

## MODERNIZING THE REVENUE PATTERNS OF WEST BANK TOWNS

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### ملخص

يتناول البحث مصادر التمويل لبلديات الضفة الغربية والبالغ عددها ٢٥ بلدية ، ويحاول الباحث من خلال الدراسة تقصي الأسباب الكامنة وراء العجز المالي المستمر ولا سيما في الفترة الزمنية بين عامي ١٩٨١ - ١٩٨٦ ثم ينتقل الباحث الى طرح بعض البدائل والحلول التي يعتقد ان الاخذ بها يمكن ان يؤدي الى تحسين وتطوير قدرة المجالس البلدية على زيادة مدخولاتها . وتعتمد الدراسة على تحليل العلاقة بين الازمة المالية التي تعاني منها البلديات وبين اربعة عوامل او متغيرات تشكل في رأي الباحث المسببات الرئيسية للأزمة المالية . وهذه المتغيرات هي :

- ١- العامل القانوني ٢- العامل الاقتصادي ٣- العامل السياسي ٤- العامل الاداري .

اما المعلومات التي استند عليها الباحث في التحليل فقد جمعت من مصادر متعددة وهي المقابلات مع اربعة رؤساء بلديات يمثلون مجالس اكبر مدن الضفة الغربية وهي نابلس والخليل ورام الله والبيرة ، والاجابات التي يمكن استخلاصها من استبيان شمل عينة عشوائية مكونة من ٦٠٠ فرد من القاطنين ضمن حدود البلديات المشار اليها بالاضافة الى مجموعة من الاحصائيات والوثائق الرسمية .

### ABSTRACT

The following study aims at exploring the actual causes behind the lack of adequate sources of revenue for municipalities in the occupied West Bank during the period 1981 – 1986 . It then proceeds to propose possible alternatives that are likely to enhance the revenue – generating capacity of the local councils .

The research contains an analysis of the relationship between the revenue crisis and the four major factors or variables which have produced it . The methodological technique used is a combination of interviews with the mayors of the four largest towns in the area and the responses of a random sample of local residents as well as the utilization of data from official documents and publications .

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## CHAPTER I

### Theoretical Framework of the Research

#### **a – Problem Definition :**

Studies and research on local government in both developed and developing countries tend to focus primarily on the expenditure side of the municipal budgets . The revenue structure seems to receive less attention by local officials and planners ..

This neglect of the revenue aspect has produced serious problems for local councils , and since capacity depends on financing it has undermined their functional role in the communities which they serve .

The problem in the West Bank takes on a more serious nature in view of the fact that municipalities' shoulder is the major responsibility for local development due to the absence of a national central government . The private sector , though apparently active , is still financially and economically fragile . Municipalities in several West Bank towns find themselves obliged to carry out a number of tasks which are normally the responsibility of central governments . This undoubtedly makes their financial burden heavier .

It is evident in the case of both the West Bank and Gaza Strip that the political environment in which local councils operate is a major factor behind the financial malaise . The military occupation of the area since 1967 with its endless restrictive practices covering almost all aspects of political and economic life does not contribute to the development or growth of a healthy local government . Therefore the issue of how to modernize the revenue structure of the local councils in the occupied territories cannot be separated from the overarching issue of the political conflict .

However , within the prevailing conditions and in spite of the very difficult problems generated by the occupation , it is still possible to find ways and means of enhancing the capacity of local councils through the utilization of new sources of revenue and the improvement of those already in use .

To do this entails a thorough analysis of the revenue patterns now in operation and the various determinants of these patterns . Once this is accomplished the next step is to propose new alternatives and suggestions to improve the situation while taking into consideration the peculiar conditions in the area . These two tasks constitute the objectives of this research .

## **b – Research Design and Techniques**

The focus of the study is on the relationship between the inadequate revenues of the municipalities of the West Bank ( dependent variable ) and the revenue determinants responsible for producing that inadequacy ( independent variables ) . These revenue determinants are : (a) the legal variable in terms of the Municipalities Ordinance of 1955 still applicable in the West Bank (b) the political variable which is reflected in the stringent controls of revenue sources and allocations by the occupation authorities (c) the economic variable embodied in the harsh economic conditions prevailing in the area under study and (d) the administrative variable which is defined in terms of the lack of planning and reasonable estimates of anticipated revenues .

In light of the complex political and security situation , the process of collecting data has not been easy . A variety of methods and techniques have been employed and in some instances information was gleaned from disparate sources .

In general , the data were collected from the following sources :

- 1 – Personal interviews conducted with the mayors of the four largest towns in the West Bank : Nablus , Hebron , Ramallah and El-Bireh , between October 1987 and January 1988 . The Mayors were requested by the researcher to respond in writing to the various questions addressed to them . Their answers and comments were received approximately two to three weeks after the initial interviews as some technical questions required some research by department employees .
- 2 – 600 questionnaires distributed among a random sample of households in the 25 towns which have municipal governments in the West Bank . The

age brackets of the respondents ranged from 18 – 65 , and they came from a wide variety of educational and occupational backgrounds . Only people who reside within the municipal boundaries , i.e. , those paying municipal taxes were approached \* . There is no official exact figure of the total population of tax paying urban dwellers in the West Bank , but a reasonable estimate based on different sources indicates a number ranging between 300.000 – 400.000 in the period under review , 1981 – 1986 . The questions dealt with both the quality of the services which taxpayers receive from their local councils and the revenue sources of their councils in terms of identifying possible alternatives towards improving them and eliminating waste .

Two research assistants , both university graduates , were employed in filling out the questionnaires . Both assistants had previous experience in this kind of task . Pre–testing applied to a small random sample of individuals revealed no need for modifications of the original draft of the questionnaire .

Due to the prevailing conditions and the relative distance of computer facilities from the residence of the researcher , data processing , including coding and analysis , were done personally by the researcher and his two assistants . This , of course , took a long time and a tremendous amount of patience , but no effort was spared in insuring maximum accuracy of results .

3 – Official documents , especially the Statistical Abstracts issued by the Israeli Central Bureau of Statistics covering the period 1981 – 1986 , West Bank Data Base Project , budget sheets of a number of municipalities .

4 – Academic materials including books and reports on the subject of local government financing in both developed and developing countries .

The underlying hypotheses of the reserch are (a) that the inadequate revenue base of West Bank municipalities is the result of the collective impact of the four variables mentioned above and (b) that more revenue for local councils can be generated by a shift towards non–conventional methods and alternatives .

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\* Excluding the residents of the rural areas comprised of 429 villages , refugee camps and residents of East Jerusalem which is under direct Israeli jurisdiction .

It is important to point out that since we are dealing with a number of " intangibles " ( legal , political and nationalistic factors ) which cannot be mathematically interpreted or expressed , it is difficult to assess with complete accuracy how much each independent variable contributes to the final results . Therefore we cannot rule out speculative reasoning in arriving at conclusions . This however should not undermine the adequacy of the conclusions , since our speculation is based on sufficient evidence derived from facts and figures collected through a legitimate scientific method of social inquiry .

## CHAPTER II

### Local Administration in the West Bank

The roots of the present system of local government in the West Bank go back to the last forty years of the Ottoman Empire ( 1878 – 1918 ) during which a series of administrative reforms were announced " in keeping with the spirit of the age " . One of these reforms authorized the establishment of local councils in Palestine between 1877 and 1886 . These councils were elected by direct vote every four years . Only the chairman received a salary ; all other members acted in an honorary capacity . The function of the councils included the supervision of buildings , streets , lighting and market control , etc. . To be elected to a municipal council a person had to be over thirty , and pay a property tax . However , during that period of the so-called " reforms " , centralized local administration remained a cruel reality , while the administrative decentralization into the hands of the local populations remained unrealized . Furthermore , the sweeping majority of the town councils were exclusively composed of the urban and rural landlords , while the other classes were virtually unrepresented . The period was also characterized as one of economic and social underdevelopment , and the local councils did very little to improve the plight of the local citizens

The few elected councils in Palestine continued to perform their functions during the period of British mandate ( 1920 – 1948 ) , while the mandatary government attempted to provide for some form of self-

government through the establishment of elected local councils in towns and villages . At the end of 1926 , a new " municipal franchise ordinance " was published , but it was derived mainly from Ottoman sources and representation was to be proportional to the number of voters in each religious community residing in the town or village . However , this measure was not effective due to the protests of the Arab residents regarding certain sections of the ordinance . In 1934 a new municipalities ordinance was issued by the British High Commissioner . This has continued to serve as a guideline to the following legislations of the Jordan government in this regard .

During the period of British mandate twenty two Palestinian towns had municipal councils , seven of which were in the West Bank . According to the ordinance of 1934 , the British High Commissioner was entrusted with the power to approve the creation of a city council in the areas in which the majority of residents expressed the desire to have one . He also had the authority to specify the number of local councils and the delimitation of the boundaries within which they could exercise their jurisdiction . The High Commissioner also authorized control over the council budget .

The municipalities ordinance issued in 1955 was a copy of that of 1934 . But a law of village councils was issued in 1954 and the residents of a good number of villages were able for the first time to elect their local representatives .

Since 1967 the West Bank and Gaza have been ruled by a military government that has assumed the political and legal authority of the pre-1967 Jordanian regime in the West Bank and the Egyptian administration in Gaza . One of the early military orders issued under occupation explicitly granted the area's military governor the legal authority previously vested in the Jordanian monarch and council of ministers . Theoretically , Jordanian law is still in force , but in Practice military rules constitute the legal framework of power in the area .

Local government in the West Bank operates on two levels : That of civil administration and that of town and rural councils . The Civil Administration includes the departments of education , health ,

transportation , social welfare , justice , interior and agriculture . Each department is headed by an Israeli officer attached to the military headquarters in the West Bank , which is under the jurisdiction of the Israeli Ministry of defence . Israeli officers in charge of the civil administration perceive themselves as the equivalent of cabinet ministers under the Jordanian regime . While these officers and their departments are supposedly part of the civilian administration , they are still subject to the rules , regulations and policies of the military occupation . They enforce Israeli policy through Jordanian law as approved by the military government on behalf of Israel's national security .

The other level of local government consists of the town and rural councils which exist in cities and villages . At present there are twenty five municipal government in the West Bank cities of Nablus , Hebron , Ramallah , Bireh , Bethlehem , Beit Jala , Beit Sahour , Anabta , Arraba , Bani Zayd , Beir Zeit , Dayr Dubwan , Dura , Halhoul , Jenin , Jericho , Qabatya , Qalqilya , Silfit , Silwan , Tubas , Tulkarm , Ya'bad , Yatta , Baytunia .

Members of these town councils are elected every four years by direct vote . Each council elects its own mayor by a majority vote , but the military governor of the West Bank has the authority to choose a certain candidate to head the council , as well as the authority to dissolve the council and call for new elections in case of " irregularities " or a threat to the security of the military occupation .

The military government permitted municipal elections to be held in 1972 , and 1976 . But the elections which were expected in 1980 were put off indefinitely by the occupation authorities , apparently for fear of bringing to power nationalist elements opposed to the signing of the Camp David treaty between Egypt and Israel .

## CHAPTER III

### Determinants of Revenue sources in the towns of the West Bank

Municipal revenues are an outcome or , in the language of social research , a dependent variable produced by a number of different sources or independent variables . These determinants and their fluctuations determine the revenue levels in each fiscal year and hence indirectly influence the degree of prosperity or deprivation which each local community will experience .

In our case , we have four determinants . These have different degrees of flexibility in terms of their being more or less responsive to changes in the political and economic environment .

#### 1 – The Legal Variable :

The revenue sources of the municipalities in the towns of the West Bank are spelled out in the Jordanian municipalities ordinance of 1955 (articles 46 through 51) . Each source is identified and described in detail . These are the property and fuel taxes , fees on business licences , sanitation , sewage and disposal of garbage , vegetables , fruits and slaughtering fees as well as lease of property , sales and traffic fines . In 1968 the above law was modified in Jordan to accomodate modern developments in the field of local government . The old ordinance is still applied in the occupied West Bank despite the fact that some articles covering financial aspects have become anachronistic . Articles dealing with methods of collection of taxes , fees and fines , for example , are improper and incapable of responding to the realities of modern times <sup>(1)</sup> . This has considerably limited the power of the local councils in financial affairs especially when the occupation authorities implement it in an arbitrary fashion designed to keep tight control over all municipal affairs .

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1 – Shahir Rawashdeh : **Local Government in the Hashemite Kingdom of Jordan ; its present and Future** Amman , Majdalawi Publishing House , 1987 , p. 56 .

According to the municipal law of 1955 , the final endorsement of the municipal budget is subject to the approval of the minister of interior ( now represented by the military officer in the Civil Administration responsible for the interior ) . Article 60 of the above law empowers the minister of interior or his representatives to carry out both regular and unannounced checks of all financial records and operations of any local council .

The limitation on their taxing power is one of the most serious causes which undermine the financial capacity of local councils in the West Bank . But this is not a unique phenomenon ; it is common in most developing countries . " Higher levels of government may not relinquish for local use those revenue sources which they themselves value , or consider potentially valuable , until forced to do so by crises of lower government levels . " <sup>(2)</sup> .

## 2 – The Economic Variable :

While the legal variable identifies and specifies the sources of revenue for use by local councils , the economic variable determines the extent to which those sources can be utilized or , in other words , the approximate amount of funds these sources will yield .

Since taxes , fees and charges constitute the main sources of income for ordinary budgets , the economic status of the local masses greatly influences their capacity and willingness to pay their taxes . The economic conditions in the West Bank during the period under review (1981 – 1986) was characterized by stagnation and spiraling inflation . A prominent indicator of this stagnation is the Gross Domestic Product which remained almost constant between 1980 through 1983 , approximately \$ 810 million . In 1984 it dropped due to a 10 – 15 % in agricultural production <sup>(3)</sup> . The economy of the West Bank lacks a viable industrial infrastructure . The unfair competition with Israeli enterprises , coupled with a variety of taxes imposed by the occupation authorities on local industries has considerably weakened

2 – Roger Smith , " Financing Cities in Developing Countries " , Washington , D.C. : International Monetary Fund , July 1974 , p. 330 .

3 – Meron Benvenisti : " 1986 Report : Demographic , Economic , legal , Social and Political Developments in the West Bank " , the West Bank Data Base Project , Jerusalem , 1986 , p. 5 .

that sector . The drop in the international price of oil and the Iraq–Iran War also caused a decrease in the levels of financial support from the Arab Gulf states to the occupied territories during that period , which further contributed to the economic stagnation in the territories .

These developments have undoubtedly impacted in a negative way the revenue bases of the Palestinian town councils and consequently , their capacity to function properly .

### **3 – The Political Variable :**

One of the unique and probably the most important feature of the West Bank municipalities is the fact that they operate in an area that has been occupied by a foreign power for a relatively long period of time . This situation permeated almost all functions of the local councils and curtailed their capacity to carry out their duties . Since 1967 a series of military orders has been issued by the military authorities which aims at strengthening their grip over the population and institutions in the West Bank . One such notorious order , as far as the local councils are concerned , is Order Number 418 , dated March 23 , 1971 according to which the military government formed the so–called " Supreme Planning Council " whose members are appointed by the military governor of the West Bank . The council has been granted authority to nullify any municipal decisions including planning and zoning , and to forbid housing development in any areas within or outside the corporate limits of any town , even when the area had already been zoned as residential .

A more serious interference is reflected by the tight control exercised by the military authorities over the flow of money into the occupied territories and especially those monies earmarked for local institutions . A series of bans on the flow of financial support was applied in a haphazard fashion during the period under consideration . The pretext was that those monies came from enemy sources . In August 1981 , the military government issued an order banning the receipt of money from the Joint Jordan – PLO Committee in Amman . This meant that municipal services could be paralysed

throughout the area under occupation since according to a West Bank source <sup>(4)</sup> the funds from the Committee " provided 60 percent of the municipal operating budgets and 100 percent of their development budgets .

Furthermore all sources of financial assistance from outside the territory have to be disclosed and approved by the Civil Administration before the funds can be used by the local authorities .

In fact , both financial assistance from the military government and the facilitation of bureaucratic procedures of money transfers to municipalities from outside sources have been linked to political considerations and in particular to the political standing of the mayor and his council and his relationship with the military governor and the Civil Administration <sup>(5)</sup> .

#### **4 – The Administrative Variable :**

An often neglected factor in the analysis of the revenue problems of municipalities is the degree of efficiency and professionalism enjoyed by the administrative staff of the local council especially those entrusted with the responsibility for financial administration .

Budget preparation for the councils has become a highly complex exercise . Revenue estimation , recommended appropriations and expenditure proposals require a high degree of proficiency and experience . Unfortunately such complex matters are usually dealt with in a non-professional way with the mayor and influential council members taking the important decisions . The administrative staff is left with the less important task of routine and clerical work .

Another disadvantage of the system is that qualified personnel especially university graduates in economics and business administration are

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4– Jerusalem Post , August 3 , 1981 .

5– In an interview with the correspondent of the Israeli daily Maarive , on January 9 , 1981 , the Military Governor of Ramallah Shmuel Panel revealed that the policy of the Military Government with regard to " the dissident mayors " is " to slow down financial assistance for development projects in their towns and thus make their lives difficult " . Interview reprinted in Al-Fajr newspaper , English edition , Jerusalem January 11 – 17 .

not usually attracted to work in the municipalities due to the low salaries and insignificant benefits which municipal jobs offer . With the exception of the municipality of Hebron , on – the– job training in administration , financial management , forecasting , etc. are almost non existant ; and employees seem to learn their jobs through trial and error . Consequently , the task of estimating , and collecting revenue is generally less efficient and more costly , placing an extra strain on an already precarious situation .

## **Types of Municipal Revenues In The West Bank**

The main sources of municipal revenues in the West Bank are the following :

- 1 – Property tax which applies to real property (residential and land property) . It is fixed by law at 7 percent of the annual rent for residential property and 5 percent of land property .
- 2 – Fuel tax levied on the sale of different kinds of fuel by the government and transferred to municipalities .
- 3 – Fees which include fees on the sale of vegetables and fruits , slaughtering fees , industry , craft and building licenses .
- 4 – Lease of property and sales .
- 5 – Interest of bank deposits of municipal funds .
- 6 – Reimbursement of expenses on interest and miscellaneous .
- 7 – Other taxes and fees imposed by special municipal regulations in several towns such as education tax , garbage disposal tax , and guarding fees .

During the period under review , financial assistance from the joint Jordanian–Palestinian Committee , the government of Jordan and some Arab countries formed a substantial portion of the development budgets of a number of West Bank towns . However , as mentioned above , due to political constraints that assistance could not be viewed as a regular revenue base .

## CHAPTER IV

### Discussion and Analysis of Results

There is little doubt that the period under review witnessed a continuation of the revenue crisis in the municipal budgets of most West Bank towns . This observation is not only a matter of opinion expressed by local leaders and residents , but is also a fact confirmed by official data . Figures published by the Israeli Central Bureau of Statistics estimate the total income of the 25 towns in question in the Fiscal year 1981/82 to be 337.709.000 Shekels (approximately 19 million \$ US at the exchange rate of that year). In the Fiscal year 1985/86 the grand total reached 46.171.747 NIS \* (approximately 33 million \$ US at the exchange rate of that year) . The increase was around 74 % over the five year period . But when one takes into account the fact that during that period the urban residents benefiting from municipal services increased by an average of 12.5 % , and that the inflation rate reached almost 1000 percent with the cost of living approaching that figure , it becomes clear that the estimated increase in income could barely keep up with the level of demands for local services .

The analysis of the relationship between the four independent variables ( legal , political , economic and administrative ) and the dependent variable (inadequate revenue) has to deal with two problems:(a) the interdependence of the four independent variables . It is not easy to accurately pinpoint where , for example , the economic ends and the political starts ; (b) the discrepancies in the responses of the participants in the study—mayors vs residents and the different ways through which the two sides perceive certain issues and interpret the facts . On the other hand actual facts and figures do not always seem to tally with the personal assessments of the local mayors .

Notwithstanding the problems involved in this kind of research , the data have revealed some interesting results that could be construed as a starting point in any effort to tackle the situation and recommend changes for improvement .

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\* Excluding the municipality of Anabta .

First the researcher would like to point out to a phenomenon which has been observed through his encounters with the participants , both mayors and residents . It is what may be called the " dependency syndrome " especially on the part of the local leaders with regard to financial support .

The four mayors interviewed were almost unanimous in their conviction that the principal reason behind the lack of adequate revenue has been the decrease in funds channelled into their localities from the Arab countries and civil administration . Outside financial assistance has been taken for granted for a considerably long period . This attitude is unrealistic in the sense that not only it does not take into account the fluctuations of the world economy , specially the economies of the Middle East countries , the main source of assistance – but that it also reveals the failure of the local councils to adapt to changing situations by devising and adopting contingency measures to cope with anticipated developments .

The argument put forward by the mayors in response to this criticism is twofold : (a) Legally . They are not allowed to create new taxes or impose charges and fees other than those specified in the Municipalities Ordinance of 1955 , and (b) the economic conditions prevailing in the West Bank which have been characterized by stagnation and unemployment are not conducive to the expansion of the revenue base .

With regard to the first mayors argument , the Municipalities Ordinance referred to above does not absolutely and categorically ban local councils from creating new sources of revenue . In fact , the Ordinance empowers local councils to promulgate regulations for the purpose of collecting new revenue provided that such regulations are based on the above Ordinance. One such regulation is the sewage regulation . As for the second argument , it is true that the economic conditions are not favourable , but a stagnant economy should serve as an impetus for rather than a deterrent against searching for new sources of income and improving the existing ones . Expansion and enhancement of the existing sources do not necessarily mean the creation and imposition of new taxes . Alternative ways of financing can be found , like for example , investment in local industries and real estate development etc. as will be suggested in Chapter V.

In gauging the reaction of the mayors to such alternative sources , the researcher found a generally positive attitude , but apparantly no steps had been contemplated on the part of the local councils to implement such ideas .

An essential task of local councils is to make an estimate of anticipated revenues for each fiscal year ." Estimation of anticipated revenues is a pre-requisite to complete and balanced budgeting . " <sup>(6)</sup> Accurate estimation is not easy even in the most developed countries , but a fairly reasonable estimate is possible if made by a staff of experienced employees who make careful studies of all individual sources of revenue and utilize information to make future predictions <sup>(7)</sup> .

In our case however , this body of experienced officials is almost non-existent . This observation reflects a thorny issue over which there is a difference of opinion between the mayors interviewed and the local residents surveyed . All four mayors gave high marks for their administrative and financial staff , expressing high confidence in their abilities and credentials . Furthermore , the mayors preceived no connections between the revenue crisis and the performance of the financial departments of their municipalities . In contrast , almost 17 percent of the respondents surveyed attribute the financial difficulties to faulty and inefficient administrative practices including assessment and collection methods .

An examination of data on the financial department of the municipality of Ramallah , which provides services for around 20,000 inhabitants reveals that between 1981 – 1986 there were between 6 – 8 employees , only one of whom holding a university degree . In the municipality of El – Bireh ( 45,000 inhabitants ) there were 11 – 12 employees in that period , with only one holding a university degree . In the town of Nablus (100,000 inhabitants ) there were between 15 – 20 with only one holding a university degree – only in Hebron the number of employees was relatively higher , between 52 – 62 during the same period , but with only two having university degrees .

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6 – Bruce E. Benway " Introduction to Modern Municipal Budgeting " Bureau of Public Administration , University of Maine , May 1973 , p. 27 .

7 – Ibid .

When these figures are viewed against the background of the substantial increase in the population within the corporate limits of the municipalities during the period under review , the magnitude of the administrative problem can be appreciated . This shortcoming is probably a major factor behind poor estimation of anticipated revenue .

It is interesting to note the wide discrepancy between the figures given by the mayors interviewed regarding the percentage of tax-paying residents and figures given by the respondents in the sample surveyed . The average figures given by the mayors ranges between 70 – 90 % \* . The average calculated from estimates of the respondents does not exceed 45 % . No official records which register this vital statistics are found .

An important observation has been recorded by the researcher with regard to the proportional distribution of the sources of revenue or " revenue reliance " . Revenue reliance is defined as " the proportion of the total general revenue collected by a city that it receives from each revenue source , and is calculated by dividing the amount received from each revenue source by the total general revenue received <sup>(8)</sup> . Property tax constitutes a major and important source of revenue for local councils in many countries of the world both developed and developing ones , but in the towns of the West Bank , the percentage of the property tax to the total revenue ranged between 7.76 % to 10.15 % during the period under study <sup>(9)</sup> . Non-property taxes (including industry, craft and building licences ) scored a steady increase over the five year period , from 3.02 % in 81/82 to 7.24 % in 85/86 of the total revenue . This is an important observation since a shift from property to non-property taxes indicates a transformation of a rural economy into an urban economy <sup>(10)</sup> . But it is not clear at this point whether this increase in the proportion of

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\* This includes mainly , property , education tax , sewage and garbage disposal fees , occupational licences , vegetable and fruit fees .

8– Susan A. Macmanus : **Revenue Patterns in U. S. cities and suburbs : A comparative Analysis** ( New York : Prager Publishers , 1978 ) p. 9 .

9– Calculations based on figures published in the Statistical Abstracts of the Israeli Central Bureau of Statistics 1981 – 1986 .

10–L. L. Moak and A. M. Hillhouse **Concepts and Practices in Local Government Finance** ( Chicago : Municipal Finance Officers Association , 1975 , p. 139 .

revenue from non—property taxes is indicative of a real transformation of the West Bank economy , or a proportional increase in the number of craftsmen , professionals and industrialists seeking licenses or just an employment in collection methods . It could be assumed that the three factors have contributed to this development . On the other hand Macmanus points out that " .... increases in reliance on non—property taxes , coupled with constant and decreasing reliance on property taxes suggests that the property tax structure in that city is no longer capable of expanding whether for economic or political reasons <sup>(11)</sup> . I think this remark is applicable in our case and does give a better interpretation of the situation than the above three assumptions .

It is worth noting that the municipal tax burden of the West Bank urban dwellers was relatively low during the period under study . Tax burden ( property and non property ) is defined in terms of the relationship between per capita tax revenue and per capita personal income . It is calculated by dividing per capita tax revenue by per capita personal income <sup>(12)</sup> . Taking the fiscal year 1984/85 as an example , we find that the total revenue of the municipalities of the West Bank from taxes ( property and non—property ) amounted to approximately 3.428,325 Shekels ( equivalent to approximately 11.7 million \$ US at the exchange rate of that year ) . The revenue divided by the number of urban residents in the 25 towns ( estimated at 373.693 approximately ) the result is around 31 \$ US . Per capita disposable income in that year was calculated at 1500 \$ US in the average <sup>(13)</sup> . A simple calculation indicates that the tax burden expressed in percentage reached only 2 % . But one should not forget that the relatively easy burden of urban dwellers is offset by the other heavier taxes imposed by the civil administration , such as income , excise , and value added taxes which have more far-reaching impact on the disposable income of the population and consequently their standard of living . Therefore , the mayors' argument against increasing the tax burden of local residents in the present circumstances is justifiable .

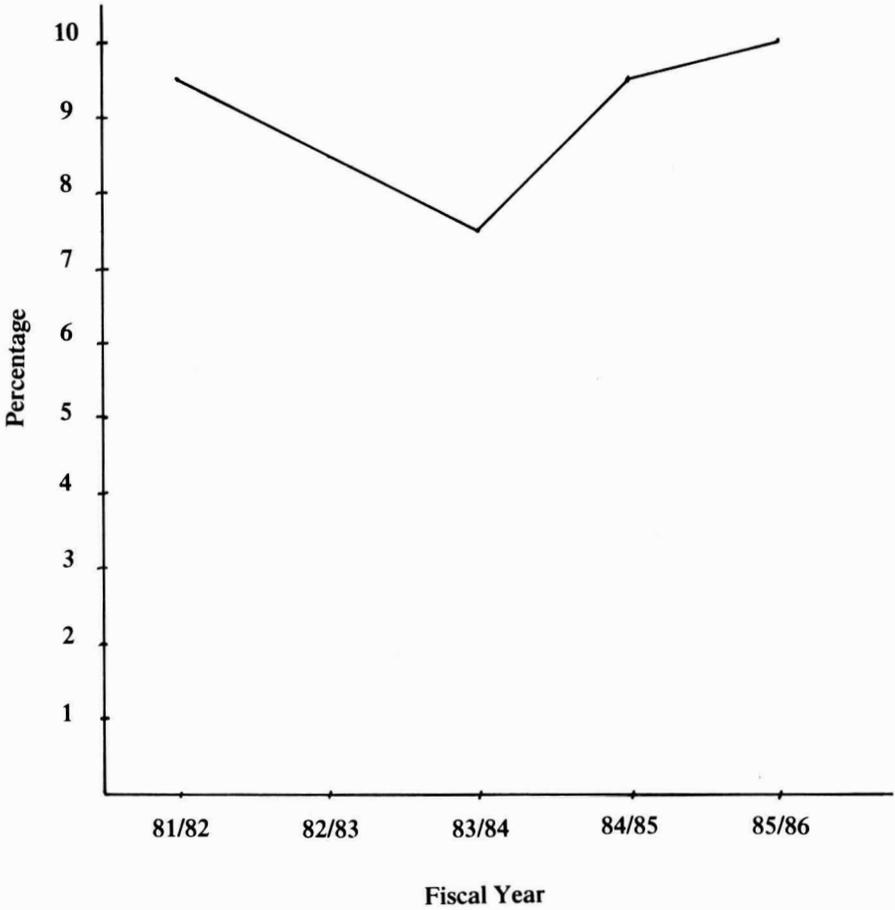
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11 – Macmanus , op. cit., p. 62 .

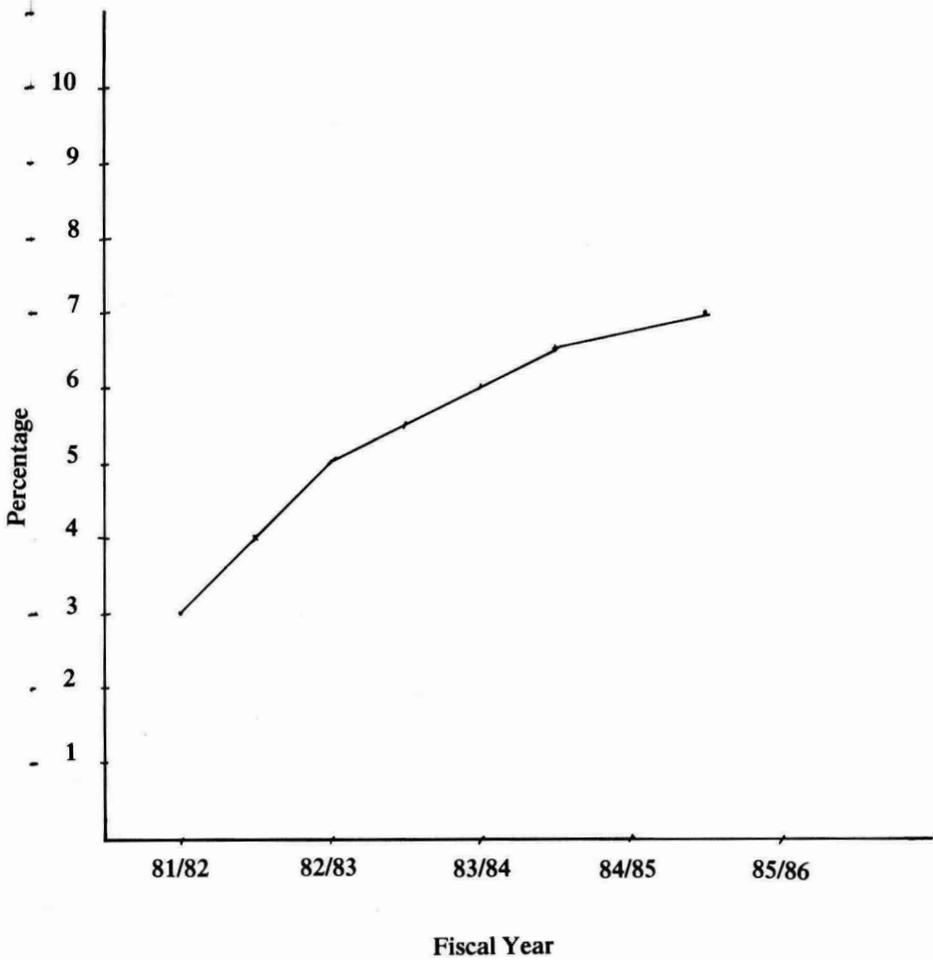
12 – Ibid ; p. 8 .

13 – Benvenisti : op. cit., p. 6 .

Fluctuations of Property tax between  
81/82 – 85/86 ( In percentage )



Percentage Increase in non-property Tax between 81/82 – 85/86



## CHAPTER V

### Suggestions For Improvement

The situation in the occupied West Bank is undoubtedly unique by almost all standards . It is naive to assume that any substantial improvements in the revenue structure or performance of local councils can be materialized in the absence of a just and comprehensive settlement of the political issue which seems to cast its shadow over all aspects of daily life in the area . But this does not imply a call for passiveness, because this would simply mean a prescription for despair .

Experience teaches us that sometimes unusual circumstances require unconventional methods . This situation thus calls for creative thinking to seek alternative ways to remedy the plight of the local councils even if that means temporary solutions until a final resolution of the political conflict is found .

In the light of the analysis of the data and the observations made in Chapter IV the researcher would suggest the following :

- 1 – Municipalities should divert a proportion of their income towards investment in productive sectors , such as local industries and real estate development . There should be a shift of focus on the part of local officials from the maintenance aspect of the municipal functions towards the productive aspect . This would not only increase the income for local councils but would also give municipalities a role in economic and social development . This is extremely important in view of the fact that the private sector plays only a marginal role in the economic and social development of the West Bank .
- 2 – Municipal leaders , especially in the large towns , should contemplate contracting out certain services such as cleaning , garbage disposal , street maintenance etc. to private companies . This would yield some profit for local councils as well as improve the quality of service provided by the municipalities in these areas <sup>(14)</sup> .

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14 – This is permitted by the Municipalities Ordinance of 1955 , Article 46 , Section 2 .

- 3 – Efforts should be made to improve the performance of the administrative staff of the financial departments through the hiring of qualified staff and the organization of joint training programs of employees at local universities which , through its specialized departments , can provide necessary instruction and training .
- 4 – The authorities should be urged to apply a more equitable method of distribution of major tax returns between the central authority and the municipalities . A more significant proportion of tax returns from personal income , industry , motor vehicle licences , value added taxes etc. , should be diverted to municipalities since these local units shoulder a larger burden of social and economic development of the West Bank . This transfer of funds could radically change the picture and greatly contribute to the solution of the revenue crisis of the municipalities .
- 5 – A joint fund should be established for municipalities through which free interest or low interest loans could be extended to needy local councils for both ordinary expenditure and development projects . Almost all mayors interviewed have welcomed this proposal .

In the final analysis , it should be emphasized that the above proposals are transitory . It is only after a political settlement of the conflict is achieved that a permanent solution of the revenue crisis of West Bank municipalities can be contemplated .

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**INTERVIEWS :**

- 1 – Interview with Mr. Hafez Touqan, Mayor of Nablus, Oct. 7, 1987.
- 2 – Interview with Dr. Abdul Majid Al-Zeir, Mayor of Hebron, Oct. 19, 1987.
- 3 – Interview with Mr. Hassan El Tawil, Mayor of El-Bireh, December 8, 1987.
- 4 – Interview with Mr. Khalil Mousa Khalil, Mayor of Ramallah, January 9, 1988.

**Interview Questions**

- 1 – What is the number of residents benefiting from municipal services in your towns ?
- 2 – What is the rate of increase in the number of residents benefiting from municipal services during the five year period 1981 – 1986 ( in percentage ) ? .

- 3 – What is the percentage of those paying municipal taxes to the total population of your town ? .
- 4 – What, in your opinion , are the real causes behind the financial crisis of the municipalities in the West Bank ? .
- 5 – What is the number of employees in the financial department of your municipality ? , and what are their specific duties in detail ? .
- 6 – Are there any problems with regard to the efficiency and ability of the financial staff in your municipality which might effect the process of tax collection and assessment ? .
- 7 – What , in your opinion , are the best alternatives towards the improvement of the financial situation of your municipality and the attainment of self–reliance in the revenue aspect of the budget ? .
- 8 – Do you believe that the creation of a joint fund to support the municipalities of the West Bank financially through the granting of loans is practically a viable idea ? .
- 9 – Do you believe that a shift by the municipal councils towards productive activity like for example , investment in profitable local industries could contribute to the solving of the revenue crisis ? .
- 10 – Would you approve of initiating new legislations within the municipalities ordinance of 1955 which would provide you with new revenue sources ? .
- 11 – In some developed countries , like for example , the United States , there has been a shift in recent years towards non–property taxes ( individual and corporate income sales , motor vehicle registration , business and occupational licences etc. ) and a gradual decrease in dependence on property tax as a main source of revenue . Do you believe that such a shift could be applied by West Bank municipalities for the purpose of enhancing the revenue base of local councils ? .