

Country Name	Project for Improvement of Local Finance System in Palestine
Palestine	

I. Project Outline

Background	Since its establishment in 1994, the Palestinian Authority (PA) was trying to build local governance framework and to promote decentralization with a view to establish a self-reliant administrative and financial management system for their future nation. A study conducted by the World Bank in 2008 found that the proportion of property tax revenue was as high as 30-49% of the total municipal revenue in municipalities which levy property tax. In order to materialize the important revenue potential of property tax, it was necessary to establish the property valuation standards and methods for tax levies and collections as well as developing the capacity of the General Department of Property Tax (GDPT), Ministry of Finance (MoF).		
Objectives of the Project	Through capacity development of Training, Development, Media and Management Unit (TDMMU)* at the GDPT to formulate operation plans based on the results of problem analysis and other relevant data, strengthening of the capacity of the Valuation Standards Working Group to develop and operationalize the property valuation standards, and identification and improvement of the operational issues on property valuation and property tax collection at the pilot GDPT branch office, the project aimed at improvement of operations on property valuation and property tax collection, particularly at the pilot GDPT branch office, thereby contributing to improvement of the revenue from property tax in Palestine. *TDMU (Training, Development and Media Unit) at the start of the project. Reorganized into TDMMU in 2014. 1. Overall Goal: The revenue from property tax is improved in Palestine. 2. Project Purpose: Operations on property valuation and property tax collection have been improved, particularly at the GDPT branch office where pilot activities have been implemented under the Project (‘pilot GDPT branch office’).		
Activities of the Project	1. Project Site: Ramallah, Ramallah and Al Bireh area under the administration of the GDPT Ramallah branch office*. *The project first targeted three branches as its pilot branches, namely Ramallah office, Al Ram office and Abu Dis office. However, after the mid-term review and following discussion, the agreement was made that the target branch was narrowed down to Ramallah office only, because Al Ram office just began its operation and Abu Dis office had no valuers as permanent employees. 2. Main Activities: (1) Review of the existing Master Plan and Annual Plan, Drafting and monitoring of the Master Plan (GDPT Master Plan Matrix), etc. (2) Formulation of Valuation Standards (VS), Preparation of VS manuals, Conducting of workshops and training programs on VS as well as trial applications of the VS, Conducting the valuation for collection in the selected area, Formulation of methods to adjust and fine-tune the VS for revaluation, etc. (3) Identification of operational issues of the pilot GDPT branch offices, Introduction of comprehensive training framework to the GDPT, Conducting of Public Awareness Campaign (PAC), Pilot development of Geographic Information System (GIS) system for future adoption, etc. 3. Inputs (to carry out above activities) Japanese SidePalestine Side 1) Experts: 11 persons1) Staff allocated: 16 persons 2) Trainees received: 10 Persons (in Japan), 3 persons (in UK and Netherlands)2) Office space 3) Equipment: Computers/printers and other office equipment, GIS software, etc. 4) Local expenses		
Project Period	October 2012 – September 2016	Project Cost	(ex-ante) 304 million yen, (actual) 761 million yen
Implementing Agency	General Directory of Property Tax (GDPT), Ministry of Finance (MoF)* *Ministry of Finance and Planning from November 2015 to June 2019		
Cooperation Agency in Japan	KRI International Corp.; Kokusai Kogyo Co., Ltd.		

II. Result of the Evaluation

<Special Perspectives Considered in the Ex-Post Evaluation >

• The Overall Goal is “The revenue from property tax is improved in Palestine”, while the indicators for the Overall Goal are to assess the situation of property tax collection at the pilot branch office (Ramallah). As it was expected that the new valuation standards (New VSs) be introduced in the whole Palestine once it was adopted, the status of property tax collection at other branch offices (Supplementary Information 1) will be examined as well as the status of the improvement of property tax collection (Supplementary Information 2).

-The evaluation study was somewhat affected by the epidemic of COVID-19, that is, the actual field visit and interview with the branch offices were not conducted but information was verified based on the questionnaires collected from the implementing agency (GDPT main office and the pilot branch office), and the interviews with the main office as well as the project documents.

1 Relevance

<Consistency with the Development Policy of Palestine at the Time of Ex-Ante Evaluation >

At the time of the ex-ante evaluation, the Palestine National Development Plan (2011-2013) stated that the national revenue should be increased to achieve the fiscal target to reduce the dependence on the fund by foreign donor agencies and one of the important elements was the improvement of tax revenue.

<Consistency with the Development Needs of Palestine at the Time of Ex-Ante Evaluation >

At the time of ex-ante evaluation, there was no standard for valuation of properties, and it took a great deal of time and labor to conduct valuation of properties. While valuation was not conducted based on a certain set of standards, property tax was levied based on the result of such valuation.

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

According to the Country Assistance Policy towards Palestine (2012), assistance in strengthening administrative and financial capacity was listed in one of the three priority areas.

<Evaluation Result>

In light of the above, the relevance of the project is high.

2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the time of Project Completion>

The Project Purpose was partially achieved by the project completion. The project developed the New VSs as a means to improve property tax system and compiled the manual. In July 2016, the GDPT seminar was held in Jericho to disseminate the New VSs at the GDPT and the consensus reached in the seminar provided the basis for clarifying organizational arrangements for operationalizing the New VSs as well as briefly outlining main tasks to be performed by the GDPT to facilitate the public announcement on the actual application of the New VSs on January 1st, 2017. There were some challenges in implementing project activities, partly because it was difficult for the Japanese side to recruit experts in the field of property valuation or experts of licensed real estate appraisers who can take an overseas assignment. Nonetheless, through the project, the members of the Valuation Standards Working Group, including the valuation members of the GDPT headquarters and the pilot GDPT branch office, began to understand the basic formula to calculate property estimated value and the skills to apply it, although not all valuers at all branch offices fully understood the formula at the time of the project terminal evaluation (April-May 2016). Therefore, between May and August 2016, various training took place including a three-day intensive workshop on the New VS. As the result from the field trial application, the difference between the value before the introduction of the New VSs and the appraised value by the New VSs was calculated.

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

The project effects have continued to the time of ex-post evaluation. The New VSs have been officially applied. The New VSs classified buildings in four: residential, commercial, industrial, and tourism. The GDPT started to apply the New VSs only for commercial and industrial properties in 2018. This is because business owners have better ability to pay the tax, and focusing on business owners brings a good return for the effort made. As applying New VSs for residential properties requires a significant level of effort because of the large number of residential properties and the complicated procedures necessary to protect the poor, the application for residential properties is being postponed. The preparation for the application to tourism properties was planned in 2020, however, due to the negative impact of COVID-19 on tourism, this plan might be postponed. Considering the fact that there weren't agreed official valuation standards prior to the project, by applying the new standards, even on a limited scale, the room for arbitrary valuation can be minimized. It is assumed that the valuers have gained practical skills to apply the New VSs based on the experiences during the project. The fact that the New VSs are already applied in 25 municipalities shows that the valuers appropriately apply the New VSs based on the manual and the Value Adjustment Matrix (the matrix) developed by the project. According to the GDPT, the quality of work of valuers has been standardized by the use of the matrix.

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

The Overall Goal has been achieved. The pilot GDPT branch office (Ramallah) began applying the New VSs to value properties in its jurisdiction and collecting property tax that is valued based on the New VSs, focusing on commercial and industrial buildings. A total of 25 municipalities in Palestine began collecting property tax that is valued based on the New VSs. According to the GDPT, the property tax levied for commercial and industrial properties increased by US\$30 million in two years after the introduction of the New VSs in 2018. At all the four branch offices surveyed during the ex-post evaluation, the values of the property tax levied and collected have been increasing from 2017 (before applying the New VSs) to 2019.

<Other Impacts at the time of Ex-post Evaluation>

No negative impact has been observed.

<Evaluation Result>

Therefore, the effectiveness/impact of the project is high.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results
(Project Purpose) Operations on property valuation and property tax collection have been improved, particularly at the GDPT branch office where pilot activities have been implemented under the Project ('pilot	(Indicator 1) The pilot GDPT branch office is ready to apply the new valuation standards (new VS) with the manual compiled for it.	Status of the Achievement: achieved (continued) (Project Completion) • In July 2016, GDPT seminar was held in Jericho to facilitate the public announcement on the planned application of the New VSs based on the manual compiled. (Ex-post Evaluation) • The GDPT started to apply the New VSs for commercial and industrial properties in 2018.
	(Indicator 2) The experience of trial application of the new valuation standards at a pilot GDPT branch office will be fully understood by all valuers in all GDPT branch offices through trainings and workshops.	Status of the Achievement: partially achieved (continued) (Project Completion) • The members of the Valuation Standards Working Group began to understand the basic formula to calculate property estimated value and the skills to apply it. (Ex-post Evaluation) • The New VSs are already applied in 25 municipalities, which shows that the valuers have gained practical skills to apply the New VSs. According to the GDPT, the quality of work of

GDPT branch office’).		valuators has been standardized based on the tools compiled during the project.																																												
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	(Supplementary Information 1) Status of property tax collection at branch offices other than the pilot office.	(Ex-post Evaluation) achieved 25 municipalities where the New VSs are applied for commercial and industrial buildings: Ramallah, Al Bireh, Beituniya, Birzeit, Abu Dis, Al ’Eizariya, Bethlehem, Beit Jala, Beit Sahur, Hebron, Dura, Yatta, Tarqumiya, Taffuh, Bani Na’im, Beit Ummar, Jericho, Nablus, Salfit, Tulkarm, A’ttil, Deir al Ghusun, Qalqiliya, Jenin, Tubas																																												
	(Supplementary Information 2) Status of the improvement of property tax collection.	(Ex-post Evaluation) achieved Values of the property tax levied and collected at the surveyed four offices (Value in Jordanian Dinar)																																												
		<table><tr><th colspan="2">Branch office/year</th><th>2017</th><th>2018</th><th>2019</th></tr><tr><td rowspan="2">Ramallah</td><td>Levied</td><td>5,489,270</td><td>5,871,127</td><td>6,055,573</td></tr><tr><td>Collected</td><td>4,397,652</td><td>4,448,529</td><td>4,549,852</td></tr><tr><td rowspan="2">Jenin</td><td>Levied</td><td>1,221,065</td><td>1,518,912</td><td>1,576,805</td></tr><tr><td>Collected</td><td>1,237,839*</td><td>1,129,561</td><td>1,269,741</td></tr><tr><td rowspan="2">Nablus</td><td>Levied</td><td>4,320,274</td><td>4,691,228</td><td>4,908,083</td></tr><tr><td>Collected</td><td>3,690,786</td><td>3,810,364</td><td>3,865,936</td></tr><tr><td rowspan="2">Hebron</td><td>Levied</td><td>3,889,328</td><td>3,970,054</td><td>4,590,709</td></tr><tr><td>Collected</td><td>2,695,514</td><td>2,710,908</td><td>2,723,240</td></tr></table>				Branch office/year		2017	2018	2019	Ramallah	Levied	5,489,270	5,871,127	6,055,573	Collected	4,397,652	4,448,529	4,549,852	Jenin	Levied	1,221,065	1,518,912	1,576,805	Collected	1,237,839*	1,129,561	1,269,741	Nablus	Levied	4,320,274	4,691,228	4,908,083	Collected	3,690,786	3,810,364	3,865,936	Hebron	Levied	3,889,328	3,970,054	4,590,709	Collected	2,695,514	2,710,908	2,723,240
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Source: JICA documents, Project Completion Report, Questionnaire and interview to the GDPT (Headquarter office)

3 Efficiency

Although the project cost exceeded the plan, the project period was within the plan (ratio against the plan: 250% and 100%, respectively). The project cost increased because both the number of the Japanese experts and their work days increased due to additional technical support caused by (i) a change in the approach to value land, (ii) the modification of "P-Tax system" (computer system at GDPT) developed by the German GIZ to reflect New VSs, and (iii) introduction of GIS function in the P-Tax system. The Outputs of the project were produced as planned. Therefore, the efficiency of the project is fair.

4 Sustainability

<Policy Aspect>

The National Policy Agenda (2017-2022) sets effective, efficient public financial management as one of its policies and states that this should be achieved by mobilizing revenue by expanding the tax base and by enhancing tax collection (Policy 10).

< Institutional/Organizational Aspect>

The GDPT has the overall responsibilities of implementing property tax valuation and collection and has a total of 169 staff members, 21 at the headquarter office and 148 (including 24 valuers) at 16 branch offices (as of June 2020). The capacity of the GDPT seems sufficient as they continue to operate tax valuation and collection. GDPT is planning to further increase the number of municipalities that apply the New VSs for commercial and industrial properties by the end of 2020 and has been requesting the recruitment of new staff, including valuers and other support staff. However, there are some uncertainties in the plan due to COVID-19 and the extended state of emergency.

<Technical Aspect>

In 25 municipalities, the New VSs are applied and the valuers use the manual and the matrix developed by the project, therefore it seems that the valuers have practical skills required to implement their duties. However, according to the GDPT, the GIS capacity is weak. In addition, there is no formal structure to train the staff and there has been no training provided on the valuation standards since the project completion. Nevertheless, experienced staff provide guidance and instructions for inexperienced staff through on-the-job training.

<Financial Aspect>

The number of municipalities where the property tax is applied is increasing from 52 in 2012 to 72 in May 2020 (total number of municipalities is 154, as of 2020). The New VSs are applied in 25 municipalities and the GDPT at the time of the ex-post evaluation is looking to increase the coverage. For this purpose, additional staff (valuers and administrators), additional/better performing equipment and vehicles would enable the GDPT to speed up the process of valuation, but the GDPT, including branch offices, faces the general lack of resources. At the time of ex-post evaluation, the GDPT does not receive any support from donors.

<Evaluation Result>

In light of the above, some problems have been observed in terms of the institutional, technical and financial aspects of the implementing agency. Therefore, the sustainability of the project effects is fair.

5 Summary of the Evaluation

The project partially achieved the Project Purpose of improvement of operations on property valuation and property tax collection, as the New VSs manual was compiled and the members of the Valuation Standards Working Group began to understand the basic formula of

valuation, although not all the valuers did not fully understand the formula. At the time of the ex-post evaluation, the GDPT has been applying the New VSs for commercial and industrial properties since 2018, which shows that the valuers have practical skills to apply the New VSs. Therefore, the project effects have been continued. The Overall Goal of improvement of the revenue from property tax has been achieved, as 25 municipalities, including those under the jurisdiction of the pilot GDPT (Ramallah), began collecting property tax based on New VSs and the values of property tax levied and collected have been increasing. Sustainability is high in the policy aspect but some problems have been observed in the institutional/organizational, technical and financial aspects, because the training system is not established and there is insufficiency in manpower and financial resources. In the efficiency, the project cost exceeded the plan. Considering all of the above points, this project is evaluated to be satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- It is recommended that GDPT create an opportunity for staff members to retain and develop knowledge and skills. For example, it would be advisable to hold annual in-house training or workshop in which peers can learn from each other and can seek guidance from the leadership. It can be a lecture style or can be participatory 'staff retreat' style, which will also help team building, and does not cost much.
- If it is difficult to secure necessary funds from the PA budget, it is desirable to try to mobilize external support by, to start with, putting together the current situation of the GDPT including detailed analysis of SWOT¹ in a quality report, and share with potential donors.
- It is recommended that the GDPT further promote the use of the computerized valuation and tax management systems and expand the areas of their application, building on the P-Tax and GIS systems experimented in the project. This would enhance the efficiency of GDPT's work in valuation and tax collection, and would help municipalities increase much needed revenues.

Lessons learned for JICA:

- The project had difficulties in finding eligible experts who can work in Palestine. In formulating a new technical cooperation project, it is necessary to collect information on the availability of qualified experts on the subject. If the probability of finding experts who can be dispatched overseas in the requested field is low, JICA should adjust the approaches/project design so that Japanese eligible experts can fit, or JICA should consider other cooperation schemes to meet the needs of expertise, such as training in the third country or dispatch of experts through collaboration with an international organization, in consultation with the Embassy of Japan (the Representative Office of Japan in case of Palestine).



Valuation staff using valuation function of the P-TAX system which incorporated GIS data



Valuation staff during field work using a mobile device, which is linked with the P-TAX and GIS systems.

¹ Analytical method taking four elements into consideration, i.e., strengths, weaknesses, opportunities, and threats.