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**PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)**

**An Assessment of the Reality of Decentralization  
in Local Government in the Palestinian Context**

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## Foreword

In recent years, the Palestine Economic Policy Research Institute (MAS) has shed light on the local government sector because of its belief in the significant role that this sector can play in local development. This has been done through the implementation of a series of significant studies, such as the Local Economic Resource Diagnostic Studies as well as The Study of the Regional Organization of Palestine for Development and Administrative Reform. This new study addresses a very important topic: assessing the reality of decentralization of local government in the Palestinian context and the significant impact of decentralization on providing the flexibility needed by local bodies to ensure the continued provision of services and improve their quality for citizens.

This study aims to analyze the reality of decentralization in the Palestinian local government sector and determine the compatibility of the tasks and obligations legally imposed on local authorities with the size of the powers and capacities granted to them according to the legal framework regulating its work. The study focuses on three main axes, political decentralization, administrative decentralization, and financial decentralization.

This study showed that the process of achieving decentralization in local governance in Palestine still faces great challenges which hinder its progress in the political, administrative and financial aspects. Therefore, it developed a set of recommendations aimed at strengthening decentralization in governance by amending the current legal framework, and finding solutions aimed at overcoming the administrative and financial problems that local authorities suffer from, and which impedes their independence. The most notable recommendations are the strong political will for change on the part of the central government and the adoption of legally supported administrative procedures at the central and local levels, the clarification by the central government of the basis for the distribution of revenues it collects for local bodies in the transfer process, and the need to give greater attention to the involvement of village councils among the bodies

entitled to benefit from The Municipal Development and Lending Fund (MDLF) projects.

MAS extends its gratitude to the research team for their efforts in preparing this study. We also highly appreciate the response of the relevant authorities, The Association of Palestinian Local Authorities (APLA), The Municipal Development and Lending Fund (MDLF), the Ministry of Local Government, and the interviewed local authorities, for the time that they devoted to meet the research team and answer their questions.

Raja Khalidi  
Director General

## **Executive Summary**

Over the past decade, the Palestinian Government has sought to adopt a decentralized approach to governance in various national and official strategies of the local government sector. Despite the efforts made by many relevant stakeholders to promote decentralization in governance and increase the independence of Palestinian local government units (LGUs) in administrative and financial aspects, those familiar with the current situation notice that these bodies continue to face many difficulties, particularly financially. These difficulties are due to a variety of factors, most notably the presence of legal and legislative impediments, the scarcity of financial resources obtained by the LGUs and the lack of its sustainability, among others.

Hence, the purpose of this study is to analyze the reality of decentralization in the Palestinian local government sector by assessing the compatibility between the tasks and obligations legally imposed on local bodies, and the actual and potential powers granted to them under the legal framework governing their work. In addition, the study seeks to draw lessons from other countries' experiences with decentralization and highlighting aspects that Palestine could benefit from in this regard. The decentralization analysis has been addressed through three main axes: political decentralization, administrative decentralization and financial decentralization.

The findings of the legal framework review revealed that there are numerous problems and determinants regarding the relevant laws and legislations in the local government sector, which reduce the independence of local government bodies and limit the advancement of decentralization. Many laws and decree-laws granted the central government a number of powers that are supposed to be among the competences of LGUs, if they are considered entities with independent legal personality, which has resulted in the texts of the laws curtailing the

independence and effective authorities of LGUs. The aforementioned allows the central government to intervene in LGU affairs, beginning with the appointment and dissolution of these bodies' councils in specific cases and ending with interference in many financial and administrative matters within the body, as well as the presence of ambiguity in the accuracy of the criteria that require central government intervention.

The study additionally found that the process of achieving decentralization in governance in Palestine continues to confront significant obstacles that impede its progress. On the level of administrative decentralization, the study found a deficiency in qualifying the human resources available to LGUs, which impedes the efficient and effective delivery of public services. This obstacle is accompanied by inadequate financial capacity and resources, particularly small ones, limiting their ability to hire and pay a sufficient number of staff. Furthermore, their ability to attract adequate human cadres, as well as to train and qualify those already there, in a way that contributes to increasing administrative decentralization by making appropriate decisions and implementing them autonomously is also reduced.

Concerning the factors affecting the process of achieving financial decentralization, the study revealed that there are numerous issues related to the low level of revenues collected by local bodies, as well as the extent of their continuity, which complicates the planning process and the implementation of activities and projects within these bodies. This is primarily owing to a low level of citizens' commitment to pay the fees incurred for the services provided, particularly during periods of political and economic crises. In addition, the study notes the fluctuation in the value of revenues collected by the central government on behalf of LGUs and afterwards transferred to the latter. Another factor is the inability of LGUs, particularly small ones, to own income-generating assets and investments, as well as their reliance on grants and

foreign aid, which are generally utilized for finalizing infrastructure projects. On the other hand, the expenditures incurred by LGUs, particularly operating expenses such as wages, are growing faster than the value of their revenues, resulting in a constantly increasing deficit in the local budgets and impeding their ability to plan for future activities.

The administrative and financial challenges facing LGUs were accompanied by a dysfunction in attaining political decentralization, owing to the electoral process's failure to construct strong and autonomous local government bodies. The proceeding is due to a variety of causes, including political divide and the non-participation of local government bodies in the Gaza Strip in elections. Similarly, the low rate of public involvement in elections, as well as the significant importance of clan and family elements in the process of selecting representatives in LGUs, particularly small ones, contribute to the dysfunction of political decentralization.

Finally, the study came up with a set of recommendations aimed at promoting decentralization in governance by amending the current legal framework and identifying solutions to the administrative and financial problems that LGUs currently face and that limit their independence. Most notably:

- The need for a strong political will for change on the part of the central government in order to give powers to the local government sector and to make greater efforts in providing adequate financial and human resources for local bodies; including ensuring fairness in tax revenue distribution at the local level (central government and local bodies, donors).
- Taking action to amend the legal and legislative framework; including not just the Local Government Law, but also other laws governing municipal activity, such as the laws governing the water and energy sectors, as well as the Public Procurement Law. Furthermore, the aforementioned must coincide with the central government and all of its ministries developing an official plan of



action that entails clear and specific steps, goals and measurable results that can be achieved within a specific time frame, in order to promote decentralization in its proper form (central government).

- Adopting legally supported administrative procedures at the central and local levels in order to ensure accountability and avoid duplication of efforts. Moreover, ensuring effective cooperation and coordination between the local government (municipalities, at varying classifications, and village councils) and the various local administrations (such as health and education) in order to provide services more effectively (central government and local bodies).
- The central government, in conjunction with the relevant ministries, particularly the Ministries of Finance and Local Government, must accurately define the determinants of spending and its aspects allowed for local bodies, and constantly update them to respond flexibly to crises and changing conditions, thereby increasing LGUs' financial independence. It is also suggested to begin granting LGUs the authority to impose additional fees and taxes in exchange for providing services (central government and local bodies).
- The legal and regulatory system must recognize the significant difference in administrative and financial capabilities, as well as the nature of the services provided (27 services), between LGUs based on their levels and legal classification (municipalities of areas A, B, C, and village councils). Also, the need to develop appropriate policies and strategies to address these differences (central government and local bodies).
- The necessity for the central government to clarify the bases for distributing the revenues that it collects for the benefit of LGUs when transferring it to the latter, as well as the need to adhere to the standards stipulated by the laws (central government).
- The need to pay more attention to the include village councils among LGUs that are eligible to benefit from the Municipal Development and Lending Fund projects. This goes along with the necessity of providing assistance in the implementation of these projects, particularly given the absence of qualified human capacity to implement development and infrastructure projects in the majority of village councils (the central government and the Municipal Development and Lending Fund).

- Strengthening the participation of civil society organizations and community accountability committees, which play an important role in ensuring transparency and accountability within LGUs. It also ensures that local bodies' services and activities are consistent with their declared objectives during electoral campaigns and annual plans (central government, local bodies and civil society organizations).
- Training, qualifying and capacity building of human cadres in LGUs (whether employees or the head/mayor and members of the local body's council), in accordance with best practices and international standards in good governance, so that they can perform their planning and implementation tasks with greater independence (central government, local bodies and donors).
- The significance of using educational and professional competencies as the foundations for selecting members and staff of local councils rather than family and clan aspects, which are frequently accompanied with a disregard for the efficiency criterion. Along with the necessity to focus on village councils due to the aforementioned strata having a greater impact on the selection of members than in large municipalities (central government, local bodies, civil society organizations and the Central Elections Commission).
- The need for donors to cooperate with all levels of government to automate and complete the process of citizens paying all their dues to LGUs electronically. This would raise the number of citizens who are willing to pay service fees to LGUs, especially if citizens' restricted ability and desire to reach centralized payment points creates delays in payment of their obligations.