Number				
Buildings	Residential/	Commercial/	Industrial/	Public/	Others/
Lands(dunam)	Agricultural/	Residential/	Commercial/	Industrial/	Others/
Equipment	Vehicles	Utility device/	Roads/	Others	
Other(specify)					

4-3 Accounting

q-i. Does the village have an accounting system?

Yes/No

q-ii. If yes, is this cash basis? or accruals basis?

- Cash Accruals

q-iii. Does the village account separate the sections of current and capital?

Yes/No

q-iv. Does the village conduct auditing?

Yes/No

q-v. If yes, is this external or internal auditing?

- External Internal

q-vi. If yes, how often does the village conduct auditing?

Annually By-annually Quarterly Monthly Weekly

5. Correlation with upper LGs/JCs

5-1. Correlation with municipalities

q-i. Does your village conduct any sorts of public services jointly with the neighboring municipalities?

Yes/No

q-ii. If yes, please mention the type of services specifically.

q-iii. Does your village receive any sorts of public services from the neighboring municipalities?

Yes/No

q-iv. If yes, please mention the type of services specifically.

q-v. If offered, is your village willing to merge with one of the neighboring municipalities?

5-2. Correlation with JCs

q-i. Is your village a member of any sort of JCs?

Yes/No

q-ii. If yes, please mention the type of services that the JCs conduct specifically.

q-iii. Do you think that the JCs that your village is a member with have a possibilities of transforming into a new municipalities?

Yes/No

6. Others (priorities of needs)

q-i. Under the current circumstances, what are the most urgent priorities of your VC? Chose the top 3.

Place	Items of Needs
	Increasing of revenue
	Paying back the debt
	Increasing of VC staff
	Training of existing VC staff
	Purchasing more equipment for the services
	Adding new services (specify such as; _____)
	Renovation of offices and other vc assets
	Conduct more community meetings (to know more local needs)
	Coordination with upper LGUs (such as municipalities/JCs)

(End)