

A Municipal Management and Decentralization Policy Analysis in the Palestinian Territories*

إدارة البلديات وتحليل سياسة اللامركزية في المناطق الفلسطينية

M. Hisham Jabr

*Chairman of Finance and Banking Department, Faculty of Economics &
Administrative Sciences, An-Najah National University Nablus, Palestine.*

E-mail: Jabr@najah.edu

Received: (1/9/2003), Accepted: (25/4/2004)

Abstract

This study aims at assessing the performance of local government in Palestine in regard to fiscal and administrative decentralization. Data was gathered from the Ministry of Local Government, Ministry of Finance and a questionnaire was sent to 12 municipalities' key officials. It was found that the government is organized into the central government headed by the president, the cabinet, the governorates, mayors and village councils. The main functions of the local governments are to provide the necessary needed services. It was found that there is a degree of decentralization in providing the intended services as the functions of each level is clearly defined by the law, even though there is an overlapping amongst these functions due to the current situation instability. The study explains several aspects including organization of the local government, decision making process, functional responsibilities, partnership among local government and the performance of these partnerships, employment, training programs, the most urgent issues regarding decentralization process, local government finances, financial standing of municipalities, relationship between central and local governments, and decentralization reforms under preparation. The study ends up with conclusions and recommendations.

ملخص

تهدف هذه الدراسة إلى تقييم أداء الهيئات المحلية في فلسطين فيما يتعلق باللامركزية الإدارية والمالية. وقد تم جمع البيانات اللازمة للدراسة من وزارة الحكم المحلي ووزارة المالية، إضافة إلى استبانة كانت قد

* The author acknowledges the World Bank support in funding this research project, and the help provided by Jihad Hamdan and Ghassan Al Hammouz from the Ministry of Local Government.

أرسلت إلى ١٢ مسئولاً من مسؤولي ١٢ بلدية. وتبين من البحث أن التنظيم الإداري للحكومة يتكون من الحكومة المركزية والمحافظات والبلديات والمجالس القروية. ووجد أن وظائف الهيئات المحلية تتركز في تقديم الخدمات الأساسية للمواطنين. وتبين أن لدى هذه الهيئات درجة كبيرة من اللامركزية في تقديمها لهذه الخدمات، لأن وظائف هذه الهيئات محددة بشكل واضح في قانون الحكم المحلي الفلسطيني، إلا أن هناك بعض التداخل في بعض الصلاحيات نتيجة للظروف الحالية. وأوضحت الدراسة العديد من القضايا الخاصة باللامركزية المالية والإدارية منها: التنظيم الإداري للهيئات المحلية، وعملية اتخاذ القرارات، والمسئوليات الوظيفية، والتعاون بين الهيئات المحلية في تقديم الخدمات، القوى العاملة في الهيئات المحلية والتدريب والحوافز، والقضايا الملحة فيما يتعلق باللامركزية، وتمويل الهيئات المحلية، والأوضاع المالية لهذه الهيئات وعلاقتها بالحكومة المركزية، والإصلاحات الجارية الخاصة باللامركزية. وانتهت الدراسة بالخلاصة وعدد من التوصيات.

1. Introduction, Purpose and research methodology

1.1: Introduction

The evolution of the local government in Palestine has been influenced over time by the ruling government. First, Palestine was under the rule of the Ottoman Empire, then it was occupied by the British who ruled it until 1948, when part of Palestine was occupied by the Jews who created Israel. The rest of Palestine was ruled partly by Jordan (The West Bank), while, the other part was ruled by the Egyptians (Gaza). After 1967 Arab Israeli War, the rest of Palestine has become under Israeli occupation. The character of local government that emerged was a function of the ruling powers. i.e. the maintenance of their power and security through central control. As a result, laws, political systems, administrative arrangements, and developmental practices of local government were geared towards this objective rather than to the needs of local communities. (ARD, 2000, P.2).

The role of local government was the provision of a limited number of services and infrastructure such as water, electricity, solid waste collection and disposal, monitoring residential buildings, local roads development and maintenance, and municipal tax collection. (ARD, 2000, P.2). Strategic decision making that was related to finance, planning, health, education, agriculture, expansion of municipal areas, and other strategic issues was highly centralized.

During the Israeli occupation, local government was controlled by a range of military orders, whose objectives were to control most of the aspects of municipal life, particularly in matters concerning land use and planning. In 1976, local elections gave power to PLO candidates. This was not accepted by Israeli Occupying Authorities that replaced them by appointed mayors and councils. Israel did give no attention to the development of local government, So these local governments depended upon their own resources, Non-profit Organizations ((NGOs) and community based organizations in providing the necessary services to their citizens. ARD report of 2000 concluded:

"After nearly 30 years of Israeli civil and military control most of the municipal infrastructure in the West Bank and Gaza was run down and is in need of extensive rehabilitation. Municipal organization and management systems are also in need of extensive upgrading".

Moreover, during the last quarter of 2000, The Israeli Occupying power destroyed many of the municipal infrastructures in every city, town and village in Palestine, Roads, and streets need an extensive rehabilitation. Municipal organizations and management systems are also in need of extensive upgrading.

The Ministry of Local Government (MLG) was established in 1994 to help in building an effective system of decentralized local government. Its main objectives are:

1. To establish a framework for local governance and administrative decentralization.
2. To develop the institutions to manage local government services and affairs, and
3. To encourage and enhance the local government units' self-governing capabilities.

Other ministries were also established to cover different technical and administrative areas. Many of these ministries provide services at the district and local levels, thus, and collaborating with local government.

1.2: The purpose of this paper is to assess the performance of local governments as based upon the following attributes

1. Organization of the local government,

2. Functional responsibilities,
3. Employment, training programs,
4. Decentralization process of the local government: (fiscal and administrative).
5. Performance of local governments
6. Incentives for local economic development, service delivery and infrastructure investment; and
7. Decision making process.: that includes: (i) the extent to which functions, financing are assigned to local governments, both in principle and practice; (ii) assessing whether local governments have meaningful autonomy and authority in decision making, financing and service delivery; (iii) reviewing the experience of various reforms underway (e.g., property taxation, intergovernmental transfers, performance incentives, etc.) in improving the financing and governance of local governments, (iv) options for enhancing the performance of local governments, (v) identifying the relationships between the depth of decentralization and municipal management performance in relation to local service delivery (in terms of effectiveness of local service delivery, and the efficiency of institutional arrangements governing its implementation).
8. The degree to which municipalities are engaged in partnership with the private sector in rendering services.

The unit of analysis will be local government (LGs) units (municipalities or communes) and local services being provided by these units as per the fiscal distribution of responsibilities. However, the relationship of Local Governments (LGs) with central and regional institutions will also be assessed as to how it affects the definition of their priorities, their decision and their management performance in service delivery and resources management.

1.3. Methodology of research

The research methodology is based on data being gathered from the Ministry of Local government and a questionnaire being designed to measure these attributes. The questionnaire was sent to key officials of 12 main municipalities (a copy of the questionnaire is attached in the

appendix). The researcher translated the questionnaire into Arabic, and was discussed the translation with the general director of the MLG to assure that it is well understood by the respondents. Then, the questionnaire was distributed by fax in cooperation with the general director of the ministry. Results of the study were analyzed by using simple statistics (Mean and ratio analysis).

1.4. Literature Review

Engel and Wettengel (2003), suggested the use of Document Management and Electronic Archiving (DOMEA) Concept in the municipal, and state administrations. They regarded this Concept as an important criterion in the decision-making process.

Hebdon \ and Stern (2003) found that strike-ban laws were not effective in reducing industrial conflict at the municipal level. Philips & Dunford (2003) suggested that writing off debt policies to guide debt management program can be adopted when the city has strong financial position.

Prince (2003) found that the disease management program to enhance the health of a few hundred city workers with four chronic diseases--diabetes, asthma, hypertension, and high cholesterol--enables the city to save thousands of dollars in medical expenses. Haas & Lancioni (2003) used the management science method called data envelopment analysis, which provides logistics managers with an understanding of the cost interactions and efficiencies of the channel members in reverse logistics channels. The method is applied to the reverse flows involved in municipal solid-waste management systems to determine whether the method could be used to help managers of reverse logistics channels in operating running their distribution systems. Swamy (2003) Argued that local governance can be improved through citizen participation and the application of corporate best practices. Gates & Loper (2003) emphasized the importance of citizen participation in public life. A new emphasis is given to recognizing the professionalism of the city manager to be appointed solely on the basis of executive and y on the basis of education and experience in the accepted competencies

and practices of local public management." They suggested greater citizen participation.

Brown & Potoski (2003) argued that governments across the country have moved to providing services by contract. Contracting can reduce costs and improve flexibility and customer satisfaction. But numerous pitfalls associated are with contracting. Government should invest in contract-management capacity to avoid its pitfalls

Contracting requires multiple types of expertise from public managers (Lavery 1999; O'Leary 1996; O'Looney (1998). Contracting experts typically identify Three phases of the contracting process were identified. These are: Feasibility assessment capacity, Implementation capacity and Evaluation capacity to evaluate the contractor's performance Sclar (2000) argued that poor contract performance can result from insufficient management capacity in any one of these functional areas. Dissatisfaction with prior contract performance increases the likelihood that governments will invest in contract-management capacity. Second, large increases in contract activity may spur investments in contract-management capacity.

Transaction costs are the expenses incurred in managing service delivery that can occur under both in-house and contracted service delivery (Williamson 1981). Certain types of goods and services have higher contracting transaction costs, and thus require higher levels of contract-management capacity. Stein (1990) and Ostrom and Ostrom (1977) categorize goods and services according to the degree to which they are jointly consumed and excludable. According to Stein, "Jointness of consumption exists when one person's consumption of a good or service does not diminish. Contracting with governments may be inclined to exploit loopholes in contracts for private gain (Wise 1990). Governments build the proper incentives into contracts, often produce superior results than other types of vendors (Behn and Kant 1999; Heinrich 2000). Osborne and Gaebler (1992), suggested that governments should operate more like businesses. Contracting is a highly charged political issue in many communities, because of the fear of layoffs, government employees and public employee unions often

actively oppose contracting. Opposition to contracting focus on contract-management capacity among municipal and county governments.

Government structure and capacity also may affect governments' contract-capacity investments. Government contracting is likely to increase as population increases from low to medium sizes and then decrease as population increases from medium to large sizes (Stein 1990). Governments generally invest in contract-management capacity when previous contracting experience supports higher investments, when contracting transaction costs are high, and when internal and external factors favor such investments.

Previous research indicated that governments' contract-management capacity may be low overall and does not appear to be keeping pace with the growing prevalence of contracting (Brown and Brudney 1998; Kettl 1993; Sclar 2000), they suggested that governments can adjust their contract-management capacity in response to specific problems that threaten to undermine contract performance. Specifically, these problems include dissatisfaction with previous contract outcomes, contracting for the provision of public goods and services with high transaction costs.

Harrison (2003) suggested community outreach program on infrastructure using community discussion groups, an open house day at the municipal services center. This program offered a new model for communicating to citizens who do not usually take part in discussing issues that have a huge effect on their lives and those of their children.

Staff members also had proposed the adoption of a policy of paying for the renovation of existing infrastructure with existing resources and requiring new projects to have new funding sources identified. He found that the city manager, assistant city manager, and administrative services director began working on a series of "community dialogues," with the purpose of giving citizens a basic understanding of the city's general fund--a budget primer--and of the overall infrastructure program. Citizens who were known to be active in the community were invited, participants filled out comment cards that were titled "One thing I want to tell city officials about the budget questions. Three substantive presentations were made, covering: 1) the proposed "solution" to the

funding gap in the city's original \$100 million infrastructure program, which involved dedication of general-fund savings; 2) an overview of the top new projects vying for high-priority funding, including the libraries, art center, junior museum and zoo, and new police building; and 3) the results of a telephone poll that Palo Alto itself conducted just prior to the dialogues on resident/user priorities for new infrastructure.

The international labor office prepared a report for discussion at the Joint Meeting on the Impact of Decentralization and Privatization on Municipal Services, Geneva, 2001 as the basis for discussions at the Joint Meeting (governments as public employers and workers' representatives, with the participation of some private employers' representatives) on the Impact of Decentralization and Privatization on Municipal Services, which was held from 15 to 19 October 2001 in Geneva. Decentralization and privatization have been, and still are, the two main challenges in the reform of the public service. Decentralization is often regarded as an important means to achieve improved efficiency and quality of public services in order to cope with insufficient financial resources. Decentralization affects the terms of employment and working conditions of municipal workers, as well as labor-management relations, there is a case for discussing jointly the implications of decentralization and privatization on the municipal services, since commonalities might be identified across the sectors and responses to the challenges arising from decentralization and privatization might be found jointly. Most studies on decentralization and privatization focus on the provision of public goods and services, their quality, cost and efficiency.

2. The Organization of Local Governments and Related institutions

The ministry of local government (MLG) as well as other ministries was established to achieve the above mentioned objectives; and to cover different technical and administrative areas. Many of these ministries provide services at the district and local levels, thus, collaborate with local government. The government is organized as follows:

1. The central Government headed by the president who is elected in 1996 in a democratic way. and the prime minister and the cabinet

- members were appointed in 2003. The appointment of the prime minister this year is a new development,
2. The governors for each Governorate. These are appointed by the President.
 3. Mayors: Due to the interim stage, they are appointed along with members of the municipalities by the ministry of local government.
 4. Village councils, and joint services committees are appointed by the Ministry of Local Government.

Many new municipalities have been established since the coming of the Palestinian authority in 1994. In 1995, the number of municipalities increased from 28 to 120 and 251 village councils, and 127 project committees. The local government law was issued in 1997, which gave new powers to the municipalities and councils. Only older municipalities have the technical and management capacity to provide a full range of services expected by the law. Although the law of Election of 1996, provides for the popular elections of mayors and council members, elections have not been organized and are expected to be organized in the near future. Many new local governments faced several problems due to limited experience and management resources. Municipalities and village councils were created according to the number of population in each area. Table I shows the number of population in each of the main municipalities.

Table (1): Municipalities' Population

Local Government	Municipality Population
Nablus	232101
Tulkarim	105863
Jenin	186554
Qalqilya	69298
Tuobas	30013
Salfit	46601
Beitlehem	118617
Jericho	25395
Ramallah	191943
Alkhalil (Hebron)	369498

...continue table (1)

Local Government	Municipality Population
Jerusalem (Only those which are under Palestinian authority control)	105517
Gaza District	1005068
Total	2477468

Source: Compiled based on Information from: Ministry of Local Government. April, 2003.

2.1: The decision making process

The central government. i.e.: president and the cabinet decide for the first level, while, the governor takes the governorate decisions. On the municipality level, decisions are made by the mayor and municipality council. Table 2 shows the various levels of government.

Table (2): The various levels of governments

Level	Government	Number of Units
Level 1	Central Government	1
Level 2	Regions, Provinces...	16
Level 3	Cities, Municipalities	120
Level 4	Villages councils	251
Level 5	Joint service Councils	127

Source: Ministry of Local Government (MLG) April, 2003.

2.2: Functional Responsibilities

50 percent of the respondents argued that the main functions for each level are:

Level 1: Performs functions in the following areas: health, education, transportation, finance, trade, agriculture, law, police, housing, social security and the formulation of the public policy, laws and regulations, through various ministries.

Level 2: Represents the central government. This level consists of several governorates

Level 3: Renders municipality services such as: the issuance of building licenses, planning and zoning, local environmental issues, health

and water, electricity, sewage, etc. This level consists of municipalities' councils

Level 4: Joint service councils were created to provide joint services to the citizens of the members of these councils. They manage the water, sewage, and other services.

2.3: The Functional attributions to the various levels of governments

It was found that the functional attributions to the various levels can be summarized as follows:

- a. The provision of the basic infrastructure services such as: water, electricity, solid waste management, and street cleaning.
- b. Economic development: planning and zoning,
- c. Administrative and regulatory functions.

The regulatory framework depends on article 15 of the Local Government Law of 1997, the functions assigned at each level of government are determined (General Director of the Ministry of Local Government) as:

"The regulatory framework is clear, and there is no overlapping between various levels of governments. Since these functional attributes are clearly defined by the Law".

Municipality officials see that there is an overlapping between the first level and other levels. This could be interpreted that the law defines the functions for each level in a clear way, but the practice shows the overlapping between the various levels of governments. This could be due to the current instability of the situation in the territories, which gives room to this overlapping of responsibilities. This made the functional attribution scheme to overlap between the responsibilities of the first level and other levels.

2.4: Types of partnership existing among Local governments and their performance

Partnership among municipalities is common, due to the inability of each municipality to render the needed services to its citizens alone, especially the small ones. Therefore, through partnering with other municipalities, several resources and equipments could be used for more

than one municipality. As a result, several types of partnership have been created. There are three types of partnership among municipalities. These are:

1. *The Association of Palestinian Local Authorities (APLA)*

It is a not for profit voluntary membership organization, established in 1997 to represent the collective interests of all Palestinian local authorities, and to provide them with relevant services to their citizens. The initiative to establish such an association came from the Ministry of Local Government., and approved by the PLO chairman. Its objectives are:

- To represent the collective interests of all Palestinian local authorities.
- To facilitate the exchange of knowledge, experiences, and expertise between members.
- To provide services to its members, which enhance their overall performance and improve the skills of local civil servants?
- To represent its members at the international level, and facilitate contacts with foreign municipalities and international local government organizations.

2. *Joint Service Councils (JSC)*

They are groups of local communities, who gather within a defined framework to provide jointly one or several services to their citizens. These councils were organized during the Jordanian period (ARD, 2000). The 1997 Local government Law has incorporated the earlier basic legislation governing JSCs. The initiative to establish this council came from the Ministry of Local Governments, who was interested in providing the basic necessary services to local governments, especially, in the infrastructural services. Due to the poor capabilities of these councils, and to improve the level and quality of services rendered to citizens of local government with small number of population, the Ministry approved the establishment of many joint service councils. Each consists of a number of local governments. A group of local committees can apply to the ministry to establish a JSC for approval, and delegate authority to the committee to provide the services required. These JSCs

provide general types of fee paying services, like garbage collection, water distribution, electricity distribution, and billing systems. The stakeholder villages provide the source of funds (monthly fees to be paid by each village are around 150 NIS /month), and partially from donors and ministry of local government. Members of these councils are representatives of municipalities and villages, who benefit and share the service. The chairman, deputy chairman and the treasurer are elected by the council members. A numerous number of cars, and solid waste trucks, and equipments were distributed in order to facilitate the provision of services to the members of these councils. The main objectives of these councils are:

- To improve the level and quality of services to the citizens of the members of each council.
- To reduce the costs of these services.
- To develop a sense of collective work between these local governments.

For this purpose, the ministry initiated the Joint Service Council (JSC) bylaws of 1998 as an implementation of article 3, and article 15a of the Palestinian Local Government law. As a result 49 councils are currently established containing 360 local governments. Table 3 shows these Joint Service Councils.

Table (3): Joint Service Councils

Governorate	Service Council Groups	Number of Councils in each group	Specialization
Jerusalem	5	28	Several
Jenin	5	103	Several, Waste, Water
Taukarim	3	29	Several
Tubas	2	12	Several, Waste
Ramallah & Beireh	12	47	Waste collection and Dumping
Nablus	3	18	Several
Salfit	3	8	Waste Collection
Qalqilya	3	28	Several
Jericho	3	10	Waste Collection, Dumping

...continue table (3)

Governorate	Service Council Groups	Number of Councils in each group	Specialization
Beithlehem	3	17	Waste Collection
AlKhalil (Hebron)	3	39	Several, Waste Collection
Gaza Strip	4	21	Several, Solid Waste
Total	49	360	Several

Source: Ministry of Local Government. Palestine

The JSC provides many advantages to the users at the local level, but not without disadvantages, especially in its earlier stages of establishments. Table 4 presents the advantages and disadvantages of JSCs as a means of providing services:

Table (4): The advantages and disadvantages of JSCs as a means of providing services:

Advantages	Disadvantages
1. More appropriate identification of needs by the users at the local level.	1. May be more expensive to operate than municipal department services.
2. More appropriate design of projects and programs to suit local conditions.	2. Often lack high quality expertise, but this is a problem with all local services in the smaller municipalities.
3. More community participation in programs	1. usually slower to deliver services, because these councils require lengthy social preparation time to get established.
4. Greater transparency of management	4. Can be subject to local or family disputes, which disrupts the operation of the committees.
5. Greater sense of ownership by users, and greater interest in operation and management.	5. Poorer localities might be disadvantaged as they may not be able to afford the services.

Source: ARD working paper No. 3 of April, 2000

3. Regional Service Council (RSC)

Is established according to the Local Government law and the Bylaws of the local governments. Four regions (Jenin, Beitlehem, Khalil

(Hebron) and Jerusalem) are partners according to this council. The initiative to establish this council came from Local Governments to serve a large number of municipalities and villages within each region.

These types of partnership proved to be effective, They give the local government new expertise and training, They completed many services by using the equipments many nearby small municipalities use several heavy equipments owned by Nablus Municipality.

2.5 The performance of these partnerships

- a. APLA performance is still at the beginning stages.
- b. JSC and RSC are performing well. Several infrastructural projects and services were implemented. Decisions are taken jointly by the board of directors of the partners for services, and are controlled by the ministry and the participating municipalities. Their overall performance can be measured as good within their limited resources. Three or four municipalities participate in solid waste collection truck to serve all these participating municipalities. They also participate in a one dump area. An example of which is the Zahrat Al Finjan in Jenin which serves a number of municipalities. Another project of this kind is The Middle Area project in Gaza, which has a number of solid waste collection trucks to serve about 11 participating municipalities, and has only one dump area.

Another type of partnership is partnering with the private sector. Municipalities partnered with the private sector in rendering several types of services on a contracting basis. Many municipalities signed contracts with the private sector on a bidding basis to render services in the following area: slaughtering house, street cleaning, central vegetable market.. These contracts do not need prior approval from the central government. For example Nablus municipality enters annually in a contract with the private sector to run the slaughtering house, street cleaning, and central vegetable market. While, many municipalities render electricity, water, solid waste management, and the pavement of roads. The performance of the private sector can be considered as efficient. Since cost is competitive, because contracting is done on a bidding basis, good quality of services has been noticed, and control is

assured by the municipality. And experience showed that local government did well in contracting with the private sector, and was able to manage the private providers of services in a good way.

2.6: Municipalities' Officials Responses

Respondents described Palestine as too centralized, and that local governments should be given new responsibilities (7 out of 11 respondents), while three of them described it as centralized enough; and there is an adequate balance of responsibilities between central and local governments. One can conclude that local government officials perceive the country as mainly centralized.

2.7: The share of local government's expenditures as a share of total government expenditures

Five out of the eleven respondents do not know the share of the local government expenditures to total government expenditures, while, four out of eleven respondents, of which Ramallah and Nablus stated that local government's expenditures represents about 3 percent of the total government expenditures .One respondent stated that it is 8%, while the other stated that it is 10%. Through further investigation, one can say that it is about 3 %.

ARD report of 2000 stated that the Local government's expenditures represents about 2.6 percent of the GDP The. Palestinian GDP increased from year to year till 1999, then decreased at a rapid rate starting, the beginning of Intifada (the fourth quarter of the year 2000). Table 5 shows the GDP of Palestine for several years.

Table (5): GDP of Palestine for several years in \$ 1000

Year	GDP
1994	2625
1997	3882
1998	4157
1999	4622
2000	4213
2001	3739, then Decreased by 75% in April 2002 only

Source: UNCTAD Executive Summary No. TD/B/49/9 pp. 6-26 July 2002
Geneva, 7-18 October, 2002

3. Human resources and institutional capacity of local governments

3.1: Employment

Local governments employ many employees to perform their functions. Employees are classified as managerial staff, technicians, clerks and workers. Table 6 shows the number of employees in each district.

Table (6): The number of employees in each district

Local government	No. of Employees	%
Nablus	2984	26 %
Tulkarim	607	5 %
Jenin	930	8 %
Qalqilya	349	3 %
Tuobas	99	.08 %
Salfit	117	1 %
Beitlehem	393	3.4 %
Jericho	260	2.2 %
Ramallah	571	4.9 %
AlKhalil Hebron)	1286	11.2 %
Jerusalem	189	1.7 %
Gaza District	3657	32 %
Total	11442	100%

Source: Ministry of Local Government.

About 58% of total employees are employed by Gaza and Nablus. Gaza district employs about 32 % and, while, Nablus employs about 26 % of total employees.

3.2: Training

To improve the technical and administrative capabilities of the local government employees, the Ministry of local government conducted several technical and management training programs to different managerial levels of the local governments. A program of capacity building for more than 70 local governments was also conducted. The training programs included several areas 16 training programs conducted by the ministry of local government, each consists of 30 working hours

in six days, and between 20 -25 participated in each training program during 2000 in the following fields:

1. Training programs to improve accountants' capabilities: The following training programs were conducted during 1999, and 2000:
 - Accounting systems
 - Auditing and internal control.
 - Financial policies and budgeting.
 - Auditing and Monitoring
 - Procurement analysis and Evaluation
2. Training programs for Municipality directors: in the field of strategic planning.
3. Orientation programs and Processes of Planning and Implementation for mayors
4. Training program on bidding, and Tendering processes for engineers
5. Public Relations training programs for Public Relation Directors.
6. Training programs in the field of Communication skills for secretaries Table 7 and 8 show these training programs

Table (7): Training programs conducted by the Ministry of Local Government to local government employees for the year 2000

No.	Subject	Place	Targeted Group
1	Accounting systems	Hebron	Accountants
2	Auditing and Internal control	Gaza	Accountants
3	Strategic Planning	Gaza	Municipality director
4	Financial policies and budgeting	Ramallah	Accountants
5	Financial policies and budgeting	Nablus	Accountants
6	Financial policies and budgeting	Hebron	Accountants
7	Strategic Planning	Hebron	Municipality director
8	Strategic Planning	Nablus	Municipality director
9	Strategic Planning	Ramallah	Municipality director
10	Public Relations	Gaza	PR directors
11	Bidding	Ramallah	Project engineers
12	Bidding	Nablus	Project engineers
13	Orientation	Hebron	Mayors
14	Orientation	Beitlehem	Mayors
15	Orientation	Nablus	Mayors

Source: Ministry of local Government

Training programs conducted by the Ministry of Local Government For the new Municipalities Donated from Konrad Adenaure Targeted group and Number of participants for the year 1999 March- August Training Programs for the middle region conducted in Ramallah

No.	Subject	Targeted Group
1	Auditing and Monitoring	Accountants
2	Tendering processes	Engineers
3	Communication skills	Secretary
4	Processes of Planning and Implementation	Mayors
5	Procurement analysis and Evaluation	Accountants

Source: Ministry of local Government

Training Programs for Gaza Strip during April – September 1999

No.	Subject	Targeted Group
1	Auditing and Monitoring	Accountants
2	Tendering processes	Engineers
3	Communication skills	Municipal Secretary
4	Processes of Planning and Implementation	Mayors
5	Procurement analysis and Evaluation	Accountants

Training Programs for the North Region conducted in Nablus during April – September 1999

No	Subject	Targeted Group
1	Auditing and Monitoring	Accountants
2	Tendering processes	Engineers
3	Communication skills	Secretary
4	Processes of Planning and Implementation	Mayors
5	Procurement analysis and Evaluation	Accountants

Training Programs for South Region conducted in Hebron during April – September 1999

No.	Subject	Targeted Group
1	Auditing and Monitoring	Accountants
2	Tendering processes	Engineers
3	Communication skills	Secretary
4	Processes of Planning and Implementation	Mayors
5	Procurement analysis and Evaluation	Accountants

Source: Ministry of local Government

3.3: Incentive system

There are different compensation policies. Each local government has its' own compensation system according to its' bylaws. Local governments are free to adopt their own compensation policy. Low compensation system is relatively one of the explanations for a weak institutional capacity, in addition to the activities of the occupying authorities which is a major hindrance to the performance of these governments. Although the incentive system is considered bad, Municipalities are able to attract highly qualified personnel, due to the high employment rate.

3.4: Local Governments' Institutional Capacity

The institutional capacity (technical expertise, human resources) of local governments differ from one local government to another according to the size of the local government. Respondents believe that big size local government can be described as relatively has a strong capacity, the medium size is relatively of normal capacity, while, the small size is considered of weak capacity.

The approximate number of population per municipal employee differs from one municipality to another. But this number ranges from 300-500 population per municipal employee.

To improve the institutional capacity of the local governments, respondents cited several means according to the following priorities:

1. Increase training
2. Promote better cooperation among local governments and "pooling of expertise"

3. Allow local governments to pay their employees more, or align their remuneration with the one of central governments' civil servants
4. Increase the number of executives among local governments' employees:
5. Increase the financial support from the central government, and enhance the cooperation between the municipalities and the executive institutions.

4. The most urgent issue regarding the decentralization process in Palestine

According to a questionnaire distributed to 12 municipality's officials, it was found that the most urgent issue regarding the decentralization process in Palestine is:

- Political, economical, legal issues.
- More legal and functional authority need to be delegated to LGs in decision making, and more authority to be delegated to heads of divisions and councils.
- Organizational structure, job description, determining authority responsibility relationship.
- Improving control procedures and making it more flexible.
- Financial independence, and change in the laws. Restudying the role of some of the governmental institutions to overcome the overlapping in their functions which impede doing the work, and impede taking the suitable decision.
- Privatization of some of the LGs' functions such as: electricity, water, and Street cleaning.
- The equality in the financing of LGs according to needs and damages occurred by the Israeli Occupying Authorities.

Decentralization objectives according to their importance are as follows

1. Designing, implementing and managing local public services was more effectively tailored to the needs of their users; **Mean 1.09**
2. Strengthening the institutional capacity at the local level; **Mean 1.27**
3. Rethinking and restructuring the role and the functional attributions of public institutions, of the central government, and of local governments; **Mean 1.54**

4. Greater involvement of citizens at the local level in the public policy decision-making process; **Mean 1.6**
5. Reducing the development inequalities was observed between territories (regions/provinces, cities, county). **Mean 1.82**

5. Municipal Finances

5.1: Sources of Finance

The local governments depend on internal sources of financing. Sources of finances can be summarized as follows:

- a. *Intergovernmental transfers*: according to article no. 25 of the Local Government law of 1997, 45 % of the automobile licensing fees and penalties go to the municipalities.
- b. *According to Property Tax Law Of 1954, 17 % of the net annual rent of buildings go to the municipality*. The ministry of finance levies this tax, and remits the proceeds to the municipalities after deducting administrative expenses, which amounts to 10 % of the proceeds.

Table no. 8 shows the Intergovernmental Transfers.

Table (8): Intergovernmental Transfers of the Central government to local Palestinian Territories in NEW ISRAELI SHEQEL (1000)

Local government	1998	1999	2000	2001	2002
Nablus	4313	4407	4001	3420	2396
Tulkarim	2182	2216	2011	1623	1137
Jenin	3612	3686	3345	2860	2003
Qalqilya	1325	1368	1243	1062	744
Tuobas	579	593	538	460	322
☉ Salfit	902	921	836	717	500
Beitlehem	2283	2336	2127	1818.5	1274
Jericho	492	502	455	389	273
Ramallah	3656	3792	3442	2943	2061
AlKhalil (Hebron)	7033	7298	6626	5665	3968
Jerusalem	2042	2084	1892	1618	1133
Gaza Districts	3831	3688	497	1574	6410
Total	32250	32891	27013	21071.5	22221

Compiled based on Information from: Ministry of Local Government

Articles number 25 and 26 of the Law of 1997 state that these transfers are to be allocated to each level of government according to population .i.e. per capita.

These transfers can be predicted, because they depend upon the increase in the number of cars. The central government does not interfere in the redistribution of these transfers upon operating versus investment expenditures.

The local government can borrow under article number 21, of Local Government Law of 1997; Figures regarding borrowings are not available. But officials believe that the amount is very low, due to the poor credit standing of these local governments. They usually borrow from the private sector especially the banking sector. Loans are usually used to finance capital expenditures. If the government defaults, they used to negotiate with the lender for the rescheduling of loan, and or to get donations from the central government; Moreover, and according to the municipality Law, 90 % of property taxes go to the municipalities. Table 9 shows 90 % of property taxes and profession tax which goes to the municipalities since 1998.

Table (9): 90 % of property taxes and profession tax which goes to the municipalities since 1998 in NIS

Year	Amount of property tax	Profession tax
1998	20,333,628	4,177,292
1999	28,156,889	6,577,652
2000	30,180,993	6,540,478
2001	29,767,393	4,512,752
2002	22,959,404	2,901,632

Source: Ministry of Finance.

The table shows that these taxes increased year by year up to the year 2000, then started to decrease at a rapid rate. This is due to the impact of the Israeli aggression and invasion on the Palestinian cities, which made the citizens unable to pay even these small taxes.

- a. *Service fees* such as auction fees, fees for selling vegetables and fruits, levied according to Jordanian Municipalities Law number 29 of 1955, and slaughtering fees.

- b. The municipality has the right to levy 50 % of the cost of street pavement from beneficiaries.
- c. Fees from giving licenses for buildings.
- d. Profession fees: according to the Law of profession and Factory number 16 of 1953.

Moreover, Municipalities have the right to levy fees on parks. Nablus adopted such a fee on parking in some places.

- a. Fines: for not paying taxes on time, and for not abiding by law.
- b. Loans: Municipalities used to borrow from banks and related financial institutions to finance the preparation of the organizational structure of projects, water projects, electricity Projects, public buildings, conducting technical and feasibility studies, school building, and the pavement of roads and streets.
- c. Donations from several sources.
- d. Proceeds from selling some of the municipalities assets, or as a return on investment of some assets. These amounts are of low value due to the low investments that make returns of considerable value.

There is no regulatory framework, which gives municipalities the right to set taxes or create new ones. A draft is made by the ministry of local government to amend the property tax, which gives the municipalities the right to raise and levy such tax. This is expected to give municipalities the right to get 100 % of this tax, instead of 90 %.

5.2: Financial Standing of Municipalities

Since the Intifada, the municipalities suffer from bad collections, due to the inability of the inhabitants to pay their maturing obligations once they become due. Thus the total expenses of municipalities exceeded their revenues. Moreover, the occupying authorities have been destroying all the infrastructural projects which have been established. This increased the burden on these local governments.

5.3: Borrowing capacity

It is difficult to say that any of them is able to borrow. In spite of the fact that the law gives them the right to borrow, but due to the bad financial Standing of local governments, their ability to borrow is weak. All of the local governments face financial difficulties especially after

Israeli Occupying Authorities' invasion to the West bank and Gaza Strip. and demolishing many of the buildings, schools and houses. and ruins the streets.

5.4: Local Government Investments

The planning and priority setting in place is to keep on offering the services to the population. The proportion of total local governments' budget that has been dedicated to investments was about 30 % in the average. The main investment items are infrastructure, equipment and buildings. Many municipalities provide buildings for schools.

5.5: Development projects as a percentage of the total Budget of LGs

The development projects as a percent of total budget differs from municipality to another, and from one year to another. As can be seen from table 11. And it is higher for small municipalities than large ones. This is mainly due to the fact that budgets are generally small compared to services and developmental projects required especially after the Israeli Occupying forces invaded the cities since 2001 and demolished many of the infrastructural projects. Thus, and due to the small amounts of the total budget of each municipality, any amount allocated to development projects will constitute a high percent.

A sample of five main municipality's budgets was investigated. These are shown in Table 10 below.

Table (10): Capital expenditures as a percent of total budgeted expenditures for some municipalities.

	2000	2001	2002	2003
Nablus	10.43 %	6.45 %	7.11 %	N.A
Gaza	NA	NA	24.8%	23.5%
KhanYounis	36.9%	37.3%	28.3%	28.0 %
Rafah	30.7%	40.4%	42.5 %	33.2%
Jabalia	49.8%	44.3%	37.1%	28.5%

Source: Calculated by the author based on the annual budgets of the above mentioned municipalities.

The table shows that the capital budget before the Intifada was not less than 30 % in any municipality, and even in the first year of the

Intifada i.e. 2001. While, in 2002, and 2003 the capital budget did not exceed 33 percent. This is mainly due to the inability of these local governments to plan and implement developmental projects, because of the severe aggression by the Occupying forces, and the demolishing of many developmental projects. So these municipalities concentrated on the daily activities to sustain the living conditions of the inhabitants. Capital expenditures consists of water, electricity, sewage projects

To increase the investment level of LGs, a good financial system and a cost accounting system need to be established, and employees need training. There is no mechanism for savings. Borrowing is not advisable at this stage, or the increase in taxes for the following reasons:

1. The widespread destruction of public and private sector infrastructure. Since October 2000, the Palestinian economy has lost over half of its annual gross domestic product, and unemployment has increased threefold, and poverty has risen substantially, with more than two thirds of Palestinian households living below the poverty line. (UNCTAD, fifty fourth session, Geneva 7-18 October 2002). Population in an economy with these characteristics cannot afford borrowings and an increase in taxes.
2. UNCTAD in its fifty fourth session, Geneva 7-18 October 2002 described the Palestinian economy as "The Palestinian economy is now set on a path of (de-development), with serious ramifications for its public finances, trade balance, saving investment gap and social services". Many families stopped paying their obligations for the services.

Thus, the current investment level is not sufficient, especially under the current situation. Most of the municipalities have a long and medium term investment plans based on an infrastructure service needs assessment, and it is very low when compared to current investment level, due to the shortages of financing, the daily aggression on the Palestinian people, and the destruction of their properties and infrastructure ..

5.6: Local governments' finance

The main issues regarding local governments' finance raised by the respondents can be summarized as follows:

1. Self financing, is not sufficient to perform the functions of the municipalities (current and investment projects). Developing new local sources of financing to assure fixed income is needed. In this regard, municipalities should be given the authority to levy taxes and fees like the developed countries.
2. The lack of commitment of the ministry of Finance to remit municipality funds.
3. The inequality in the distribution of transfers for the infrastructure projects to all governorates
4. Shortages in financing and lack of government assistance, thus, there is a need for the participation of the central government in financing
5. Municipalities do have bad collection policies.
6. The need for accounting systems.

5.7: local governments investment in infrastructure) compared to the needs of local population

Respondents argue that local governments are not able to invest enough in infrastructure as compared to the needs of local population due to:

- a. Limited financial resources
- b. More responsibilities, especially the need for repairs and reconstruction of what has been destroyed by the Occupying authority since the beginning of Al-Aqsa Intifada. In addition to keep rendering the necessary recurring services to the population.
- c. The dependence on the donors to finance projects.
- d. The absence of central government financial support, especially at the current situation, and the lack of budgets for investment projects

The approximate percentage of local governments which: are undergoing severe financial difficulties constitute more than 80 percent, None has good financial standing, while, those who are in between constitute between 10% -20 %

5.8: Means to address local governments' financial difficulties

The following means to address local governments' financial difficulties were cited by the respondents according to their priorities:

- Reduce investment expenses.
- Create new local taxes.
- Reduce operating expenses.
- Increase collection rate of existing taxes.
- Increase transfers from central government.
- Diversify sources of finances, and the remittance of the money due to them on the central government.

About 2 percent of the local governments have already borrowed, mainly from the private sector, especially banks. Nablus municipality borrowed about 2.6 million dollar from the Arab Bank to finance a big commercial center. none of the local government has the financial capacity to borrow these days, because they are experiencing financial difficulties, and they need the ministry's approval for their borrowings.

5.9: Description of the control of financial and budgetary issues

Local governments have revenues autonomy. They can raise their own resources by creating new taxes or changing tax rates, subject to prior approval from the ministry.

They have full autonomy for the preparation and execution of the budget. But the budget needs to be balanced, it requires the approval of the ministry. The ministry exercises a financial control process through the monthly, and annual reports to be sent to the ministry, Moreover, the financial records of the municipalities are subject to inspection by the ministry. The ministry's inspection and follow up department conducts at least one visit a year to each municipality to assure abiding by the Law and ministry instructions

Municipalities can modify expenditures as planned by the budget once approved. Changing expenditures from one item to another needs the ministry's' approval.

The time needed for approval needed usually requires a period of two weeks maximum. This does not constitute a major constraint for the

local governments. All local governments comply with the existing regulations. The control process is good enough, and I do not think it needs to be improved at this moment. What is highly needed is that local governments and the ministry need to be liberated from occupation in order to perform their functions well, since the ability to move from one place to another is prevented by the Israelis since the beginning of the Intifada.

6. Relation between central and local government

6.1: Control procedures of LGs decisions by central government

The Local Government Law of 1997 constitutes the regulatory framework for such control. The budget and municipalities' financial systems are prepared according to the Law. Decisions to increase fees and taxes, borrowings, and amendments of municipalities' bylaws requires prior approval of the ministry. The control procedures are made by the Ministry of local government, prior the execution of decisions the control aims at maintaining consistency, and the compliance by the Law. The oversight system by the ministry aims to maintain coordination and balance.

Local governments prepare and execute budgets, and then it is discussed and approved by the Ministry of local government. Respondents gave conflicting answers with regard to the prior approval once it is being approved by the ministry. The majority of the respondents argued that they do not need approval. Others stated that they need approval, but when investigated from the ministry, it has been found that they do not need approval. Most of the respondents believe that the typical timeframe that it takes for local government budgets to be approved by the central government takes between two weeks to one month. But nowadays, it may take more. Respondents qualified the delay as normal. Respondents believe that local governments need central government approval on the following areas before :

- Recruiting high level civil servants: (90 % of the respondents)
- Creating new local taxes or modify existing taxes: (73 % of the respondents)

- Modifying charges for municipal services: (90 % of the respondents)
- Borrowing:

The control procedures conducted by central government were described by the respondents as: too complex and/or too rigid, they could be improved to give local governments better capacity to address the population’s needs for public services in a more efficient way.

7. Future Reforms under Preparation

7.1: Decentralization reforms

A project of reform was initiated, and financed by the World Bank with a \$1 million to restructure the Palestinian Local government system called *white Paper Project*, The project stopped due to Intifada. As part of its support to the Palestinian reform, the Government of Japan allocated \$ 600000 to support the necessary changes in Local government through the UNDP's Program of Assistance to the Palestinian People. The Reform Support Group on Local Government, led by Japan, highlighted first the immediate need for a comprehensive diagnostic study of the strength and weaknesses of the Ministry of Local Government (MLG), its decentralization efforts and how to accelerate the institutional capacity of Municipal Authorities in the West Bank and Gaza Strip.

These projects are likely to be properly funded. The Ministry of Local government provides broad guidelines for the project. Its impact on infrastructure service delivery will be the speed and efficiency. In the middle and long run, it is expected that municipalities will have more authority to raise and generate more revenues, better administration, and are able to build their capacity

7.2: Some decentralization reforms under preparation

No decentralization reforms under preparation, were cited. The followings were cited

- New organizational structures were prepared to cope with the new responsibilities of the municipalities that will be implemented when financial situations improve.

- The World Bank intended to redesign the Palestinian local system. This project ceased due to Intifada.

7.3: Other comments

Respondents' recommendations were as follows:

- the need to develop the concept that the municipality is an independent local government that operates according to the Law.
- The need to give the municipality's financial independence.
- The governors, and other government agencies including the ministries and other institutions need not to interfere in the municipalities' affairs.
- The need to enhance the role of legal authorities to facilitate the implementation of decisions, and the enforcement of law.
- The need to enforce the local governments' role, and start the implementation of the election of the municipality's councils to select those who can serve better.
- The need to adopt the concept of partnership with the inhabitants, and the participation of the people to serve the public better.
- The need to develop a municipalities' development budget, and an emergency budget to cope with abnormal situations, that the municipalities' infrastructure face.
- Authorities and responsibilities of both the central government and the local government need to be determined to enlarge the responsibilities of the local government to include education, culture sport and youth activities.
- More support from the central government budget to the local governments is required.
- The adoption of the decentralization concept, and the realization of the legal framework which support such a concept, and at the same time, recruiting and developing the needed manpower, and financial resources will help implementing policies, programs, and simplifying procedures.
- a Periodic bulletin to be issued to give information about the activities of the local government including the budgets, number of employees and their qualification, and a small report about the activities of each municipality.

- Workshops and seminars about decentralization experience in other countries have to be conducted, and the ability of importing and adopting such an experience in Palestine.

8. Conclusion and Recommendations

8.1: Summary and Conclusion

The evolution of local government in Palestine has been influenced over time by the ruling government for the maintenance of their power and security through central control. One can summarize the conclusions of the study as follows:

1. Local government officials perceive the country as mainly centralized. Laws, political systems, administrative arrangements, and developmental practices of local government were geared towards this objective rather than to the needs of local communities.
2. The role of local government was the provision of a limited number of services such as water, electricity, solid waste collection and disposal, monitoring residential buildings, local roads development and maintenance, and municipal tax collection.
3. Strategic decisions making related to finance, planning, health, education, agriculture, expansion of municipal areas, were highly centralized.
4. During Israeli occupation, local government was controlled by a range of military orders to control most aspects of municipal life, particularly in matters concerning land use and planning
5. Israeli authorities neglected and abandoned the development of local government. Local Governments depended upon their own resources, NGOs and community based organizations to provide the necessary services to their citizens.
6. Since the last quarter of 2000, The Israeli Occupying power destroyed many of the municipal infrastructures in every city, town and village in Palestine, especially, roads, streets, and left them with the need for extensive rehabilitation. Municipal organizations and management systems are also in need of extensive upgrading.

7. The Ministry of Local Government (MLG) was established in 1994 to help build an effective system of decentralized local government. Other ministries were also established to cover different technical and administrative areas. Many of these ministries provide services at the district and local levels, thus, collaborate with local government.
8. The government is organized into the central Government headed by the president who was elected in 1996 in a democratic way, He decides for the first level. The prime minister and the cabinet were appointed in 2003, and governors decides on the governorate level, mayors and village councils, and joint services On the municipality level, decisions are made by the mayor and municipality council.
9. Municipality officials see that, there is an overlapping between the first level and other levels. This could be due to the current instability of the situation in the territories, which gives room to this overlapping of responsibilities. This made the functional attribution scheme to overlap between the responsibilities of the first level and other levels
10. The functional attributions to the various levels are: the provision of the basic infrastructure services such as: water, electricity, solid waste management, and street cleaning, economic development: planning and zoning, and administrative and regulatory functions. The functions assigned at each level of government are clearly defined by the Law.
11. The local government law was issued in 1997, which gave powers to the municipalities and councils. Many new municipalities were established after the establishment of the Palestinian authority in 1994. In 1995, the number of municipalities increased from 28 to 120 and 251 village councils, and 127 project committees. Municipalities and village councils were created according to the number of population in each area. Only older municipalities have the technical and management capacity to provide a full range of services expected by the law.
12. Although the law of Election of 1996, provides for the popular elections of mayors and council members, elections have not been organized and are expected to be organized in the near future.

13. Many new local governments faced several problems due to limited experience and management resources. Therefore, partnership among municipalities is common, due to the inability of each municipality to render the needed services to its citizens alone, especially the small ones. Therefore, through partnering with other municipalities, several resources and equipments could be used for more than one municipality. As a result, several types of partnership have been created. There are three types of partnership among municipalities. These are: The Association of Palestinian Local Authorities (APLA), Joint Service Council (JSC) and Regional Service Council (RSC).
14. Many municipalities signed contracts with the private sector on a bidding basis to render services in the following area: slaughtering houses, street cleaning, central vegetable market. These contracts do not need prior approval from the central government. Local government was successful in contracting with the private sector.
15. The share of local government's expenditures as a share of total government expenditures: was about 3 % .while the share of local government's expenditures as a share of GDP was about 2.6%.
16. Several local governments are operated by employees, consisting of managerial staff, technicians, clerks and workers. Gaza district and Nablus employs about 58% of total employees. The approximate number of population per municipal employee ranges from 300-500 population per municipal employee.
17. To improve the technical and administrative capabilities of the local governments' employees, the Ministry of local government conducted several technical and management training programs to different managerial levels. A program of capacity building for more than 70 local governments was conducted. The training programs included several areas: Accounting, auditing, financial policies, procurement analysis and Evaluation, strategic planning, orientation programs and Processes of Planning and Implementation for mayors, and training program on bidding, and tendering processes for engineers, and public and communication skills.
18. Each local government has its' own compensation system. Even though the incentive system is considered bad, municipalities were

able to attract highly qualified personnel, due to the high employment rate.

19. The institutional capacity (technical expertise, human resources) of local governments differ from one local government to another according to the size of the local government. The means to improve the institutional capacity of the local governments according to priorities are increasing training, promoting better cooperation among local governments and “pooling of expertise”, allowing local governments to pay their employees more, increasing the number of executives among local governments’ employees, increasing the financial support from the central government, and enhancing the cooperation between the municipalities and the executive institutions.
20. The most urgent issues regarding the decentralization process in Palestine are: the political, economical, and legal issues. More legal and functional authority needs to be delegated to LGs in decision making, and more authority needs to be delegated to heads of divisions and councils, organizational structure, job description, determining authority responsibility relationship, improving control procedures and making it more flexible, financial independence, and change in the laws, restudying the role of some of the governmental institutions to overcome the overlapping in their functions,
21. Privatizing some of the LGs' functions such as: electricity, water, and street cleaning, equality in the financing of LGs according to needs and damages occurred by the Israeli Occupying Authorities. Respondents indicated several decentralization objectives.
22. The local governments depend on internal sources of financing, including intergovernmental transfers. These transfers are to be allocated to each level of government according to population .i.e. per capita. These transfers can be predicted, depending upon the increase in the number of cars. The central government does not interfere in the redistribution of these transfers upon operating versus investment expenditures. The local government can borrow under article number 21, of Local Government Law of 1997. Officials believe that their ability to borrow is very low. They usually borrow

from the private sector especially the banking sector. Loans are usually used to finance capital expenditures.

23. Ninety percent of property taxes are transferred to municipalities. This amount ranges from 20 million Israeli Shekel to 30 million each year. Municipalities levy service fees such as auction fees, fees for selling vegetables and fruits and slaughtering fees, 50 % of the cost of street pavement from those who benefit from, fees from giving licenses for buildings, profession fees, fees on parks, Some municipalities like Nablus adopted a new fee for parking in some places. Fines for not paying taxes on time, for not abiding by law, loans from banks, donations are other sources of financing. There is no regulatory framework for municipalities to set or create taxes new ones.
24. Since the Intifada, Total expenses of these municipalities exceeded their revenues, they suffer from bad collections, due to the inability of the inhabitants to pay their maturing obligations once they become due. Moreover, the occupying authorities have been destroying all the infrastructural projects which have been established. This has increased the burden on these local governments. Nowadays, it is difficult to say that any of them is able to borrow.
25. The planning and priority setting in place is to keep on offering the services to the population. The proportion of total local governments' budget is dedicated to investments (mainly in: infrastructure, equipment and buildings.) were about 30% in the average. Many municipalities provide buildings for schools.
26. The development projects as a percent of total budget differ from municipality to another, and from one year to another. It is higher for small municipalities than large ones, because budgets are generally small as compared to services and developmental projects required especially after the Israeli Occupying forces invaded the cities since 2001 and demolished many of the infrastructural projects. Due to the small amounts of the total budget of each municipality, any amount allocated to development projects will constitute a high percent. The capital expenditures consist of water,

electricity, sewage projects, the capital budget before Intifada was not less than 30 % in any municipality, and even in the first year of Intifada, i.e. 2001. While, in 2002, and 2003 it did not exceed 33 percent. This is mainly due to the inability of these local government to plan and implement developmental projects, because of the severe aggression and the demolishing of developmental projects by the Occupying forces, .Municipalities concentrated on the daily activities

27. There is no mechanism for savings. Borrowing is not advisable at this stage, nor the increase in since October 2000, the Palestinian economy has lost over half of its annual gross domestic product, and unemployment has increased threefold, and poverty has risen substantially, with more than two thirds of Palestinian households living below the poverty line. (UNCTAD described the Palestinian economy as "The Palestinian economy is on a path of "de-development", with serious ramifications for its public finances, trade balance, saving investment gap and social services".
28. The current investment level is not sufficient, especially under the current situation. Most of the municipalities have a long and medium term investment plans based on an infrastructure service needs assessment, but when compared to current investment level it is very low. Local governments are not able to invest enough in infrastructure compared to the needs of local populations.
29. The approximate percentage of local governments which is undergoing severe financial difficulties constituting more than 80 percent. None of the local governments has the financial capacity to borrow.
30. Local governments have revenues autonomy. They can raise their own resources by creating new taxes or changing tax rates, subject to prior approval from the ministry. The ministry exercises a financial control. Municipalities can modify expenditures planned by the budget once approved. The time needed for approval for the matters that need approval usually requires a period of two weeks maximum. But nowadays, it may take more. Respondents qualified the delay as normal. One can deduce that the time frame which

ranges from two weeks to one month is considered normal. The control aims at maintaining consistency, and the compliance by the Law.

31. The oversight system by the ministry aims to maintain coordination and balance.
32. Local governments prepare and execute budgets, and then it is discussed and approved by the Ministry of local government. Local governments need central government approval on the following areas before :
 - recruiting high level civil servants,
 - creating new local taxes or modify existing taxes,
 - modifying charges for municipal services, and
 - borrowing.
33. The control procedures of local governments' decision (e.g. for budget approval) by central government were described as too complex and/or too rigid. It needs to be improved
34. There was a reform project initiated with the World Bank with a \$1 million to restructure the Palestinian Local government system called *white Paper Project*, but due to Intifada, the project stopped. Moreover, Government of Japan allocated \$ 600000 to support the necessary changes in Local government through the UNDP's Program of Assistance to the Palestinian People. The reform Support Group on Local Government, led by Japan, highlighted first the immediate need for a comprehensive diagnostic study of the strength and weaknesses of the Ministry of Local Government (MLG), its decentralization efforts and how to accelerate the institutional capacity of Municipal Authorities in the West Bank and Gaza Strip.

These projects are likely to be properly funded. The Ministry of Local Government provided broad guidelines for the project. It is expected that its impact on infrastructure service delivery will be the speed and efficiency. In the middle and long run, it is expected that municipalities will have more authority to raise and generate more revenues, better administration, and are capable of building their capacity

Respondents believe that there is no decentralization reforms under preparation, but new organizational structure for the municipalities need to be prepared.

8.2: Recommendation

Based on the findings, one can recommend the followings:

1. Develop the concept of independent local government with financial independence. Following actions need to be taken in this regard:
 - a good financial system and a cost accounting system need to be established.
 - new local sources of financing. needs to be developed. Besides, there is a need for the participation of the central government in financing.
2. To reduce the overlapping problem, the following measures could be used:
 - a. delegating part of the authorities of the central government to local levels,
 - b. Determining clear responsibilities and authorities of each level, and,
 - c. allocating more financial resources from the first level to other levels to be able to develop and improve services rendered. The interference of the governors, other government agencies including the ministries and other institutions in the municipalities' affairs and their functions should be limited.
3. Enhancing the role of legal authorities in an attempt to facilitate the implementation of decisions, and the enforcement of law.
4. Enforcing the local governments' role, and start the implementation of the election of the municipalities councils to select those who can serve better.
5. Adopting the concept of partnership with the inhabitants, and the preparation of developmental plans with the participation of the people to serve the public better.
6. Developing a municipalities' development budget, and an emergency budget to cope with these abnormal situations, which the municipalities' infrastructure face.

7. Improving the institutional capacity of the local governments according to priorities through increasing training, promoting better cooperation among local governments and “pooling of expertise”, allowing local governments to pay their employees more, increasing the number of executives among local governments’ employees, increasing the financial support from the central government, and enhancing the cooperation between the municipalities and the executive institutions.
8. More legal and functional authority need to be delegated to LGs in decision making, and more authority to be delegated to heads of divisions and councils. Organizational structure, job description, determining authority responsibility relationship, and improving control procedures., financial independence, and change in the laws, restudying the role of some of the governmental institutions to overcome the overlapping in their functions ,privatization are required. Some of the LGs' functions such as: electricity, water, and street cleaning, equality in the financing of LGs according to needs and damages occurred by the Israeli Occupying Authorities are suggested.
9. Enlargement of the responsibilities of the local government to include education, culture, sport and youth activities.
10. Allocating more financial resources from the first level to other levels to be able to develop and improve services rendered. There is a need for the determination of a percentage of the central government budget to support the local government.
11. The adoption of the decentralization concept to achieve several decentralization objectives. This requires the followings:
 - finalizing the administrative job description, and recruiting and developing the needed manpower ..
 - the realization of the legal framework which support such a concept.. This will help implementing policies and programs, and simplifying procedures, to provide services to people within a clear methodology respected by the society.
 - designing, implementing and managing local public services more effectively tailored to the needs of their users.

- strengthening the institutional capacity at the local level.
 - rethinking and restructuring the role and the functional attributions of public institutions, of the central government, and of local governments;
 - Greater involvement of citizens at the local level in the public policy, and decision-making process,
 - Reducing the development inequalities observed between territories (regions/provinces, cities, county,).
12. The issuance of a periodic bulletin to inform the public about the activities of the local governments, number of employees and their qualification.
 13. Conducting workshops and seminars about the experience of the decentralization in other countries to implant such an experience in Palestine.
 14. What is highly needed is that local governments and the ministry need to be liberated from occupation in order to perform their functions well, since the ability to move from one place to another is prevented by the Israelis since the beginning of the Intifada.

References

- 1) Agranoff, Robert, and Michael McGuire. (1998), Multinetwork Management: Collaboration and the Hollow State in Local Economic Policy. *Journal of Public Administration Research and Theory* 8(1): 67-92 .
- 2) Behn, Robert D., and Peter A. Kant. (1999), Strategies for Avoiding the Pitfalls of Performance Contracting. *Public Productivity and Management Review* 22(4): 470-89 .
- 3) Boyne, G.A. (1998). Bureaucratic Theory Meets Reality: Public Choice and Service Contracting in U.S. Local Government. *Public Administration Review* 58(6): 474-84 .
- 4) Brown, M. Maureen, and Jeffrey L. Brudney. (1998). A "Smarter, Better, Faster, and Cheaper" Government: Contracting and Geographic Information Systems. *Public Administration Review* 58(4): 335-45 .
- 5) Brown, T.-L.; Potoski, M., (2003), Contract-Management Capacity in Municipal and County Governments, *Public Administration Review* (Washington, DC) v 63 no.2 Mar/Apr.

- 6) DeLeon, L , and Robert A. Denhardt.(2000(. The Political Theory of Reinvention. **Public Administration Review** 60(2): 89-97 .
- 7) Engel,A & Wettengel, M (2003), **Information Management Journal** v 37 no4 July/Aug. p. 49-54, 56
- 8) Ferris, J. M., and Graddy.E. (1991. Production Costs,Transaction Costs, and Local Government Contractor Choice. **Economic Inquiry** 24(3):541-54 .
- 9) Finley, L.K. (1989). Alternative Service Delivery, Privatization, and Competition. In **Public Sector Privatization: Alternative Approaches to Service Delivery**, edited by L.K. Finley, 3-12. New York: Quorum Books .
- 10) Gargan, John. (1981). Consideration of Local Government Capacity. **Public Administration Review** 41(6): 649-58.
- 11) Gates,C.T & Loper. R. (2003), Renewing the Model City Charter: The Making of the Eighth Edition . **Public Management** v 85 no3 Apr. p. 4-7.
- 12) Greene, J . (1996). How Much Privatization? A Research Note Examining the Use of Privatization by Cities in 1982 and 1992. **Policy Studies Journal** 24(4): 632-40 .
- 13) Haas, D.A; Murphy,-F .H & Lancioni,.R.A,(2003) Managing Reverse Logistics Channels with Data Envelopment Analysis, **Transportation Journal** v 42 no3 Spring . p. 59-69
- 14) Haas, M & Lancioni (2003) **Transportation Journal** v 42 no3 Spring. p. 59-69
- 15) Haque, M. Shamsul(2001. The Diminishing Publicness of Public Service under the Current Mode of Governance. **Public Administration Review** 61(1): 65-78 .
- 16) Harrison, Emily (2003), CityWorks: Developing a Community Consensus On Infrastructure,
- 17) Harrison. J. (2003) Community outreach program on infrastructure . **Public Management** v 85 no2 Mar 2003. p. 16-18
- 18) Hebdon, R & Stern, R,(2003), Do Public-Sector Strike Bans Really Prevent **Industrial Relations** v 42 no3 July. p. 493-512
- 19) Heinrich, Carolyn. (2000). Organizational Form and Performance:An Empirical Investigation of Nonprofit and For-Profit Job-Training Service Providers. **Journal of Policy Analysis and Management** 19(2): 233-61 .
- 20) Hirsch, W.Z. 1995. Contracting Out by Urban Governments: A Review. **Urban Affairs Review** 30(3): 458-72

- 21) Honadle, B. W... (1981). A Capacity-Building Framework: A Search for Concept and Purpose. **Public Administration Review** 41(5): 575-80 .
- 22) Kettl, D. F. (1993). **Sharing Power: Public Governance and Private Markets**. Washington, DC: Brookings Institution.
- 23) Landau, M . (1969). Redundancy, Rationality, and the Problem of Duplication and Overlap. **Public Administration Review** 39(6): 346-58
- 24) Lavery, K . (1999). **Smart Contracting for Local Government Services: Processes and Experience**. Westport, CT: Praeger..
- 25) Milward, H. B , Keith G. P , and Barbara A. Else. (1993). What Does the Hollow State Look Like? In **Public Management: The State of the Art**, edited by Barry Bozeman, 309-22. San Francisco, CA: Jossey-Bass
- 26) Milward, H. B. (1996). Symposium on the Hollow State: Capacity, Control and Performance in Inter-organizational Settings. **Journal of Public Administration Research and Theory** 6(2): 193-95
- 27) Miranda, R, and Allan Lerner. 1995. Bureaucracy, Organizational Redundancy, and the Privatization of Public Services. **Public Administration Review** 55(2): 193-200
- 28) Moe, Ronald C. 1987. Exploring the Limits of Privatization. **Public Administration Review** 47(6): 453-60 .
- 29) Morgan, David R., and Robert E. England. 1988. The Two Faces of Privatization. **Public Administration Review** 48(6): 979-87 .
- 30) Mueller, David. 1989. **Public Choice II**. Cambridge: Cambridge University Press .
- 31) Niskanen, William A. 1971. **Bureaucracy and Representative Government**. Chicago: Aldine Atherton .
- 32) O'Leary, Rosemary. 1996. Managing Contracts and Grants. In **The Handbook of Public Administration**, edited by James Perry, 263-75. San Francisco, CA: Jossey-Bass .
- 33) O'Looney, J. A. (1998). **Outsourcing State and Local Government Services: Decision-Making Strategies and Management Methods**. Westport, CT: Quorum Books .
- 34) O'Toole, Laurence J. 1996. Implementing Public Programs. In **Handbook of Public Administration**, edited by James L. Perry, 250-62. San Francisco, CA: Jossey-Bass .

- 35) Perry, James L., and Timlynn Babitsky. 1986. Comparative Performance in Urban Bus Transit: Assessing Privatization Strategies. **Public Administration Review** 46(1): 57-6
Savas, E.S. 1987. **Privatization: The Key to Better Government**. Chatham, NJ: Chatham House Publishers .
- 36) Prince, M.(2003), Pharmacist oversight cuts cost of chronic diseases **Business Insurance** v 37 no17 Apr 28 2003. p. 1, 22
- 37) **Public Management** v 85 no2 Mar 2003. p. 16-18.
- 38) Selar, E . (2000). **You Don't Always Get What You Pay For: The Economics of Privatization**. Ithaca, NY: Cornell University Press .
- 39) Stein, R. M. (1990). **Urban Alternatives: Public and Private Markets in the Provision of Local Services**. Pittsburgh, PA: University of Pittsburgh Press .
- 40) Stoker, G. (1997). Conclusion: Privatization, Urban Government and the Citizen. In **The Privatization of Urban Services in Europe**, edited by D. Lorrain and G. Stoker, 204-12. London: Pinter .
- 41) Swamy, M. (2003), Cleaning Up City Hall, **Far Eastern Economic Review** v 166 no13 Apr 3 2003. p. 40-1
- 42) Warner, M , and Robert Hedbon. (2001),. Local Government Restructuring: Privatization and Its Alternatives. **Journal of Policy Analysis and Management** 20(2): 315-36 .
- 43) Weimer, D, and Aiden Vining. 1992. **Policy Analysis**. Englewood Cliffs, NJ: Prentice Hall .
- 44) Williamson, Oliver. 1981. The Economics of Organization. **American Journal of Sociology** 87(3): 548-77 .
- 45) Wise, Charles R. 1990. Public Service Configurations and Public Organizations: Public Organization Design in the Post-Privatization Era. **Public Administration Review** 50(2): 141-55 .

Reports

- 46) UNCTAD **Executive Summary** No. TD/B/49/9 p.6 26 July 2002 Geneva, 7-18 October, 2002.
- 47) ARD, Inc (2000), **Working Paper# 3 Administrative/ Structural Issues: An assessment of Administrative Structural Issues Related to Local Government decentralization in West Bank and Gaza**.

Meetings with

- 48) Mr. Jihad Hamdan. Director General of the Ministry of Local Government.
49) Mr. Ghassan Hammouz. General Manager for Financial Affairs. Ministry of Local Government.
50) Abdul Halim Sweisa. Chief Accountant. Nablus Municipality.

Appendix**QUESTIONNAIRE (Reproduced from IBRD)**

1. According to you, what is the most urgent issue regarding the decentralization process in your country?
2. Would you indicate the level of priority you attach to the following decentralization objectives (1: most important; 5: least important)?

- Greater involvement of citizens at the local level in the public policy decision-making process;
- Designing, implementing and managing local public services more effectively tailored to the needs of their users;
- Strengthening the institutional capacity at the local level;
- Rethinking and restructuring the role and the functional attributions of public institutions, of the central government and of local governments;
- Reducing the development inequalities observed between territories (regions/provinces, cities, county,).
- Designing, implementing and managing local public services more effectively tailored to the needs of their users;
- Strengthening the institutional capacity at the local level;
- Rethinking and restructuring the role and the functional attributions of public institutions, of the central government and of local governments.
- Greater involvement of citizens at the local level in the public policy decision-making process
- Reducing the development inequalities observed between territories (regions/provinces, cities, county,

3. What are the various levels of government? And how many are there

Level 1	Central government	-
Level 2	Regions, provinces,...	Number of units:
Level 3	Cities, municipalities	Number of units:
Level 4	Other (please describe):	Number of units:

4. What is the share of local government's expenditures as a share of total government expenditures?

%

FUNCTIONAL RESPONSIBILITIES:

5. Based on the various levels of government you identify in question no. 3, what are the main functions (e.g. health, education, transportation, waste management, etc.) assigned at each level of government?

6. How does this functional attribution scheme work in practice? Should it be improved and if yes, how?

7. Would you describe your country as –

- Too centralized; local governments should be given new responsibilities;
- Centralized enough; there is an adequate balance of responsibilities between central and local governments;
- Too decentralized; local governments have been given too many responsibilities that they cannot handle;
- Other (please explain

INTERGOVERNMENTAL RELATIONS:

8. How are local governments budgets prepared and executed? In particular, once the budget has been approved, is prior approval from the central government required before executing each expenditure item.

9. What is the typical timeframe that it takes for local government budgets to be approved by the central government? How would you qualify this delay (short, normal, long) and should it be improved?

10. Do local governments need central government approval before

- | | | |
|--|------------------------------|-----------------------------|
| Recruiting high level civil servants: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Creating new local taxes or modify existing taxes: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Modifying charges for municipal services: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Borrowing: | | |

11. How would you describe the control procedures of local governments' decision (e.g. for budget approval) by central government?

- control procedures are too complex and/or too rigid: they could be improved to give local governments better capacity to address the population's needs for public services in a more efficient way
- control procedures are satisfactory and should not be modified
- control procedures should be strengthened: local governments are taking sub-optimal or illegal decisions because of the lack of control
- other (please explain):

LOCAL GOVERNMENTS' FINANCE:

12. What are the main issues regarding local governments' finance?

13. Do local governments invest enough (e.g. in infrastructure) compared to the needs of local population? If not, why?

14. What is the approximate percentage of local governments which

- Are undergoing severe financial difficulties:
- Have a very good financial standing:
- Are in between: %

15. How would you prioritize among the following means to address local governments' financial difficulties (use the scale: 1 to 6)?

- Reduce investment expenses;
- Reduce operating expenses;
- Create new local taxes
- Increase collection rate of existing taxes
- Increase transfers from central government;
- Other (please explain)

16. What percentage of local governments –

- Have already borrowed:
- Have the financial capacity to borrow more:

17. What institution(s) do they borrow from? Public: Private

LOCAL GOVERNMENTS' INSTITUTIONAL CAPACITY:

18. How would you describe the institutional capacity (technical expertise, human resources) of local governments?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Weak	Strong	Normal

19. What is approximate number of population per municipal employee?

20. If local governments have a weak institutional capacity, how would you prioritize among the following means to improve it?

- Increase training;
- Allow local governments to pay more their employees or align their remuneration with the one of central governments' civil servants
- Promote better cooperation among local governments and "pooling of expertise
- Increase the number of executives among local governments' employees:
Other (please explain)

FUTURE REFORMS:

21. Are there some decentralization reforms under preparation and if yes, which ones? When are they likely to be implemented?

22. Other comments?