STAYING ON THE MAP: AN ANALYSIS OF THE IMMEDIATE OUTCOMES OF AMALGAMATION OF PALESTINIAN LOCAL GOVERNMENTS IN THE WEST BANK

By

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List of Acronyms

APLA	Association of Palestinian Authorities
CEC	Central Elections Commission
JSCs	Joint Service Councils
LGU	Local Government Unit
MDLF	Municipal Development and Lending Fund
MOLG	Ministry of Local Government
MOPAD	Ministry of Planning and Administrative Development
NIS	New Israeli Shekel
OCHA	United Nations Office for the coordination of Humanitarian Affairs in the Occupied Palestinian Territory
OPT	Occupied Palestinian Territories
PLO	Palestine Liberation Organisation
PNA	Palestinian National Authority
PCBS	Palestinian Central Bureau of Statistics
UNDP	United Nations Development Programme

Abstract

Since 2010, a large-scale consolidation policy has been enforced in Palestine motivated by building capacity of small Palestinian local governments and improving service delivery in West Bank rural areas. Theoretical justifications for consolidation anticipate increased efficiency in local government performance based on assumptions of economies of scale resulting from increasing population size of local governments. Arguments against consolidation point to a negative relationship between population size and local democracy and participation. Both theoretical assumptions have not been empirically proven. A large body of literature that investigated outcomes of consolidation has found mixed results for local government efficiency, organisational capacity and democratic government.

This thesis uses a mixed method approach to analyse immediate outcomes of Palestinian consolidations against a control sample of non-consolidated units. Due to the unavailability of data on performance prior to consolidation, the methodology included comparative analysis with a sample of consolidations that occurred in the last decade. This thesis argues that internal and external dimensions of local government capacity need to be addressed, particularly financial resources, functional mandate, jurisdictional integrity and democratic government. The thesis had three research hypotheses. Firstly, given the policy objectives, improvements in human and material resources, structure and service were anticipated. Secondly, local democracy and participation was expected to decrease after consolidation due to the decline in the number of councillors, strong traditional ties to local communities and territorial fragmentation of population centres. The third hypothesis was that consolidated LGUs are unlikely to exercise full control over territorial jurisdictions and populations due to geopolitical fragmentation.

Findings show that consolidation has mixed results on institutional capacity, negative effects on political representation and democracy and no effect on territorial defragmentation. Outcomes varied significantly between individual LGUs of the same population size. Citizens were most satisfied with improvement in local infrastructure and least satisfied with disruption to social relationships between communities and community representation within elected councils. Results show that post-consolidation capacity is dependent on pre-consolidation capacity of constituencies, state support of consolidation policy, extent of public acceptance of consolidated governments and other reform policies implemented concurrently with consolidation. Public policies focusing on debt

reduction and utility reforms have more serious impacts than consolidation on local government resources, functions and sustainability potential.

The findings of this study have implications on future local government reform. Structural reforms need to be governed by specific legislation regarding boundary delimitation which provides opportunities for public participation throughout the policy process. Building capacity of local government also necessitates a revision of division of functional roles and fiscal responsibilities between government tiers in addition to resolution of major territorial issues.

Declaration

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Chapter One

Introduction

1.0 Introduction

Since the mid-2000s, the Occupied Palestinian Territories (OPT) has been characterised by a large number of local councils disproportionate to its land area and total population. After decades of stagnation under foreign rule, the local government sector expanded in size to create hundreds of small and underdeveloped local government units (LGUs) between 1994 and the mid-2000s. A consolidation policy that commenced in 2005 and reached its peak in 2010-2012 had reduced the sector by 23 percent. The policy was justified on the basis that most Palestinian LGUs in rural areas were excessively small in size and capacity and heavily indebted which burdened the Palestinian National Authority (PNA) and donor agencies financially and due to constant need for oversight and capacity investment.

In the short term, the reforms were intended to improve the LGUs functional capacities, quality of services in small communities and political representation in democratically elected councils. Special fiscal incentives and infrastructure projects were offered to the affected LGUs for three years. In the long term, reducing the number of LGUs was expected to improve the sector's functions and minimise dependence on external assistance both of which fit within the PNA's strategic vision of building public institutions of a future independent nation-state. By consolidating small neighbouring communities into effective, sufficiently-resourced LGUs, the emerging sector would also be capable of assuming several decentralised functions.

1.1 Research Problem

The latest wave of local government reforms (2010-2012) reduced the number of Palestinian LGUs by 27 percent, from 482 to 353. The policy abolished 125 LGUs including 103 project committees in communities below 1,000 inhabitants, 21 village councils of less than 3,000 people and two municipal councils above 7,000 residents each. Approximately 25 committees were located in remote areas or areas under Israeli control were upgraded to village councils. Overall, 287 communities were affected by the reforms of which 136 communities were allowed to hold elections for the first time. These communities were annexed to existing LGUs or amalgamated under newly created ones.

This thesis questions the central presumption that local government consolidation, or increasing the population and geographical size of individual local councils, was a necessary and effective strategy to build capacity of small local councils, particularly for those under five thousand inhabitants. This thesis explores the policy's immediate outcomes, i.e. during implementation, on functional and political capacities of some recent consolidations against other two samples of past consolidations and independent communities which were not affected by the policy. The transitional outcomes for the first group are compared to long-term impacts on the second group and the overall performance of the third group.

Starting from the position that reforms should aim to bring about welfare and impacts on local communities, this thesis examines certain immediate outcomes from the perspectives of affected communities and policy-makers to discern whether outcomes were beneficial to communities and sufficient to justify what the public perceived as the policy's ultimate price, i.e. the disappearance of the affected communities' names from the West Bank map. Thus, the research focuses on stakeholders' perceptions of policy outcomes, their (dis)advantages, and ultimately, the usefulness of consolidation as a tool to build institutional, functional and political representation capacity of local government.

1.2 Research Questions and Hypotheses

The purpose of this study is to examine the immediate outcomes of the Palestinian local government consolidation policy from the viewpoints of policy-makers and affected local communities in terms of institutional capacity of local governments, local democracy, local services and geographic coherence within the consolidated LGUs. The thesis had one key question and four sub-questions. The key question is this thesis is what are the immediate outcomes on institutional, democratic and territorial dimensions of local government from the perspectives of all stakeholders, including local communities? Is there a contradiction between capacity-building and local democracy? The sub-questions are:

1. How successful has the consolidation policy been in achieving its objectives and why?
2. How have the outcomes of the Palestinian policy fared in comparison with international experiences in terms of designs, processes and outcomes?
3. How has the policy been affected by the absence of Palestinian state?

4. What are the policy implications and recommendations of this research? What alternatives to consolidation can be adopted in Palestine?

Using the West Bank as a case study, this research investigates linkages between consolidation on one hand, and between local government capacity building and local governance on the other. This thesis argues that performance limitations of Palestinian local governments are partially caused by their evolution under colonial rule and partially by the structural, political, legal and fiscal relationships to the PNA. Therefore, to build institutional capacity reforms, the Palestinian government needs to address four essential dimensions of local government: functional, political, fiscal and territorial. However, being a state-in-the-making the PNA lacks sovereignty and capacity to overcome barriers to reforms in OPT context after the Oslo Accords. Nevertheless, the interplay between external and internal elements of these four dimensions is the ultimate determinant of institutional capacity. It is therefore insufficient to focus exclusively on internal elements of organisational performance, such as number of councillors, organisational structure, human and material resources, systems and infrastructure and organisational culture. Thus, capacity building should be expanded from a narrow focus on provision of financial, technical or material assistance designed to strengthen internal elements.

This research adopts three hypotheses pertaining to the potential institutional and democratic effects of consolidation policy. First, since the policy objective is strengthening LGUs with weak or no institutional capacity, it is expected that human and material capacity as well as in structure, service and functional mandate would improve in consolidated LGUs. As a result, LGU total and per-capita expenditures are expected to increase rather than decline, meaning that the consolidated LGUs are less efficient than their predecessors, as far as expenditures are concerned. The second hypothesis is that councillor costs, local democracy and participation is likely to decrease after consolidation due to the reduction of the number of elected councillors, strong traditional ties to local communities and fragmentation of population centres within the consolidated cluster. The third hypothesis is that consolidated LGUs are unlikely to exercise full control over the territorial jurisdictions and populations of their constituent communities due to geopolitical fragmentation. It is likely that consolidation policy may not be able to achieve full integration of consolidated communities within a unified jurisdiction. That is the consolidation policy is expected to have positive effects on LGUs institutional capacity, negative effects on political representation and democracy and no effect on territorial defragmentation.

1.3 Research Context

1.3.1 Political Context

Whether local government is considered sub-national machinery or independent power structures competing with the central authority (Fukuyama 2004, Krohn-Hansen 2005), central-local relations are vital to the analysis of reform motives and impacts, particularly where the state is contested or undergoing economic or political transition. In a normal situation, a sovereign state initiates and benefits from reform motivated by strategic interests whether enforced by coercion and/or incentives. In the OPT, commitment to consolidation is reiterated in the PNA's state building plans[1] since 2008 were concerned with laying the foundations for the future state. These plans seek creating new realities on the ground to counter-effect Israeli policies and extending PNA sovereignty to all areas under Israeli control and developing their economies and conditions. Generally, the plans have adopted a statist approach to state formation under occupation, achievable through three main strategies: security reform, economic development and building a Weberian-like bureaucracy (Broning 2011).

The apparently separate objectives were collapsed by the PNA into a major policy: to prepare institutional infrastructure and territorial coherence necessary for a Palestinian state on the 1967 borders. A state-building plan is a race against Israeli land-capturing measures in real time so that emphasis is on land protection, infrastructure development and bringing governance closer to people (MOLG 2012). Since local councils are public representative institutions, the institutional and democratic objectives overlap without explicit reference to territorial and demographic consolidation locally. In some ways, PNA plans and policies agree that good local governance can be achieved through consolidation of micro-communities and increasing the institutional complexity of LGUs and their planning, representation and service delivery functions. The state-building plans are based on the premise that the history of post-colonial states has proven that state-building processes carry substantial challenges to emerging nations than the struggle for liberation (Krohn-Hansen and Nustad 2005). To meet the government's democratic governance objectives, the Ministry of Local Government (MOLG) prioritised the following policies in its Strategic Plan (2011-2013): legislative and regulatory framework development, periodic local elections, regional planning, gradual administrative decentralisation and integration of small

[1] State-building plans are *Reform and Development* Plan (2008-2010); *Homestretch to Freedom: Palestine - Ending the Occupation, Establishing the State Plan (2011-2013*)", and *From Statehood to Sovereignty* (2014-2016).

communities into larger councils with special focus on improvement of institutional set-up, resources and service provision in the consolidated areas (MOLG 2012).

This thesis argues that consolidation policy is more consistent with organisation than with building institutional capacity because it is pursued in the midst of a legislative and democratic void[2], fiscal crisis and other economic and tax reforms. Reflecting the PNA's political and resource extracting agenda, these policies may hinder LGU capacity without guarantee of efficiency and autonomy from the central authority. Whether a Palestinian state materialises or not is dependent on political and many other factors beyond Palestinian public policy.

1.3.2 Theoretical Context

There is a consensus in the consolidation literature that opposition to consolidation policies was common to all countries that implemented them, but expressed less strongly than has been the case in the OPT, and that such policies seldom fulfilled their goals of performance efficiency and expenditure reduction and often lead to social, economic and political changes incompatible with reform objectives. Empirical evidence from many developed and developing countries was generally inconclusive and shows that the policy fiscal outcomes were either situation-specific and varied between services (Fox and Gurely 2006) or were meagre and short-lived to justify the policy and its costs to LGUs and central government (Malkawi 1999, Sanction 2000, Mabuchi 2002, Dollery *et al* 2008).

Consolidation postulates four potential benefits of increased population numbers in local government units: creating economies of scale and scope, improving administrative and technical capacities, reducing administrative and compliance costs, and realigning natural and political boundaries for economic planning purposes. This consolidation approach (Boyne 2003) argues that larger LGUs are more efficient because they benefit from the economies of scale of large population. Public choice theory critics emphasise the democratic advantages of small size because LGU representativeness and accessibility and public participation are generally higher in LGUs with small populations (Buchannan 1972). Efficiency assumptions are debated on the grounds of conflating geographical and demographical jurisdictions with firm size. Because public services are also equated with commercial goods, political constituency relations also become

[22] In the OPT, national elections were not held since 2005 and the Legislative Council has not convened since 2007. Office terms of president and the council expired in January 2009 and 2010. Legislation is issued by the President and Prime Minister.

client/consumer relationships (Dollery *et al* 2011; 2010; 2008). The question of what influences cost and to what degree other than size remains unresolved. For Harding 1995, efficiency is largely exogenous and partly endogenous, stemming from the national system and markets. Exogenous rather than endogenous forces push towards structural and political reforms. Structural reforms in local government produce organisational, fiscal, political and economic effects other than the internal efficiency other than the anticipated ones (e.g. reduced LGU expenditures). For Bish (1995), endogenous efficiency is the result of internal managerial decisions provided that certain conditions are met: management has incentives to be efficient and systems which provide information on the relations between resources and outputs to make efficient decisions over capital equipment and labour.

Despite voluminous literature, evidence of reform impact is largely inconclusive to settle the question of the effect of government size on efficiency or optimal jurisdiction size (Derksen 1988, Reese 2004, Andrews *et al* 2006, Jimenez and Hendrick 2011). Arguments for or against consolidation reforms have been criticized as theoretically unsound and empirically unjustified. Some studies suggest different economy of scale, scope and density effects on different services to a certain level after which diseconomies appear (Drew and Dollery 2014) mostly achievable in infrastructure-intensive functions (e.g. water, sewage, roads and solid waste) that benefit from mass production and delivery. Economies of scale were not found in the services produced and directly provided in smaller units, such as education and social welfare (Fox and Gurley 2006, Reese 2004). Where evidence of enhanced quality and efficiency was found, it could also be attributed to improvement in technical efficiency rather than size enlargement (Reingewertz 2012). Therefore, less intrusive alternatives were proposed, such as regional or functional consolidation, to avoid infringing on local government autonomy and local democracy (Mckay 2004, Dollery *et al* 2005). Consolidation was found to reduce the number of political representatives and citizen participation and accessibility to LGUs following reform which warranted a two-level governance structure in large areas (Sancton 2001). Larger councils, tended to be politically-divisive, citizen-alienating, bureaucratic, costly and ridden with internal conflict and lengthy decision-making processes. Therefore, the actual outcomes of consolidation had sometimes led to new reform cycles after falling short of achieving efficiency and sustainability objectives.

1.3.3 Methodological Context

The approach adopted for this thesis involves analysing the structural complexity of consolidated LGUs as an indicator of post-reform institutional and financial capacity. Similar to Blau (1974), organisational efficiency is dependent on institutional characteristics where costs tend to decrease with specialization and increase with organisational size and complexity. In other words, increasing bureaucratisation is associated with transformation from a simple organisation (i.e. LGUs with small populations and low capacity) to a more complex organisation (i.e. amalgamated LGU with large population, constituent communities and functional capacity) and could potentially influence cost units and distribution. Efficiency measurements should therefore assess the impact of reform on organisational complexity and operation costs, such as the size of administration and service departments, levels and size of governance structure, types and modes of services delivery, and centralisation of control, often reflected in number of service outlets and satellite administrative offices. The same applies to assessing the efficiency of third-party service delivery (i.e. municipal firms or private sector). Complexity and high operating costs in regional and national monopolies tend to quickly exhaust economy of scale benefits and provide public services more expensively than small providers or LGUs.

The second approach used to investigate post-reform democratic shortfalls and benefits is consistent with widely used methods to measure citizen-to-councillor ratios, reduction in governance costs and citizen satisfaction (Sancton 2000, Kushner and Siegel 2005, Hanes 2006). However, contextual analysis may be the only model to explain the peculiarities of reform and elections under foreign occupation. On examining stakeholders' perception of actual outcomes, this study follows ongoing dialogue in the literature which emphasizes examination of LGU effectiveness to augment efficiency-centred measurement tools (Drew and Dollery 2014). This approach involves the use of citizen satisfaction longitudinal studies (e.g. Poel 2000, Mckay 2000, Kushner and Siegel 2005) because they incorporate public preferences and expectations associated with improved performance and increased population size and density in the post-reform period.

The approach adopted for this thesis follow the most common methods used for assessing consolidation outcomes: a tool to investigate fiscal impacts of population growth in terms of LGU expenditure, a second tool to examine voter behaviour and participation levels, and a third tool to measure public satisfaction of both performance and representation functions. Whereas emprircal

studies use a single tool at a time, this thesis employees all three methods to conduct a balanced analysis of reform effect without bias to economy, politics or participation. These tools also cover issues usually left address, particularly issues of land taxation, youth and gender representation, and the imposition on non-national laws on the execution of local affairs and service provision. An inductive approach is used given the sheer size of qualitative data collected and the large number of examined indicators of post-consolidation performance. This approach is common in social research that investigates complex and multi-dimensional social phenomena and processes (Carey et al 1996).

Thus, the analysis of primary data does not strictly observe conventional economic measurement methods but also employs the contextual analysis model proposed by Razin (2004) and Wellmann (2003) in the analysis of qualitative data. These authors contend that the extent of reform embeddedness in the socio-political environment is the major determinant of reform path and country-specific barriers to success (Razin 2004). National reforms are often based on generalized perceptions of certain attributes of local government as performance problems and on external pressure rather than on objective assessment of performance, gaps and need. Locally, reform outcomes are constrained by their immediate contexts and competing perceptions, interests and objectives of various stakeholders. At national and local levels, the success of policy processes hinge on how the need for reform is conceived and contextualized in prevalent socio-political circumstances, such as religious and ethnic composition, economic stability, social cohesion, local politics or public perception of the government (Wellmann 2003). Success also depends on the provision of the right mix of incentives for the various players and on the proper management of the transition whereas failure ensues from the overemphasis on technical content and lack of consideration of the context and actors involved in reforms, misdistribution of reform benefits and loses between social groups, lack of political will for long-term commitment to policy in the face of resistance (Fox and Gurley 2006). Therefore, the measurement of the fiscal impacts of policy must be supplemented by exploring changes in the territorial, political and organisational dimensions of local government. These changes are often constrained by internal factors, such as the actors and their interests and strategies, and influenced by external factors and constraints, such as political and fiscal pressure, particularity the government's economic policies, public debt, tax revenues and the public's ability to pay for taxes and public services (Hughes 1967).

1.4 Significance

This thesis adopts an inductive approach to the analysis of a controversial public policy in order to produce an empirically grounded thesis, which reference theory but does not intend to develop a new theory. The researcher made a deliberate choice not to pursue political but evidence-based lines of enquiry with a view to achieving insights into consolidation that would be comparable with other experiences worldwide and applicable on the ground rather than create a new theory of consolidation in general.

This study contributes to the local government amalgamation debate by providing comprehensive investigation of consolidation policies in the OPT's unique context, and during implementation rather than in retrospect. The study bridges a gap in structural reform literature in the developing countries, specifically Arab countries and quasi-states, such as the Palestinian Authority. Such environments may produce outcomes that different from empirical research findings arrived at in strong or stable states. There are few comparable experiences other than South Africa after apartheid and post-communist reforms in the Balkan states. The few consolidation studies conducted in these contexts suggest that the absence of territorial integrity, state sovereignty and central authority legitimacy undermine local government role, structure and reform in post-colonial or new states. However, the thesis may eventually contribute towards developing a model or a theory for local reform under conflict if such issue attracts the attention of Palestinian and other scholars. Both of the Israel-Palestinian and *Hamas-Fatah* conflicts are treated here as contextual factors rather than the object of study. Hence, relevant aspects of both conflicts are discussed whenever the data points to issue of Palestinian planning and control over land and other resources and political representation are concerned. Given the complexity of the Palestinian contest, this approach is deliberately limited in theoretical scope for practical reasons and more appropriate for a limited space doctorate research supervised by the discipline of geography, environment and population rather than by departments of political science or security and conflict resolutions studies. Had this research was done under other disciplines; it would have used different theoretical frameworks and empirical methods and certainly would have yielded a different thesis than presented here.

Pragmatically, the study contributes to Palestinian reform dialogue through scientific and comprehensive investigation of a relatively large sample of consolidated local governments where processes and outcomes were analysed from an external perspective, and independent of

constraints and interests of policy-makers, donor programs and local actors. In addition, the research conveys an understanding of public preferences and views to decision-makers at local and national levels. To date, this research is the only study with multiple comparative foci that simultaneously addresses fiscal, political and territorial dimensions of consolidation from theoretical and empirical perspectives without prior subscription to its justification and benefits. Nevertheless, the study benefits stakeholders by pointing out the short-comings of this particular policy, and also in offering recommendations and suggestions to improve the local sector and public policy cycles.

This research originated from a professional and personal curiosity to understand the persistence of consolidation policy against mounting evidence that these reforms are not necessary and the rarity of consolidation policies in Arab countries, except for the PNA and Jordan. As most developed countries are extremely consolidated, it is expected that consolidation in the 21st century will be more common in the developing countries where local government is extremely fragmented despite the fact that consolidation was implemented in few developing countries suggesting that these reforms may have been unneeded or unsuitable for their circumstances in the 20th century. Extending the policy to the developing countries may be similarly justified by rapid urbanization, population growth and a growing demand for infrastructure and public services which theoretically push for greater efficiency and cost savings. However, the developing countries are also challenged by mass poverty, economic inequality, deep ethnic divisions, and monopoly of power and reliance on political coercion. The appropriateness or transferability of structural reforms from the developed to the developing countries may be questionable because both groups differ in the political, economic and social structures which entails that local government reforms in the second may also require different motives, justification, designs and outcomes.

1.5 Definition of Reform Types

As previously stated, the latest wave of consolidation in the West Bank occurred between October 2010 and April 2013 affecting hundreds of local authorities[3] in the Palestinian single-tier system. The process involved multiple horizontal reforms in one or more of five types: *dissolution, annexation*, *incorporation, amalgamation*, and *upgrading*. Consolidation is used here as an

[3] The Local Authorities' Law No (1) of (1997) uses the legal term of "*haya'a mahallyya*" which is equally translatable into a local authority or entity. The vague term refers to all types of LGUs and any bodies formed in accordance with the 1997 law, except for Joint Service Councils.

umbrella term indicating both amalgamation and annexation. The first indicates the creation of a larger local government unit by abolishing two or more units and combining them in a newly created one. Annexation refers to the abolition on one or more units and combining them with an already exiting unit which keeps its name, structure, council size, type and ranking in the municipal ranking system. Both amalgamation and annexation entail that the populations, land areas, staff, assets, debts and services of one or more dissolved units are integrated into one.

The mainstream legal interpretation of indirect amalgamation is that the lack of explicit reference to amalgamation or merger[4] in the Local Authorities Law means the prohibition of direct amalgamation on grounds of violating Article (7) that grants the Cabinet, upon nomination from the MOLG Minister, the right to "create, dissolve or annex" any local authority unit. By contrast, direct annexation is legally permissible and indicates a boundary re-drawal through the absorption of an entire adjunct unit. The difference between 'amalgamation' and 'annexation' is that an amalgamated LGU is designated a new name, ranking, council size and possibly the location of the main municipal building. Moreover, the incorporate-dissolve-annex consequence used in the latest amalgamations avoids creating institutional voids and addresses practical concerns, particularly inclusion in election registers, depending on total population. Otherwise, both reform paths are almost identical regardless of the number of integrated communities/LGUs. In the case of new incorporations and amalgamations, newly formed LGUs are legally considered as new entities with a clean performance slate. In the case of upgrading, the LGUs continue to function with the same geographical mandate, albeit with new ranks and possibly a larger number of council seats. Despite the legal distinction, annexation and amalgamation evoke the same fears, identity loss concerns and social challenges and communities experience changes in the composition of their councils, resource allocation and ultimately institutional structure. Communities objected to both reforms perceived as transitioning independent towns to a neighborhood of larger communities.

1.6 Thesis Organisation

This thesis consists of nine chapters. The first chapter introduces the study's background, aims, relevance and definitions of key reform types. Chapter Two provides an overview of the local government sector evolution leading up to the Oslo Accords. Chapter Two also presents study

[4] The Local Authorities' Law does not mention the term '*damj*' (Arabic for amalgamation) but explicitly refers to '*isstehdath'*, '*ilghaa''* or '*dhamm'* (i.e. incorporation, dissolution and annexation, respectively). Linguistically, both annexation and amalgamation are synonymous with unification (Cabinet informant #1). However, the use of the term "*damj*" caused the Cabinet's rejection of the amalgamation draft bylaws.

context in terms of history, background and issues germane to the local government consolidation policy and circumstances that precipitated the policy decision. Chapter Three reviews the theoretical and empirical literature relevant to local government structural reforms and the relationship between jurisdictional size and efficiency as well as the empirical strand in assessing the impact of structural reform on LGU efficiency and democratic participation. The fourth chapter describes the research methods used and target area and informant selection. Chapter Five examines the policy's transitional outcomes through analysis of post-reform changes in the budgeted capacities of affected LGUs, particularly material and human resources, functional mandates and organisational complexity. The sixth chapter examines reform outcomes on local democracy and participation. Chapter Seven addresses policy outcomes on spatial dispersion of constituent populations and effects on coherence of the LGU's functional, regulatory and political representation jurisdictions, especially regarding the strong need for housing. Chapter Eight presents informants' perceptions, recommendations and suggestions for alternative procedures and interventions. The final chapter discusses research findings and implications for the local government sector and other alternative reform policies.

Chapter Two

Background: Palestinian Local Government

2.0 Introduction

Studies of local government reforms often begin by exploring performance and structures in the period leading up to reform within the context of one nation-state. This approach is inadequate to fully grasp the complexity of the Palestinian case as it only considers the last two decades of partial self-administration. At present, LGUs function under three co-existing authorities: Israel, the PNA in the West Bank and *Hamas* Movement in the Gaza Strip in the context of a failing peace process. Israel has long been a colonizing power and the other two authorities are rival indigenous entities highly differentiated in political goals. To understand the policy, it is necessary to understand the peculiar evolution of the local governments under the consecutive foreign control, as chronicled in the relevant literature, and how the Palestinians have finally assumed some control of the sector. It is also important to understand and the current administrative divisions and geopolitical arrangements with Israel that constrain the sector as well as the major characteristics of the present-day system that arguably invoked structural reforms.

2.1 Overview of the Occupied Palestinian Territories

2.1.1 Area and Population

Historical Palestine[5] comprises the state of Israel and the Occupied Palestinian Territories (OPT[6]) located between the Jordan River and the Mediterranean Sea (Figure 2.1). Separated by Israel, the aerial distance between the West Bank and Gaza Strip is estimated to be 60km from *Hebron* and 83km from *Ramallah*, the de-facto capital of the PNA after Oslo Accords[7] Thus, the OPT shares borders with two Arab countries: between the West Bank and Jordan and between the Gaza Strip and Egypt (PSBS 2012). Without air or sea ports, the movement of persons and goods is allowed only through Israeli-controlled land crossings with the Arab borders.

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[5] 'Historical Palestine' and 'Mandate Palestine' are two terms signifying the territory of 27,009 km^2 located to the east of the Mediterranean, and surrounded by Eygpt, Jordan, Lebanon and Syria (PSBS 2012).

[6] The OPT indicates all areas delineated by the 1948 Armistice and occupied in 1967, including the Gaza Strip, East Jerusalem and the West Bank. The term '*Palestinian Territories'* indicates only the areas under full or partial Palestinian control. Palestinians demand an independent state along the Armistice border, which is also known as the Green Line and the 1967 borders (Hasan 2010).

[7] Oslo Accords collectively refer to 4 agreements between Israel and the PLO: *The Declaration of Principles* (1994), the *Oslo II Agreement* (1995), the *Wye River Memorandum* (1998) and *Sharm El-Shiekh* Memorandum (1999) and their additional protocols particularly *the Paris Protocol on Economic Relations* (1994) and *Hebron Protocol (*1997).

Figure 2.1: Geographical Location of the OPT

Source: PCBS (2007)

The West Bank and Gaza Strip have a combined land area of 6,209 km^2 and a population of 4.6 million Palestinians, thus comprising only 23 percent of the land of historical Palestine and 38 percent of the total Palestinian population worldwide (PCBS 2014)[8]. Mountainous and land-locked, the West Bank is the largest (2.8 million persons in 5,844 km^2) and contains most of Palestine's natural resources and religious sites. It is considered the main territorial base for a future Palestinian state. In comparison, the Gaza Strip is a narrow coastal parcel of land with a population density of 5,046 per km^2 as 1.79 million Palestinians occupy 365 km^2. In the OPT, Muslims comprise 92 percent of the population and 8 percent are Christian, while 42 percent are refugees of the 1948 and 1967 wars. Approximately 74 percent reside in urban areas compared to 17 percent in rural areas and 9 percent in refugee camps, particularly in the Gaza Strip where 69 percent of the population are refugees (PSBS 2014).

[8] In 2014 estimates put the Palestinian population worldwide at 12.10 million distributed as follows: the OPT (4.62 million), Israel (1.46 million), Arab countries (5.34 million) and 675,000 elsewhere (PCBS 2014).

2.1.2 Basic Social and Economic Development Indicators

Until the mid-1970s, the OPT was largely an agrarian society relying on traditional farming and family property (Shahwan 2003, Khalidi 2006, Morris 2009). Farmers turned to other sectors or employment in Israel when Palestinian exports were blocked to Arab markets and Israel's control of water resources and large-scale modern commercial farming methods eroded financial returns in the local market (Khalidi 2006). After 1994, the OPT became a service-oriented, open-market economy in a de-facto unified custom area with Israel which collects and transfers all trade customs[9] to the PNA on a monthly basis (World Bank 2013). Tax remittances comprise 70 percent of PNA locally-generated income, but irregular remittances barely cover the public sector payroll. As the OPT is also highly dependent on foreign aid, the national economy is vulnerable to political and economic shocks and public debt. The PNA has accumulated a public debt of USD 2.43 billion to external lenders, local banks and Israeli utility firms (ECHO 2012).

According to the World Bank (2013), the OPT is classified as a lower to middle income developing country[10]. The area's main socio-economic indicators are equivalent to those in other Arab countries, excluding the Gulf Cooperation Countries, with per capita Gross National Income of US$ 3,070, labour participation at 44 percent, average life expectancy of 74 years and unemployment at 28 percent. However, the OPT has slightly better adult literacy (94 percent) and birth rates (4.5 per woman) compared to other Arab countries. Generally, employment is concentrated in construction and service sectors which comprise 53 percent of total gross domestic product followed by public administration and internal security (18 percent) and commerce (14 percent) (PCBS 2014).

Nevertheless, marked regional disparity disadvantages the Gaza Strip partly due to the region's limited resources and demographic composition and partly due to deliberate regional separation policies of consecutive foreign authorities (Shahwan 2003, Abdul A'tti's 2003). Gaza's total consumption was 1.6 times larger than its gross national product which comprised 30 percent to 50 percent of that of the West Bank (OCHA 2014). Since Hamas took power in 2007, a land/naval blockade has restricted trade, other than humanitarian relief, causing the economy to substantially deteriorate. Since 2007, poverty rates have risen to 39 and unemployment to 33

[9] Under Paris Protocol, Israel collects and transfers Palestinian customs, personal income tax for Palestinians workers in Israel, and value added tax in Area C.
[10] Based on gross national income of US$ 4,125-12,010 for middle income countries and US$1,045 for low income countries (World Bank 2013).

percent, respectively, leaving about 80 percent of the population as food aid recipients, compared to 25 percent in the West Bank (OCHA 2014).

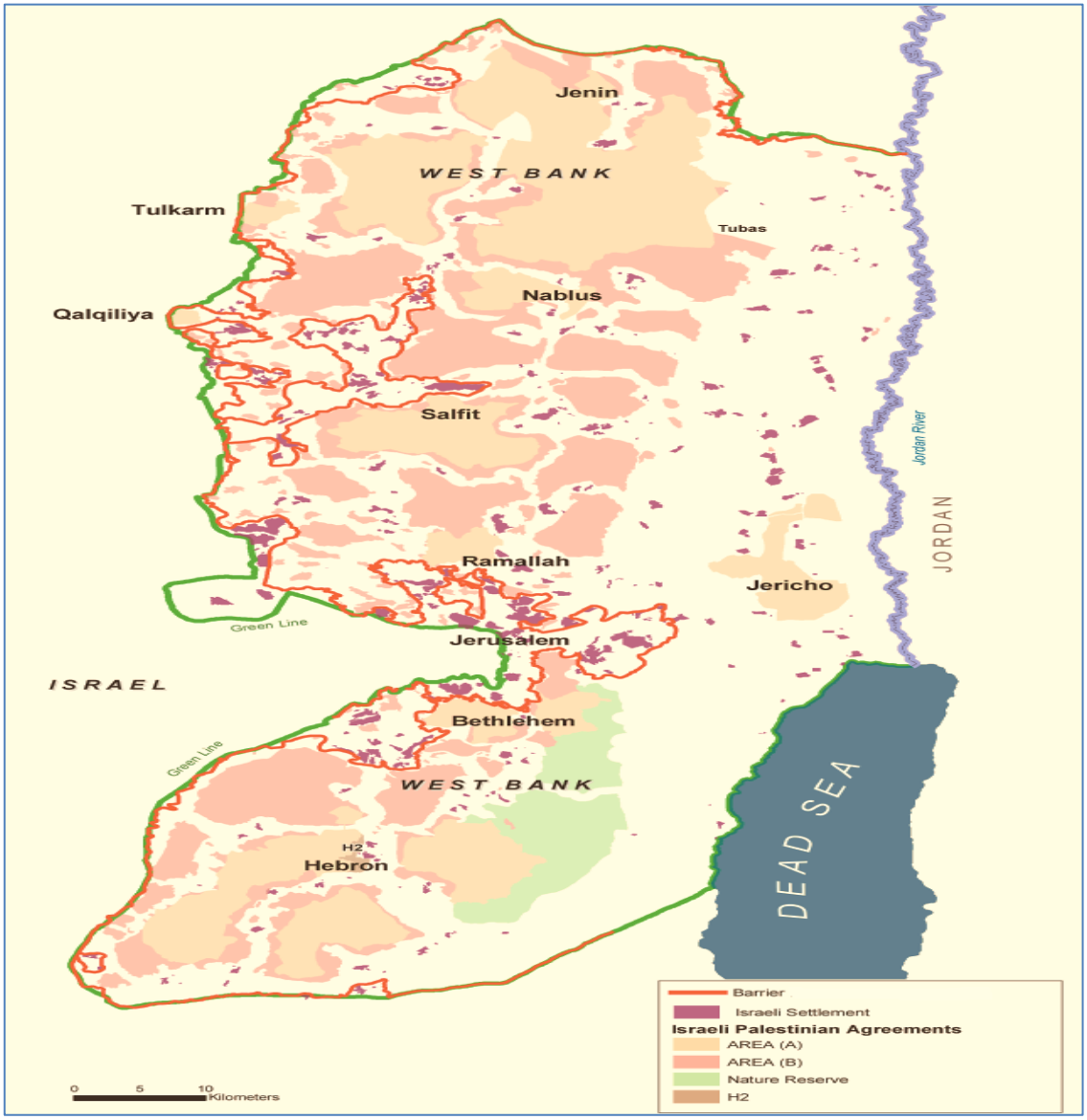
2.1.3 Territorial and Functional Fragmentation

Territorial fragmentation can be defined as a nation state's loss of territorial integrity and/or in terms of inflation of its sub-national administrative divisions (Gomez-Reino and Martinez-Vasquez 2013). The above definitions are applicable to the OPT despite lacking a state status and de facto sovereignty over land. The Arab-Israeli conflict divided the OPT into two regions, kept communities apart and created new types of communities (i.e. refugee camps), The Oslo Accords divided the land into 708 residential communities. The OPT has 73 urban communities above 4,000 inhabitants, 27 refugee camps, and 605 rural communities, including 110 below 100 people. Considered outside the local government sector, UNRWA is responsible for the main social services in camps but are self-administered with direct support from the PNA (PCBS 2010). Prior to 1994, the OPT had only 135 LGUs. Under the Palestinian administrative system, the LGUs were increased to 482 LGUs (Mekky 2010) before consolidation reduced the number to 353 LGUs by the end of 2012.

As illustrated in Figure 2.2, the administrative arrangements of Oslo Accords divided the West Bank into three zones (A, B and C) and the Israeli settlements were the key to this fragmentation; hence, the "Land for Peace/Piece" slogan of the peace process (Broning 2011). To complicate the geo-political map even further, the Israeli Separation Wall[11] erected along the 1948 armistice, isolated dozens of communities and confiscated one-fifth of the fertile land. Figure 2.2 shows that Area C (the white-shaded area) is the largest and only physically contiguous zone enclosing hundreds of small Palestinian enclaves. Moreover, only 18 percent of West Bank land and 55 percent of its Palestinian population are under full Palestinian control, whereas joint arrangements with Israel in Area B cover 21 to 55 percent of land and population, respectively.

[11]About 61% of the Wall planned length of 780km was completed in 2005-2012. Measuring 60 meter wide and 6-9 meters high, it consists of interlocking concrete blocks, wire fences, trenches, patrol roads, and vehicle inspection points. It expropriated 680km^2 or 12% of land area including 20 km^2 of built-up areas and completely isolated 37 communities of 300,000 people and partially surrounds 173 communities of 850,000 residents (B'tselem 2013).

Figure 2.2: West Bank Fragmentation due to Oslo Accords, Israeli Settlements and Separation Wall



Source: OCHA (2012)

Table 2.1 shows. Israel controls 4 percent of the population and 61 percent of land, including 138 Israeli settlements and 610,000 Jewish settlers (B'tselem 2013). Palestinians believe that the Israeli settlements and the Separation Wall have unilaterally determined the borders and expanded Israel's territorial base and international law has repeatedly judged its expansion into West Bank as illegal and infringing[12] on Palestinian rights. Potential impacts on final status negotiations are clear: it enables Israel to pre-empt territorial contiguity within the Palestinian areas with utter disregard to the Palestinian sovereignty (*B'tselem* 2012, OCHA 2012).

[12] The International Court of Justice, UN Security Council and the International Committee of the Red Cross consider the Wall a violation of Geneva Convention which prohibits Israel as the occupying power from (in)directly transferring its citizens into the occupied territory. In 2004, the Court also ruled that the Wall is infringing on the rights of Palestinians. Israel considers the Wall a physical barrier from Palestinian attacks (B'tselem 2013).

Table 2.1: West Bank Jurisdiction Arrangements in Oslo Accords

Zone	% of land area	Jurisdiction	Population		LGUs and Communities Covered
			Palestinian	Israeli	
A	18	PNA	1,475,000 (55%)		15 cities/ major urban centres 26 refugee camps.
B	21	Joint	1,025,000 (41%)	NA	212 Palestinian Towns & villages, except those around major roads
C	61	Israel	150,000 (4%) 7,500 in seam zone behind Separation Wall	610,000 Including 700 in Hebron	190 Palestinian villages Part of Hebron city (H1) 138 Israeli settlements, Israeli military posts, bypass roads, Separation Wall & buffer zones Jordan Valley exc. Jericho city
E1-E2	East Jerusalem & Jerusalem District	Israel	284,000	250,000	City of Jerusalem, 34 Palestinian towns 1 refugee camp 4 Israeli settlements

Source: OCHA (2012) and B'tselem (2013)

These land arrangements created a complex division of administrative functions detrimental to Palestinian policy-making and state-building (Khalidi 2006). Table 2.2 shows that Israel's control of most land and strategic issues affects the PNA's capacity to function independently in all areas particularly its inability to regulate, plan, execute or fund substantial infrastructure and economic initiatives due to Israel's sole control of Palestinian borders, airspace, Gaza's coastline, natural resources, customs, security, and movement of goods and people (OCHA 2012).

The fact that Oslo Accord arrangements outlived the five-year transitional period (1994-1999) is seen as a clear negation of the prospect of Palestinian statehood on the basis of two-state solutions[13] to the Israeli-Palestinian conflict. Israel is essentially antagonistic to the idea of a Palestinian state but seeks practical solutions for the existence of "Palestinian residents" (Hasan 2010, Faris 2013). According to these analysts, the Peace Accords have been intentionally fragmentary in design in order to break the Palestinian land-population unity. On one hand, Areas

[13] After Oslo Accords, studies on the Israeli-Palestinian conflict often concluded that the two-state solution is dead due to Israeli hegemony, Palestinian fragmentation and political, demographic and economic transformations since Oslo Accords (Farsakh 2005, Faris 2013). Another body of literature debates whether Palestine meets the constitutive and declarative criteria for statehood in the Montevideo Convention and recognition practice. Arguments against Palestinian state stress that only one of four criteria is met, namely permanent Palestinian population, and doubt the economic viability of such a state (Bennis1997, Halper 2005, Hasan 2010). Arguments for Palestinian statehood affirm that Palestine was constituted as a state since the British mandate, and that the three criteria, namely a defined borders, effective government, and relations with other states, are either met or hindered by colonisation which does not detract from the right to statehood. This strand shows several precedence of state recognition recognised despite lack of one or more criteria, including Israel (Khalidi 2006, World Bank 2010, Quigley 2010).

A and B relieve Israel, as the occupying power, from its responsibility for the occupied population while Area C leads to adoption of depopulation and de-development policies (OCHA 2012).

Table 2.2: Distribution of Administrative Responsibilities in Areas A, B and C

Function	Area A	Area B	Area C & Jerusalem
Jurisdiction	**Palestinian**	**Joint Jurisdiction**	**Israeli**
Elections	PNA[14], all communities	PNA, all communities	Exc. Jerusalem city
Civil Affairs	MOI, (*Israeli approved)*	PNA, Israeli approved	Civil administration
Taxation	PNA: MOF, LGUs	MOF, LGUs, Israel	Israeli MOF
Trade/Customs	Israeli MOF	Israel: MOF	Israeli MOF
Land Zoning / Planning	LGUs, MOPAD	PNA: PHCP, LGUs *MOLG-Israeli approved*	Civil administration *MOLG-Israeli approved*
Land Regulation	LGUs, PLA,	PNA: LGUs, HCP	Civil Administration
Natural Resources	PNA: PLA, WA, EA, ENA	PNA: LGUs, PLA, Donors Israel: Civil Administration	Israeli: Civil Administration
Security	Full PNA control	Israeli Army PNA, police, governors	Full Israeli control. Occasionally PNA police
Infrastructure /Construction	PNA, LGUs, Donors	PNA: LGUs, Donors MDLF, PICDAR, MOPWH	PNA, LGUs Donors, LGUs Israel: settlements/by-pass roads:

Source: Mekky (2010: 128)

Although the Oslo Accord arrangements isolated Palestinian communities, territorial fragmentation could be reversed once a final political agreement is reached or a Palestinian state internationally recognised. Sovereignty arrangements altered the basis of local government and relationship between the PNA and Palestinian population (Shahwan 2003, Mekky 2010). First, sharing major responsibilities with Israel interfered in the natural evolution of the Palestinian society's relationship with power institutions democratically and on normal citizenship basis. Similarly, relationships between PNA agencies were affected as none has full responsibility for an entire function. Thirdly, LGUs have limited powers outside their physical plan boundaries and are unable to reach all constituencies. They lose autonomy and status as the main institutions of local governance when their functions significantly overlap with national or Israeli agencies within the area. As shown in Table 2.3, several PNA agencies assume regulatory and service roles particularly with regard to social services and LGU services such as waste collection, water, and electricity.

[14] Abbreviations for both Tables 2.2 and 2.3: Ministry of Social Affairs (MOSA), Ministry of Public Works and Housing (MOPW&H), Ministry of Transport & Telecommunication (MOT), Ministry of Finance (MOF), Ministry of Planning and Administrative Development (MOPAD), Municipal Development and Lending Fund (MDLF), Palestinian Council for Development & Reconstruction (PICDAR), Palestinian Land Authority (PLA), Palestinian Higher Council of Planning (PHCP), and United Nations Relief and Work Agencies for Palestinian Refugees (UNRWA).

Table 2.3: Shared Local Responsibilities for Service Delivery and Regulation

Service	Regulatory	Direct Provision
Civil Affairs	MOI, MOJ,	MOI, MOJ, civil courts,
Roads	MOPWH	MOPWH, LGUs, Donors
Transportation	MOT	Private sector
Housing	MOLG	MOPWH, Private sector
Health /rehabilitation	MOH	MOH, UNRWA, NGOs, private sector
Education	MOE	MOE, UNRWA, NGOs, private sector
Social Assistance	MOSA	MOSA, governorates, LGUs
Solid Waste	Environmental Authority	Regional/Joint Councils, private sector, LGUs
Waste Water	Environmental Authority	LGUs, Regional/Joint Councils, LGUs
Water	Water authority	Water Authority, LGUs, Public firms,
Electricity	Energy Authority,	Public firms, municipal firms, LGUs, Israel
Disaster/Public Safety	MOI /Governorates	Civil Defence, Police, NGOs, public firms

Source: UNDP (2005, 2009). Abbreviations are provided in previous page, footnote No 14.

The above description sketches the latest hurdles in local government development in fulfilling service delivery and representative functions since its introduction in mid-19th century Following Stone's method of periodisation of local political structures, The next section elaborates on the colonial legacy of the local government in the OPT over the past 150 years and the major changes in the sector's structure under the PNA.

2.2 Local Government under Foreign Control

The local government system has evolved through consecutive foreign control of Palestine from the Ottoman Empire (1300-1913), through the British Mandate (1915-1948), Arab administration of the West Bank Gaza Strip (1948-1967) to Israeli occupation (1967-2005 in Gaza Strip and from 1967 to present in the West Bank). Since 1994, Palestinian control of local government has gradually been established with the advent of the PNA. As a result of the colonial legacy, LGUs have never developed into prominent institutions or effective development actors but rather caught between contradictory foreign legislations and long traditions of marginalization and penetration by patrimonial and familial interests to facilitate exploitation by central authorities (Rosentraub and Habil 2010). The present day system represents an amalgam of bureaucratic structures imposed by a century of non-indigenous political systems. By laying the foundations for the indigenous local government system, and subordinating it to their own interests, particularly land administration and planning, foreign powers stunted the sector and its capacity to be fully representative of Palestinian interests and aspirations (Sabri and Jaber 2005, Husseini 2010).

2.3 Local Government after Oslo Accords

Between 1967 and 1995, the OPT had 135 LGUs and hundreds of towns without legal status (Shahwan 2003). The LGUs, small in size and capacity, were supplemented by grassroots organisations that partially filled the gaps in health, education, agriculture and other services. Telecommunications, water and electricity were forcibly linked to Israeli agencies, while the private sector catered for transportation and housing was a family responsibility. Even though LGU total revenues jumped from USD 84 million in 1990 to 188 million in 1998, most revenues were appropriated by central authorities rather than spent locally (Abdul-A'atti 2005). Some of these issues extended well into the PNA era when new policies marked a significant shift with regard to local government role and structure. For the first time, the LGUs declined in importance as instruments of central control and their primary role has become the provision of public services and local planning more than political representation (Touqan 2001, Shahwan 2003). These developments suggest that the PNA attempted to respond immediately to the sector's main legal, administrative and development needs, but only through prioritisation of service and infrastructure improvement and intensive municipalisation to grant legal status to all communities The Municipal Development Fund was also created as a critical public agency responsible for channelling donor and PNA funding for local infrastructure projects and LGU capacity building (UNDP 2005).

2.3.1 Structure and Size

The PNA administrative and local government issues were first determined in the *Protocol Concerning Civil* Affairs (Annex III to the 1995 Interim Agreement) that defined local government as any municipal council, village council and other community lacking official status. Temporarily fulfilling the central authority role, the PNA has a unitary-state structure and a two-tier sub-national administration system. The regional level is comprised of governorates or districts that serve as electoral constituencies for national elections and a local government level. The Ministry of Interior oversees governors who are Presidential appointees tasked with security and oversight of PNA regional offices and centrally–delivered services (i.e. health and education). Under MOLG oversight, LGUs carry out functions specified by Law No (1) of 1997 and are elected according to the Local Elections Law of 1995 although no local elections were held until after the death of Yasser Arafat in 2004 and a serious modification of the election system. Despite PNA efforts at modernization and unification, legal codes still differ between the regions, while the new Palestinian regulatory framework is vague on many fronts. In many functional aspects previous

legislation are still relevant especially with regard to land, taxes and physical planning and all LGUs are legally expected to have the same functions, resources and structure although none fulfil all functions or access all financial resources prescribed in relevant legislation (UNDP 2009).

Prior to the most recent consolidations, local government structure was considered excessively large and horizontal for effective government of a small territory such as the OPT (Rosentraub and Habil 2010). Table 2.4 shows that in less than 20 years Palestinian LGUs expanded by more than 400 percent, from 135 during Israeli occupation to 502 before the 2005 elections. Intensive municipalisation seems to have followed housing splintering patterns rather than typical criteria population size, land areas and features, or local preferences (UNDP 2005, Abdul-A'tti 2005). In addition, new institutional types were created, such as Project Committees, in the smallest communities and forms of service delivery cooperation known as Joint Service Councils and Micro-region Planning committees aimed to compensate for lack of capacity in small LGUs.

Table 2.4: Fragmentation of the Palestinian Administrative System (1967-2013)

Level	Unit Type	1994	1999	2004	2010	2013	WB	GS
Regional	Governorate/district	8	16	16	16	**16**	11	5
Sub-Regional	Regional planning council	-	12	14	14	**14**	12	2
Cooperative Body	Joint Service Council	0	70	78	84	**86**	82	4
Self-administered	Refugee camp	16	27	27	27	**27**	16	11
Local Authorities	*a -Municipal Council*	26	103	108	119	**136**	121	25
	b-Village Council	109	185	236	228	**234**	234	-
	c- Project Committee	-	127	158	144	**-**	-	-
	Total Local Authorities	**135**	**415**	**502**	**497**	**360**	**355**	**25**

Sources: Touqan (2001), UNDP (2004), Abdul-A'ttai (2005) and MOLG (2013).

The Palestinian local governments are classified according to two municipal ranking systems that diverge in criteria and application. Table 2.5 shows that MOLG's municipal system classifies all LGUs according to foundation date and population brackets used primarily to determine council membership size in local elections, structure and regulatory functions. In contrast, another classification is applied by the Municipal Fund only to municipalities and is updated every three years in order to evaluate institutional capacity and performance of fund recipients. Coupled with population size and need, the ranking is used to define annual infrastructure allocations for each municipality (UNDP 2009, MDLF 2012).

Table 2.5: LGUs Ranking Systems (2012)

LGU Type/ Population	MOLG Ranking				Municipal Fund Ranking	
	Seats	Rank	LGUs	Criteria	LGUs	Criteria
Municipal Councils						
≥100,000	15	A+	2	Population centres	0	All requirements + no debt
≥ 20,000		A	14	Created before 1967, District capitals	0	B requirements + investment plan + Asset system
≥15,000-20,000	13	B	24	Created before 1994	57	C requirement + budget
≥15,000		C	41	Medium towns,	75	D requirements + strategic plan
5,000-10,000	9	D	40	Large villages,	0	E requirements + external audit
Village Councils[15]						
1-5,000	7	E-F	251	Small/medium villages	3	Accounting procedural manual

Source: UNDP (2009) and MDLF (2012)

The early policies were seen either as necessary yet unintentionally compounded fragmentation and centralisation, or as overdue institutional reforms that re-birthed the sector. Both views contended that these were imperative to meeting public expectations and consolidating the power of the returnee-led PNA while locals assumed control of local councils (Signoles 2010, MOLG 2013). A consolidation policy soon followed and was executed in two waves. The first occurred between 2004 and 2008 when few small municipalities were targeted in Area A. Fifteen communities were annexed to adjunct LGUs and seven communities were amalgamated into three LGUs, namely *Ittihad, East Bani Zaid*, and *Zaytouneh*. At the time, consolidation was not an official policy, but was initiated by MOLG on a case-by case evaluation. In the second wave (2010–2012), 287 communities in the West Bank, mostly those under 1,000 inhabitants, were forcibly consolidated into 57 councils. Although some donors suggested structural reforms in 2000, consolidation occurred in parallel with the first Palestinian local elections under the PNA in 2005 without technical or financial support (Rozentraub and Habil 2010).

2.3.2 Functions and Finances

Under the PNA, LGU functions and resources remained similar to those in previous eras. Palestinian LGUs were described by Habil (2009) as structurally-deficient, functionally-obsolete or both. According to Habil's assessment:

[15] Through further consolidations, all village councils will be phased out. The local government will be comprised of municipalities with three ranks: Rank B for small LGUs less than 20,000 inhabitants, Rank A for medium LGUs ranging between 20,000 and 125,000 and Rank A+ to the largest LGUs. At present only municipalities of Gaza, Hebron and Nablus meet the population criteria of the highest rank (MOLG 2013).

> There are imbalances in LGUs main components: the human, the material, the infrastructural, the institutional, and governance. Most facilities and infrastructures are small, ancient, crowed, outdated, poorly equipped, inaccessible or generally unsuitable for municipal purposes. Their finances are as limited whether derived from service returns, local taxes, fees, licenses, citizens' contributions, central government transfers, or foreign aid. The discrepancy between revenue and spending is huge, so much so that their estimated budgets are almost devoid of allocations for (institutional) development (e.g. asset acquisition, hiring, training, equipment) without resort to donors directly or through national agencies. Their ability to do so is even further weakened by LGUs lack of capacity for preparing project plans, risk assessment, and studies on potential impact on the environment. The absence of financial management from their structure has the consequence of failure to maximize revenues and rationalise expenditures in accordance with community and institutional priorities (Habil 2009:38).

In the same vain, few of MOLG's informants narrowly attributed LGU weak capacity to ineffective management and financial shortfalls due to high utility debt, low revenue and collection rates spurred by the public's expectation of free services (MOLG informant #2, #3). Other studies stress that LGU capacity challenges have financial, structural, politico-legal and socio-cultural roots resulting from rigid legislation, a small tax base, lack of fiscal subsidy mechanisms, ad hoc service pricing and various forms of financial losses (UNDP 2009; Mekki 2006).

Despite a legal mandate of 27 functions[16], only large municipalities have the capacity to assume all responsibilities or additional ones as civil defence and emergency services although some provide services to neighbouring LGUs including water, electricity and solid waste collection (Sabri and Jaber 2005). The law also defined revenue structures and intergovernmental fiscal relations. Article (22) states three sources of income: taxation and fees, approved donations and grants, and LGUs share of allocations from the central authority. According to Article (26), half of the centrally-collected taxes must be distributed to the originating LGUs while the other half should be distributed among all LGUs based on criteria such as LGU population, percentage of collected taxes, approved development need and whether the LGU has special importance or fulfils non-local responsibilities. Despite the legal stipulation to transfer 90 percent of property taxes to the originating LGU, the PNA reportedly transfers less than 15 percent of total taxes. Education and solid waste taxes are the only taxes collected directly by LGUs, and the major

[16] LGU functions are: town planning; building licensing, control or demolition; supply of water and electricity, sewage management, public markets management; licensing of trades and businesses; public health monitoring; solid waste collection and disposal; public storage control; public parks; cultural and sport activities; public transport (land and sea); control of peddlers, open markets; weights and measures and ; hotel operation; street advertisement; disposal of remnants of roads; social services for the poor; cemeteries; precautions against floods, fires and natural disasters control; regulation of pack animals; canine control; management of LGU budget, assets and funds and any additional functions in pursuance to other laws (Article 15 of Law No 1 of 1997).

revenues derive from user charges on electricity, water, building permits, licences and facility lease (vegetable markets, parks or slaughterhouses). However, the proportion of tax to utility revenues ranges from 20 percent to 90 percent of LGU total income (Signoles 2010).

LGU revenue is arguably erratic, unreliable, and inequitable where the poor typically bear a large share of fees and taxes (Shahwan 2003, UNDP 2009). Territorial fragmentation, a fluid political situation, the inaccuracy of the property registrar and low household income are the main factors in tax avoidance (Sabri and Jaber 2005) and LGUs reluctance to enforce additional taxes when permitted by the law. As LGUs continue to incur high utility debt, the lack of central transfers to ease such pressures leaves LGUs with no option but to rely heavily on utility revenues to cover basic operational costs. The occasional infrastructure project funding from the PNA funds or donors does not address LGUs illiquidity problems, especially those with large populations (UNDP 2005, 2009).

In spirit, the law appears to grant LGUs a fair amount of autonomy and decentralisation, but in practice, the LG system is highly centralised. To the PNA, decentralisation is risky because of the sector's significant growing pains in trying to reverse earlier conditions and establish LGUs as part of institutional governance (Abdul-A'ati 2005). Centralisation tendencies are evident with in financial controls, capture of significant local resources and central delivery of social services. The sector has a low share of PNA budget and expenditures and LGU functions, revenues or powers remain largely identical to those under colonial rule. Many legal stipulations appear to be copied verbatim from the restrictive Jordanian laws of the 1960s, such as centralised tax collection and prohibition of LGUs borrowing or requesting debt relief (UNDP 2009, Aman 2013).

LGU mandates are gradually being eroded by the transfer of critical services traditionally provided by LGUs, such as solid waste management, (waste) water, electricity, and vocational licencing. Health, education and social assistance remain centrally-administered while housing and transportation continue to be major niches for the private sector. Several regional utility bodies were also established in order to take responsibility for services and generate self-financing for service development despite the risk of causing major revenue losses to LGUs (Signoles 2010). Without alternative sources of income, loss of services revenue diminishes local capacity and halts development accumulation due to constant need for infrastructure maintenance or reconstruction arising from frequent military actions. Moreover, MOLG holds substantial power over LGUs through inspection visits, mandatory approval of budgets and financial decisions on

borrowing, staff hiring and material and service procurements. In the longer term, MOLG is the decision-maker in regards to changes to LGU fees and charges, institutional structure, financial procedures and coordination with donors on external funding (UNDP 2009).

2.3.3 Representation and Democracy

LGUs political representation and functional capacities are linked to their resources and relationship with the population. Shahwan (2003) stressed that tax and utility avoidance signify the chronic public distrust in consecutive central and local governments. Trust was impossible to establish in the OPT under foreign role and the intra-Palestinian political divide, created first by Oslo Accords and then by *Hamas* political participation in 2006 elections[17]. Given the sector's turbulent evolution, distrust defined relationships between LGUs and the public and between LGUs and government tiers, as exemplified by struggles over autonomy in major LGUs and public civil disobedience and tax avoidance. Simply put, unelected governments find it hard to raise taxes because the lack of elections blocks citizens' access to LGUs as voters, candidates, policy makers, financers, consumers and employees. Under Arafat, however, the PNA preferred the appointment of councillors and mayors over local elections and replicated the institutional structure and leadership in Diaspora. Since the PLO has provided legitimacy to the PNA, diaspora leaders have occupied the main positions on the basis of political power-sharing with PLO factions so that narrow factional interests have defined policy-making in the new institutions. LGUs became institutions highly dependent on charisma and clan ties of mayors rather than on good legislation, modern systems, qualified staff or citizen participation (Zbaidi 2012).

The irregularity of past elections and a factional quota system excluded Oslo opponents, women, youth, small families and the poor from access to public office. Instead, patrimonialism and past elite groups were revived by the PNA and undermined citizen trust in institutions, local government included. When finally held, elections lacked coverage as ministerial procedures, not the law, excluded small villages and micro-communities from the first elections in 2005. Most importantly, high electoral participation brought *Hamas* into power which was met by donors' boycott of *Hamas*-led LGUs aimed at preventing access to international resources and erode their public legitimacy when public service deteriorate. The lack of funding in 2007-2012

[17] *Hamas* won the 2004-6 local and legislative elections and it briefly headed a national unity government. In summer 2007, *Hamas* used military power against *Fateh* constituencies in Gaza Strip who allegedly staged a coup, then responded by declaring a separate government, PNA lost power over LGUs in Gaza Strip (Bashin & Hallward 2013).

convinced the public of the need to choose between democracy and public services and partially contributed to Hamas not participating in the 2013 local elections (Bashin and Hallward 2013).

2.4 Conclusion

To sum up, this overview of Palestinian local government aims to set the context for consolidation examined in this thesis. The next chapter summarizes the scholarly debate on consolidation reforms in general, with particular focus on theoretical foundations and documented impacts on affected communities, mostly in developed economies.

Chapter Three

Understanding Consolidation

3.0 Introduction

The abundance of literature on local government reform clearly shows states have continuously modified the functional, fiscal, legislative, territorial and structural characteristics of subnational systems, especially at the lowest tier of government. Of those reforms, territorial consolidation face scholarly and public opposition because theoretical arguments for and against consolidation have not been empirically validated. This chapter reviews the major theoretical and empirical literature on various dimensions of territorial reforms. As the literature is extensive and research methods diverged, empirical studies have been reviewed on the basis of overall conclusions rather than in detail. This chapter is divided into four sections. The first section summarises theoretical linkages between population size, efficiency and democracy underlying the consolidation debate. The second section presents some of the empirical evidence on the outcomes of consolidation on LGU functions and resources, local democracy and regional growth. The third section focuses on reform drivers and barriers, and the expectations and interests of major actors. Section four concludes with a summary of complementary policies and reform alternatives to consolidation.

The section on the empirical literature used evidence on consolidation in 21 countries: Australia, Japan, USA, UK, Canada, Estonia, Latvia, Jordan, Israel, Italy, Germany, Belgium, Spain, Norway, Denmark, Sweden, Netherland, Finland, Switzerland, Czech Republic, and News Zealand. Review of the theoretical literature on the relationship between size, economic efficiency or local democracy refers to the classical texts and authors. Some factors contributed to make the theoretical review section reliant on the extensive Australian and to some extent Scandinavian, literature on amalgamation. First, this thesis was done in Australia, thus it relied on English language resources predominantly available to the researcher, particularly by Australian academics who are leader in this field. By having the advantage of being a relatively recent policy, compared to European and other countries, the contemporary debate on Australian amalgamations is rich and offers a comprehensive review of former debates and studies on all theoretical and operational dimensions of local government reforms in other contexts. This literature concurrently documents the entire policy cycle, starting from agenda setting and public debate on prospective consolidations and their fiscal feasibility, to referenda results and implementation processes and measuring various outcomes and long-term impacts on the affected communities and local government as a whole.

3.1 Theoretical Foundations of Consolidation

The debate about consolidation can be filtered down to consideration of two questions: (i) what is the optimal size of local government units? and (ii) what are the criteria for determining this size? In ancient times, Plato estimated the desirable size of a single polis to 5,000 non-slave, male adults who could gather in one public place and hear each other speak. A polity should be small enough for citizens to know each other and large enough to maintain self-sufficiency indicated by the different occupations of citizens (cited in Dahl and Tufte 1973). This debate has continued into modern times concerning the size of local governments. Dahl and Tufte (1973) argued that size is an ambiguous criterion since it may refer to land area, population number and density, or fiscal indicators such as expenditure. Size may be absolute (i.e. total population) or relative referring to a subset of the population such as users of service users, tax payers, or eligible voters.

Agreeing that size does matter, scholars engaged in the consolidation debate is dominated by two schools of thought that differ radically regarding the superior advantages of fragmentation (i.e. numerous tiers, numerous small LGUs) or concentration (i.e. fewer tiers, fewer large LGUs). Underlying the debate of whether big or small government unit is unambiguously better is a longstanding dispute between standard neoclassical economic theory and public choice theory. The first school of thought considers large LGUs as cheaper and more efficient, and the second considers small LGUs as more democratic. In determining government size, there is a dilemma between efficiency and local democracy. Arguing that small is better, consolidation opponents (Zax 1988, Bish 2001, Allen 2003) rely extensively on theories of local public market (Tiebout 1956), fiscal equivalence (Olson 1969), and inverse relation between size and democracy (Dahl and Tufte 1973). Consolidation proponents (Hirsch 1970, Ostrom 1972, Slack and Bird 2013) also rely on arguments from federal finance, economies of scale in production (Smith 1955), urban growth (Hill 1974) and regional development (Liner 1992) to justifying sector rationalisation in terms of economic benefits for the units involved.

3.1.1 Economies of Scale

The notion of optimum size of government derives from the theory of fiscal federalism (particularly the two principles of decentralisation and correspondence (Oates 1972). Decentralisation favours a position that determines local preferences determine composition of public goods; therefore provision of these goods must be made by the smallest government unit possible because preferences are never spatially uniform. The principle of fiscal correspondence stipulates that

between the areas of public service delivery should correspond with the area of taxation. Drawing on the principle of correspondence, proponents of consolidation argue that if a local government unit serves more than its tax-paying constituencies (i.e. externalities or spell overs); the unit needs to remove externalities by expanding tax jurisdiction to all areas benefiting from service spillover which entail boundary redrawal or consolidation of adjunct unit(s) or part thereof. Opponents of consolidation argue that other solutions can address spillover problem and maintain decentralised units; if externalities remain, restructuring options include either fiscal re-distribution where higher tiers compensate the unit through taxes or subsidies, or functional reassignment where higher tiers assume decision-making responsibilities over service delivery.

Consolidation reforms emphasise the concept of economies of scale (Silberston 1972), optimal size and economic efficiency in service production. In the firm theory, economies of scale mean using fixed capital (input) to produce a fixed amount of identical goods (output), which entails a fixed average cost per unit. Investing more capital produces more units at a lower average cost with the same fixed requirement for production (labor, machinery, etc.). Optimal size is the point where the largest number of identical goods is produced at the lowest average cost, thus giving the largest profit. However, inputs-outputs cannot rise indefinitely as costs start to increase after production capacities are exhausted (Oates 1999).

Dolan (1990) and Boyne (1992) maintain that fragmentation, i.e. too many LGUs, drives up local expenditure because smaller LGUs are unable to realise economies of scale which causes rise to service production. Smith (1955), Hughes (1967), and Derksen (1988) dispute these economic assumptions arguing that economies of scale is a logical theoretical albeit without affirmation of its occurrence in large-scale production. If it exists, Smith notes that economies of scale could be detrimental to competition and encourages standardisation of firm size by dividing large firms and bringing small ones closer to optimum size.

In theory, extending the concept of economies of scale to local government assumes a reduction in the cost of the production of public service with increase in population up to a certain threshold after which diseconomies of scale appear. The lowest parts in the resulting U-shape curve indicate a range of population sizes where average per-capita expenditure remains almost constant (Zax 1988). Contesting equating population size with capital, King (1996) argues that most local public goods do not have the characteristics of private goods whereas both Smith (1955) and Martins (1995) dispute whether LGU outputs are indefinable or uniform to allow cost

measurement or comparability. These studies show that some dimensions of local public goods are measurable, such as number of service users, although cost per user varies depending on service quality, quantity and frequency that vary amongst users. A limited range of public services have quantifiable outputs (e.g. roads), unlike sports fields, elderly care or education. While capital is constant, the fluctuation of population size between services and user groups suggests several optimal economies of scale corresponding to the number of services offered. Some services affect the optimality of others. For example, if increased housing produces enough passengers for transport, health or education systems may become overloaded.

The standard method for measuring economies of scale involves constructing a population-cost curve and an average unit-cost for each service in a sample of LGUs of different sizes for the same period. According to Boyne (1992), the most accurate measurements can be derived from the engineering method, by dividing production processes and cost into their components, despite being too technical and time-consuming to apply in real life. The most common measure of LGU total efficiency is the annual average of per-capita administrative expenditures due to variations in LGU service packages, management and production methods in addition to socio-geographic characteristics of communities that complicate the assignment of total efficiency to individual LGUs or allow comparability between LGUs of various sizes. Regardless of the methods and countries involved, empirical findings tend to produce conflicting results on the existence of economies of scale and the effects of size on LGU efficiency.

Other research on the relationships between LGU size and efficiency and quality of public services has concluded that an optimal population size could not empirically be established for multi-functional LGUs or generalised across all systems. Smith (1955) and Hendrick *et al* (2011) argue that LGU efficiency is context-dependent determined by external efficiency, related to the level and type of government and services, and internal efficiency, related to specialised staff, fixed assets and technical capacities. Internal efficiency can be improved through technology, coordination and vertical integration while external efficiency can benefit from governmental subsidies or market fluctuations. Economies of scale were found in capital-intensive functions (e.g. water, electricity and road networks) more than in labour-intensive functions (e.g. police, health and education). Efficiencies are least evident in drainage, waste collection, culture and recreation (Hirsch 1965, Easton and Thompson 1987, Blume and Blume 2007).

Early research on the relationship between LGU size and cost, irrespective of consolidation, highlight that several LGU functions are candidates for economies of scale, excluding services that require delivery in different locations, such as schools, roads, and fire services. For example, Hirsch (1970) maintains that economies of scale are more likely to exist in medium-size LGUs rather than in large or small LGUs, and in capital-intensive services labour–oriented services where salaries comprise most expenditure. A review by Byrnes and Dollery (2002) of empirical research papers published between 1970 and 2000 found that evidence of post-reform U-shaped curve was reported by 29 percent of these papers; 39 percent found no statistical correlations; 24 percent showed evidence of diseconomies of scale and 8 percent affirmed economies of scale. Seven official studies published in 1995-2000 affirmed economies of scale in drainage, road construction /maintenance and administration. Only one of seven studies reported a U-shaped curve between population and housing expenditure; economies of scale, no correlation, or diseconomies of scale, were reported by two studies each. A similar pattern was also found for fire services. Similarly, studies that investigated post-consolidation expenditure concluded that economies of scale differ between services and countries. Table 3.1 suggests that LGUs below 10,000 people exhibit economies of scale in administration, labour-intensive functions and waste collection. Half of the listed studies show low population threshold (2,000-5,000 inhabitants) for efficiency in general functions.

Table 3.1: Minimum Populations for Economies and Diseconomies of Scale after Consolidation

Country	Study	Economies of Scale	Diseconomies of Scale
Norway	Kalseth *et al.* (1993).	5,000 for administration	
Australia	Soul (2000)	≤100,000 for general functions	≥317,000
	Drew *et al* (2014b)	98,000 for general functions	
Germany	Blume & Blume (2007)	5,000-10,000 for general functions	≥10,000
Czech	Swianiewicz (2010b)	3,000–5,000 for general functions	
Republic	Matejova *et a*l (2014)	400 for pre-school education	
		234,000 for primary education	
		2,000 other major functions	
Portugal	Marques & De Witte (2011)	160,000–180,000 for water network	
Spain	Bel & Costas (2006)		≥20,000 for waste collection
USA	Hirsch	10,000-15,000 for general functions	≥25,000 for labour-intensive
			≥50,000 for multi-functions
	Easton & Thompson (1987)	4,000 for general functions & police	
		25,000 for parks & recreation	
		30,000 for fire services	
	Faulk & Hicks (2011)	5,000-10,000 for labour-intensive	
	Hendricks et al (2011)	2,000-50,000 for total expenditure	100,000-300,000
	Southwick (2012)	11,000 for LGU overheads	≥25,000
Denmark	Houlberg (2010)	8,000–12,000 for total expenditure	50,000–100,000
		30,000-50,000 for administration	
		6,000 – 30,000 for elderly day-care	

Research shows a tendency towards diseconomies of scale in service delivery which appear between 10,000 and 100,000 inhabitants depending on service type. In primary education and water networks, efficiency is associated with higher population thresholds even though education is labour intensive while water is capital-intensive. Unlike Germany and the USA, the minimum population for economies of scale appears to be extremely large. According to Drew *et al* (2014), the high threshold of 98,000 inhabitants is only met by 8 percent of LGUs in Queensland after reducing total LGUs by 65 percent. About quarter LGUs exhibited diseconomies of scale within two years of amalgamation which extended to 84 percent after four years.

If economies of scale exist in small population size, this means that spitting large LGUs would yield more efficiency results than consolidation of small LGUs. Consolidation beyond efficiency thresholds is reiterated in Table 3.2 which shows considerable variation in post-reform LGU size across twelve countries. A tendency for thresholds to increase reflects the effects of subsequent consolidations. Until the latter decades of the 20th century, the minimum threshold increased from less than 10,000 to more than 15,000 by the turn of the century. The data shows that post-reform average LGU size is suggestive of diseconomies of scale, as resulting sizes generally exceed all thresholds for economies of scale. Therefore, reforms seem to have unnecessarily eliminated 80 percent or more of LGUs in some developed and non-industrialised countries, such as Jordan and Latvia. In both cases, LGUs were reduced by 88 percent to produce LGUs larger in average than those of Belgium, Norway and Germany.

Table 3.2: Post-Consolidation Population Size in Select Countries

Country	Era	Population Thresholds Targeted/Achieved	LGU Reduction %	From	To	Av. Population 2007
Japan	1888 2000s	300-500 households 300,000 inhabitants	97	71,314	1,822	69,700
Germany	1960s-1990s	3,000-40,000	79	16,966	3,581	6,681
UK	1950s-2000s		77	2,061	433	140,000
Norway	1970s	5,000-10,000	43	750	428	10,861
Denmark	1970s 2007	5,000-6,000 excl. islands 20,000	90	1,098	98	55,582
Sweden	1950s-1970s	6,500-8,000	87	2,281	290	31,037
Belgium	1950s-2000s		78	2,669	589	17,898
Netherlands	1940s 1980s	2,000-3,000 6,000-8,000	56	1,015	480	37,000
Switzerland	1990s	1,000-5,000	16	3,021	2,551	32,982
Finland	2000s	20,000-30,000	18	444	320	12,685
Jordan	2000s	15,000-20,000	87	740	98	65,740
Latvia	2011	4,000-max. of 50 km^2	88	525	118	17,059

Sources: Mabuchi (2001), Wellmann (2004), King *et al* (2004), Blume & Blume (2007), Malkawi (2007), Dafflon (2012), Rydergard (2012), Schaap & Kirstan (2015).

In summary, many scholars are of the opinion that correlations between size and cost are less straightforward than theorised and that efficiency varies systematically between LGUs depending on socio-economic and environmental characteristics (Deller and Rudnicki 1992). Hendricks *et al* (2011) also affirms that efficiency analysis measures should examine functional and fiscal dispersion between government tiers. This study found size and expenditure tend to decline in multi-purpose governments, and rise in single-purpose governments, due to competition between general-purpose LGUs with similar services, whereas higher expenditure in single-purpose LGUs may result from complementary and better quality services and improved tax revenues.

3.1.2 Democratic Deficit

Public choice theory offers an alternative view to consolidation from increasing population size. For Tiebout (1956), the multiplicity of local governments enhances citizen mobility and competition between LGUs for public goods provision and reduces the size of LGU bureaucracy. When residents dislike services/taxes in one LGU, they 'vote with their feet', i.e. move to another one providing a better package. This model suggests that small LGUs attract potential residents through lower taxes and increased expenditure until the optimal size is achieved, measured by the lowest per-capita expenditure rate. To maintain equilibrium, population could be maintained by means of zoning and housing development control or enforcing a fixed revenue-expenditure pattern in rural and suburban units. To restore equilibrium, economic forces within large cities would push people out towards the suburbs.

This theory's simplistic assumptions regarding citizens, communities and LGUs have drawn criticism, particularly for the unrealistic expectations of individuals to live, work and consume all services in one location, have access to all information for decision-making and personally negotiate with LGUs over service-tax packages (Bewely 1981). For Hendricks *et al* (2011), individuals are depicted as mere occupiers of a functional place, and unattached to their homogenous, inorganic and constantly seeking to change communities. In reality, LGUs anywhere are not legally allowed to be discriminatory in service and taxation packages response to individual preferences and evidence is lacking regarding whether attracting and retaining residents factor in expenditure decisions. Boyne (1992) maintains that inter-jurisdictional migration is triggered by a combination of push-pull factors and search for amenities such as housing, education, health, employment, neighbourhood safety or environmental quality. Gerring and Zarecki (2012) stress that the model assumes enough supply of, and differentiation between,

LGUs in terms of size and services to enable migration assumes that efficient allocations are made of local income, exclusive of external resources. For these authors, the model depicts LGUs solely as service providers, citizens as individual consumers-voters, and local democracy as a public good. Eventually LGU competition and democracy will be reduced if residents choose migration over democratic participation (Gerring and Zarecki 2012).

Building on Tiebout's hypothesis, Oates (1999) substitutes the individual with the community (i.e. a given group with a collective service preference) to show that collective decision varies with population and seeking optimal size produces critical trade-offs or inverse relations between size and democracy. First, a trade-off exists between lower costs (i.e. economies of scale) associated with large size and matching local collective preferences (i.e. welfare) associated with small communities. The second trade-off is between economies of scale and LGU downward accountability, also associated with small size. Oates (1999) theorised three ways through which large-size diminishes the individual's capacity for participation and LGUs accountability to local community and other government tiers. Firstly, residents have less confidence in their knowledge and less opportunity to influence decisions in larger LGUs. Secondly, horizontal or 'downward accountability' to local residents is replaced by vertical or 'upward accountability' to higher tiers. Finally, larger LGUs depend more on professional technocrats which reduces interaction with citizens and dilutes 'internal accountability' as power shifts from the elected councillors towards LGU leadership and professional staff. Thus, four dimensions of democratic deficit are associated with consolidation and large governments: a) loss of information, b). loss of accessibility, c). erosion of citizen confidence, policy influence and efficacious citizenship, and d). bureaucratic unresponsiveness. In principle, the Tiebout-Oates hypothesis is consistent with Dahl and Tufte (1973) position that local governments remain the only outlet for participation in modern political systems because the state is too large for effective citizen participation. Constraints on local government size must be enforced in order to enable political participation. Asserting that proximity and grassroots democracy, the essence of local government, are readily available in small units, public choice theory advocates these values must not be sacrificed or made secondary to economic efficiency. Tiebout and Olson (1969) maintain that LGU service and tax jurisdictions boundaries should coincide. Aware of potential policy implications, Tiebout rejects in principle consolidations aimed to reduce expenditure at the expense of service provision or quality because:

> On the usual economic welfare grounds, municipal integration is justified only if more of any service is forthcoming at the same total cost and without reduction of any other service. A general reduction of costs along with a reduction in one or more of the services provided cannot be justified on economic grounds unless the social welfare function is known. If one of the communities was to receive less police protection after integration than it received before, integration could be objected to as a violation of consumers' choice (Tiebout 1956: 423).

Many studies associate large LGUs with voter apathy, political unresponsiveness, and increased inequality in representation (Hill 1974, Liner 1992, Hajer 2003, Hendricks and Tops 1999). For them, large LGUs are also challenged by rapid population growth, urban sprawl, and environmental and infrastructure degeneration. By contrast, small LGUs are lacking in efficiency yet tend to have low expenditure, homogenous preferences and greater opportunities for citizen involvement and LGU responsiveness. However, small LGUs face challenges of depopulation, insufficient resources, weak institutional capacity, high demand for public services and infrastructure and preoccupation with local interests (Soul 2000; Hendricks *et al* 2011). Positioned between these two extremes, medium-size LGUs are certainly not problem-free but challenged by fluctuating revenues, lack of specialisation and other difficulties associated with inter-municipal cooperation. Small LGUs are also seen as politically vulnerable to state control through governmental funding and subordination to institutional forms created to deal with LGU inadequacies LGU (Newton 1982, Zax 1988, Bogason 1996). Since participation is generally minimised in very large communities and trivialised in very small communities, Dahl and Tufte (1973) proposed a city of 50,000-200,000 as optimal for meeting functional and democratic needs.

Exhalation of an individual's capacity to influence LGU policy-making results from assigning social, moral or aesthetic virtues to heterogeneity and face-to-face informal interactions in small LGUs. Nevertheless, Hayden (2005) stresses that small communities display heterogeneity and inter-group disagreements or competition based on the grounds of family, gender, religion, colour, age, education, wealth, social status, or political affiliation. These factors constitute the very basis for inclusion or exclusion in any human community and render participation a social privilege rather than an automatic right. Hayden (2005) maintains that citizens, collectively or individually, do not have unlimited capacity to 'influence' local policy, and familiarity with local elites does not guarantee access to them. Primordial ties, in Wilson's (1996) view, diminish the individual's capacity to hold LGUs accountable so that neither familiarity nor short-cut routes to decision-making could be as, or more, effective than formal, legally-backed forms of institutional

accountability. According to Wilson (1996), a strong communal identity and social order in small LGUs may weaken civil society and reinforce the monopoly of a small group of local political elite whose visibility makes them easy targets for state monitoring, co-optation or coercion. Some scholars further argue that technology, information availability, impersonal management and harmonisation of lifestyle minimised the effect of size in modern societies (Mouritzen 1989). This point of view stresses than careful policy design maintain citizen participation and representation Such measures may include the creation of an intermediate tier, community councils, local boards, and administrative subdivisions within individual LGUs. Larger LGUs tend to be more competitive politically because they are socially-differentiated, organised and professionalised, thus able to produce a greater number of potential leaders (De Peuter *et al* 2011).

The relationship between size and democracy, irrespective of consolidation, were examined extensively (Lyons and Lowery 1989, Larsen 2002, Dollery and Crase 2004, Inness 2005). These studies generally indicate that small LGUs can be more, less or equally democratic. Newton (1982) found that public participation was slightly higher in small LGUs in the UK although residents in large LGUs were generally better informed about local affairs. Rysavy and Bernard (2013) reported less participation in Czech LGUs with fewer than 500 residents and that the number of candidates was equal to the number of seats in four consecutive elections (1994-2006). The study found a re-election rate (66 percent) due to was explained by residents' unwillingness to stand for election in small areas. Low voter turn-out, interest group capture and re-election of politicians were also associated with single-purpose LGUs (Hendricks *et al* 2011). In the USA, Lyons and Lowery (1989) found no democratic advantages distinguishing small LGU residents from residents in large LGUs. Fischel (2001) reports that participation was higher in large cities designed with ward-based electoral systems than in small cities that city-wide elected councils. Participation was found to be dependent on the importance of the issue to homeowner-occupiers who tend to be interested in demanding better services, lower taxation or prevention of unwanted development to retain high property values. Before this study, Hill (1974) found lower voting and participation in homogenous communities, both rich and poor, than in cities with heterogeneous populations. The study concluded that low political participation could indicate satisfaction because homogenous communities have least conflict to address (Derksen *et al* 1988).

According to Sharpe (1970), efficiency and local democracy approaches challenge the underlining assumptions of each other against actual reform benefits. They represent two

irreconcilable traditions with different normative understandings of the nature, values and functions of local government and the diagnosis of problems or solutions. Unsurprisingly, empirical research has arrived at contradictory or inconclusive evidence on the premises of either school of thought probably because no LGU fits perfectly into the 'municipal ideologies' that underpin both perspectives. In actuality, economies of scale exist, do not exist, or may exist in some LGU functions. Small LGUs can be undemocratic or corrupt yet generally efficient, while large LGUs can be democratic, have lower expenditure without economies of scale in public service delivery. Empirical research on real institutions inevitably contains more dimensions than assumed or allowed by the adopted theoretical positions of their authors (Granberg and Montin 2014, Charron *et al* 2012).

3.2. Consolidation Outcomes: Empirical Evidence

The empirical literature shows that studies of the performance of consolidated LGUs and respective predecessors either focus on outcomes of consolidation over a certain period of time or look into the effects of population size between LGUs (Schaap and Karsten 2015). As De Peuter *et al* (2011) noted, estimating potential and actual effects of consolidation is often made from narrow perspectives (e.g. efficiency, democracy, development or re-distribution) or centred on validating the justifications of reforms without investigating the impacts on the public and local government system. Generally, the impact on infrastructure, services and society were less examined than the effects on LGU expenditures, democracy and citizen satisfaction after reform, whereas the effects on LGU capacity and sustainability changes examined LGU personnel, decision-making, service delivery and strategic planning.

3.2.1 Expenditure, Services and Taxation

Contrary to the theoretical expectation of sustained reduction in expenditure, taxation and service costs to citizens, empirical evidence arrived at different conclusions on the immediate and long term budgetary effects of consolidation. Studies found that LGU expenditures may increase or decrease, and if any savings occur, they are likely to be transient. In the short term, reduction in LGU expenditure is linked to reduction in staff and councillors, regrouping of several communal administrative units, and reassignment of functions to higher tiers. A rise in administrative and service expenditure is related to organisational expansion and service equalisation and deconcentration (Sorenson 2006, Blom-Hansen *et al* 2011). More studies affirmed that savings are likely to be exhausted within the first three years of reform and that the initial benefits of

consolidation are likely to cancel each other out due to organisational expansion and service and salary harmonisation (Sancton 1996, Vojnovic 2000a, Schwartz 2001).

LGU type, jurisdiction size and population density may also affect the outcomes of consolidation. For example, Allers and Geertsema (2014) and Aulich *et al* (2014) concluded that single-purpose LGUs with small jurisdictions are more likely to benefit from economies of scale probably while large and multi-purpose LGUs tend to incur higher transitional costs and may have exhausted scale economies prior to reform. Saving estimates would be significantly lower if population density is factored in the economic measurement model (Drew *et al* 2014a). Service and administrative expenditures were reportedly increased for Canadian rural-rural and urban-rural amalgamations (Vojnovic 2000b) and for LGUs with multiple communities in remote and sparsely-populated areas in Australia (Dollery *et al* 2011).in contrast, David (2008) reported that the quality of policy services remained the same after Halifax amalgamation in Canada which was also associated with higher costs and lower numbers of officers no real change in crime rates. The satisfaction survey indicated that the percentage of respondents, who expected services to get worse with amalgamation, had actually dropped from 39 percent before amalgamation, to 32 percent in the first year to 25 percent by the third year.

According to Nakazawa (2014), population distribution affects expenditure depending on whether LGU functions are centralised, decentralised or a hybrid of both. In this author's opinion, full functional centralisation in a single building in the largest community is most economic and convenient to the LGU. Centralisation is least preferable to other communities because one community clearly maintains dominance which raises political and social conflicts. Conversely, maintaining pre-reform pattern of full decentralisation affords citizens maximum convenience, despite being the least optimal to LGUs economically or managerially especially across a vast geographical area. The hybrid system combines centralised administration with few decentralised functions strategically distributed among communities which achieves neither efficiency nor convenience but is most appropriate for LGUs with pronounced economic, demographic or other disparities between constituent communities. In Japan, amalgamations during the mid-2000s have not reduced administrative expenditures because less than one-third of LGUs fully were centralised and half were fully decentralised (Nakazawa 2014).

Regarding the outcomes of consolidation on services, very few studies have addressed the changes to service delivery and quality compared to the dominant research focus on efficiency.

Theoretical modelling by Dur and Staal (2008) asserts that pre-reform discrepancies in service delivery are likely to be retained because overspill from large to small communities results in overprovision and further service concentration in the former and under-provision in the latter. Nevertheless, available empirical evidence generally indicates that services are impacted differently due to differing cost characteristics, resource allocation and reform goals (Sorenson 2006). On the one hand, reform goals pressure for equalisation and service improvement which likely to increase expenditures, on the other hand, service expenditures are unlikely to increase reallocation of savings to service equalisation rather than debt repayment. Equalisation and quality improvement tend to inflate production costs and increase fees to citizens (Sorenson 2006, Solzer *et al* 2015). Reduced service spending is likely to have negative effects on service accessibility, infrastructure and citizen satisfaction (Mouritzen 1989). Sorenson (2006) found savings originated from staff redundancy in labour-intensive services despite being of utmost importance to residents. Similarly, the 1990s amalgamations in Victoria, Australia, impacted LGU–run youth services through cuts to funding and staff while workload increased (Bessant and Emslie 1996). However, few studies reported no improvement in public services except in the smallest LGUs (Okamoto 2012, Allers and Geertsema 2014).

The scarce empirical evidence on post-reform local taxation and house prices shows a tendency for local taxation to remain constant or increase rather than decline, even when reforms have mandatory tax and expenditure reduction. Only Allers and Geertsema (2014) found a weak negative effect on house prices and property taxes following amalgamation in the Netherlands. This phenomenon is explained by weakness of tax bases in most consolidated areas (Allen 2003) or by service privatisation. Hendricks *et al* (2011) argue that privatised service before or after reform are unlikely to reduce taxes, increase LGU revenues, or improve or standardise privatised or contracted services such as health, transport, water, solid waste and electricity. Bel and Costas (2006) argued that cost to LGU and users is likely to continue to rise in privatised services due to market forces, coordination between service providers and transaction costs, such as tendering, contract management and oversight.

In the view of Aulich *et al* (2014), internal cost savings of reform should be distinguished from reduced rates and charges and both should be weighed against (non)monetary losses to citizens, such as fees, accessibility, convenience, equality and involvement in decision-making. Increased taxes and service costs are positive if associated with equalised services between all groups and communities, including impoverished ones. Public concerns that savings may occur at the

expense of service reduction seems justified because of the disruptions and sudden changes to fees and provision procedures during transition. In fact, heightened community expectations for service delivery leads to harmonisation, and ultimately cost rise (Aulich *et al* 2014).

3.2.2 Institutional Capacity and Sustainability

Most studies also pointed to staff and expenditure contraction followed by expansion in both. In the context of Australian amalgamations, Dollery *et al* (2010) affirm that the strongest positive impacts are usually shown in personnel quality, particularly when reforms target very weak LGUs or create relatively large units. LGU financial sustainability, managerial capability and service quality may also be positively affected unless other reforms or policies have opposing effects or scale down LGUs roles and functions. Aulich *et al* (2014) stress that consolidation potentially enhances LGU strategic capacity in terms of improved asset and infrastructure management; increased ability to attract and retain quality staff in key positions; enhanced risk management and legal compliance; and improved growth management. These findings resonate with research from the Netherlands where amalgamation reportedly produced municipalities with more professional staff and greater capacity for strategic policymaking and stronger administrative apparatus. Nevertheless, the same study noted that what have not been significantly altered is LGUs strategic capacity to attract highly qualified staff and improve overall financial stability through increased resources. The increased complexity of societal problems and preferences in enlarged constituencies continue to place additional burden on the institutional performance of amalgamated LGUs (Schaap and Karsten (2015).

The broad pattern of empirical evidence suggests that technical and financial capacities may strengthen each other and improve internal efficiency. On one hand, capacity improves partly because of reallocation of savings to under-funded services, asset acquisition or management, and other functions that improve savings and partly because of technical improvement achieved through specialised personnel and use of modern technologies, task automation and commercial approaches to decision-making (Spearritt 2011). On the other hand, managerial efficiencies may strengthen economies of scale or financial sustainability in some services. For example, strengthened managerial capacities in highway management resulted in road service improvement following amalgamation in New Zealand during the 1980s. Although road expenditure generally remained stable, spending increased on routine maintenance and declined on rehabilitation due to the introduction of competitive price tendering and outsourcing and a

reduction in routine rehabilitation and thorough appraisal of highway conditions (Rouse and Putterill 2005). In Jordan, post-amalgamation efficiency improvements in planning, policy-making and service delivery was attributed to organisational restructuring and acquisition of modern machinery made possible by the government transfers of USD 5 million for equipment purchase and the appointment of 54 percent of councillors (46 percent were elected) who possessed relevant technical expertise (Abu Odeh and Al-Ma'ani 2006). Internal efficiency in amalgamated Canadian LGUs resulted from modernised decision-making and training and skill development after staff re-assignment to specialised departments and increasing their workloads and the emergence of a new organisational culture despite a stressful working environment and salary scale cap (Vojnovic 2000b).

There is some debate as to whether post-reform improvement ensue exclusively from consolidation and sustainable or whether they are exploited to benefit constituent communities. Tiley (2010) examined the assumption that financial savings and pooling of expertise would enable LGUs assume new functions or forge large initiatives transcending individual boundaries. The study found that amalgamated LGUs in Australia had developed capacity to enter into partnership with other governmental tiers, except for the largest LGUs that could influence higher tiers. Spearrit (2011) stressed that reduced spending in amalgamated LGUs in Queensland co-occurred with deferral of infrastructure maintenance and diversion of service funds to finance amalgamation costs. The resultant fiscal strain, rapid deterioration of infrastructure and road networks lead to several de-amalgamations in the early 2000s. A long-term assessment of financial sustainability of amalgamated LGUs found that 50 percent struggled to survive and 25 percent were threatened by financial failure. Borrowing also comprised 32 percent of LGUs annual income that would rise significantly in order to finance infrastructure renewal backlog (Allan *et al* 2006). Some studies expected the continuation of reform imposition unless the issue of LGU financial sustainability is addressed through tax reforms (Dollery *et al* 2009) which is confirmed by recent studies that claimed that the dire financial situation prompted a third amalgamation wave in two decades in New South Wales (Aulich *et al* 2014).

3.2.3 Regional Growth

Waves of consolidation since the 1980s have involved large areas and population centres and shifted policy goals from LGU expenditure rationalisation to building LGUs institutional sustainability and regional growth. For example, the Japanese amalgamation aimed to accelerate city-wide planning; modernisation and overall institutional sustainability (Mabuchi 2011). Where

reform focused on regional consolidations, e.g. Canada, Germany, Japan and Denmark, LGUs were required to create institutional structures that maximise economic returns, eliminate competition between municipal jurisdictions and create enabling environments for economic investment (Wareing 2003). To facilitate business development, reforms must seek reduction of local bureaucracy, equalisation of tax levels, and centralisation of land use controls. These recommendations are based on the view that growth differences are caused by inefficient institutions of governance rather than differences in regions' economic resources or labour (Gonzalez and Mehay 1987).

Empirically, post-reform growth in regional consolidations varied depending largely on the type of reform. In the USA, Gonzalez and Mehay (1987) found that municipal taxes, salaries and per-capita spending increased in cities with significant annexed areas and populations homogenous in earning power. Increased taxation affirmed Tiebout's hypothesis of LGU competition and citizen mobility. According to the authors, annexation prevents migration through absorption of existing LGUs and service outlays. In addition, annexation prevents growth of population densities in rival cities and creation of new LGUs in unincorporated areas. Reduced LGU supply, citizens' limited mobility and jurisdictional expansion where the main three factors that ensured constant service demand and a substantial tax base that increased LGU revenues and discretionary spending (Gonzalez and Mehay 1987). In Germany, long-term impact evaluation of regional consolidations during the 1960s-1970s found significant economic growth in city region-amalgamations, estimated to 0.5 percent in annual average growth, 20 percent reduction in public debt, and 5 percent in efficiency gains. However, pre-reform tendencies of urban sprawling, conflict and competition continued between annexed communities. The researchers concluded that amalgamation was superior to annexation and functional cooperation in terms of efficiency gains and regional growth (Blume and Blume 2007).

However, other studies found that regional amalgamation produced negative outcomes. In Germany, one study found higher immigration rates were registered in non-amalgamated than amalgamated LGUs and essentially no differences between the two in birth rates and construction of private homes (Fritz 2013). In Sweden, amalgamation was claimed to have slowed depopulation of small LGUs without impacting the average growth of income (Hanes *et al 2012*) whereas annexations had no effect on population growth in Canada (Meligrana 2005). For example, Toronto amalgamation neither increased regional competitiveness nor eliminated inter-municipal functional duplication and competition. Amalgamation had significant negative impacts

on LGU property tax revenue despite higher rates (Slack and Bird 2013). Furthermore, it was suggested that economic development planning was the unintended outcome of amalgamation which created institutions responsible for formulation and coordination of economic development strategies. As a result, the private sector received stronger support in the form of infrastructure, information technology and resource mapping (Murray 2005).

The literature summarised in the previous three sections calls into question the effectiveness of consolidation policies from institutional, economic and development points of view. Actual results produced by reforms in different contexts and eras have shown that the importance of size to local government performance has been grossly overestimated. The outcomes suggestthat consolidation policies are unrealistic and unjustified when judged against actual fiscal and institutional objectives and outcomes. The prospects for amalgamation producing better outcomes for local democracy thus seem weak, at least because failure to achieve policy objectives is unlikely to garner citizen satisfaction and participation after reform.

3.2.6 Local Democracy and Participation

Dollery (2010) offers three possible scenarios to summarise the empirical research findings of investigations of the inverse correlation between population size and democracy, i.e. democracy deficit (Ostrom 1972) and efficiency–democracy trade-offs (Oates1972). Where consolidation was seen as a *win-win* or a *loss-loss* situation, studies found no trade-off between local efficiency and local democracy as LGUs were either efficient *or* democratic (e.g. Soul 2000) or inefficient and undemocratic (e.g. Boyne 2010, Wilson1996). In between these two opposites, there is *a win-loss* situation where some efficiency was gained in some functions accompanied by a reduction in local representation and responsiveness (e.g. Hughes 1967). A *loss-win* situation has yet to be identified where local democracy increases simultaneously with decreased efficiency. Two of Oates' power shift hypotheses were confirmed after the 2007 Danish reforms. Kjaer *et al* (2010) found that amalgamation caused political influence to move inwards (from ordinary to leading councillors) and outwards (from council to administration) while upward power shifts (towards central government) was attributed to legislation than to amalgamation.

Most reviewed studies generally report mixed results on post-reform electoral and non-electoral participation. For example, electoral competitiveness, citizen outreach, councillor diversity and media scrutiny were found in Australian and Canadian amalgamations (Soul 2000, Gerring and Zarecki 2012). Larsen (2002) observed initial increases in electoral participation and voter turnout

in Denmark that faded over time concluded. De Peuter *et al* (2011) found improvement in the quality of local candidates in large amalgamated LGUs in Belgium compared to small LGUs. However, post-reform trade-offs were confirmed in Canada with regards to increased citizen dissatisfaction (Sancton 2004), increased influence of national politics on local politics, diminished voter influence in large jurisdictions despite increase in post-reform public meetings (Lassen and Serritzlew 2011). Kushner and Siegel (2003) claim that the reduction in the number of councillors after Ontario's amalgamation did reduce government costs and citizen accessibility to councillors but increased councillor workload. The reduction in elected local politicians was considered a positive effect, since it downplayed localism and produced a council size more appropriate to reduced involvement of LGUs in public service provision. However, new forms of oversight and organisational accountability to LGUs were warranted from non-elected service delivery agencies and municipal cooperation arrangements (Wilson 1996).

Moreover, size may influence relationships between constituent communities, and between these communities and the state. A post-reform perception survey in a small rural council in Australia reported a low rate of public confidence among respondents and increased conflicts between amalgamated communities and councillors over scarce resources and accessibility. The surveyed communities believed that amalgamation undermined LGUs general functionality, reduced quality of public service and infrastructure maintenance standards, and caused delays in LGU responses to local requests (Alexander 2013).

Extreme demographic disparity, such as annexation creates geographically polarised voting if the winners-take-all elections system is adopted. Many scholars agree with Santucci (2006) that the majoritarian elections systematically disenfranchise a substantial number of voters, especially in multi-consistency districts. The problems in annexation or urban-rural amalgamation stem from election results being predictable in terms of overrepresentation of largest and underrepresentation of smallest, which in turn drive down voter turnout. Over time, the predictability and low participation leads to uncontested elections, the entrenchment of partisan interests and underrepresentation in consolidated areas. While Santucci (2006) calls for proportional system with certain thresholds for community representation irrespective of population sizes, Jackobsen and Kjaer (2012) argue that periphery overrepresentation is perceived as the ideal both centre and periphery. The adopted election systems should be the one that maximises voter participation and representation, and create mechanisms for accountability and expression of voter preference. In a liberal democracy, both majoritarian and

size-based proportional representation maybe just and but not be the ideal arrangement for substantial democracy. Both of these systems guarantee the hegemony of largest community, thus the fear of under presentation of small communities remains valid. For them a periphery-centre relationship characterise governments with demographically dominant communities and their surroundings of small population pockets. In their opinion, local political dynamics can reverse the trend, as was the case in the Danish elections in 2005-2009 where small communities were overrepresented, nonetheless territorial interests became the hidden driving. While the spatial dimension of representation and the geographical background of councilors tend to dominate electoral and non-electoral participation. The Danish outcome was not mandated legally, but could be explained by the over mobilisation in small communities and the intent of political parties to recruit candidates from the periphery to augment their territorial support base.

Notions of democracy deficit, participation and resultant impacts on LGU legitimacy are generally a matter of judgement, rather than solid evidence. According to Sorenson (2006), complex sociological phenomena, such as the relationship between size, structure and democracy, do not progress in a linear fashion and cannot be measured satisfactorily by single tools such as citizen-councillor/staff ratios, voting data or citizen surveys. Therefore, LGU size impacts the quality of local democracy differently depending on the different dimensions considered. Regarding relationships between holders of political power, local actors can be strengthened in some aspects and weakened in others. In terms of participation, increasing LGU size may have negative consequences for citizen participation and feelings of belonging and efficacy while it may have positive consequences for electoral/liberal aspects of democracy. With regard to post-reform accessibility, access to services may improve as a result of service harmonisation and pooled resources, accessibility to councillors may decline as a result of decreased representation, while access to bureaucracy may be less certain depending of LGUs function, and convenience and costs to LGUs and residents (Vojnovic 2000a).

Moreover, policy design may pre-empt democratic deficits through increased and localised representation and localised administration. For example, the number of elected councillors in Belgian LGUs was increased and large cities were divided into decentralised service/electoral districts with equal representation in city councils (De Peuter *et al* 2011). Brisbane has a directly-elected executive mayor, a civic cabinet and several single-member wards, each serviced by a full-time councillor and support staff. In many countries, ward-based system was highly valued for overcoming local opposition and promoting political representation and community engagement

in planning and service delivery (Sancton 1996, Swianiewtz 2010, Aulich *et al* 2014). In short, post-reform representation in large areas can be enhanced by mimicking democratic structure of small communities despite the potential to complicate the horizontal and vertical representative structures of single LGUs (Aulich *et al* 2014).

Keating (1995) sums up the consolidation debate by stating that:

> The debate of the effect of size and efficiency and democracy focuses on four dimensions: *economic efficiency* - what scale may produce the most service at the least cost; *democracy* - what structures can best secure citizen control over government and ensure greater accountability; *distribution* - which structures can achieve the most equitable distribution of services and tax burdens; and *development* - which structures are best equipped to promote economic growth (Keating 1995: 132).

Dolan (1990) suggests a fifth, fiscal dimension should be added because size can affect central control of local governments. In the other's view, size becomes a problem if intergovernmental structure fails to account for variation in capacity and scale. By conceptualising size-related characteristics as economic deficiencies, interventionist policies are justified in their efforts to alter LGU revenue and expenditure according to central fiscal priorities.

The propensity of public policy assessment to demonstrate inadequate outcomes results from limited scope and top-down approaches to both planning and evaluation. Widening the scope of pre-reform outcome assessment to non-economic issues seems fraught with methodological and other difficulties. Hertin et al (2009) acknowledge that ex-ante assessment of policy outcome is reluctant to use diverse methodologies least because of constraints on cost and time, data shortages and lack of well-established assessment methods to address complex social and political outcomes. Ex-post assessments suffer from similar challenges and usually point to a gap between the rationality of policy procedures and between the uncertainties of everyday life and the unanticipated actions of a diversity of actors and stakeholders, hence the problem of problem of causation and attribution. Both types of assessments are used more to enhance stakeholders' compliance than to effectuate socio-economic change explicit or implicit in public policy. Changes in socio-economic conditions take more time than usually covered by assessments, estimated to a decade or so before the actual impacts can be ascertained. This means that actual impacts and their determinants are impossible to anticipate and control by public policy (Sabatier 1986).

3.3 Determinants of Policy Outcomes

The literature on local government fragmentation and consolidation points to four facts. First, a small number of countries[18] opted to downsize local governments, particularity in Europe and developed economies. Some countries failed (e.g. Greece), few required voluntary consolidation, and most forcibly enforced subsequent reforms to slash the number of LGUs to a few hundred or less, including Japan, Denmark and Australia. Secondly, deconsolidation is rarer than consolidation, and occurs more in annexations than amalgamations. Thirdly, structural reforms are often met with strong local resistance and deconsolidation occurred due to public pressure. Finally, about half the world's population lives in an indefinite number of small communities, particularly in Africa and Asia, implying that population fragmentation seems more universal than population concentration (UN Population Report 2013).

Explanations of these four phenomena argued that consolidation originates from the country's specific context and the state's perception of the need for local government reform. Reform implementation and outcomes depend on the feasibility of reform for political and other reasons (Dur and Staal 2008), negotiations between different reforms supporters and opponents at local and national level, and expectation of reform outcomes on local actors (Swianiewicz 2010a). As a public policy, consolidation involves changes to political institutions and distributive effects which cause social conflict between the winners and losers. In Sorenson's (2006) opinions, 'political transaction costs' were the most common reason for failed (i.e. incomplete) consolidation attempts. Reluctance to enforce mandated reforms enables public rejection, or due to difficulties associated with earlier reforms (Okamoto 2013). For Holzer et al (2009b), incomplete consolidations are often aborted by legislative impediments before or during implementation and by community expectations with regard to desired changes to local conditions, resource distribution and political representation level in the consolidated government. Deconsolidation (failure after completion) is due to inadequate assessment of the need for reform, inflated benefits, tight time-frames, and failure to anticipate and mitigate negative social and economic impacts (Bish 2001). Local resistance may also ensue from policy design, disparities between local circumstances rendering consolidation unfeasible, exclusion of several actors, and neglect of significant aspects of local government. Therefore, consolidation is generally poorly received

[18] In North America: Canada with a marked preference for annexation and city-county consolidations. In Europe, amalgamation was adopted in UK, Ireland, Austria, Germany, Netherlands, Finland, Belgium, Greece, Israel, and Portugal in addition to four Scandinavian countries (Denmark, Sweden, Norway and Finland) and seven East European countries (Poland, Kosovo, Czech Republic, Georgia, Slovenia, Estonia and Latvia). In Asia and Oceania, it was carried out in Australia, New Zealand, Japan, China, Korea and Thailand. Only four developing countries in South America (Brazil), Africa (South Africa) and Western Asia (Jordan and OPT) had applied consolidation policy.

unless negative outcomes are offset by service and economic benefits and result in more efficient, effective and accountable LGUs than their predecessors (Dafflon 2012).

The next section summarises the literature that discusses whether reform success is more contingent on the characteristics of communities involved and the process of policy making and implementation, or on economic, political and social interests of stakeholders at local and national levels. The review concludes that all these actors are relevant, but policy success hinges on the capacity of state to enforce implementation and garner political and public support around its reform agendas.

3.3.1 Voluntariness and Policy Incentives

A review of empirical literature by Holzer *et al* (2009b) concluded that the likelihood of success is considerably weaker where consolidation is coercive and sudden rather than voluntarily and incremental. Sabatier (1986) also argues that "effective implementation of reform is generally inversely related to the extent of envisaged departure from the status quo ante" (Sabatier 1986: 29). This means that reforms with limited effects on the entire system stand the least chance of being implemented and the best chance of being accepted by the affected groups or institutions, unless radical or instantaneous impacts are strongly demanded by the affected themselves and gain political support. From the implementers' side, incremental reforms may be easier to enforce and accept locally but may not arouse enough interest from communities or commitment compared to radical and sudden reforms.

Even though success is often premised on voluntary community acceptance, the fact remains that few consolidations were incremental, initiated voluntarily or completed without government pressure. For example, voluntary amalgamations during 1990-2010 barely reduced LGUs by 5 percent in Estonia and by 16 percent in Switzerland (Reilijan *et al* 2013, Dafflon 2012). In the USA, the home-rule principle in small communities is only tolerant of annexation for metropolitan expansion purposes (Warner 2014). By contrast, state-imposed amalgamations were more frequent in Northern European and in some countries that overruled referenda results (e.g. Japan, Canada, and Denmark) than in South Europe where voluntary amalgamation is mandatory (Martins 1994, Miyazaki 2014). While states make final decisions, they attempt to minimise opposition and secure local consensus while LGUs are pressured to 'voluntarily' amalgamate (Slack and Bird 2013).

The distinction between voluntary and imposed consolidation is blurred. The locally determined elements were the selection of which adjunct communities to be integrated with or the preparation of execution and cost plans. These are often dictated by geography and policy's population threshold and timeframe (Kjaer *et al* 2010, Okomato 2012). According to Aulich *et al* (2014), reforms are really voluntary when communities initiate consolidation and envision mutual benefits in developing a collective identity and action. Where top-down reforms are accepted, LGUs and communities are either under state threats of budgetary cuts, lack confidence in their capacity to reverse central decisions, or opt to benefit from policy incentives knowing beforehand that the policy will be enforced regardless of local preferences (Malkawi 2007). State disregard of local opposition or preferences is often conflated with display of strong leadership (Lindstrom 2010).

To enhance effective implementation, Nielsen and Jacob (2002) argue that voluntariness could be achieved through intensive public consultation so as to reflect short-term needs and strategic visions of local communities in policy design. Otherwise, it is difficult to determine in advance which reforms are most appropriate for particular circumstances and which incentives are most effective. Moreover, lack of communication with and engagement with local communities tends to increase public anxiety and political resistance, disrupt policy implementation, invoke distrust and conflict between communities, and reduce reform benefits. Policy success and LGU sustainability are threatened when economic objectives occur at the expense of institutional and democratic dimensions, including organisational structure of new LGUs and community representation arrangements.

Drechsler (2013: 158) described coercive consolidations without the consent of local governments and their peoples as a non-rational public-sector reforms because any degree of voluntariness has the potential to diffuse resistance. Nevertheless it is unclear whether voluntary reforms achieved differentiated results from imposed reforms and how policy incentives and threats influence voluntariness. Of the few empirical studies that attempted to link policy outcomes with local preferences, Hanes and Wilkstrom (2010) found no effect of voluntariness on the fiscal sustainability of Swedish LGUs but higher population growth rates in voluntarily-amalgamated LGUs in 1952. Dafflon (2012) hypothesised that policy grants may have created a further disincentive for amalgamation for wealthy and large Belgian LGUs and created local perceptions of aid insufficiency and/or discrimination in small and poor LGUs. The study suggested that grants should have been distributed on other basis than equal per-capita rates. Sorenson (2006) arrived at a similar conclusion arguing that pre-reform state funding dis-

incentivised small LGUs which considered incentives insufficient by comparison or feared lack of central commitment to future aid would cancel expected efficiency gains. In Norway, state grants encouraged reform acceptance because municipal funds were largely exogenous (i.e. not generated locally). Anticipating budget deficits, LGUs were promised special grants for 10 years and additional support for further 5 years to compensate for cuts in state funding. Sorenson (2006) expects that state promises to be honoured if perceived political benefits are larger than political costs. However, change of government and reform completion may lead the state to withdraw support, particularly if revenue pooling yields financial additional resources to LGUs and/or efficiency gains are distributed to constituent communities.

Furthermore, forced amalgamations and lack of consultation could be costly and politically destabilising in certain circumstances. For example, the compulsory Jordanian amalgamations caused a mass resignation of LGUs councillors and appointed mayors while voter registration, a prerequisite for voting, also dropped by 27 percent for the 2003 local elections compared to 1999. Since 2006, public protests led to parliamentary investigation which recommended de-amalgamation, a revision of boundary delimitation system and disintegration for communities lacking homogeneity or separated by long distances. Following a public boycott of local elections, about 102 communities disintegrated into 'service councils' with an ambiguous legal status (Abu Odeh and Al-Ma'ani 2006, Tbaishat 2011).

Walzer *et al* (2015).sum up the above discussion by stating that territorial and functional consolidation can be impeded by legislative, political, cultural, economic and technical obstacles. For example, setting a cap on geographical size of the resultant consolidated LGU or mandating high referendum thresholds of local support, and tax harmonization can be discouraging for local populations. As institutions, the likelihood that LGUs accept and comply with consolidation decisions depends on their capacity to resist institutional, economic, and political pressures that belong to legislation, tradition, economic development, and national and local politics. Citizen perceptions of potential gains and losses in service delivery, taxation and representation compared to other communities of different wealth and development levels.

3.3.2 Disparities between Constituent Communities

Some studies linked community acceptance to the number and characteristics of consolidated communities. For example, Dafflon (2012) posits that an LGU should integrate fewer than five communities and that sharing similar topography, services and common historical and social ties

tend to have positive effects on policy acceptance. Differences in population size, demography, and socio-economic characteristics, density, area size and local preferences tend to have negative effects. Carey *et al* (1996) disapprove of consolidation where communities reject the proposal and have steep differences in fiscal capacity (i.e. tax and service levels) because socio-economic constraints tend to erode economic gains and/or consolidation substantially changes local characteristics to the dislike of their citizens. The authors contend that no community should be worse off after consolidation than the average for the entire political district as a whole. The four criteria of community selection are: median family income, the percentage of elderly population; per-capita tax base, per-capita spending. The first two are indicators of service needs and the last two are indicators of community capacity to finance these services (Carey *et al* 1996).

Commenting on the insufficiency of population size and service cost as instigators or constraints of structural reform, Holzer *et al* (2009b) point out that policy-makers often lack two sets of criteria: criteria to decide if and where to (not) consolidate and criteria to follow on consolidation decisions and address the existing patterns of uneven development between the communities. In Stone's (2011) opinion, the urban-rural divide in particular, is economic, cultural and political where the largest cities are more progressive and open to consolidation. Central and local governments should become focus more on human development than territorial structuring or tax reforms. In his view, empowering human beings to change their individual conditions is a lasting solution whereas a redistribution of wealth is not guaranteed under capitalist relations that concentrate growth opportunities in urban areas.

However, the deterministic effects of disparity and natural continuity were disputed (Hanes and Wilkstrom 2010, Dollery 2010). In Sweden, demographic variations helped create LGUs with "natural centres" with economies of scale, whereas disparity in income levels between LGUs and communities were detrimental to post-reform equity and growth. Since most socio-economic discrepancies are unmodifiable, at least in the short term, eliminating revenue disparities is only possible through policy incentives, long-term grants and changes to service delivery patterns (Hanes and Wilkstrom 2010). Dollery (2010) contends that community perceptions of mutual benefits of consolidation tend to subdue natural ties or complementarity whereas socio-economic disparities could be reshaped, alleviated or augmented after reform through LGU functions and government structure or regional development. However, some consolidations may be impractical, harmful or create inequalities. For example, boundaries of indigenous communities in

Australia were intact while small remote LGUs were amalgamated into vast jurisdictions (Tiley 2010). Similarly, Estonian reforms in the 1990s resulted in small LGUs with extremely low average density (29 person/km) and average geographical jurisdiction of 200 km (Reilijan *et al* 2013). Some annexations were reversed the US Supreme Court because they resulted in non-contiguous jurisdictions or seemed intended to exclude poor areas, reduce voter weight of non-white communities or economically exploit annexed territories without contribution to resident welfare (Fleishmann 1986).

Discrepancy in population size tends to create uncertainties regarding economic and political effects on local communities. Small/poor LGUs often were strongest opponents notwithstanding expectations that they would benefit the most from efficiency gains and service harmonisation. Alternatively, opposition was expected because LGUs prefer free-riding on large LGUs. Both theories were contradicted by referenda results in Norway and Japan. Small Norwegian communities, particularly those under 5,000 inhabitants, voted against amalgamation while larger ones accepted amalgamation by a small margin. It is hypothesised that public perception of prosperous LGUs increased acceptance among both small and large communities (Sorensen 2006). In Japan, LGUs with opposite per-capita incomes voted preferably for amalgamation, incentivised by higher municipal ranks, power deconcentration, and expected financial gains to resolve the rapidly declining tax base of the aging population (Okamoto 2013, Miyazaki 2014).

Politically, disparity in size and political orientation discourages acceptance of amalgamation by small communities fearing that large communities would be the decisive power in new LGUs. Some scholars see consolidation as a transformation of the relationship between territory and politics from the individual LGU (i.e. uni-government) to a collective unit. Mevellec's (2008) analysis of Canadian and French agglomerations show that have undergone a major shift. The findings show that strong resistance at community and individual councilllor levels reveals the strength of the traditional municipal model as opposed to the collective model based on the construction of a majority of needs and preferences. For a new government unit to be operational, it has to undergo three processes of territorial, political and legitimacy construction and a major shift from the individual to the collective model. Mevellec (2008) concluded that tensions between pre-existing and new networks, relationships and representatives survive the transitional period and intensify local cleavages and hierarchisation of local communities. Within the new unit, power favours communities with the largest voters and resources and the strongest of representatives.

Consolidation also stirs concern about national interference in local politics and dominance of the largest political party and community over LGU council and staff. Consolidation, then, amounts to political suicide for local elites; hence, strong local resistance from small communities, unless constituent communities are of similar sizes and political preferences. In this case, local parties accept reform as political composition of elected council is unlikely to change after consolidation (Sorenson 2006).

3.3.3 Actors and Agendas; Winners and Losers

Many studies also highlight that local government reform is seen as a political process within a given country with several actors being involved in the process of policy preparation and implementation (Strebel 2014). The major actors are higher government tiers, LGUs and citizens and the minor actors are political parties and national bodies. In some case, some external actors play a role, including international and regional agencies. Thus, the determinants of reform vary by the actors' relative strengths and influences over the course of policy development through altering input (e.g. citizen participation) and output-dimensions (e.g. number of LGU, services and political influence) of the local political system. Nelson (1992) disagrees that changes are pre-determined or identical in all contexts because reforms have intended and unintended outcomes, but affirmed that these are influenced by power variation between actors, due to historical evolution of the political system. Early reforms in Scandinavia aimed to reduce the concentration of power at central and regional levels and strengthen civic engagement in response to public demand for participation. In Nordic countries, LGUs are politically and functionally strong thus able to build reforms based on public consultation, political negotiations and consensus between national actors, rather than imposition. In the author's opinion, LGUs can be strong politically and functionally, or weak in either or both areas. In Western Europe, LGUs are strong policy implementers and weak political actors, and largely perceived as 'creatures of the state' (Burns 1997, Innes 2005) and accountable to central government. This entails that LGU and citizen capacity for opposition are curtailed unless supported by political parties. In Latin Europe (Italy to Greece), central governments have been unable to impose structural reforms. LGUs are politically strong because local politicians permeate institutions at various tiers of government and rely on cooperation arrangements to cover functional weakness (Strebel 2014).

For Dollery *et al* (2009), consolidation policies reflect power imbalances in central-local relations by combining 'carrots and sticks' or 'incentives and penalties', such as offering or withholding state grants, on the assumption that LGUs must comply either way. Gonzalez and Mehay (1987)

argued that policy formulations and compliance, respond to push and pull factors depending on the specific context and reform type. For example, annexation and boundary changes are considered 'alternatives of lesser value' if amalgamation is deemed least enforceable. Inter-municipal cooperation schemes often respond to amalgamation threats whereas incorporation pre-empts annexation. According to Fleishmann (1986), both annexations and boundary changes, usually spurred by land shortages for housing and development, are easier to implement and assess than amalgamations which incorporate full jurisdictions and a complex relationships between communities and actors.

This political process approach considers policy makers, politicians, citizens (at large and property owners) and businesses (e.g. property developers) as actors, or stakeholders, with competing economic, political and social interests. For example, the economic benefits of national and LGU officials are derived from expenditure reduction and control over major resources, taxation and intergovernmental revenues. Central and local governments are in conflict with property owners seeking lower taxation by spreading the tax base to other areas whereas citizens desire lower service costs and exclusive benefits of local taxes. Businesses appear to win most economic benefits of consolidation, through acquisition of land for development and public infrastructure contracts, tax reduction, and cost-shifting to governments and citizens. In terms of political benefits, councillors seek to strengthen personal and party competitiveness, and businesses seek stronger influences specifically over economic and planning policies. Citizens seek to enhance their bargaining power vis-a-vis state/LGU regulations. Social benefits offer common ground between officials and citizens, through focus on social equality, homogeneity, diversity and respect for law, and between officials and business sharing interests in maintaining an image of dynamic regions (Fleishmann 1986).

In consolidation, local governments are winners in terms of institutional capacity and losers in terms of autonomy and aspects of political power, such as the rights to raise taxes, command resources, and determine service priorities and the right to legitimacy through democratic elections (Sharpe 1995). Citizens are apparent economic losers in terms of inaccessible, costly and/or sub-standard services. They also lose in terms of political representation, accountability, voice, influence, identity and welfare into next generations (Granberg and Montin 2014). Central governments do not suffer losses, regardless of how difficult, costly or messy consolidation may appear. Central governments reduce the number of LGUs and councillors, use grants and tax transfers as political pressure tools and divert major revenue from LGUs to the private sector. In

the case where large amalgamated LGUs grow to become a political challenge, politics, legislation, transfers, debts and borrowing are mobilised to address the problem (Hughes 1967).

To provide insight on the reform agenda-setting phase and explain a policy's potential for acceptance, Rosenbaum and Kammerer (1974 cited in Leland and Thurmaier 2005) offer a three-step model for US city–county consolidations (a.k.a. the C3 model). These authors argue that reform has other motives than efficiency, namely a localised crisis in local government that fails to mobilise adequate responses under pressure from local elites. A catalytic event (for example, a scandal or loss of influential leader) accelerates the reform debate towards a public referendum. According to Leland and Thurmaier (2005), this model fails to explain when a problem becomes a crisis, or how to differentiate real crises from perceived crises, sustained by local elite's agenda. It also fails to explain prevalence of negative referenda results or analyse actual reform outcomes. In further work, Leland and Thurmaier (2014) found that positive referenda results are attributed to strong consolidation charters that meet (economic) development needs without violating democratic principles or using political support from key constituents. Also, reforms must have a campaign with strong message that focus attention on the community's economic future and resonate with voters personally rather than demand a change in public perception of local government. The last determinant of success is a unified political front where all tiers display support or neutrality rather than opposition (Leland and Thurmaier 2014).

The consolidation literature then shows that several economic, political and social forces produce more than the collective benefits/deficits hypothesised by the economic and democracy models. Actual outcomes unfold along with the process which is very likely to be affected by the interplay between the actors and modified in reaction to earlier or expected developments. The process is modifiable, albeit outside the total control of any single power or actor, while internal conflicts and constant adjustments entail that benefit and harm co-occur simultaneously. The natural conclusion is that every actor has some wins and some losses which can partially explain the low level of de-amalgamation despite the very few positive outcomes.

3.3.4 Drivers for Reform

If the economy of scale is doubtful and governments do not deliberately seek hollow democratic systems, there must be other factors to render consolidation of value to policy-makers. Local government structural reforms are seen as responses to demographic, economic and political developments that necessitates re-division of labour between tiers of government. According to

Bish (2001), structural reforms are used to meet the needs and effects of capitalist development starting with industrialisation from the late 19th century. Since the mid-20th century, during the industrial boom era, consolidation was linked to the rise and fall of welfare state orientated towards central economic planning which assigned LGUs the role of service providers and policy-implementers. Since the 1990s, consolidation has been tied to economic opportunities or actual or impending crises in post-industrial societies, while in post-communist economies structural reforms expressed external orientation and political and economic transformations modelled after the modern capitalist state. In all cases, territorial division at the local level is seen as extremely fragmented and inconsistent when the political jurisdiction no longer corresponded to actual economic, taxation and service delivery jurisdictions (Dente and Kjellberg 1988, Martins 1994, Swianiewicz 2010, Gomez-Reino and Martinez-Vasquez 2013).

In addition to internal developments, external factors, such as foreign funding and pressure from international and regional organisations, also push for territorial restructuring in new subsistence states limited in natural resources and economic growth. These aim to either improve local conditions and build LGU institutional capacity, or reduce public expenditure and state support to local government by generating local revenues without increased taxation or reduced services (Nixon 2006). For example, Eastern European amalgamations were integrated with other national reforms so that countries qualify for accession into the European Union and gain access its structural funds (Swianiewicz 2010b, Reilijan *et al* 2013). In Jordan, amalgamations and structural adjustment programs were implemented in the early 2000s in order to accede to the World Trade Organisation and promote a nascent industrial sector that benefited from international funding after Oslo Accords and the constant inflow of migrant labour and capital from conflict-ridden Arab countries (Malkawi 2007)

The determinants of the structure of local government include more complex elements than state fiscal and political agendas. Gomez-Reino and Martinez-Vasquez (2013) found that the structure of a sub-national system is country-specific and strongly related to geographical characteristics, such as topography, waterways and climate, population heterogeneity, namely ethnic, linguistic or religious, and colonial heritage. Their study found that horizontal fragmentation, i.e. the number of local governments, was strongly correlated with a country's total population, weakly correlated with total geographical area and had no correlation with income inequality and human development index. Vertical fragmentation, i.e. number of government tiers, was positively linked to fragmentation at the lowest tier. Defragmentation-enhancing determinants generally featured

inequality, higher per-capita income, previous restructuring, and urban sprawl due to gradual absorption of small surrounding areas into a large or urban centre. Contrary to claims of excessive fragmentation, the study found two-tier systems in half of the world's countries and a median of 194 LGUs per country, with India being the most fragmented (240,000 LGUs). Razin and Rosentraub (2000) and McLaughlin (2008) argue that although 'jurisdictional fragmentation' takes geographical form, involvement of many tiers and sectors in service delivery, finance or regulation contributes to functional fragmentation in local government.

Making the observation that consolidation has equally occurred during economic boom or bust, Jimenez and Hendrick (2010) and Stone (1989) see economic concerns as neither the sole causes nor the outcome of territorial restructuring. Unlike Bish (2000) who focuses on changes in capitalism as the fundamental force and the efficiency, Stone (1989) rejects top-down approaches both of the structuralist assumption that economic forces determine public policy contents and results and the pluralist assumption that government is the adequate power for policy making and implementation. Instead, Stone offers a bottom-up model where consolidation is seen as a change in local political regimes or a change in collaborative governance arrangements between local actors (i.e. local government and businesses) and power is fragmented between the state and the private sector. The political regime is conceptualised as informal yet relatively stable coalitions or partnerships around a mesh of local elite interest. Grounded in political economy tradition, the regime analysis approach seeks a multi-causation model of political change whereby multiple coexisting causes rather than a sole key factor influence the occurrence of local territorial and political reorganisation. For Mossberger and Stoker (2001), national politics, ideology, conflict, and social structure are as important variables as economic development. For example, concerns over racial equity and immigration have shaped local government and social policy in the United States as much as economic growth or decline of industrial cities. The dynamism of capitalism at the local level is still unknown. Stone argues that capitalism is a macro-context for all political system and economic concerns exist across time and societies; nonetheless different local governance arrangements continue to emerge through which the impacts of the national and global economy on the local level is mediated.

Only the analysis of local political regimes (i.e. local political arrangements) at a particular time, and the dynamics between their actors, could adequately illustrate how regimes are reshaped over time. Stone (2015) concedes that the concept of political regime in itself offers no broad

explanation for major political change, without historical analysis of the relations between local and central governments. The periodisation of governance can best illustrate shifts in political structures are made of endogenous factors (i.e. tensions between local actors), exogenous factors (i.e. tensions between local and central levels) and broad contextual factors (i.e. capitalist change). Understanding political reorganization by looking through a local lens requires that political change is seen as socially and culturally embedded processes, where power is distributed between social groups and individual elites with decision making power. Both regime and elite approaches envision coalition or networks cooperate to realize the self-interests of their members, they may be incompatible with public interests or those excluded from the coalition.

The emerging consensus from this analysis is that no structure fits all countries and no size fits all LGUs. The size of a single LGU depends largely on its functions. Swianiewcz (2010) stresses that small countries tend to have smaller local governments with smaller functions and larger countries have large, multi-tier government with multiple functions. In Sharpe's (1970) view, modern local governments are service providers, planners and tax collectors and fulfil other multiple roles such as political educators, law enforcement and regulatory agents, consumer pressure groups, reconcilers of local opinions and as coordinators/regulators of other service agencies within their jurisdictions. LGUs operate with different notions of thresholds or ceilings for each function. For Dahl and Tufte (1973), enlarging the size of LGUs eventually reduces functional range, and by extension, their values and accountability to the public. Once the criteria include political accountability, optimal size would definitely be smaller than the size showing service efficiency.

3.4 Alternatives to Consolidation

Hughes (1967) strongly argued that consolidations justified by economies of scale and other advantages of large population size lack linkages to social, demographic and (geo)political conditions and often overlook other solutions and alternatives, because country-specific political and administrative requirements are often of more critical to policy design and execution rather than economic outcomes of LGU functions. The disadvantages of small population size are more perceived than real although understandable on the surface given the easily observable gap between villages and cities in services, infrastructure and economy. Nevertheless, cities and consolidated areas are often divided into subdivisions and electoral wards in order to be served and represented efficiently (Razin 2004). This indicates that implications of small population size and population dispersion are less challenging than the implication of population concentration

and urban sprawl. Large and urban communities face serious challenges with regard socio-economic inequality, urban poverty; environment degradation, and infrastructure degradation (UN 2013).

The principle of fiscal equivalence is one suggested solution to size-related inefficiencies and jurisdictional spill overs through vertical and horizontal restructuring. Other alternatives include creation of intermediate government tiers, regional consolidation or redistribution of tasks and responsibilities across the system. Instead of expenditure reduction, reforms can aim to enforce a progressive tax base and internal efficiency and capacity which could be equally improved through joint service delivery, shared administrative functions and regional cooperation. For example, small LGUs may reap economies of scale through new institutional modes of service delivery such as functional cooperation schemes, specialisation, and management improvement. For Dollery *et al* (2010) solutions could also involve re-drawing political boundaries in order to create or prevent service or economic interdependencies between areas of socio-economic disparities. Martins (1995) who strongly argues that local efficiency requires economies of scale not vice versa in order for LGUs to provide a full range of modern services, also stresses that efficiency requires better management, planning decisions, personnel and politicians rather than larger salaries and bureaucracies or party politics brought about by consolidation. For these reasons, Masters (2012) suggests that public satisfaction and outcome measures should replace per-capita expenditure rates as measures for LGU efficiency and quality, such as mortality and student success rates in health and education services (Masters 2012).

For many scholars, ensuring a solid financial base is necessary for the efficiency of LGUs which entails redistribution of public revenue on the one hand and promotion of equity in service delivery on the other. However, redesign of tax-service structure suggested by Braschler and Klindt (1969) and Vojnovic (2000b) is opposed by Dollery *et al* (2011) with respect to rural areas. The later study maintains that, for equity purposes, tax revision is extremely difficult to undertake in areas already with differentiated tax rates that reflect inequalities in public services, such as transport, fire service, education, or recreational facilities. Wilson (1996) rules out complete LGU efficiency and equity arguing that local government structure reflects a state's governance tradition based on social inequalities.

According to Martins (1995), these policies are complementary solutions rather than diametrically opposing, as is often the case in amalgamations implemented in parallel with tax reforms or

redistribution of public functions. The major differences between different policies and solutions lie in political feasibility to enforce them at the time of reform, and actual impacts on LGU political and administrative mandates, meaning that reforms are judged and legitimated by their processes and outcomes, irrespective of who makes such judgments. Instead of preoccupation with size and expenditures, Hughes (1967) and Hoffmann-Martinet (2007) emphasise that restructuring should be seen by all stakeholders as a state's response to new circumstances through institutionalising a re-division of labour between tiers of government

3.5 Conclusion

In conclusion, the literature reviewed in this chapter demonstrates that theoretical arguments for and against large-size local government structures, whether in terms of efficiency, democracy, institutional capacity and regional growth and public participation, are theoretical and/or perceived rather than empirically proven. By extension, consolidation neither substantially aids nor impedes the prospects of local efficiency and democracy. Rather, consolidation is conditioned by the influence of the economies of scale, scope and densities on each service and how policy processes addressed the barriers to balancing expectations, actions and interests of a large number of local and national actors. To be successful, reforms must take into account the administrative, political, historical and social functions of community boundaries in addition to infrastructure and economic development needs in each constituent community. Where consolidation was denied or had failed, other strategies could increase efficiency through functional and fiscal decentralisation, technical improvements and resource management, while increased demand could be addressed through pooled resources and functional cooperation.

Chapter Four

Research Methodology

4.0 Introduction

This chapter presents the methods used for the research planning, data collection and analysis for this thesis. A mixed methods design (Creswell 2011) was used to explore the research questions related to the reform outcomes from several relevant angles. Quantitative and qualitative methods aimed to complement and balance one another, triangulate results and increase validity through utilisation of multiple sources of information. This chapter describes research design and the multi-stakeholder approach used in this research

4.2 Research Design

Structural reform research tends to employ econometric methods based on theoretical models of fiscal outcomes of government structure. In local government these models assert that jurisdiction size determines public expenditure or that population growth reduces public expenditure and creates economy of scale in service delivery. The main strategies for evaluating fiscal effects of reform involves either performing pre- and post-reform analysis of per-capita expenditure in the same consolidated area, or comparison of post-reform per capita expenditure between reform-affected LGUs and non-affected LGUs over a certain time period. To be comparable, both strategies require data to be made available for all LGUs in the sample based on the critical assumptions that each uses the same accounting system and expenditure documentation practices and that consolidation is the only variable change or variable. In reality, LGUs employ different accounting methods while legal codes and requirements frequently change. As the conditions listed above are difficult to satisfy and differences between individual communities are often ignored, the results of studies based in these assumptions are difficult to interpret, generalise or comprehend by non-specialists, thus limiting their usefulness for developing practical guides for policy design and enforcement.

Lack of information, territorial disconnection, multiplicity of public service providers and various degrees of reform enforcement are some factors that preclude the adoption of pre-post analysis of reform cost and benefits as a suitable model to assess reform policy outcomes. The methodological challenges were compounded by the fact that LGUs differ greatly in institutional

capacities[19] and there was slight variation in the availability of performance data. The required pre-consolidation financial data is largely unavailable and potentially impossible to locate or reconstruct since most abolished LGUs either lacked such capacities or were exempt from doing so. Of the 129 LGUs abolished in 2010-2012, only two of which were medium-size municipalities with some institutional capacity. As the majority of consolidated LGUs were small, the research options were limited to two approaches: narrow the scope to case studies on recent amalgamation and the few LGUs where pre-post data is available, or conduct pre-post comparisons based on stakeholder perceptions of performance change, complemented with document review and financial analysis where available. The second option was selected for this study because it provides for investigation of a wider sample and allows for consideration of contextual issues.

This study focuses on the post-reform period with some reflection on financial performance of the pre-reform period for a few LGUs in the sample. The question of population size and economy of scale is not addressed because most consolidated LGUs in the studied sample are small in size and the capacity to generate information. Additionally, important (social) services are provided by other sectors and entities (see previous discussion in Chapter 2 of current functional and territorial fragmentation of Palestinian LGUs) and for lack of reliable financial data on public services. Such data could only be generated by the relevant ministries and agencies not by individual academic researchers. Most national agencies declined the researcher's request for financial data to the researchers' knowledge; there is no national database or previously published reports on production costs by providers, intermediate agencies by LGUs, or by the ministries of finance and local governments. LGUs that are direct providers share information on the total number of service users or costs of services in per-unit or per-capita. Even data produced on utility debt are often registered in terms of the number of bills distributed to households' formal subscribers to the electricity network. Local consumption differs between LGUs of same population size, based on the percentage of illegal consumers, and fluctuates seasonally, depending on the availability of services, especially electricity and water in certain areas and months. Irregular provision, unreliable consumption estimates and other methodological problems complicate the prospect of econometric investigation of the efficiency relationship most common in the consolidation literature.

[19] LGU pre-consolidation institutional capacities is excluded because of the difficulty in establishing capacity in retrospect particularly in micro communities lacking employees, physical set-ups, records, or information systems.

In the qualitative analysis of policy impact, the study adopts a causal-comparative design (Schenker and Rumrill 2004) and general inductive approach to data analysis (Thomas 2003) in order to explore differences between the effect of consolidation (population growth) on capacity and performance of LGUs in the main sub-sample (consolidated LGUs) compared to those in the control sub-sample (independent LGUs). In addition to population, differences in performance within the main sub-sample were addressed through investigating the effects of reform type and duration, the number of constituent communities and relative sizes, as well as LGU type and location. This study employs several research tools to minimise bias inherent within both groups.

4.2.1 Multi-Stakeholder Approach

To examine a consolidation policy in the OPT fluid context, the study adopted a multi-stakeholder approach and used four research instruments. Quantitative tools included a citizen survey and budget analysis, while qualitative tools involved semi-structured interviews, focus group discussions and document review. Three major stakeholder groups were identified among those involved in policy design and implementation regardless of their influence on policy content and direction. The first stakeholder group included national institutions which designed, supported or facilitated policy implementation including, inter alia, the Palestinian Cabinet, Municipal Development Fund, the ministries of Local Government and Finance, major donors, and other public agencies. LGUs, their residents and grassroots organisations formed the second group of stakeholders. The final group of stakeholders was comprised of technical experts, non-profit organisation, political factions and a few specialised institutions familiar with the consolidation policy.

Target LGUs and communities were categorised into two major groups: consolidated and independent LGUs. Each was divided into three-subgroups. Consolidated LGUs were categorised as recent amalgamation, recent annexations and older amalgamations. The non-consolidated group was divided into rejected amalgamations, planned consolidations and independent LGUs. Non-consolidated LGUs functioned as a control group to probe public perceptions of reform policy and preferences for consolidation and other policy alternatives in

Each stakeholder group was targeted using a separate research tool. Information from national institutions and experts was obtained through document collection and in-depth semi-structured interviews with heads and/or staff of relevant departments. In the non-consolidated sample, one instrument was applied, namely the citizen survey because they were not been affected by the

policy. In the consolidated sample, all four instruments[20] were used: LGU staff and councillors were targeted using in-depth interviews; residents were approached with a citizen perception survey and focus group discussions with key local leaders and organisations. The primary data was supplemented by secondary data of official documents including studies, reports and plans and approved budgets for some LGUs in both samples for the period of 2008-2013.

The multiplicity of tools used in this study assigns equal weight to local communities and institutions vis-à-vis national institutions in their respective assessments of policy processes and outcomes. Their residence in consolidated communities renders local informants more capable of identifying changes in LGU performance local conditions attributable to consolidation. Long serving staff and former councillors also had more access to in-house information on LGU financial and internal affairs than ordinary citizens. Together, both groups provided information on local reform and counter arguments to policy-makers and official documents. It was necessary to complement the analysis of policy outcomes with other reform dimensions, such as the actors involved in policy design and implementation and the constraints that shaped the immediate outcomes of consolidation. The stakeholder approach would bring many externalities to the analysis of reform needs, processes and outcomes beyond government desire for change in LGU capacities and performance, often presented as purely internal managerial and economic issues without social or political implications

4.2.1 Qualitative Methods

4.2.1.1 Semi-Structured Interviews

Sixty-four semi-structured interviews were conducted and focused on policy planning, the implementation process, public involvement and attitudes, challenges and outcomes to date. Interviews were held for 90 minutes at the interviewee's place of employment. A series of open-ended, pre-determined questions were asked in accordance with the interviewee's expertise (finance, planning, policy, law, elections, evaluation and so on). For example, finance managers were asked about changes to LGU revenues, expenditure, funding, service fees, debts and utility default rates. Each interview addressed one or more of the study's hypotheses regarding the institutional, territorial or democracy outcomes of consolidation. Interviews concluded with the participants' final comments and recommendations to their institutions, MOLG and the research. However, when the interviewee was a former or currently elected representative of a consolidated

[20] All research instruments are included in Appendices (1-4).

or abolished LGU and/or a member of an amalgamation committee, s/he was asked additional questions on consultation and local elections.

4.2.1.2 Focus Groups

In addition to interviews, eight focus groups were held in both types of LGU category, albeit with more focus on consolidated communities. Purposive sampling was used to identify potential participants from a pre-selected list of local organisations, LGUs or institutions. Names and contact numbers of potential participants were compiled from websites of relevant institutions. Special attention was paid to include local protest committees in focus group discussions whose members were identified from media reports covering protest activities. Current LGU representatives were targeted through one-to-one interviews and excluded from the survey and focus groups to avoid participants' self-censoring in joint activities.

The focus groups were intended to investigate the level of policy makers' attempt to illicit community engagement, resolve implementation difficulties and compensate for lack of public debate, political deliberations or referenda that should have occurred in the period up to issuance of amalgamation decisions. Local institutions and familial leaders are usually the gatekeepers to local communities and influence decision-making and public attitudes towards LGU participation, at least by virtue of their participation in consultative activities. Whether or not they were directly involved in protest activities, this group have knowledge of post-consolidation changes that they can identify and reveal more so than LGUs, ministerial staff or average citizens who lack access to information and power circles. Resident feedback was collected using a citizen survey of opinions and perceptions of LGU consolidation in their communities. However, interviewees and focus group participants were excluded from the survey as only one tool was permitted per informant so as to increase data validity and minimise potential bias or conflation of stated opinions between the stakeholders.

4.2.1.3 Document Analysis and Review

In addition to the collection of primary data, many documents were collected including major legislation, preparatory studies, maps, policy papers, draft bylaws, implementation manuals and Supreme Court decisions. These information sources varied in terms of usefulness. MOLG documents covered the policy planning and execution phases, especially through periodic official correspondence from the ministry's district offices to its headquarters. These were most important as LGU reports and documents were grounded in local settings as they offered a day-to-day

assessment of progress, challenges and community interactions with those responsible for policy execution.

There were two particularly important third party documents: 1. official data on election outcomes district borders and registered voters, and age and gender of candidates published by the Central Elections Committee (CEC), and 2. Statistical data by the Palestinian Central Bureau of Statistics (PCBS) on local communities, including population census and growth estimates, urbanisation rates, infrastructure availability in rural areas and main socio-economic indicators on employment, poverty and availability of public services. PNA agencies provided draft spatial planning maps, basic legislation and Supreme Court decisions on consolidation challenges. NGO reports and assessment of certain public policies were also collected. All of these information sources were essential to the assessment of policy outcomes in terms of democracy and territorial defragmentation. The study also collected media reports on elections and community protest activities providing real time coverage and also information on government responses to public protest. In some reports, columnists and activists addressed local concerns emerging from service transfer to municipal firms, service deterioration and community participation in the latest elections, to name but a few. These reports were used to locate further evidence of the different viewpoints heard from the informants, triangulate data collected from participating institutions or locate independent sources for confirmatory data on official claims pertaining to the consolidation policy. Regardless of source, these documents were most valuable as they filled a gap and compensated for the lack of serious policy dialogue, national or locally, on consolidation and other public policy infringing on the local government sector.

4.2.2 Quantitative Methods

4.2.2.1 Citizen Survey

Citizen perception and satisfaction surveys (e.g. Mourtizen 1989, Poel et al 2000, *Silberstein* and Soguel 2007, Tanguay and Wihry 2008) have become a major method in consolidation research not only to assess the developmental and social impacts of policy economic and that efficiency assessment methods and voting data fail to capture. A three-page survey which took 15-20 minutes to answer was the quantitative method used with study informants. The survey aimed to elicit the opinions and attitudes of local residents towards the reform policy in the consolidated communities as well in their non-consolidated counterparts. To the researcher knowledge, no official studies were made on public perception and satisfaction before or after consolidation nor was there a systematic, well documented method to capture local reactions and address

complaints. With no referenda votes to analysis, and low participation rates in the latest municipal elevtions, a citizen survey was deemed necessary to supplement the opinion of local leaders who participated in the focus groups. Though they were not among the current LGUs staff or councillor, participants can be still considered local elites (Harding 1995) by virtue of their familial and professional affiliations.

On the basis of a Likert scale (1-5, with one being the highest), survey respondents were asked, as individual citizens, to indicate the extent of their agreement with a number of statements on policy objectives, level of public involvement with the policy process, and policy outcomes as experienced in their immediate communities. The statements were developed as a result of an analysis of official policy documents, independent reports on reform policy and review of the consolidation literature.

The survey contained five sections. The first section gathered demographic information about respondents, whereas the second and the third sections enquired about respondent satisfaction of the consolidation process and outcome design based on comparison with the pre-reform period. The fourth section considered respondent preferences regarding policy content, such as selection criteria, policy objectives and implementation strategies. The fifth section covered state-building strategies and included a few open-ended questions. The questionnaire was customised for the consolidated and independent LGUs with a clear focus on actual policy outcomes in the 2010 consolidations, perceptions of the possible need for consolidation in independent LGUs and the requirements needed to increase policy success and acceptability to local communities.

Each LGU was allocated a number of questionnaires based on population and in consolidated LGUs, the questionnaires were re-distributed based on population size of each constituent community, provided that thresholds and caps were adhered to, thus ensuring relative balance in representation. The minimum target was set at 15 questionnaires per community for small villages (≤5,000), whereas large towns (≥10,000) were allocated a total of 85 questionnaires. Communities under 100 inhabitants[21] were excluded from the survey, yet they were represented in focus groups. Citizen opinions collected from both samples were contrasted with findings of other research tools during analysis to determine whether actual outcomes differed from public expectations and policy objectives. The survey results were analysed to reveal differences

[21] The excluded communities *are: Al-Heish (13 people), Za'atara (46), Khirbet Al-Dier (260),* and *Tarousa (309*).

between public and official views on the policy's desirability, benefits, harmful effects and possible alternatives.

4.2.2.2 Budget Analysis

LGU budgets approved by MOLG, initially intended as secondary information sources, became essential to analysis as these documents were the only official source of information on local government finance given the dearth of data published by the relevant ministries or LGUs. A total of 14 LGUs in the sample provided partial financial performance data for some years during the period of 2008-2013. It was expected that financial data would not be available for most abolished LGUs, particularly for project committees and village councils. This assumption was confirmed as no consolidated LGU in the sample had access to pre-reform budgets of abolished LGUs. Some departments with MOLG denied the researcher's request for financial data without the new minister's written approval[22] which could not be obtained.

As financial disclosure is not legally mandatory, it was expected that municipalities with financial systems would hesitate to supply information on post-reform years without prior approval from MOLG. However, the LGUs which agreed to provide information did so through hard or soft copies of their approved budgets but denied supplementation with actual expenditure reports audit statements, audit statements or access to the financial software. Some consolidated LGUs and small independent LGUs had not prepared annual budgets for 2011-2012. The figures for these years were obtained from the 2013 budgets which listed LGU actual revenue and expenditure for the two previous years, detailed by departments and expenditure type. After eliminating partial budgets that covered less than12 months), potentially useful data were identified as actual revenues and expenditures in 2010-2012 and estimated revenues and expenditures for 2013. For large independent LGUs, some expenditure data were available for 2008-2012. These budgets were also useful for tracking LGU organisational structure and human resources which were obligatory to submit in supplementary documents. All human resources were listed by name, gender, position title, education, department, contract type, rank, salary and total annual costs. These documents allowed analysis of size, distribution and total cost of staff, mayors and councillors. Comparative analysis was possible as all budgets followed the same format and supposedly used the modified accrual system as their accounting basis.

[22] One of MOLG's Assistant Deputies to the Minister granted an approval with written instructions to general directors, LGUs, and district offices to "facilitate the researcher's assignment" and assist with coordination with the selected LGUs and staffer was designated for this purposes. Such approval turned to be necessary for MOLG's departments which differed greatly in cooperation while mayors agreed to participate immediately.

4.2.3 Selection of Target Areas and Informants

Concerning geographic sample selection, a list of consolidated LGUs was compiled from MOLG and CEC documents that indicated a large pool of possible targets: a total of 125 communities and approximately 900,000 inhabitants affected by the consolidation policy. Due to the large number of potential communities and respondents, simple stratified sampling (Tashakkori and Teddlie 2003) was used to identify target areas. The main and control samples were selected according to three criteria: LGU population size, geographic location (region and district) and type (municipal and village councils). Using an interval of five thousand inhabitants, LGUs were divided into four groups: two LGUs were planned to be selected from small units (≤5,000 inhabitants), one LGU from small-medium units (5,000-10,000), one LGU from the medium-large units (10,000-15,000) and two from the large units (15,000-20,000). Excluded were district capitals, cities and LGUs exceeding 20,000 residents at the time of consolidation[23].

The initial list of targets[24] included two pilot LGUs (four communities) in the West Bank central districts and 12 LGUs (38 communities) distributed equally between the northern and the southern region. Sample selection was random among LGUs that fulfilled the aforementioned three main criteria: council size (population interval), council type (municipal vs village council) and geographic location (district and region). Each selected district provided one LGU for the main sample and one LGU for the control sample. Both were of the same population size category. Where no LGU met the size and district criteria for either sample, another same-size LGU was selected from another district within the same region (north or south). For this reason, a number of reserve localities were identified in case any of the pre-defined communities refused to participate or were rendered inaccessible for whatever reason. Preparation of the reserve list of alternative localities followed the same steps as outlined above and adhered to the same criteria. In contrast with consolidated and large LGUs (e.g. over 10,000 in the north), replacing control and small LGUs was easier as hundreds of LGUs remain free-standing and under the 5,000 population level following reform. In all cases, the replacement satisfied the population size criterion because council size is the major consolidation policy concern.

[23] By 2014, *Yasserya* and *Muttahida* exceeded the 20,000 population threshold for a city without being officially upgraded. The list was updated according to 2014 population estimates made on the basis of 2007 census by the Palestinian Central Bureau of Statistics. These estimates are quoted here unless another temporal basis is specified.
[24] A comparison between research initial plan and actual outputs are discussed in Section 4.3, and summarised in Tables 4.1 and 4.2.

For this research the aim was to have 1,000 questionnaires completed with the public, engage 50-60 key local leaders in focus group discussions and interview 50 representatives selected from technical staff of national and local institutions, experts, donors and community-based organisations. All participants were adult Palestinians classified for the purpose of this study into two major groups: 1. staff members familiar/involved with the policy processes at local/national institutions, and 2. Non-profit and donor agencies in addition to citizens currently residing in sample communities (traditional leaders included) and control communities. Excluded were children, residents and official representatives of other communities outside the samples.

In this study, local communities are purposively over-represented because they are essential to policy analysis as they bear the results of merger consolidation while exercising least control over the policy processes. The official vision of consolidation policy is already represented by interviewed institutions and reviewed documents. Purposive sampling was used for the recruitment of interviewees from relevant departments in relevant institutions and focus group participants from key local organisations in each community. For citizen informants, convenience sampling was applied to the perception survey of both merged and non-merged councils by selecting every tenth pedestrian in the town's main street, alternating between male and female respondents. Participants were residents of both genders who have lived in the community for a minimum of two years.

Recruitment for interviews was conducted directly by the researcher employing different participant identification methods depending on the requirements of each research instrument. Contact numbers of institutions were obtained from the telephone book and websites and interviewees were selected on the basis of technical capacity and knowledge of the (sub)topic under investigation. Names and titles of institutions staff/heads and governors were obtained from institution webpages or by calling directly to the information desk and requesting to be passed to the official person in charge of the relevant department. The recruitment process started with phone calls and/or written requests for interview and was finalised during introductory visits to selected institutions. MOLG approved participation of requested LGUs and ministerial staff and provided coordination assistance through its district offices. Other ministries and organisations were approached with formal requests to interview heads of certain departments.

For focus groups, local leaders were members of governance boards of local organisations, such as youth clubs, charitable societies, farmers' associations and women's organisations. These

institutions are usually run by influential families in each community. Also targeted for participation were mayors and councillors of abolished LGUs, local protest committees and university academics. Contact numbers were obtained from their institutions and these potential participants were invited to participate in focus groups held in the afternoon or on weekends at the premises of one of the participating local organisations. Local leaders are usually the gatekeepers to local communities and certainly have knowledge about consolidation policy by virtue of their participation in consultations with official representatives from the ministry. Local leaders were also important because family leaders have been reported as the main policy opponents (Marsad 2012). Local leaders could also have knowledge of the consolidation process and LGU performance that the average citizens had no access to or the policy makers or LGU staff are hesitant to reveal. Led by male facilitators, each meeting lasted for a maximum of two hours and included 6-10 participants of both genders. The facilitators steered discussions according to prepared open questions that focus on public involvement in consolidation policy aspects specifically pre- and post-reform consultation, engagement with elected councils, and views towards policy opposition and election outcomes.

4.3 Data Collection

Fieldwork was carried out between September 2013 and February 2014. Data was collected by the researcher and three research assistants (one female and two male)[25]. The research instruments were piloted in *Qaryout* and *Dier Sudan* in Nablus and Ramallah districts which were found to have rejected enforcement of consolidation with *Jaloud* and *Umm Safa*, respectively. Both mayors were interviewed and five random residents in each location completed survey questionnaires. The research encountered several abolished LGUs that lost legal personality yet remained fully operational sometimes from within official offices. Therefore, the fieldwork proceeded first with interviews, document collection and citizen survey in the independent sample, while the legal status of targeted communities was checked before inclusion in the consolidated sample.

My discovery of rejected consolidations led to expansion of the LGU sample. The most significant methodological change was the increase of study samples from 12 to 16 LGUs and from 38 to 47

[25] The researcher handled all coordination and logistical arrangements, piloted the research instruments, conducted initial visits to target communities, identified interviewees and focus group participants, collected secondary data from various institutions, conducted all interviews, prepared for focus groups and documented their proceedings, and administered satisfaction questionnaires with women respondents in all communities jointly with the female assistant. The researcher also performed survey coding, data entry, and translations of research instruments and outputs from focus groups and interviews. Male assistants facilitated focus groups and surveyed men in their regions.

communities distributed over nine districts, as shown in Table 4.1. To have a balanced number of consolidated LGUs in the study sample, planned amalgamations and amalgamations of an earlier wave were added included. As a result of additional LGUs, the number of target communities also increased since each of the new amalgamations consists of a 5-7 communities. Informants totalled 1,070 survey respondents, 64 interviewees and 65 participants in eight focus groups. No substantial changes were made to the research instruments except for some linguistic editing and simplification of survey terminology. However, some targets were re-distributed, specifically the number of questionnaires per community, to ensure that all communities were represented by at least one research instrument.

Table 4.1: Distribution of Study Sample and Research Instruments

	Planned	Actual	% Variance	Regional Distribution		
				North	South	Centre
Local Councils	12	18	50	8	8	2
Communities	38	47	24	21	22	4
Interviews	50	64	28	11	11	42
Focus Groups	8	8	0	3	3	2
Citizen Survey	1000	1,070	7	490	475	105

Mirroring the official distinction between amalgamation and annexation, it was necessary to supplement the only four cases of recent amalgamations with some of older amalgamations to avoid overrepresentation of annexation in the sample. With few amalgamations, the study's relevance and generalisability was at risk. Although the planned sample composition was largely retained, the distinction between reform types unintentionally added a comparative element between two reform types and two reform waves. Additions to the community sample included two clusters of three villages each, namely *Sabastia* cluster that rejected amalgamation and *Baita* cluster is being prepared for future amalgamation through inclusion in a new a single-purpose regional council. Additional interviewees were included to explore alternative local service delivery mechanisms, such as the new municipal electricity distribution firm functioning in districts targeted for consolidation.

Despite the sample expansion, the distribution of the main sample was least affected. Table 4.2 shows that. Five of six pre-selected LGUs were covered except for one small LGU (*Jayyous*) that was dropped to maintain equal size in both samples. In the control sample, most pre-selected targets were covered, except *Khader* which was replaced by *Obaideyya* which shared the same district and demographic bracket (10-15,000 inhabitants) and also shares boundaries and tribal lineages with two other consolidations in the sample (i.e. *Tqoua* and *Janata*). After some pre-

selected LGUs were replaced by new ones, the control sample was comprised of three subsamples: six stand-alone LGUs unaffected by consolidation policy a micro community recently promoted into a village council despite its small size (i.e. *Upper Deir Assal*), one unsuccessful annexation (i.e. *Sabasstia* cluster), and one proposed amalgamation (i.e. *Baita* cluster). The main sample also contained examples of LGUs affected by consecutive consolidations. For example, six communities were amalgamated into *Kafreyya*t in 2010 to which *Khirbat Jbara* was annexed in late 2012. Similarly, the *Kum* cluster (*Kum, Muwreq and Beit Maqdoum)* was run by a joint village council for 15 years before amalgamation with other five communities into *Yasseryya* in 2012.

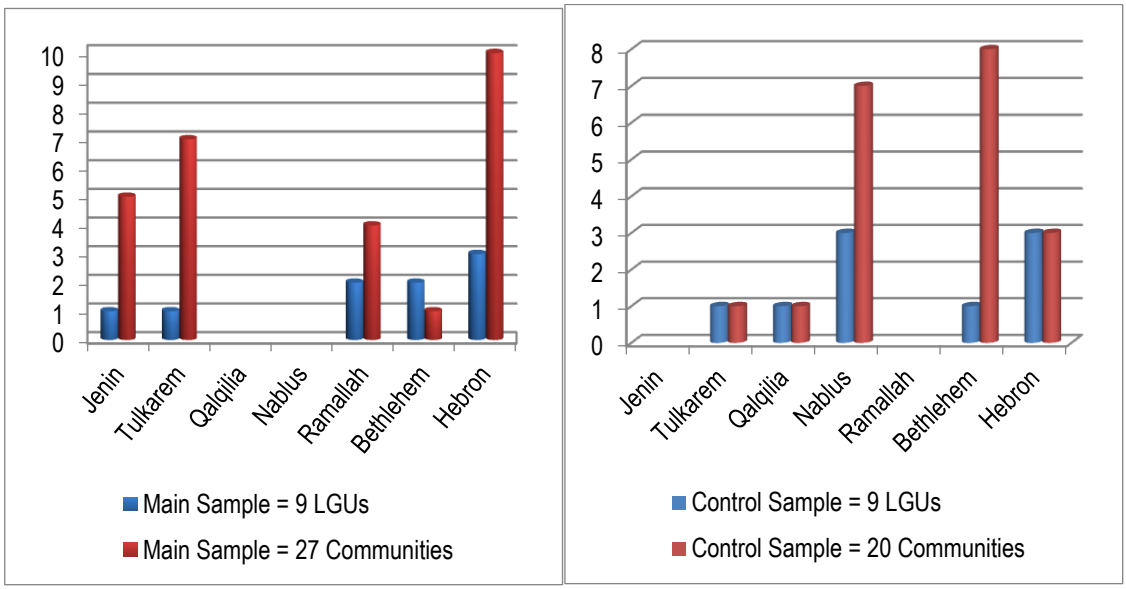
Table 4.2: Modifications to the Study Sample during Fieldwork

(Sub)Sample		Total		Region			LGUs	
		Planned	Actual	N	S	C	Retained	Added/Replaced
Main	2010 amalgamations	3	3	2	1		Mutahida, Kafreyyat Yasseryya,	Replaced: Jayous
	2010 annexations	6	6	-	2	-	Karmel, Tqoua'	
	2005 amalgamations	-	3	-	1	2		Added: Bani Zaid, Janata, Zaytouhah,
Control	Proposed consolidations	-	1	1	-	-		Added: Baita w/ Odala & Ossarin
	Rejected consolidations	-	1	1	-	-		Added: Sabasstia w/ Nisf Jbail, Ijnessnia
	Independent LGUs	6	7	3	4	6	Beit Leed, Hijjeh Lower Deir Assal Sourif,	Replaced: Khader, Yamoun. Added: Upper Deir Assal, Obaideyya;
Subtotal- main sample		**6**	**9**	**3**	**4**	**2**		
Subtotal- control sample		**6**	**9**	**5**	**4**	**6**		
Total		**12**	**18**	**2**	**3**	**8**	**9**	**13**

The geographical distribution of targeted LGUs in the West Bank, inclusive of the four pilot communities, is depicted in Annex (5). The sample contained 10 LGUs and 21 communities in four northern districts, 8 LGUs and 22 communities were in two southern districts. Only two LGUs and 4 communities were in the central district[26] of *Ramallah*. *Hebron* and *Bethlehem* were the most represented (19 and 12 respectively) as 14 communities were amalgamated into two LGUs. Overall, balance was maintained in district distribution except for *Jenin* and *Qalqilia* districts where no LGU could fit demographic or geographical proximity criteria of both samples.

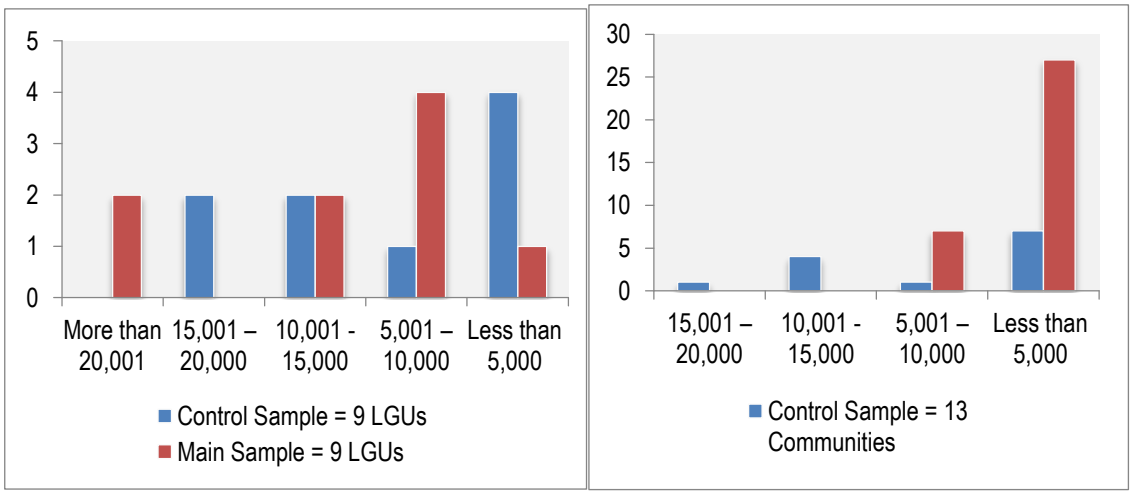
[26] The West Bank is divided into 3 region and 11 districts. The north is the largest region with 6 districts (*Jenin, Nablus, Tulkarem, Tubas, Qalqilia* and *Salfit*), 42% and 38% of West Bank population and land area, respectively. The South is the smallest with 2 districts (*Bethlehem* and *Hebron*) and 24% and 28% of population and area. The 3 central districts (*Ramallah & Al-Bireh*, *Jerusalem* and *Jericho*) constitute 34% of both. Hebron is the largest district with 18% and 28% of population and area (PCBS 2010).

Figure 4.1: Sub-Sample Distribution by District and Number of LGUs and Communities



While both samples contained more municipalities than village councils[27], consolidated LGUs were equally distributed around the 10,000-15,000 population bracket. As shown in Figure 4.2, about 34 communities (73 percent) belong to the smallest category of 5,000 inhabitants or less. Since most LGUs in *Jenin* district were medium-sized recent consolidations, it was difficult to locate large-sized independent or identify medium–sized LGUs in *Hebron* district after the annexation of tens of micro-communities to very large LGUs such as *Yatta* and *Dura*.

Figure 4.2: Sub-Sample Distribution by LGU Population Size of and Number of Communities



[27] Village councils in the sample were *Hijjeh, Beit Leed, Karmel, Upper Deir Assal, Lower Deir Assal, Odala, Ossarin, Ijnesnia* and *Nisf Jbail*. The first four are officially recognized as independent LGUs and the last two are supposed to be annexed to the neighbouring municipalities of *Sabastian* and *Baita*.

Approximately 55 percent of LGUs and 72 percent of communities in the sample were smaller than 5,000 inhabitants. Rather than indicating a sampling bias, the sample fairly represented post-reform structure of the local government sector. CEC election documents (2012) shows that nearly 31 percent of LGUs were medium or large, whereas more than half (55 percent) were in the 1,000-5,000 range compared to 14 percent below 1,000 inhabitants. According to Table 4.3, the sample included 27 small communities consolidated into nine LGUs including two below 1,000 inhabitants, thus indicating that future consolidations are likely as the abolition of project committees have not eliminated the problem of small-size LGUs which still constitute about 14 percent of total LGUs in the West Bank.

Table 4.3: Distribution of Small-Size Communities in the Sample, by Population Category

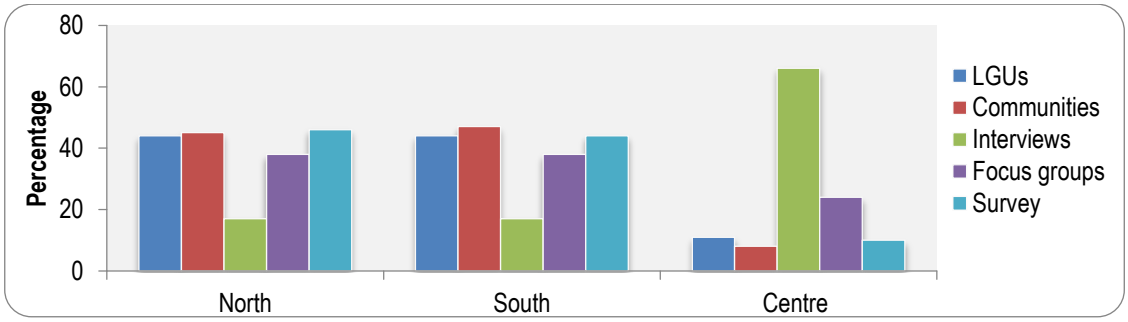
Population	No of Communities	Main Sample	Control Sample	Percentage
1-100	3	3	-	6.4
101-1,000	16	14	2	34.0
1,001-3,000	13	10	3	27.7
3,001-5,000	2	-	2	0.1
Total LGUs ≤5,000	**34**	**27**	**7**	**72.3**

Source: PSBS (2010): Population Projections for 2014

4.4 Response Rates

In total, this study included 1,199 informants drawn from 48 communities. In terms of instrument and sample distribution, utilisation of research tools, depicted in Figure 4.3, indicate regional balance between northern and southern regions, except for the survey which was determined by LGU total population and number of constituent communities. However, a large number of interviews conducted in the central districts resulted from the concentration of national and international bodies in Ramallah city.

Figure 4.3: Regional Distribution of Research Tools and Target Areas



Despite large sample targets for each research tool, Table 4.4 reveals high response rates amongst all stakeholders with an average response rate of 89 percent. The highest (91 percent) was amongst institutional stakeholders, whereas some focus group participants failed to attend. Contrary to expectations, the citizen survey was largely successful. Only 117 persons declined participation, particularly young men, while 13 respondents stopped midway or withdrew after the questionnaire was conducted.

Table 4.4: Response Rates in Study Sample, by Instrument and Respondent Gender

Instrument	Target	Participants	% Response Rate	% Males	% Females
Interviews	70	64	91.4	82.8	17.2
Focus Groups	76	65	85.5	75.4	24.6
Citizens Survey	1,200	1070	89.2	50.0	50.0
Total	**1,346**	**1,199**	**88.71**	**69.4**	**30.60**

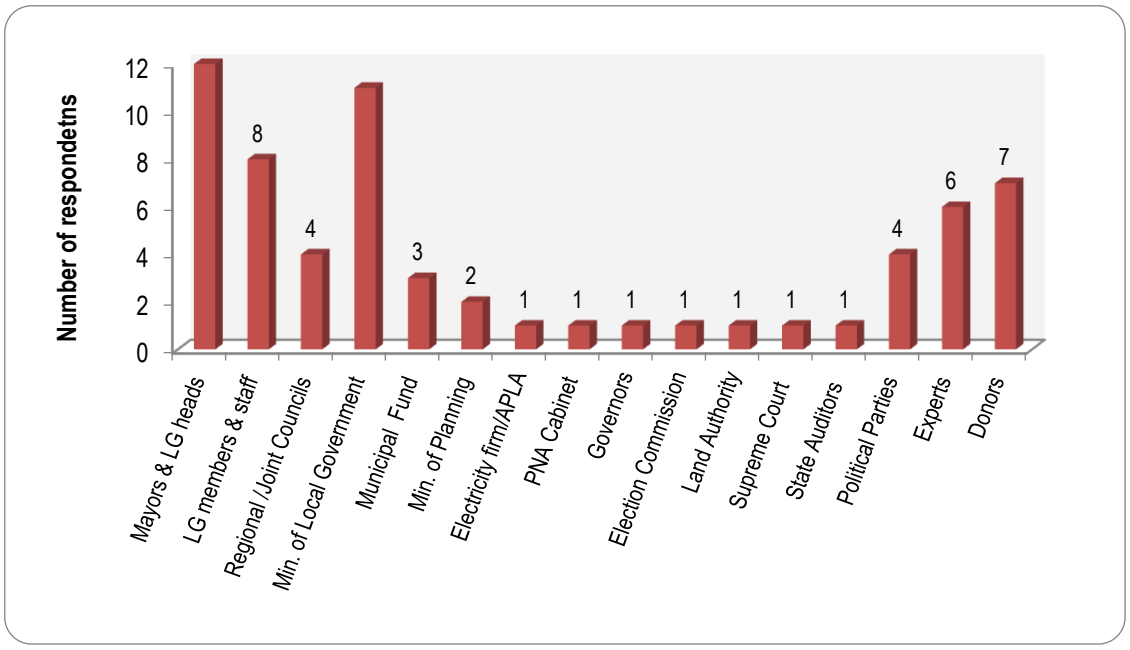
As depicted in Table 4.5, a total of 64 interviews were conducted of which about 30 percent involved current mayors, councillors and staff of LGUs. Despite being intended for consolidated LGUs, five interviews were held with independent LGUs to enquire about the reasons behind non-enforced and delayed consolidation.

Table 4.5: Distribution of Interviewees by Type of institution, Region and Gender

	Target	No	Participants	%	North	South	Centre	Male	Female
Interviews	2010 consolidations	5	10	16	6	4	-	8	2
	2005 consolidations	3	7	11	-	3	4	6	1
	Proposed consolidations	1	2	3	1	1	-	2	-
	Independent LGUs	3	3	5	1	1	1	3	-
	(Inter)national agencies	28	42	65	3	2	37	34	8
	Total interviews		64		11	11	42	53	11
	%		**100**		**17**	**17**	**66**	**83**	**17**
Focus groups	2010 consolidations	4	36	55	18	18	-	27	9
	2005 consolidations	3	22	34	-	9	13	13	9
	Planned consolidations	1	7	11	7	-	-	5	2
	Total Focus Groups	8	65		25	27	13	45	20
	%	8	**100**		**39**	**41**	**20**	**69**	**31**
Survey	2010 consolidations	5	536	50	290	246	0	268	268
	2005 consolidations	3	184	17	-	79	105	92	92
	Planned consolidation	1	143	13	143	-	-	72	71
	Non-consolidated	9	207	19	57	150	0	103	104
	Total Survey	18	1,070		490	475	105	535	535
	%		**100**		**46**	**44**	**10**	**50**	**50**

In addition, state auditors, land authority and elections commissions were interviewed to collect information that could not be directly obtained from the relevant ministries. Four[28] interviewees were representatives of political factions; interviewed in order to examine the effect of local elections on consolidation and vice versa. Moreover, Figure 4.4 indicates that 65 percent of interviewees represented MOLG and its district offices (17 percent) and intermediary institutions such as MDLF, joint councils and the Association of Local Authorities (16 percent) or were experts, consultants or staffs of donor agencies (20 percent). These included heads of missions, program managers, area coordinators and law, planning and public participation experts.

Figure 4.4: Number of Interviewees by Institutional Affiliations



With a total of 65 participants, seven focus groups were held in the consolidated LGUs, except for *Tqoua', and* one group held in a planned consolidation (*Baita)*. Figure 4.5 shows a concentration of three groups: former LGU mayors, councillors and staff (17 percent), followed by women organisations (14 percent) and educational institutions (12 percent). The first groups also combined members of several positions within the non-profit sector which reflects the tendency of few families to dominate local institutions. However, their noticeable absence from protest

[28] There are seventeen Palestinian factions in the OPT. The dominant one (i.e. *Fateh*) was already represented by interviewees from ministries and LGUs. Four faction interviews were members of the Legislative Council elected in 2006represented and the other factions which can be classified into three: a) PLO stream including left-leaning factions, b) new-age parties outside the PLO, such as the *National Initiative* and the *Third Way*, and C) religious movements such as *Hamas* and *Islamic Jihad*. All faction interviewees were. The political affiliations of elected national and local officials were identified from publications CEC publications.

committee membership, at least openly, indicates their caution from being associated with policy opposition for personal gains.

Figure 4.5: Distribution of Focus Group Participants by Institutional Affiliations

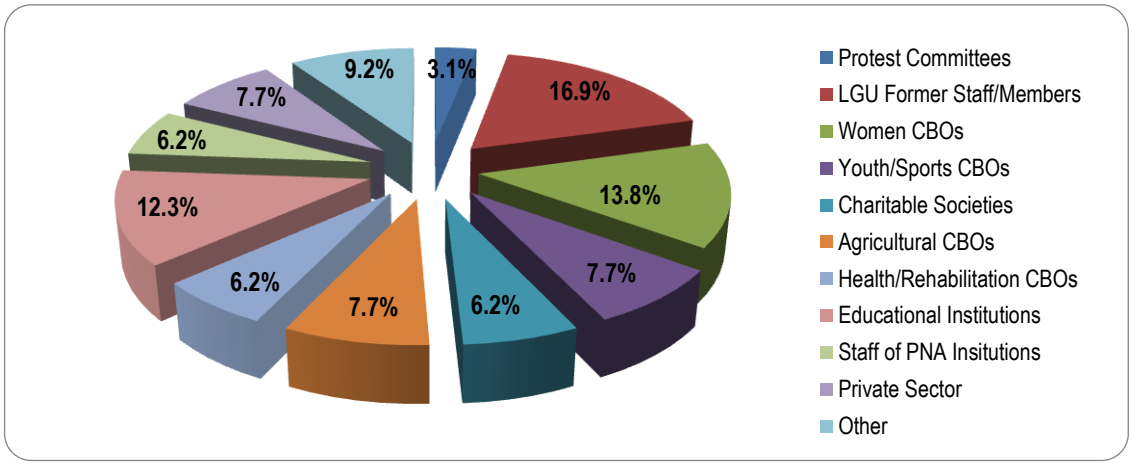


Table 4.6 shows that the citizen survey was conducted in 42 communities and excluded four micro-communities below 100 people and two that were found to be residential neighbourhoods. About 50 percent of respondents were constituents from 2010 consolidations, 19 percent were from independent LGUs and 17 percent represented older and planned consolidations. The number of respondents from each LGU was proportional to its share of total population in the sample. Large LGUs were allocated a maximum of 85 questionnaires and small LGUs were allocated a minimum of 15. As a result, multi-community LGUs, with relatively small populations and high response rates were overrepresented, such as *Janata*, whereas LGUs with low response were underrepresented, such as *Sourif* which dropped from 11 percent to approximately 6 percent.

Women comprised 17 percent of interviewees, 30 percent of focus group participants and 50 percent of survey respondents which reflects their actual representation in local government (17 to 21 percent of total staff and councillors). Participation improved in focus groups due to women's involvement with community-based organisations and at the researcher's request; there were at least two women participants in each session. To ensure gender balance in survey respondents in rural areas, a female research assistant was hired. As resource and time constraints were prohibitive of a household survey, male respondents were approached by male research assistants in the town's major streets mainly in the afternoon hours. Socio-economic characteristics of survey respondents in each LGU are included in Appendix 6.

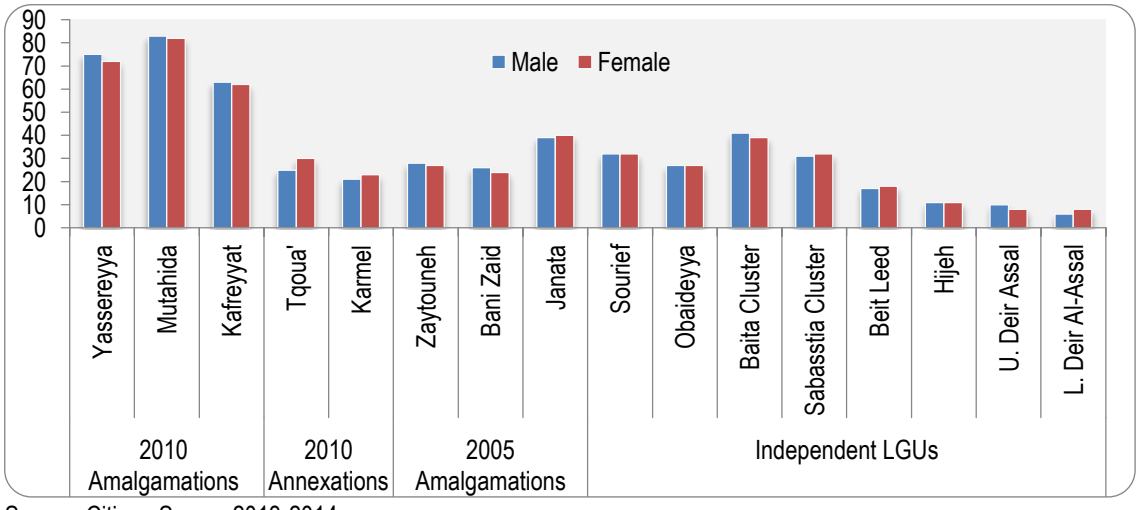
Table 4.6: Survey Distribution and Response Rate Compared to LGU Population Size

LGU	No of Communities	% of Population		Response Rate	No of Questionnaires	No of Communities	
		LGU	Sample			Covered	Excluded
Muthahida	4	14.1	15.4	92	165	4	1
Yasseryya	5	14.0	13.7	86	147	6	3
Sourif	1	11.2	5.9	91	63	1	-
Baita Cluster	3	9.4	7.5	86	80	3	1
Obaideyya	1	8.7	5.1	90	55	1	-
Tqoua'	2	8.2	5.1	73	55	2	0
Kafreyyat	7	5.6	11.7	96	125	7	0
Zaytounah	2	5.1	5.1	91	55	2	0
Bani Zaid	2	4.6	4.7	100	50	2	0
Janata	7	4.4	7.4	88	79	6	-
Beit Leed	1	3.8	3.3	88	35	1	-
Karmel	2	3.5	4.1	98	44	2	-
Sabastia Cluster	3	2.4	5.9	84	63	3	-
U. Deir Assal	1	2.1	1.3	91	14	1	-
Hijjeh	1	1.7	2.1	88	22	1	-
L. Deir Assal	1	1.2	1.7	92	18	1	-
Total	**42**	**100**	**100**	**90**	**1,070**	**43**	**5**

Source: Citizens Survey

This method was difficult as rural women tended to be reluctant to allocate 20 minutes for the survey. Therefore, women were targeted at major service facilities during working hours since they were more likely to be present and participate without social pressure. Questionnaires were administered in health centres, schools, training centres and grassroots organisations[29]. As a result gender representation was almost equal in all surveyed LGUs as indicated in Figure 4.6.

Figure 4.6: Number of Survey Respondents by Gender and LGU



Source: Citizen Survey 2013-2014

[29] Approval from service facilities and local organisations was obtained during introductory visits and focus group preparation.

4.5 Data Analysis Framework

Each of the four research instrument and questions demanded a slightly different analytical focus. For the qualitative tool, all proceedings of focus groups and interviews were written down in Arabic and then translated into English. These data were maintained by assigning a separate file for each stakeholder. For example, all MOLG interviews were kept in one file and the same was done to LGUs, donors, and experts. The qualitative data, including secondary reports, was grouped under seven major themes: a) policy preparation and execution measures, b) role of interviewed institutions and public community in policy cycle, c) policy outcomes, positive and negative, on LGU services, infrastructure and projects, d) outcomes on LGU resources, expenditures and debt, d) financial incentives, PNA transfers and policy cost, e) attitudes of local communities and political actors, and/or alternative local arrangements for self-governance, f) elections dynamics and results, and j) recommendations for policy improvements and/or alternatives. Document review also followed these themes which facilitated comparison with and quantitative findings, particularly the survey. Analysis was conducted using key word searches in such as 'positive outcome', 'cost', 'participation', 'opposition', 'elections' and the like.

The survey was coded and entered into SPSS (Bryman and Cramer 2009). In addition to the main four sections, some information on the community was also added to reflect its former and current status. For example, each (abolished) council was assigned certain identifiers concerning: location (region, district, LGU, community), population bracket (at reform and at present), council information (creation date, type, ranking, and number of seats, and number of representatives in the current consolidated council). The consolidated LGUs were identified by reform year and type, number of constituent communities, total population size, population bracket, and current council (type, number of councillors and ranking (by MOLG and MDLF). After they were examined for correctness and completeness, the collected questionnaires were documented in two separate SPSS files and analysed separately for each sub-sample. The statistical outputs of both were then entered into excel sheet for comparative analysis or when involving electoral data on 2004/5 and 2012/13 local elections.

These data were analysed as follows: the open-ended questions were entered verbatim into an excel sheet according to the respondent's community and LGU before being classified into various themes and subthemes to calculate their frequencies. For examples, all feedback identifying roads, school rehabilitation and parks were grouped under "infrastructure development", whereas lack/availability of water and rehabilitation of water networks were

classified as “improvement to public services”. The close-ended questions were analysed using descriptive statistics and central tendencies indicating the percentages of respondents’ agreement with each statement using a scale of 1 to 5, 1 being the highest. The results are presented in detail in Chapters Five to Eight in order to show differences between individual LGUs and communities in order to account for differences in circumstances and other factors that would possibly have influenced the outcomes (e.g. amount and type of incentives received, electoral list composition, enforcement of other public policies in some but not all communities or LGUs). When aggregated under reform type, eras, or population brackets, it is possible to identify any trends emerging between the sub-sample and categories on the immediate outcomes of consolidation.

As mentioned previously, the five research hypotheses of policy outcomes (Section 4.1.3) are investigated in multiple steps, by breaking down each major indicator or variable into sub-indicators. For example, capacity improvement is investigated in terms of resources, services, and infrastructure and institutional structures. As indicated in the (sub)indicators matrix in Appendix (7), LGU resources were classified into human, financial and material resources which in turn were divided into staff and councillors, local and external resources, and systems and infrastructure. The same steps are used for the other hypothesis. For example, if consolidation or population size were the main causal factors permanent staffing or service accessibility, all consolidations would consistently show low percentages of temporary contracts, part-time hires or vacancies thus indicating these LGUs actually recruited and afforded all expertise needed for the approved organisational structure. The older amalgamations should show the highest percentages of permanent staffing and lowest vacancies in the study sample. Similarly, LGUs/communities of similar sizes should show comparable results for all investigated variables, regardless if the population grew naturally to that bracket or was obtained through consolidation. In other words, indications of reform impacts are stronger when shown in older consolidations than recent ones; otherwise, reforms either are not effective or produce unsustainable outcomes which could be seen as a re-affirmation of conclusions that savings tend to disappear after the third year of reform. If no trends can be established within the consolidated LGUs, or if the same trends are shown in both consolidated and independent ones, it could be inferred that reforms/size has no relation with the variable(s) in questions; therefore other factors must be examined to identify the actual reasons behind the observed changes or lack thereof.

The analysis of LGU budgets will follow the same methods used for the identification trends in survey responses for the determining whether reforms had impacted LGU financial capacities and performance. For example, if consolidation or population size were the main causal factors of improved local taxation, all consolidations would consistently show that local taxes consistently comprised a larger percentage of LGU annual revenues than the independent communities and the older amalgamations should have the highest tax collection rates in the study sample.

Finally, the policy outcomes will be measured using the policy success spectrum suggested by McConnell (2010). Throughout the analytical chapters, policy assessment from citizen perspectives is already provided by the results of the satisfaction and perception surveys. The literature references three types of policy assessments some aspect of which are covered by the survey. First, citizens' assessment of (potential/actual) impact on local spending, quality of local services, and accessibility to services that presents the view of citizens-as-customers. Silberstein and Soguel (2007) emphasise that accessibility combines both assessments as citizens of the newly amalgamated municipality are mostly sensitive to access to municipal offices, services and local representatives. The second type of assessment involves the assessment of (potential/actual) impact on local governance and performance of political leaders represents the point view of citizens-as-citizens. The final criterion includes an assessment of (potential) value of geographic, social and economic diversity of constituent communities which reflects that various social groups that the citizens can belong to as an individual. The third type of assessment affirms Mourtizen's (1989) view that measures of heterogeneity influence citizen perception of consolidated LGUs and service adequacy. The satisfaction of citizens-as-customer measures the impact on services should also be measured by reference to citizen-as-individuals belonging to different social groups. Explanation of citizen reactions should investigate eight indictors of heterogeneity: ethnic, economic, demographic, class, familial, political, ideological and residential. Citizen-as-citizen and If all three assessments are linked positively to consolidation, citizens are more likely to develop a favorable attitude. After consolidation, improved satisfaction rates indicate whether improved performance occurred in these three areas and whether citizen reservations and criticisms of consolidation could possibly be reversed. Such assessments may also be able to identify key situational issues to improve acceptance of future amalgamations and quantify their impact.

McConnell's (2010) model was chosen because it provides an birds' eye view of the policy process overall, without subscribing to a certain theory about consolidation: Arguing that public

policies neither succeeds nor fail entirely but yield mixed outcomes shaped throughout the policy cycle, public policies should be assessed along a continuum of success and failure with regard to five dimensions of the policy process: policy goals and instruments, policy legitimacy, sustainable political coalition, innovation and influence, and opposition. On a scale of 1-5, a score of 1 indicates process success in all five dimensions as intended by the reform whereas a score on 2 indicates resilient success where the policy faces minor opposition and applies few modifications to content and objectives achieved through a rather routine implementation. A policy faces a conflicted success, indicated by a score of 3, when the major goals are abandoned or not achieved although the policy support is stull stronger than the opposition. Precarious success is indicated by a score of 4 suggesting departure from original goals and a strong opposition and declining central support with implementation. Finally, a score of 5 indicated policy failure which occurs when the reforms are aborted due to bad results and universal opposition.

4.6 Validity and Reliability

To reiterate, the objective of this causal-comparative study is to explore the consequences of policy intervention in the consolidated communities by identifying the magnitude of performance and satisfaction differences between them and the nonconsolidated communities without attempting to establish causality or predict future impact trends. Generally, the data will be analysed and findings presented based on the following variables:

- Type of LGU: consolidated vs. independent, municipal vs village council
- Reform type and era: 2010/2005 consolidations vs planned/rejected consolidations
- LGU total population size and/or population bracket
- Population size of individual communities
- Location: Region and district
- Social groups: according to respondents' age, gender, education, or ties to community.

The regional distribution of communities, the gender of the survey respondents, and the associational affiliation of focus group participants were non-random decisions that improved internal validity. However, the enlargement of both samples enhanced the external validity through improving their representativeness of the larger rural communities which the participant sample was derived and securing sufficient variation within each sample. There were few instances of loss of subjects, withdrawn contributions or incomplete responses. In some cases, mayors did not allow individual interviews with municipal accountants and engineering staff,

preferring they be called back in to quote specific statistical data (e.g. municipal debt, changes to physical plan areas or annual construction permits).

Validity and reliability were also enhanced by the use of multi methods including attitudinal, statistical, and financial analysis measures in order to the minimization of subject bias. However, the sample contracted in institutional and economic impact analysis since data was partial or entirely missing for almost half the independent LGU sample. The financial data collected from primary and secondary resources covered some aspects of local government expenditures for the period of 2008-2013, i.e. three years before and three years after consolidation. The analysis relied on LGU actual expenditures for two years after consolidation as reported by the LGUs themselves. Therefore, the accuracy of the financial data could not be verified from LGUs accounting system, from the ministry of finance or independent auditing reports.

4.7 Challenges and Limitations

The study could not investigate questions of economy of scale or changes to service provision cost between services. Some information was located in media and other reports or through personal communication, yet neither could be verified from actual documentation on service utilization or utility debts. Therefore comparability with the literature was already limited since the Palestinian LGUs do not assume responsibility for welfare and social services or police, civil defence and population registrar functions. The infrastructure-heavy services such as (waste) water and electricity were either provided by semi-public institutions or their costs are determined by PNA decisions. Similarly, LGU-prepared reports on their performance during the transition phase were harder to obtain than their strategic plans. The same applies to information on the actual costs incurred by consolidation, major sources of funding or their distribution between consolidated LGUs and communities.

Data collection was met with few challenges concerning time, navigation of large bureaucracies, accessibility to remote locations, readiness of institutions to share financial information, gaining citizens' trust and access to female informants. Data collection coincided with several public and religious holidays and strikes by public servants, LGUs and public transport. The daily commute to local communities was time-consuming and would not have been completed without the hiring of three research assistants. Several logistical obstacles arose from the large number of participants and geographically dispersed communities poorly covered by public transport. Rescheduling was the only solution as was also the case with road closures and restrictions of

movement of Palestinians in Hebron district specifically. The early winter season complicated the situation with short day hours and a snow storm that brought life to stand still for two weeks.

Despite the survey being conducted by a Palestinian team, trust issues came to light especially on the part of survey respondents, the most visible of the research instruments. The Public's overall mood was also dark because of the impact of the Syrian crisis on Palestinian refugees and the possibility of international military intervention. After a few trials, the consent forms were withdrawn as they appeared to threaten respondents' perception of anonymity. Young males in certain localities were categorically hesitant to participate or answer questions on political subjects. Although often times participants chose the "no opinion/I don't know" option, their body language suggesting hesitation to reveal their real opinions.

All LGUs and the overwhelming majority of institutions immediately accepted the invitation to be interviewed. The responses were very critical of the policy which might have not been the case if the fieldwork occurred a few months earlier before the government resignation. Among those who declined interviews were a few high ranking officials such as the former prime minister, MOLG's new minister, and the head of the Higher Council for Planning (who also serves as a Deputy Minister). The Ministry of Finance in particular was extremely difficult to access for interviews and official financial data on public transfers and policy support particularly because it publishes no reports on the share of local government in PNA's public revenues and expenditures were published since 2008 nor the Land Authority accepted to divulge information on land taxes collected on behalf of LGUs or the study sample. However, the sheer size of secondary data collected, and the relatively high response rates suggest that the recruitment tools were effective regardless of the informant's stance on the policy. Institutions cooperated more with the request for interviews and documents if the information was already public in a hard format more than if the data required manipulation or extraction from archived records, as was the case with regional aggregates on public services or estimates of community's share of policy benefits. In other cases, the reluctance to share data may be due to there were no perceived benefits of cooperating with a local female student rather than with foreign researchers, donor representatives or influential local institutions[30]. However, the researcher's gender was essential with getting information from women respondents and less so to some male informants whose

[30] The State Auditors also claimed inaccessibility to PNA fiscal information since 2008. Information on sector's finances and PNA budget was only found in UNDP reports (2008, 2009), Singoles (2010) and Aman (2013).

willingness for participation and one-to-one interviews reflected conservative attitudes about direct interaction with women in a public setting.

4.8 Conclusion

The purpose of this chapter was to describe the research design and methodology used in this study, explain the sample selection, instrument design, and data collection and analysis. In the next chapter, analysis commences with an exploration of the various variables of the first two hypotheses pertaining to post-reform institutional capacities, mainly LGU resources, services, and infrastructure.

Chapter Five

LGU Institutional Capacity Building

5.0 Introduction

This chapter presents the research findings of the analysis of performance of a small sample of Palestinian LGUs in order to assess the transitional outcomes of the 2010 consolidation policy on LGUs institutional capacities with regard to human and material resources, organisational structure and services. The major hypothesis is that human resource base and capacity for service delivery is dependent upon the improvement in LGU financial capacity which is unlikely because of the central government's monopoly of major public resources. A reduction of LGU expenditure is unlikely without impacting the range and quality of services. The chapter concludes that public policies; particularly utility reforms, have serious impacts than consolidation on LGUs resources, functions and sustainability potentials. The analysis primarily depends on the financial performance analysis of 14 LGUs for which approved annual budgets were available for three years after reform[31]. To a lesser extent, the chapter uses financial data collected from informants during focus groups and interviews, particularly with finance staff at national and local institutions, and other secondary resources when made available. This chapter utilises informants' feedback and secondary sources for analysis of pre-consolidation financial performance prior to 2010, LGUs utility debt, service costs, and policy incentives to consolidated communities.

The chapter addresses the number and composition of LGUs personnel and income and expenditure patterns including service expenditures, local revenues, liabilities and governmental transfers. While there is no agreement on the definition of LGU financial sustainability or measurement indicators (Dollery and Crase 2008); the term sustainability is used in this thesis to indicate a minimum level of self-sufficiency, or the ability of LGU to continue with the same level of revenue, functions and spending patterns without running medium and long term deficit. Similarly, the term capacity building is understood as the strengthening of the functional, political, fiscal and territorial dimensions of local government. The interplay between these dimensions is the ultimate determinant of institutional capacity. In this chapter, it refers to MOLG's view of capacity which refers to the ability of LGUs to undertake the legally mandated functions with local resources which can be strengthened by provision of knowledge and technology, and financial, technical or material assistance to improve daily performance (MOLG informant #3). This view

[31] A total of 62 annual budgets were collected covering the period of 2008-2013. After excluding partial or incomplete budgets, 42 were included in the analysis of LGU performance in 2011-2013.

implies strengthening the *internal* elements that enables LGUs to function in accordance with the state's desired ideals, standards, policies or plans which result in ripple effects on LGU efficiency and responsiveness. To measure capacity improvement, LGU total income, the percentage of governmental transfers of LGU total annual income and the percentage of permanent employees of LGU personnel are the main indicators of capacity whereas liabilities, administrative expenditures, government cost and staff distribution patterns are the main indicators of efficiency even though performance is affected by other internal elements such as structure, systems, infrastructure, and organisational culture. If the capacity indicators have not been lower than their pre-reform levels, the policy could then be considered as successful even (MOLG informant #3).

5.1. Human Resources

This section discusses changes to LGU staff numbers and costs in the study sample against two sets of justifications. First, the analysis of staff numbers and costs refuted important theoretical justifications (e.g. Hill 1974, Boyne 2010) that consolidation improves LGU efficiency by reducing staff redundancy and expenditure, particularly in administration. In the study sample, the number of staff remained almost stable whereas expenditures increased in the first three years. In certain aspects, the analysis concurs with the empirical literature (e.g. Sancton 2004, Sorenson 2006) that explains the rises in personnel expenditures by salary harmonisation and differs with regard to explaining this rise in terms of service harmonization or recruitment of additional staff. Secondly, this research disagrees with the Palestinian justification that consolidation is necessary to build the capacity of small LGUs. Human resource patterns remained constant except where consolidated LGUs received external financial assistance or had its service mandate reduced. Analysis of the study results demonstrated did not support the claim that consolidation has affected LGU human resources in quantity, quality or distribution that resulted in improvement in institutional capacity for service delivery.

5.1.1 Staff Number, Cost and Distribution

Analysis of LGUs approved budgets found that the numbers and costs of LGU personnel in the 2010 consolidations increased in the period of 2011-2013. The findings in Table 5.1 show that staff fluctuation ranged from a 4 percent reduction in recent amalgamations to 23 percent in recent annexations, while older consolidations and independent LGUs grew by 2 percent. Thus the changes exceeded estimates by MOLG informants who put actual staff fluctuation at 5-10 percent from their pre-consolidation levels, although no official target was set for an ideal size in the consolidation policy (MOLG informant #8). However, the study contradicts the major finding of

post-reform staffing changes in the empirical literature on consolidation which highlight that there is usually an initial reduction in staff number and salary expenditure in the first few years, due to staff redundancy, particularly in administrative positions, followed by a gradual rise in both over the following years due to the harmonisation of LGU services and salaries.

Table 5.1 suggests that amalgamation and annexation in the OPT had similar effects on staff expenditure but influenced staff numbers differently. On the one hand, staff expenditure rose between 16 and 26 percent in both types of consolidated LGUs indicating either salary increase or harmonisation. On the other hand, the substantial staff increase in recent annexations (23 percent) diverged largely from the marginal reduction of 4 percent in the recent amalgamations where expenditure increased by 16 percent. A more logical expectation would have been that as the number of employees dropped so should their expenditures. The systematic rise in staff expenditure, including in independent LGUs, suggests a sector-wide change to salaries had occurred in parallel with consolidation that was more pronounced in large LGUs over 15,000 inhabitants, recent annexations, and small-medium LGUs with 5,000-10,000 residents. The largest LGUs had the largest increase in staff expenditure probably by virtue of having the largest staff and, by extension, inefficiencies and potential for savings. This conclusion is also confirmed as the LGUs over 20,000 inhabitants were found to have an average of 33 employees, or a staff to population ratio of one employee for 550 inhabitants, and 29 percent increase in staff expenditure. In comparison, annexations and small-medium LGUs (5,000-10,000 residents) had the least average and some of the highest staff ratio whereas old amalgamations had on average less staff than the independent LGUs.

Table 5.1: Variation in LGU Personnel Number and Costs (2011-2013)

	No of LGUs	Total Population	2013 Staff		Staff to Population Ratio (2013)	% Variation in Staff Number	% Variation in Staff Costs
			Total	Av./LGU			
2010 Amalgamations	3	49,524	90	30	1:550	-4	16
2010 Annexations	2	17,021	16	8	1:1,064	23	26
2005 Amalgamations	3	20,628	45	15	1:458	2	5
Independent LGUs	6	51,225	107	18	1:479	2	14
≥20,000	2	41,409	65	33	1:1,255	-10	29
15,000-20,000	1	16,562	23	23	1:720	-8	16
10,000-15,000	3	35,448	21	7	1:1,688	11	8
5,000-10,000	6	39,199	15	3	1:2,613	-6	25
≤5,000	2	5,580	9	5	1:620	10	12
Total Sample	14	187,922	258	18	1:728	0.8	14

Source: LGUs approved annual budgets for 2011-2013

The discrepancy among the amalgamated LGUs and between them and the annexations are likely to have resulted from policy design and disparity in institutional capacity prior to reform than from population size differences. The fact that recent consolidations had very few redundancies indicates that the abolished LGUs were either under-staffed or that staff reduction was not possible during transition. The first explanation provides one interpretation to the policy objective of strengthening LGUs capacity which implies that abolished LGUs were understaffed. Therefore, consolidated LGUs needed to recruit more employees to be able to equally serve constituent communities. Put differently, not all the LGUs lacked capacity at consolidation because LGUs with the weakest institutional capacities were targeted by annexation, and those with some or developed capacity were selected for amalgamation. The second explanation is affirmed by the mayors of amalgamated LGUs who stated that MOLG imposed a no lay-off policy and conditioned staff recruitment during transition to a prior written approval. According to MOLG, harmonisation of salary scales in local governments predated consolidation. In 2009 the *Administrative Bylaws* and the *Unified Salary Scale* were issued and allowed staff retention. To district offices, retaining all staff was a mixed blessing because it averted staff opposition to consolidation or overwhelming new LGUs with redundancy payments or new recruits. However, both bylaws guaranteed continued employment regardless if staff qualifications and skills were suitable to new positions in larger LGUs (MOLG informant #8).

Having started from different capacity levels, the effect of consolidation was not uniform across the LGU categories. The findings confirm that the largest staff increases occurred in the smallest and the largest LGUs. Table 5.2 shows that among the annexations, *Karmel* (5,205 inhabitants) recruited its first two employees in 2013 where *Tqoua'* increased staff by 8 percent. Of the 2010 amalgamations, *Kafreyyat* (8,115 inhabitants) had staff increase by 25 percent compared to 18 percent in *Yasseryya* (20,904 inhabitants) whereas *Mutahida* (20,505) had a staff reduction by 38 percent. The 2011 figures are the closest to the actual number of staff in 2010 and therefore should be considered indicative of pre-reform capacity of targeted LGUs. The data show a total of 110 staff employed in 15 targeted LGUs, or an average of 7.3 staff, although six of the abolished LGUs had no employees. Since there were no forced redundancies, it can be assumed that 20 employees were transferred to other service providers or had voluntarily exited. The pre-reform effects of size had different implications on LGU human resources after consolidation. Staff increases were necessary in consolidated LGUs such as *Karmel* and *Kafreyyat* that integrated extremely small constituencies, and under-staffed LGUs which had an average of three employees. Large consolidated LGUs that incorporate mostly medium or medium to large

communities, such as *Mutahida* and *Yassereyya*, had an pre-reform average of 10-11 employees, and either downsized or upsized depending on staff shortages and actual functions.

Table 5.2: Population-Staff Ratio and Distribution of LGU Staff by Employment Mode (2011-2013

LGU[32]	Population	Population -Staff Ratio (2013)	Variation in Permanent Staff			2013 Staff				No of service units (2013)	Pre-reform Staff Average (2011)
						Permanent		Daily/ Contract	Retired/ vacant		
			2011	2013	%	Full-time	Part-time				
*Yassereyya**	20,904	523	34	40	18	40	-	-	-	4	11
*Mutahida**	20,505	820	40	25	-38	22	3	4	5	3	10
Soureif	16,562	720	25	23	-8	23	-	-	6	5	
Obaidiyya	12,843	676	15	19	27	19	-	3	-	3	
*Tqou'a**	11,816	844	13	14	8	13	-	16	-	4	6
Baita	10,589	342	28	31	11	14	-	12	2	3	
*Kafreyyat**	8,115	325	20	25	25	23	2	9	3	4	3
*Zaytouneh***	7,488	749	9	10	11	5	5	-	2	3	
*Bani Zaid***	6,671	222	30	30	-	30	-	3	4	3	
*Jannata***	6,469	1,294	5	5	-	4	1	1	2	1	
Beit Leed	5,651	332	17	17	-	16	1	1	-	3	
*Karmel**	5,205	2603	-	2	100	2			-	1	-
Sabasstia	3,036	276	14	11	-21	10	1	1	-	4	
Hijjeh	2,544	424	6	6	-	4	2	-	2	2	
Total	**187,922**	**728**	**256**	**258**	**-1**	**241**	**15**	**50**	**28**	-	**30**

Source: LGUs approved annual budgets 2011-2013. * indicates 2010 consolidations. ** indicates older consolidations

Based on the above discussion, post-reform LGU human resource developments probably reflect the effects of population size and the effects of several factors: pre-reform capacity of individual LGU, policy design regarding existing staff and new recruitment, and the new mandate of consolidated LGUs. Thus, staff size neither personnel growth during transition is indicative of improved services nor is personal reduction indicative of improved efficiency. For example, the reduction in *Mutahida* concurred with the transfer of electricity and water to semi-public entities, as confirmed by its current mayor. Two of the three largest independent LGUs, i.e. *Obaydiyya* and *Baita,* also increased personnel by 11-27 percent although none had any additional services. The earlier amalgamations were the most stable of all LGUs although their personnel varied widely in number despite having similar populations. A decade after amalgamation, *Bani Zaid* had 30 employees, or double the number of staff of *Janata* and *Zaytouneh* combined. With a ratio of one employee per 1,249 residents, *Janata* seems seriously understaffed and understaffing is more acute in *Karmel* which had the highest ratio in the sample of one employee per 2,603 people. The staffing disparity of the older amalgamation and the tendency of the new consolidations to depend on non-permanent staff thus do not support the assumption of long-term

[32] In chapters 5-9, individual LGUs are ordered by descending population size.

strategic institutional capacity in consolidated LGUs, as suggested by Dollery et al (2010) or Aulich *et al* (2014). If the employment mode indicates personnel turnover, independent and amalgamated LGUs in the sample appear to be equally stable as nearly 77 percent of their personnel were full-timers with an average of 28 employees per LGU. About two-thirds of the 50 vacancies and non-permanent staff employed were in consolidated LGUs rather than in independent LGUs.

Additionally, Table 5.2 (above) refutes MOLG's claim that larger LGUs provide more services by virtue of population size and improved services following amalgamation. When service units were mapped against number of staff and population in each individual LGU, the second smallest LGU (*Sabasstia*) emerges as the provider of as many services as the largest (*Yasseryya) and* more services than the remainder of consolidated LGUs. Of the large independent LGUs, only *Sourief* runs five service units, though two consolidated LGUs has less than three, with the lowest being in *Janata* and *Karmel.* Some LGUs, such as *Bani Zaid*, explained large staff as resulting from LGU responsiveness for local demand for additional services (e.g. ambulance service) that inflated salaries and administrative expenditures (LGU informants #4).

The budgetary analysis of post-consolidation staff patterns shows different effects on staff distribution between administrative and service functions. Table 5.3 indicates that the recent amalgamations had 5 percent less administrative staff than the independent LGUs and 4 percent more than the annexations and older amalgamations, most likely due to service transfer. For the most part, staff distribution was unaffected as no new services were introduced and technical and capacities of retained staff were not modified by training. Moreover, the table refutes MOLG's claim that amalgamated LGUs had *half* the national average ratio of administrative staff to population (MOLG informant #11). The highest ratio of one administrative employee per 1,400 residents was found in recent consolidations, which is 30 percent higher than the ratio in independent LGUs. The ratio was lower in service delivery than in administration except in the smallest LGUs. If the claim held true, this means that the Palestinian policy has disregarded the economies of scale in LGU general functions or service provision and deliberately undermines LGU involvement in service provisions or and intends to building one aspect of institutional capacity, i.e. administration, in order to strengthen LGU accountability to central government. If the administrative and regulatory functions are the reform's major concerns, consolidation must focus on merging medium-size LGUs which already have some capacity in this field while achieving expenditure reduction. It is highly unlikely that a large number of micro-communities

have accumulated a sufficient mass of experience, staff local demand or land registration in their areas. Amalgamations involving only small communities are more likely to need large resources, expertise and time before they can actually assume administrative and regulatory functions.

Table 5.3: Average Number of Staff and Ratios to Population in Services and Administration (2013)

	Av.	Av.	Administration		Services		Population to Staff Ratio	
	Population	Staff	No.	%	No.	%	Administration	Services
2010 Amalgamations	17,742	30	13	43	17	57	1,401	1,024
2010 Annexations	8,511	14	6	43	8	57	1,418	1,135
2005 Amalgamations	6,876	15	6	40	9	60	1,213	737
Independent LGUs	8,538	18	8	44	10	56	1,025	899
≥20,000	20,705	33	14	42	19	58	1,534	1,090
15,000-20,000	16,562	23	11	48	12	52	1,506	1,380
10,000-15,000	11,716	25	11	44	14	56	1,065	837
5,000-10,000	6,600	13	5	38	8	62	1,320	825
≤5,000	2,790	9	5	56	4	44	558	797

Source: LGUs budgets for 2013.

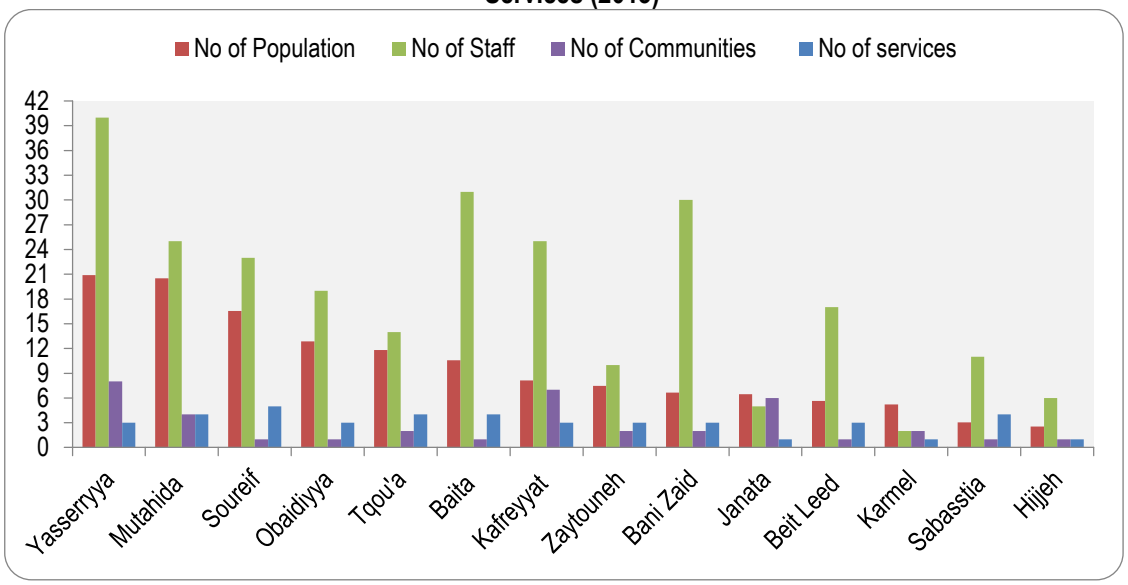
Table 5.3 also shows that the effect of population size on staff number and distribution is more consistent in the independent and small-medium LGUs than in consolidated LGUs. Variations were less common in consolidated LGUs since administration consistently comprised 42 percent of total staff of all 2010 consolidations despite a slightly higher percentage in older amalgamations. In terms of size, LGUs over 10,000 inhabitants had average administrative staff of 42-48 percent which was smaller than the 52-56 percent of staff in service units, administrative staff was either the lowest in villages between 5,000-10,000 inhabitants or highest in those below 5,000 residents. As expected, these LGUs tend to depend on voluntary labour for administrative or service functions more than on formal employment.

Summarising the above three tables, Figure 5.1 generally suggests a positive relationship between population size and human resource capacity in Palestinian LGUs. However, the data reveal inexplicable and sudden staff increases in two consolidated LGUs, namely *Kafreyyat* and *Bani Zaid, and in three independent LGUs*, namely *Baita, Beit Leed* and *Sabasstia.* In these LGUs, staff should have fallen with the drop in total population and number of service units. Neither the number of constituent communities nor distribution of LGU facilities seems to have caused this rise. Staff number was larger in smaller LGUs with lesser population and communities, such as *Bani Zaid* which is comprised of two towns and 7,000 inhabitants, than in larger LGUs such as *Kafreyyat* which has seven constituent communities and 8,000 inhabitants. All consolidated LGUs, including those with two towns, were found to have full centralised administration and services and none followed decentralised or mixed distribution methods

between constituent communities as suggested by Nakazawa (2014). The only possible explanation for the post-reform human resource patterns is that they were influenced by their patterns prior to reform. As the majority of abolished LGUs were run by unpaid volunteers and limited in services, their consolidated successors with micro-communities below 1,000 people currently function with partial staffing and mandate.

The analysis in this section suggests that consolidation tends to increase administrative staff meaning that heavily populated LGUs develop large administrations on the account of service delivery. The next section examines staff distribution over services in order to identify which functions were likely affected by consolidation.

Figure 5.1: Number of LGU Staff by Population (in Thousands), and Number of Communities and Services (2013)



Source: LGU budgets for 2013.

In addition to possessing sufficient staff, balanced resource allocation between administration and services is a measure of LGU responsiveness, capacity and sustainability (Dollery and Crase 2006). Resource distribution between functional units reveals the actual function assumed by each LGU. According to MOLG, provision of land planning, infrastructure and construction-related functions signals the highest levels of technical and financial capacity in an LGU because these responsibilities are vital for LGU functions and communities to be indefinitely assumed by external entities. Therefore such LGUs require capacity building until they fulfil such functions (MOLG informant #9). Since LGUs differ in functions, a breakdown of resources and expenditures indicate which LGUs provide planning/functions services that are critical to local communities, and which ones are the largest spenders and those that are under-resourced.

This analysis found that new and old amalgamations tend to concentrate staff in engineering and waste collection/public health more than in services that the literature dubs as a traditional role of local government in Western states, such as water, education or cultural services (Sharpe 1995). In the sample, Table 5.4 shows that 57 percent of total staff in service units (147 employees) were in five service departments and concentrated in infrastructure (35 percent) and public health (31 percent) rather than in water/sanitation (20 percent), electricity (16 percent), and social/cultural services (4 percent). LGUs tend to involve minimum personnel in social services, mostly central government functions, whereas cultural services were in weak local demand or avoided since they generate insignificant or late financial returns.

Table 5.4: Distribution of LGUs Human Resources in 2013, by Service Unit (Total 147)

	Public Health& waste collection		**Engineering/ Infrastructure**		**Water & Sanitation**		**Electricity**		**Social/ Cultural**	
Sub-sample/LGU	No	%	No	%	No	%	No	%	No	%
2010 Amalgamations	12	13	18	20	3	3	16	18	3	3
2010 Annexations	3	19	3	19	3	19			1	6
2005 Amalgamations	9	20	12	27	6	13	1	2		
Independent LGUs	13	12	17	16	18	17	7	7	2	2
≥20,000	9	14	13	20	3	5	10	15	3	5
15,000-20,000	3	13	3	13	2	9	2	9	1	4
10,000-15,000	4	12	7	21	9	26			1	3
5,000-10,000	27	23	27	23	12	10	10	8		
≤5,000	2	12			2	12	2	12	1	6
Total	**45**	**31**	**50**	**35**	**31**	**20**	**24**	**16**	**6**	**4**
Average/LGU	**3.2**		**4.1**		**2.2**		**2.2**		**0.4**	

Source: LGUs budgets for 2013. Infrastructure is inclusive of school rehabilitation.

In many countries, improving the quality and distribution of social welfare is a major motive for consolidation and decentralisation reforms (Kjellberg 1985, Martins 1994). Developing the LGUs as infrastructure planning and regulation bureaucracies is an objective of consolidations that aimed at industrial development and regional economic planning, as was the case in Japan and Canada (Mabuchi 2001, Schwartz 2009). Infrastructure development helped LGUs to mitigate opposition or de-amalgamation (Murray 2005). In the Palestinian case, consolidation lacked decentralisation and social welfare components. Priority was given to local infrastructure and vital services in under-served populations to bridge disparities between constituent communities rather than to developing LGUs and staff capacity for direct service provision. External assistance was geared to supplying management systems and infrastructure the necessary for LGU

administrative functions. Social welfare functions at the individual level remain the responsibility of the extended family system, and the state in areas such as basic health and education.

5.1.2 Staff Satisfaction and Attitude to Consolidation

The findings stress that in order to reinforce policy acceptance by staff of abolished LGUs, the Palestinian consolidation policy paid full attention to staff retention and salary equalisation and none to strengthening retained staff skills or hiring sufficient human resources with appropriate knowledge and a skill range necessary for operating effectively. Policy opposition due to the perception of consolidation as a threat to job security is a recurrent theme in the public empirical studies (Abu Odeh and Al-Ma'ani 2006, Strebel 2014), which contradicts the view that economic efficiency justifications that occur only at the expense of human resources. Efficiency arguments assert staff are a barrier to LGU efficiency, regardless of the abolished LGUs were under- or over staffed, unless staff surplus is eliminated and streamlined into an efficient organisational structure. Many studies (Schwartz 2001, Sorenson 2010) disproved of the argument that staff are important actors in reform success or that their staff reduction was temporary (Slack and Bird 2013). In some contexts new organisational structures and professional management methods have occurred after reform (Sancton 2000), while other consolidated LGUs face persistent difficulties in merging organisational cultures and governance tools The later study also concluded that new recruitment in consolidated LGUs tends to involve highly skilled labour to compensate for lack of in-house managerial expertise in large area management and accountability function (Slack and Bird 2013).

Although the financial documents contain little information on personnel qualifications and distribution between constituent communities, LGU informants stated that the majority of staff were local residents, except for certain positions, and skewed toward larger communities mainly because of pre-reform staffing and the scarcity of expertise in smaller villages (LGU informant #10). MOLG informants denied community bias in recruitment decisions when its staff managed LGU affairs during transition. Newly elected councils considered candidates' gender and town of residence in the final selection for the purpose of effectiveness, cost reduction or compensation for community underrepresentation in elected councils and staff. MOLG informants also stated that despite potential backfire, employment was used to bolster councillors' popularity and personal allies among direct communities and electorates (MOLG informant #8). For some LGUs, local and familiar staff (e.g. utility meters readers) were necessary to facilitate accessibility to households that for cultural reasons dislike home visits from non-local staff. Conversely, social

stigmatization of certain functions (e.g. waste collection) lead to the appointment of non-locals. In other cases, women were preferred to ensure accessibility to both genders and low staff turnover given men's preference for employment in district centres. Nevertheless, high competition means that LGU jobs are perceived as prestigious in rural areas if not the only opening for educated (women) engineers and accountants in small towns (LGU informants #5, #7).

In addition to salary equalisation, LGUs stated that employee satisfaction increased because staff of abolished councils became eligible for participation in capacity building activities. The study found no evidence of specific training programs for consolidated LGUs prior to or after consolidation. Although new job descriptions were not issued, some informants (LGU informants #13, #16) felt that staff quickly adapted to increased workload and helped build competencies and restore cooperation. Pending overall restructuring, certain responsibilities were assigned with the purpose of minimising senior staff conflict and competition. According to MOLG, consolidation unintentionally had positive psychological effects, because staff saw potential for professional advancement municipalities more than in village councils in addition to benefiting from larger material capacities such as modern equipment and complex projects (MOLG informant #9).

5.1.3 Personnel Share of Revenues and Expenditures

Personnel costs as a percentage of operating expenditure is considered a measure of LGU financial health and sustainability, despite disagreement on what constitute a good percentage in complex organisations like local governments (Dollery and Crase 2006). According to MOLG, salaries comprise between 70-80 percent of expenditures in small and medium LGUs and between 40-50 percent in large municipalities (MOLG informant #6). Although the consolidation literature is more concerned with administrative personnel and expenditures as one indicator of efficiency in government functions, this section addresses the effect of consolidation on salaries in administration and services. The findings of this analysis confirm that personnel expenditure in the newly consolidated LGUs corresponded roughly with the lower end of the above estimations, while individually varied depending on the amount of external funding received as an incentive to consolidate. The section concludes that in order for the new consolidations to be able to maintain a low percentage of personnel expenditures, without impacting service level, external resources must be maintained at the same or higher levels.

This study has previously shown (Section 5.1.1) that the rise by 16 to 26 percent in total staff expenditure in the 2010 consolidations was due to the unification of local government salary

scales rather than caused by salary equalisation following consolidation. Table 5.5 further shows that payrolls in the 2010 consolidations consumed about half of actual income and between 41-55 percent of actual expenditure in 2011-2012. In comparison, salaries in older amalgamations and independent LGUs still comprised the lion's share of income (94-96 percent) and total expenditure (60-70 percent) thus indicating weak service expenditure. In the 2010 consolidations, 30-40 percent of expenditure was on services, supplemented by external resources. This is the only logical explanation for the low portion of payroll of revenue that could only have resulted from increase in income that compensated for staff and salaries increases. To be able to expend 50 percent of their budgets on development expenditure, the 2010 consolidations must have had access to substantial financial resources that the independent LGUs and older amalgamations did not. The financial situation of the later suggests that amalgamation increased LGU staff without increasing its income. This finding concurs with similar results on fiscal outcomes of amalgamation (Blom-Hansen *2010*), particularly in multi-purpose LGUs in rural areas (Vojnovic 2000b).

Table 5.5: Percentage of Staff Costs of Actual Revenues and Expenditures (2011-2012) in NIS[33]

Sub-sample	Total Cost (million)	% Cost in the Sample	Total Rise (million)	% Cost Rise	Av/ LGU (million)	Av Person/ Year	% of Actual Operational Expenditures	% of Actual Income
2010 Amalgamations	4.98	35	0.77	2	1.77	27,645	55	49
2010 Annexations	0.76	5	0.62	8	0.38	23,895	41	50
2005 Amalgamations	2.71	19	0.59	4	0.90	30,066	71	96
Independent LGUs	5.74	41	0.38	7	0.96	26,808	61	94
≥20,000	3.63	26	-5.75	-0.2	1.81	27,908	49	46
15,000-20,000	1.37	10	0.10	8	1.37	29,686	87	254
10,000-15,000	3,36	24	0.28	8	1,20	26,240	46	64
5,000-10,000	5.08	35	0.16	3	0.73	29,219	88	116
≤5,000	0.75	5	0.04	5.8	0.04	21,981	156	250
Total Sample	14.18	100	0.58	4	1.01	26,259	59	69

Source: LGUs annual budgets for 2011-2012. Actual salaries are inclusive of all employee entitlements.

Table 5.5 suggests that Palestinian LGUs below 10,000 residents are generally unable to finance payrolls from local resources, although some large LGUs may exceed their incomes. The first observation implies that establishing local bureaucracies in LGUs below 5,000 is financially unstable, whether these LGUs are independent or consolidated. This is evident in the absence of institutions in such communities prior to reform, which is one justification for reform. Individually, Table 5.6 shows that even large LGUs, such as *Sourief* with17,000 residents, may not have

[33]Since there is no Palestinian currency, LGU budgets are prepared in New Israeli Shekel (NIS) which is equivalent in value to AUD 0.3.

realised revenue generation potential due to extremely high utility default rates (Section 5.2.3), despite being a large LGU that delivers many services. Other LGUs have derived little income from regulatory function and public transfers because of land registration challenges to tax collection (Chapter 7). According to some interviewees, the service mandate, land taxation status, and public compliance with payment affect annual income of any LGU more than the size of its population (JSCs informant #1, LGU informant #3). *Bani Zaid* and *Yasseryya* are examples of such LGUs in the consolidated sample which had a high ratio of staff expenditure to revenue.

Table 5.6: Percentage of Staff Costs of Actual Revenues and Expenditures (2011-2012), by LGU

No	Total Staff Costs (2011/12)	Cost Variation (2012)			% of Actual Operational Expenditures	% of Actual Income
		Amount (NIS)	% Change	Av. Member /year (NIS		
Yasseryya	1,264,735	201,210	16	15,809	47	89
Mutahida	2,363,218	-206,962	-19	29,540	50	37
Soureif	1,365,543	103,485	8	29,686	86	255
Obaideyya	1,036,124	11,150	2	27,266	48	64
Tqoua'	764,623	61,559	8	27,308	44	50
Baita	1,557,898	205,958	13	25,127	46	73
Kafreyyat	1,348,176	82,560	6	26,964	85	57
Zaitouneh	450,420	20,964	5	22,521	76	70
Bani Zaid	2,015,019	26,259	3	33,584	75	123
Jannata	240,438	11,322	9	24,044	46	43
Beit Leed	1,029,970	18,053	3	30,293	104	114
Karmel	-	-	-		-	-
Sabastia	584,160	38,468	7	26,553	61	90
Hijjeh	163,200	2,400	3	13,600	44	57

Source: LGUs annual budgets for 2011-2012

In terms of annual staff cost and average salary per employee, in 2012 *Mutahida* spent the highest amount of NIS 2.36 million on 25 employees, whereas *Bani Zaid* had 30 employees who received the highest salary average of NIS 33,584 in the sample. An exceptionally high salary average could also be influenced by several factors including better personnel quality (e.g. qualifications and expertise), higher municipal ranking corresponding to a complex organisational structure, and the degree of LGU compliance with the financial bylaws in terms of employee entitlements, and the mode and duration of employment, and the LGU rank that determine salary levels. According to MOLG informant #8, pensions pose little risk to consolidated LGUs including oldest amalgamation (i.e. *Bani Zaid*) and *Mutahida* which is only responsible for part of the transferred electricity staff entitlements[34] whereas most consolidated LGUs employ relatively young graduates, except for engineering, planning and infrastructure departments which

[34]The *Administrative Bylaws* extend public pension to LGUs, except for transferred electricity staff. Services were transferred share in stocks and profit shares and 50% of pension (municipal firm informant #1).

command the highest salaries. Since nine LGUs in the sample have the same rank, they share similar structures and salary brackets meaning that staff expenditure differs depending on staff distribution between LGU functions and units. The effect of consolidation on the organisational structure is addressed in Section (5.3). The following section examined LGUs financial resources patterns which are also related to LGU mandate and structure, both of which are impacted by the consolidation policy.

5.2 Financial Resources

Strengthening LGU financial capacity is understood in this research as the development of its financial management system and practices and the broadening of its revenue base. This section expands on some earlier findings regarding administrative and service expenditures, and discusses the research results on the question of whether consolidation helped build LGUs capacity through increased resources and reduced liabilities and dependence on government transfers. The analysis of LGU budgets shows that the spending structure and capacity of LGUs in the sample closely matched their revenues. Income and expenditure increases observed in a few consolidated LGUs were due to governmental transfers and policy incentives to the new consolidations. Since the performance of old amalgamations remained relatively stable, it could be argued that consolidation has either had transitory effects on capacity which disappeared since, or that consolidation has failed to improve their human and financial resources in the long term. The status of older amalgamations suggests that these LGUs have not developed their resources and functions, whether through increased revenue collection and non-retractable income sources and revenues or through specialisation, quality improvement, and addition of new services and functions.

5.2.1 Income, Revenue and Policy Incentives

Minimising dependence on financial transfers from the state is one of the major justifications for local government consolidation encountered in the literature after the 1980s (Martins 1994). Some studies also hypothesised that public transfers contributed to LGUs disinterest in structural and tax reforms (Vojnovic 2000a). In the West Bank, dependence on central transfers and donor funding and LGUs utility debt were the main arguments despite some studies attesting that LGUs have depended on locally-generated income to cover major recurring expenses (Sabri and Jaber 2005, UNDP 2009). The analysis of collected budgets reveals that the share of external resources in the entire sample increased from an estimated 23 to 40 percent which means a reduction of local revenues from 87 to 60 percent. Moreover, consolidation caused a rise in utility

default and LGU liabilities although the total net debt favours LGUs more than the PNA. In other words, LGUs financial situation deteriorated after consolidation which supports the research hypothesis that increasing population size is unlikely to improve LGUs resource base without radical changes to the distribution of tax resources between government tiers.

For the period of 2011-2012, Table 5.7 shows a 20 percent increase in total revenues, from NIS 9.4 to 11.3 million. Within two years, revenue rose by 16 percent in the 2010 amalgamations; remained stagnant in the annexations, but grew the fastest growth in the older amalgamations (33 percent) and in the independent LGUs (26 percent). This means that consolidation has the least effect on revenue growth. In terms of population size, revenue decreased by 26-33 percent in LGUs with above 15,000 inhabitants while they increased by 25-121 percent in small and medium LGUs under 15,000 inhabitants. In terms of amount, the largest LGUs over 20,000 inhabitants and the 2010 amalgamations collected from NIS 7.8 to 10.2 million, which is equal 30-50 percent of total revenues. Although the revenue peak in LGUs with 5,000-10,000 inhabitants is difficult to explain, two positive relationships seem at work: once with amalgamation when revenue is measured by percentage of increase, and another time with population size when measured in dollar value.

Table 5.7: LGUs Actual Revenues 2011-2013 in NIS million

	Actual Revenues 2011-2012 (NIS million)						Estimated 2013 (million)		
	Total	2011	2012	% Variation	Annual Av./ LGU	% of Sample	Total	Av. / LGU	% Var. from 2011-12 Av.
2010 Amalgamations	10.2	4.7	5.5	16	1.7	49	10.6	3.5	93
2010 Annexations	1.5	0.8	0.8	0	0.7	7	1.4	0.7	132
2005 Amalgamations	2.8	1.2	1.6	33	0.5	14	2.9	1.0	92
Independent LGUs*	6.1	2.7	3.4	26	0.2	30	5.6	0.9	122
≥20,000	7.8	4.5	3.4	-24	2.0	38	9.2	4.6	74
15,000-20,000	0.5	0.3	0.2	-33	0.3	3	1.3	1.3	26
10,000-15,000	5.3	2.2	3.1	41	0.9	26	4.5	1.5	140
5,000-10,000	6.1	1.9	4.2	121	0.5	30	4.7	0.8	187
≤5,000*	0.9	0.4	0.5	25	0.2	5	0.6	0.3	290
Total sample	20.7	9.4	11.3	20	0.74	100	20.3	1.5	103

Source: LGUs annual budgets for 2012-13. *Exclusive of the 2013 estimates for *Sabasstia*.

Budgeted revenue suggests the trend to continue into 2013, with an average rise of 103 percent for the entire sample. Highest expectations were for LGUs below 15,000 residents, while 75 percent of the annual revenue of 20 million was anticipated from consolidated LGUs. The 2013 figures seem over-estimated for the following reasons. First, it is unlikely for annual incomes to double in two consecutive years without considerable expansion of revenue-generating activities,

prices and fees, or external funds. Secondly, three new amalgamations could not raise NIS 21 million in 36 months, while the other 11 LGUs would collectively generate 19 million. Finally, chronic deficits and consumer default have long been reported (e.g. Signoles 2010; UNDP 2009; Mekki 2005). Budgetary over-estimates are probably linked to LGU expectations of eternal financial support upon community acceptance of consolidation. Even in this case, infrastructure projects would not have caused to 500 percent increase in total annual income.

Analysis of the historical financial performance of local government supports this study hypothesis that LGU income sources are likely to be the least affected by structural reform than by functional reform and/or external resources. Table 5.8, contrasts the budgetary estimation with another study (Signoles 2010) which reported that, in the OPT, 90 percent of municipal income up to 2007 was derived from direct local revenue and 10 percent from public transfers and external funding. The pre-2007 financial data show that construction permits contributed 23 percent of total LGU income followed by and local and (business) taxes which contributed 20 percent then by utility resale which generated 16 percent. Financial data collected for the study sample indicate that local revenues decreased in the period of 2008-2012, while external resources, i.e. tax transfer and project funding, comprised 28 percent of total income.

Table 5.8: Distribution of LGU Actual Income by Source (2007-2013)

Source	Study Sample (N=14 LGUs)		Municipalities (N= 25 LGUs)
	% Actual Income (2008-2012)	% Estimated Income (2008-13)	Reported Income[35] (2007)
External Sources:			
Tax transfer/project funding	28	17	10
Other (loans, donations, etc.)	12	6	17
Local Sources:			
Building permits	16	28	23
Local business tax	14	13	20
Local property tax	2	3	14
Rental of LGU goods	7	6	16
Utilities (electricity & water)	21	27	NA

Sources: LGU approved budgets for (2008-2013). 2007 figures are excerpted from Signoles (2010, page 29).

Some of MOLG's informants stated that tax transfers were few and irregular so 2010 entitlements were only settled at the end of 2013 financial year. Donor funding has no fiscal effects on LGUs because they are mainly dedicated for infrastructure projects rather than budget support or investment (MOLG informant #3). However, utility resale yielded 21 percent of LGU annual cash

[35] Singoles' statistics are averages for all municipalities, excluding major cities. The 2008-2013 figures are largely based on performance of 12 municipalities and 2 village councils and actual expenditures for the previous 3 years.

income and was the second major source of liquidity after construction fees and local taxes other than those collected by the PNA. Although permits and local taxation income share rose from 7 to 32 percent, the capacity of most LGUs to benefit from this income source is constrained by technical weakness, lack of land registration, low construction and small economic sector in small rural areas. Such challenges are impossible to resolve during transition which implies that incomes will not rise independently from an increase in building permits and utility bills which, in turn, are unlikely given the small size of these residential communities.

In this study, analysis shows a higher percentage of external resources in Palestinian recent consolidations than indicated by the five year aggregates in Table 5.8 above. Overall, Table 5.9 shows that PNA transfers and donor projects contributed about 40 percent of all revenue in 2011-12, whereas utilities, services and other fees were second providing 34 percent and local taxes provided approximately 16 percent. By deriving 60 to 90 percent of income from local resources, these LGUs are not dependent on the public transfers as is often claimed by the PNA even though these transfers are part of the centrally-collected local taxes rather than from the state's own resources. Where no property taxes are levied, LGUs receive fuel tax and transport transfers (Mekky 2010), hence the low share of external resources in older amalgamations and independent LGUs, which ranged from10 to 25 percent of LGU income.

Table 5.9: Percentage of LGU Revenue in 2011-2012 (Total: NIS 20.4 Million)

	2010 Amalgamations	2010 Annexations	2005 Amalgamations	Independent LGUs	Total Sample
PNA transfers/donors	54.8	52.0	10.2	25.4	39.6
LGU Fees	12.0	10.3	16.8	22.1	15.6
Utilities & service fees	10.7	19.1	16.8	30.4	18.0
Local taxes	12.6	0.4	38.8	13.3	15.7
Returns on assets	0.6	-	-	0.1	0.3
Fines	3.7	5.2	3.2	5.5	4.2
Local donations	5.7	9.0	14.1	3.2	6.3
Loans	-	4.0	0.1	-	0.3

Source: LGU budgets 2011-2012

Generally, the lower the proportion of external resources in an LGU, the greater the level of autonomy and functional capacity. By international standards, that Palestinian LGUs finance 50-90 percent of expenditure from local sources negates the financial dependency argument of consolidation. The average of 40 percent in external resources in the study sample indicates that Palestinian LGUs generally receive less governmental support than the average provided to South African LGUs and more than that received by Australian local governments. In Australia,

local governments receive 20 percent of revenue from higher tiers while states receive 55 percent from federal support. Some indigenous councils depend entirely on grants from higher tiers where most land is freehold or unrateable (Aulich *et al* 2014). In South Africa, infrastructure and equalisation grants comprised on average 58 percent of LGU income while 20 percent were locally-generated, and 19 percent came from borrowing (Fjeldstad and Rakner 2003) In the USA, local revenue ranged from 59 to 73 percent of income received by municipalities and between 50 to 75 percent in special districts and general-purpose governments (Huddleston 2005).

It can be said that Palestinian LGUs have narrow 'service to property' functions (Dollery and Crase 2005), i.e. road, water, waste collection but no health or education, without mandate over property or any major tax (e.g. income, sales or corporate). Nonetheless, they are more self-financing than local governments in industrial economies where an average of 50 percent of local revenues come from taxes, 20 percent from user charges and 30 percent from transfers from higher levels of government (Twomey 2013). On this basis, external resources equal to 25 to 55 percent of income to multi-functional LGUs fall within the normal range of financial assistance without harming sustainability unless transfers were temporary heavily conditioned and expenditures were rigid. The challenges to reliance on local taxation and public transfer for local government finance in the OPT appears to be widespread in developing countries where local government income is constrained partly by low local taxation, due to difficulties in taxing common land, and partly by centralised taxation or unequal redistribution. The financial and political costs of land administration reforms usually invoke recommendations for states to shift focus from land/property taxation to income and corporate taxation to be shared and redistributed through public expenditures and transfers to local government (Fjeldstad and Rakner 2003).

The study also found that external funding to consolidated Palestinian LGUs during transition was in the form of temporary incentives, i.e. special grants to secure community acceptance of reform through in-kind projects and to assistance to help each LGU shoulder transition costs within up to five years after consolidation. No institution provided monetary estimates of actual policy costs and none was concerned with budget preparation or tracking implementation costs to policy-makers and LGUs, a cost that was seen as a "non-loss but an investment in LGUs infrastructure and sustainable systems" (MOLG informant #3). Nevertheless, some informants put the total cost of consolidation policy at USD 60-80 million, including LGU elections-related costs, of which 45 million were dispersed during 2011-13. Estimates shown in Table 5.10 are inclusive of direct allocations from the PNA, MDLF-mediated donor funding and other local projects directly

implemented by non-profit organisations. Moreover, partial data in LGU explanatory notes to approved annual budgets revealed that the five consolidated LGUs collectively received 11 million which increased the actual support to 13 percent of the costs of LGU projects completed in 2012-13. Of this support, 7.5 million was comprised of PNA transfers and 4.8 million worth of institutional development and infrastructure projects from five donors[36] (MOLG informant #4).

Table 5.10: Support to Consolidation Policy by Funding Source and Purpose (2011-2013)

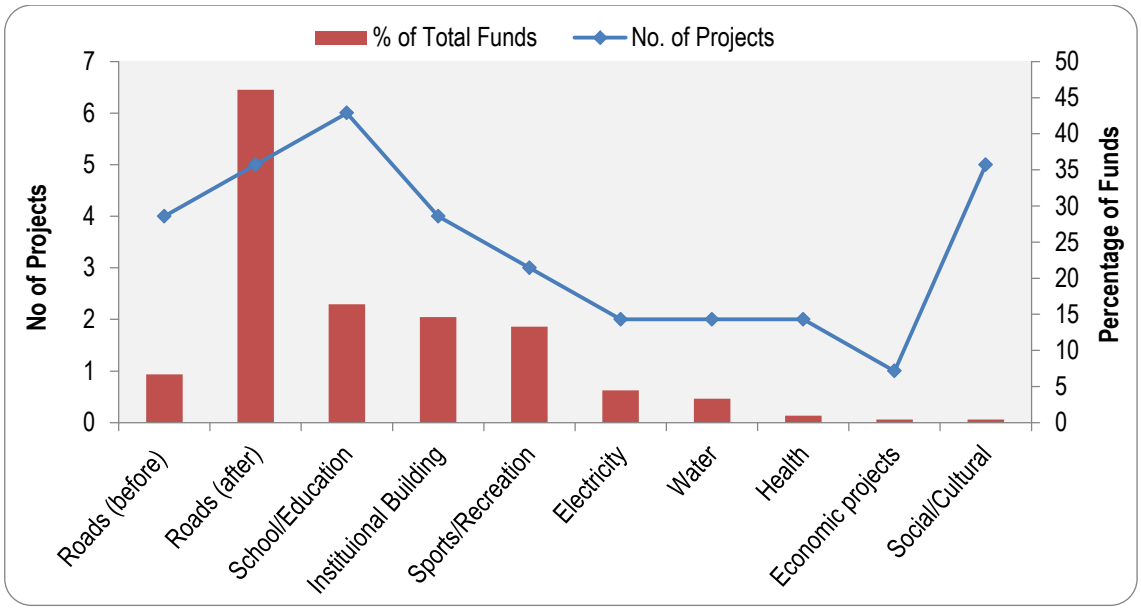
Source		Amount/LGU	Type	Purpose
PNA	MOF	NIS 1-1.5 million	Cash	Annual budget support to amalgamated LGUs for 5 years (2011-15).
		NIS 50,000	Cash	One-time budget support after annexation
	MOLG	Varies by LGU	In-kind	Municipal equipment and furniture
Sponsoring Donors	MDLF-mediated	Euro 40-300,000	In-kind	Criteria-based infrastructure allocations
	NGOs-mediated	Varies by LGU	Cash	Youth participation projects
	Consultancy costs	USD 15-100,000	In kind	Physical/strategic plans, aerial photography manuals, training, equipment,
	Direct support	Varies by LGU		furniture, supplies, software, educational trips.
Other Donors	MDLF-mediated	Varies by LGU	In-kind	Infrastructure, training or equipment
	Direct	Varies by donor	In-kind	Infrastructure projects, utility meters
	NGOs-mediated	and project	Cash	Community projects, public consultation, cash for work / unemployment programs

Source: Interviews with LGUs and MOLG staff.

The recent consolidations hadno discretion over spending the awarded financial incentives during transition. Until new councils were elected between October 2012 and June 2013, the PNA transferred NIS four million to three amalgamated LGUs, *Kafreyyat, Mutahida*, and Yassereyya, expended only upon MOLG's approval. In addition, donors simultaneously and directly spent NIS 3 million on infrastructure projects that did not go unnoticed by constituent communities of these LGUs. Given the uneven development of communities in multi-constituent LGUs, Figure 5.2 shows that the policy incentives were modest and insufficient to show substantial benefits for communities in exchange for consolidation. Nearly half of project support of NIS 2.075 million (i.e. USD 0.65 million) was used for typical donor projects: opening and asphalting nine roads and five sport/recreational facilities worth USD 600,000, or NIS 1.8 million, intended to encourage social interaction between communities.

[36] The main policy sponsor is Denmark while infrastructure projects and material assistance were provided by technical cooperation agencies of Belgium and Japan, the World Bank and CHF International. As of late 2014, the last two had ended support to amalgamated areas (MDLF informant #2).

Figure 5.2: Project Support to Amalgamated LGUs (2009-2012), (34 Projects, NIS 4.81 Million)



Source: LGUs approved budgets (2011-2012).

Furthermore, LGU institutional building activities, excluding training, accounted for 16 percent of LGU project support income, while 15 percent went to construction or expansion of six schools. Electricity and water projects received between 3.3 and 4.6 percent and health, cultural or economic projects were a rarity. These percentages are congruent with informants' perceptions of the improvement in infrastructure and deterioration of utilities after consolidation (section 5.3.2). Not only road and school construction consumed more than 70 percent of total project costs, their fast implementation and improvement in physical conditions were visible to local communities. On the contrary, improving water or electricity supply and network conditions at a large scale was extremely difficult to undertake in a short time, particularly after service transfer.

Regarding the distribution of incentive funds and projects which totalled 30 infrastructure projects worth NIS 4.51 million in 2011-2012, this analysis finds a huge discrepancy was found in the support received by the five consolidated LGUs in the various districts. On one hand, three consolidations in the southern districts (*Yasseryya*, *Karmel* and *Tqoua'*) were collectively allocated five projects and 37 percent of total funding, while two amalgamations in the north (*Mutahida* and *Kafreyyat*) benefited from 26 projects and 63 percent of funding. Subsequently, each southern LGU and community received on average 12 and 3 percent of total funding, respectively, compared to 32 and 6 percent for northern LGUs and communities. Of all amalgamations in the sample, *Mutahida* was the largest recipient with 2.25 million and 22

infrastructure projects, whereas *Yasseryya* was awarded one project and the least funding estimated at 11 percent. In comparison, annexations received small public transfers or donor support. Available support was not distributed equally, or proportionally, according to population size and number of communities under each LGU. In MOLG's view, unequal fund distribution was unintentional, resulting partly from donor's approach and length of involvement with each LGU and partly from insufficient preparation and failure to take into account lessons learned from 2005 amalgamations *(*MDLF informant #2*)*. Interviewed representatives of donor agencies affirmed two different funding approaches. The first approach deliberately funded infrastructure development and construction of joint facilities both were conscious strategies to promote amalgamation (e.g. *Mutahida*). The second approach favored funding full functional integration prior to voluntary amalgamation, complemented with investment in planning and LGU institutional building after consolidation *(e.g. Kafreyyat)* (donor informants #1-2). Paradoxically, the two LGUs that received the most and those least supported were both the most adamant opponents of consolidation. Some focus groups were inclined to perceive pre-consolidation projects as the fruits of abolished LGUs labor, and post-consolidation projects as the price of consolidation (focus group #1). One informant considered donor projects as a compensation for asset loss (LGU informant #16). The link between policy incentives and policy opposition is discussed further in Chapter Six.

Irrespective of the amount of incentives, the effect of the policy on financial capacities may be better understood through analysis of LGU post-reform expenditure patterns that manifest the ability to augment LGU incomes and/or create sustainable resources that substitute for income lost from service transfer without negatively impacting services or creating additional expense to consumers. Given unpredictable governmental transfers and legal barriers to borrowing and tax decentralisation, LGUs are at serious risk of illiquidity particularly where local revenue is weakened the community ability and willingness to pay. If for whatever reason 40 percent of Palestinian LGUs are indeed dependent on the PNA and utility revenues, informants from the Association of Local Authorities anticipated that the withdrawal of either or both sources will most likely lead to financial collapse or inflation of service costs to residents. (APLA informant #1),

Interpreting what builds institutional capacity must address LGUs financial viability beyond the transitional period (Razin 2012, Reilijan *et al* 2013). In the PNA's opinion, the reform's overarching fiscal goals do not necessitate immediate expenditure reduction, but rather the adoption of stronger collection mechanisms forcing LGU simultaneous adoption of unpopular financial policies and stringent enforcement of legal codes. Long-term financial sustainability must

be built around diversification of revenue base, the modification of the public services basket, efficient management of available resources and services, strategic planning and modern organisational structures.

Whether the recent consolidations have lasting effects on LGU financial resources after transition is overshadowed by the question of stable income for all local governments. Informants generally doubted PNA fiscal capacity to create new fiscal windows, such as grant schemes or redistributive fiscal transfers from national budget in the near future. MOLG informants argued that revenue must revolve around linking property construction and use to a municipal tax system (MOLG informant #3). Some consolidated LGUs are concerned with identifying new or alternative income sources locally. Only one consolidated LGU informed the researcher of plans to improve and diversify resources through commercial lease of municipal assets and construction of revenue-generating facilities in each constituent community, if approved by donors (LGU informant #14). Interestingly, the LGU in search for additional funding was the same LGU that reported a substantial rise in monthly revenue from building permits and fines despite public default and boycott. Nevertheless, no interviewed LGU claimed capacity for assumption of decentralised governmental services and functions such as civil affairs functions (e.g. registration of births, deaths, marriages and divorces) supposing that the PNA can decentralise the civil register that remains under tight Israeli control. Some interviewees doubted that the possibility of new fiscal windows or grant schemes aimed at redistributive fiscal transfers. In reality, LGUs were hopeful that consolidation may bring a steady stream of donor funding, unlike some experts who suggested that donors better improve LGU credit worthiness with banks and national agencies, contribute to LGU-led local economic investment projects or facilitate networking and twinning with other cities worldwide. According to informants, those are the last recourse for improved LGU financial status in the absence of state support and decentralisation (planning expert #1, donor informant #2).

Having discussed the effect of consolidation on LGU staff numbers, quality and costs, the remainder of this chapter investigates whether consolidation has affected LGU expenditure and service levels differently. Assuming that LGU services remain constant, consolidation would expect a reduction in administrative and service production costs, measured in per-capita spending rates and economies of scale in service provision. However, assessment of policy impacts often stress that consolidation can have different effects on LGU spending, meaning that post-reform expenditure may increase, decrease or remain constant in any given function (Aulich

et al 2014). The expenditure hypothesis investigated in this research is that spending in consolidated Palestinian LGUs is likely to increase at least due to creation of new bureaucracies; the need for service harmonisation between communities, and the possibility of reallocation of efficiency savings particularly from administrative costs. Improvements in LGU financial resources may also increase expenditures unless resources are reallocated to debt repayment.

5.2.2 Administrative and Service Expenditures

With regard to LGU total expenditures, the results of budget analysis show that LGU expenditure patterns were identical to the income patterns identified in the previous section. Table 5.11 shows that the 2010 amalgamations and the largest LGUs were the largest spenders in 2011-2012 and the only LGUs that achieved operating surplus. Three amalgamated LGUs managed to spend 40 percent of total expenditures of NIS 22 million and achieve total savings of NIS 1.17 million. The least spending was observed in the new annexations and the smallest LGUs which spent only 13 percent of total expenditures in the sample. This is expected since the new amalgamations received the largest share of external funding.

Table 5.11: LGUs Total Expenditures (2011-2012) in NIS

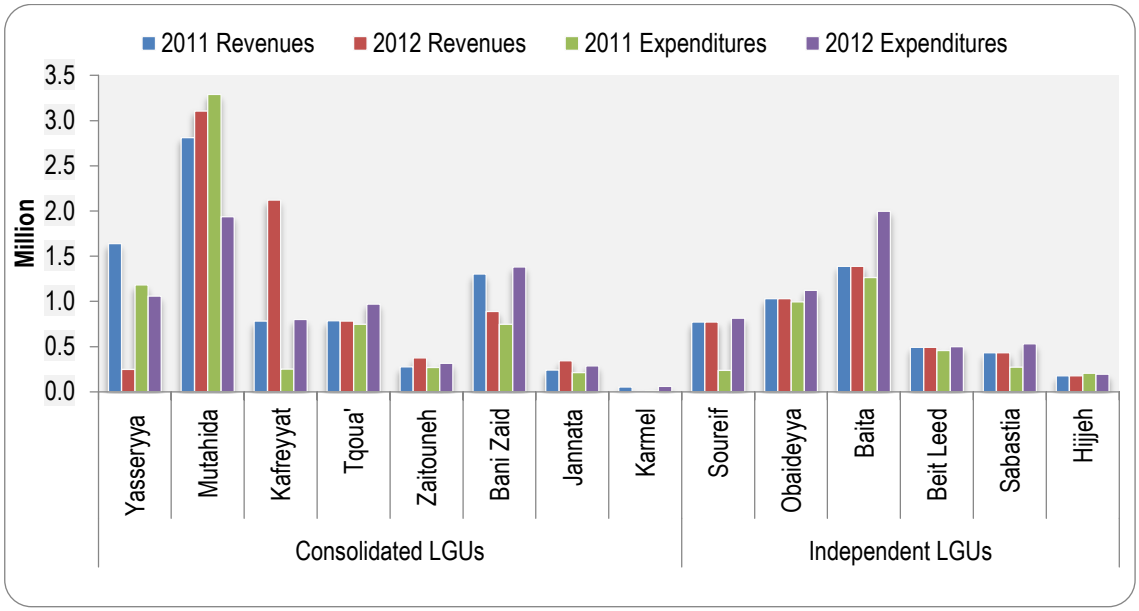
	Expenditure		Average Expenditure /LGU (million)	Per-Capita Expenditure (NIS/Person)	Actual Revenue (million)	Surplus/ Deficit (million)
	Total (million)	% in Sample				
2010 Amalgamations	9.03	40	3.01	182	10.2	1.17
2010 Annexations	1.86	8	0.93	109	1.26	-0.6
2005 Amalgamations	3.10	14	1.03	151	2.83	-0.27
Independent LGUs	8.34	37	0.82	163	6.12	-2.22
≥20,000	7.45	33	3.73	180	7.82	0.37
15,000-20,000	1.58	7	1.58	96	0.54	-1.04
10,000-15,000	3.72	17	1.86	105	2.87	-0.85
5,000-10,000	8.24	37	1.37	210	8.23	-0.01
≤5,000	1.33	6	0.67	238	0.94	-0.39
Total Sample	22.33	100	1.60	119	20.40	-1.93

Source: LGUs approved budgets for 2011-2012. Expenditure figures are inclusive of infrastructure projects.

The lowest per-capita expenditure of NIS 96 was found in the annexations and LGUs with 15,000-20,000 inhabitants. The lowest per-capita rate does not necessarily indicate economies of scale in total LGU functions because another relatively low rate of NIS 105 was also found in LGUs with 10,000-15,000 residents. External funding, or lack thereof, did impact per-capita expenditure; however, the doubling of per-capita expenditure in the largest LGUs may not indicate diseconomies of scale. To investigate if a relationship exists between population size and LGU expenditure in the 2010 consolidations, Figure 5.3 shows different performance patterns in

each of the three amalgamations. The general increase in 2012 expenditures across the sample can be explained by salary unification whereas annual policy incentives of NIS 1.0 million per LGU had clearly improved revenue in the new amalgamations.

Figure 5.3: LGUs Total Annual Revenues and Expenditures (2011-2012) in NIS Million



Source: LGUs Approved Budgets for 2011-2012

The important question, however, is what might have caused the abrupt reduction in both revenues and expenditures in the largest amalgamations while they continued to rise in the smallest. Clearly, the differences in financial performance could not be explained by consolidation and poor financial planning but rather by some abnormal developments. According to an internal evaluation report (MOLG 2013), the consolidated LGUs received less external support than pledged particularly following local protests and PNA fiscal crisis which suspended tax transfers to local governments such as *Bani Zaid* where income dropped by 30 percent. Moreover, public boycott of consolidated LGUs has also reduced their revenues while available resources were diverted to settle pre-reform liabilities.

A report by the State Auditors (2013) confirmed revenue losses and expenditure gains in the 2010 amalgamations. Despite its focus on inspecting the extent of MOLG's compliance with legal procedures in LGU abolition and creation, the report reflected on LGU post-reform financial performance. The report found a reduction of 13-15 percent in LGU expenditure and revenue reported in the first year after amalgamation, including a 25 percent (NIS 571 million) reduction in

revenues collected from one constituent community, i.e. *Beit Awwa*[37] which was attributed to public default and opposition to consolidation. Moreover, *Kafreyyat* financial losses because no returns were received in 2011-12 on land leasing contracts to telecommunication firms that the abolished village councils in *Kafr Abboush, Sur* and *Kur* concluded before 2010. Although amalgamation decisions provide for transfer of liabilities and rights of abolished LGUs to their successors, a report by the State Auditors (2013) notes that such stipulations were difficult to enforce on the private sector. The report also explains salary expenditures by special allowances made to MOLG's caretaking staff during transition despite the prohibition of double-dipping for public servants and by large unbudgeted spending in *Mutahida* immediately prior to dissolution of LGUs in the consolidated communities (State Auditor 2013).

The aforementioned findings on accelerated spending before amalgamation and increased liabilities after reform is also reported for some amalgamations in Denmark, Canada and Sweden (Schwartz 2001, Jorhdal and Liang 2010, Blom-Hansen 2010). Public default on utilities and taxes encountered in Palestinian and Jordanian amalgamations are an unexpected outcome which has not been reported elsewhere. Although they seem to be specific reactions to reform imposition in certain social and political contexts, public default may cause long term financial and political implications on LGUs in addition to being a sudden financial shock to LGU operational capacity, and relationship with the local communities. While consolidated LGUs are often shielded from shock by several forms of financial assistance, the Palestinian policy has not prepared for the possibility of interruption to governmental and donor aid or for public refusal to pay. Even if compliance is enforced by judicial or other direct coercion methods, the popular legitimacy of the consolidated LGUs is still in question until it is fully accepted by the local communities. This means that local acceptance surpasses all other institutional capacities that policy seeks to improve and the most important capacity to be maintained and strengthened.

Concerning expenditure distribution, Table 5.12 reports that spending patterns in 2008-2012 and show an increase in administrative expenditures and the tendency for infrastructure to dominate service expenditures, particularly in amalgamations. While Signoles (2010) reported that the largest spending areas before 2007 were public health (35 percent), administration (32 percent) and public works (29 percent), analysis of LGU budgets for 2011-2012 reveals a rise of 10 percent in administrative expenditure compared to a reduction of 10 percent in public health

[37] Informants' input on donor funding and financial status of constituent communities could not be verified from LGUs budgets which used aggregated figures for all communities.

spending, despite covering several services (e.g. water, solid waste, pest control, and other services). However, public works, which covered electricity infrastructure, roads, retaining walls and the like remained stable at 28 percent, indicating that external funding available for infrastructure projects (i.e. LGU development budgets) did not change over time. Combined spending on school maintenance and cultural/social service remained below four percent. Since most LGUs do not provide (waste) water, electricity, civil defence, museums or libraries, their actual scope of functions was narrower than legally stipulated and expenditure patterns were skewed to capital-intensive, infrastructure-related tasks which permeate all spending areas. In some respects, administration is also capital-intensive because of staff salaries and other, usually non-revenue, operational costs.

Table 5.12: Percentage of LGU Expenditures by Function (2007-2012)

	Administration	Public health	Public works	School rehabilitation	Cultural/ social Service
2010 Amalgamations	41.2	23.7	32.2	1.8	1.0
2010 Annexations	45.5	22.3	23.5	5.4	2.8
2005 Amalgamations	42.2	35.5	20.2	0.3	1.8
Independent LGUs	43.7	15.7	37.9	2.3	0.4
Total sample	43.2	24.3	28.5	2.5	1.5
Budgeted (2011-12)	38.0	40.5	19.0	2.3	0.1
Reported (2007)	32.2	34.7	28.7	4.1	0.3

Sources: LGU approved budgets for (2008-2013). 2007 figures are from Signoles (2010:31).

In all subsamples, administrative costs increased steadily over time to an average of 43 percent, and fluctuated by five percent from budgeted levels, higher than planned, and grew the fastest albeit at comparable levels. Distribution of spending between administration and services mirrors distribution of human resources between these general areas, as previously indicated in Table 5.3. However, public works utilised most resources in independent LGUs (38 percent) and new amalgamations (32 percent) owing to the large number of communities, populations and land areas, even though more expenditure seems warranted for rehabilitation of the many schools in these areas. The predominance of public health and works expenditures in older amalgamations (56 percent) could be triggered by size or with maturity of the LGU which means old LGUs usually assume more functions than LGUs established after 1995.

The modest value of LGU expenditures emerges when spending is measured against population size, indicating either underspending or efficiency. Table 5.13 points out that total per-capita expenditure rose by 6 percent, from NIS 87 to 92, i.e. the equivalent of USD 27-30, whereas per-

capita administrative expenditure dropped by 19 percent; from NIS 43 to 35. The new amalgamations lowered per-capita administrative expenditure by 43 percent and total expenditure by less than one percent, although LGUs with over 20,000 inhabitants reduced total per capita expenditure by one-third. This means that recent amalgamations, which were also the largest, namely *Yaserreyya* and *Mutahida,* respectively, had the most substantial expenditure reductions, triggered by service transfer and reduced revenue in this period, as reported earlier in Table 5.7. Nevertheless, recent annexations and LGUs between 10,000-15,000 inhabitants showed the lowest average per-capita expenditure rates estimated to NIS 25 in administration and double this rate in total expenditure.

Table 5.13: Per-Capita Expenditures by Reform Type and Population (2011-2012), in NIS

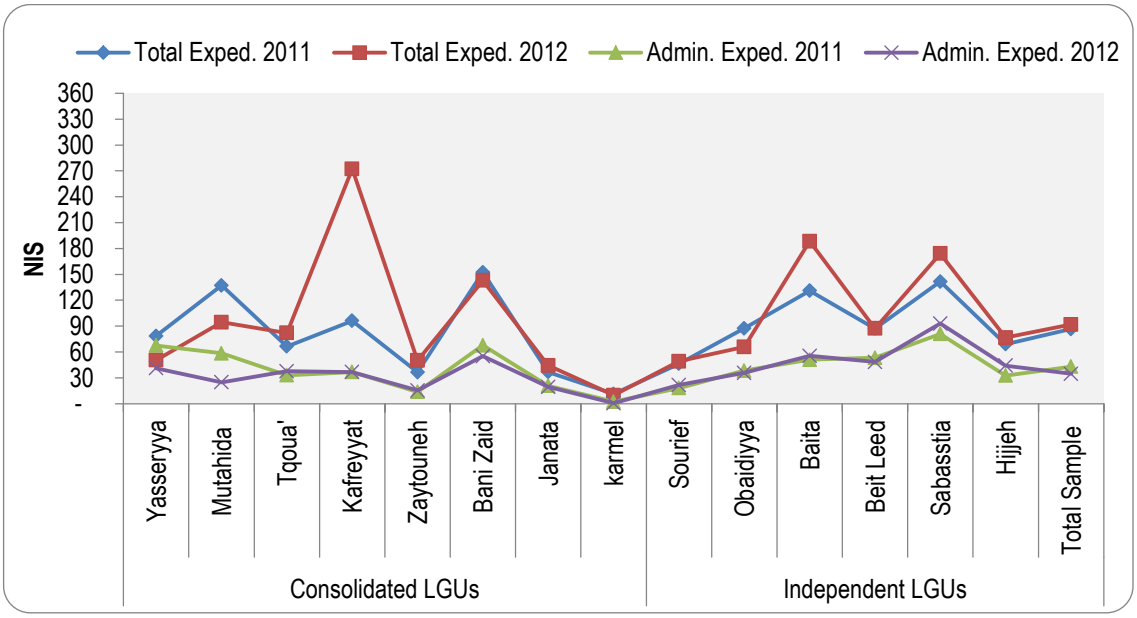
	Per-Capita Administrative Expenditures				Per-Capita Total Expenditures			
	Av.	2011	2012	% Variance	Av	2011	2012	% Variance
2010 Amalgamations	46	59	34	-43	105	106	105	-0.6
2010 Annexations	25	24	26	11	55	50	60	21
2005 Amalgamations	32	33	30	-12	76	74	78	6
Independent LGUs	39	38	41	6	90	85	95	11
≥20,000	48	63	33	-48	90	108	72	-33
15,000-20,000	20	18	22	19	48	46	49	6
10,000-15,000	41	40	42	5	101	93	108	16
5,000-10,000	32	33	30	-9	91	72	110	53
≤5,000	65	59	71	20	120	109	130	20
Total sample	39	43	35	-19	90	87	92	6

Source: LGUs approved annual budgets for 2011-2012.

Per-capita spending could not be lowered without reducing services to a bare minimum or their elimination. In under-serviced areas, including consolidated LGUs, communities expect LGUs to address under-supply and improve quality, costs and distribution which implies that LGU expenditure is more likely to increase when resources are forthcoming. In order to test whether expenditures rates were influenced by population size, per-capita expenditure rates in Figure 5.4 are presented separately for the consolidated and independent sub-samples, ordered in descending population size in each subsample. None of the samples show a U-Shaped curve between expenditure and population size in either sub-sample. On the one hand, per-capita administrative expenditure remained stable in all independent LGUs, except for slight increases in 2012 rates in *Hijjeh* and *Sabasstia* which are at the smallest end of the population spectrum. The largest LGUs, i.e. *Baita* and *Sourief*, show least fluctuation in per-capita administrative spending, and seem to confirm the hypothesis that large population size reduces per-capita administrative expenditure. The data also suggest that LGUs below 6,000 inhabitants, i.e. *Beit Leed*, *Sabasstia* and *Hijeh,* were the least efficient because they displayed the highest expenditure rates in the

independent LGUs. The constant variation in total expenditures between two sub-samples in 2011-2012 deters from suggesting any population size as for an overall economies of scale.

Figure 5.4: Annual Variation in Per-Capita Administrative and Total Expenditures (2011-2012)

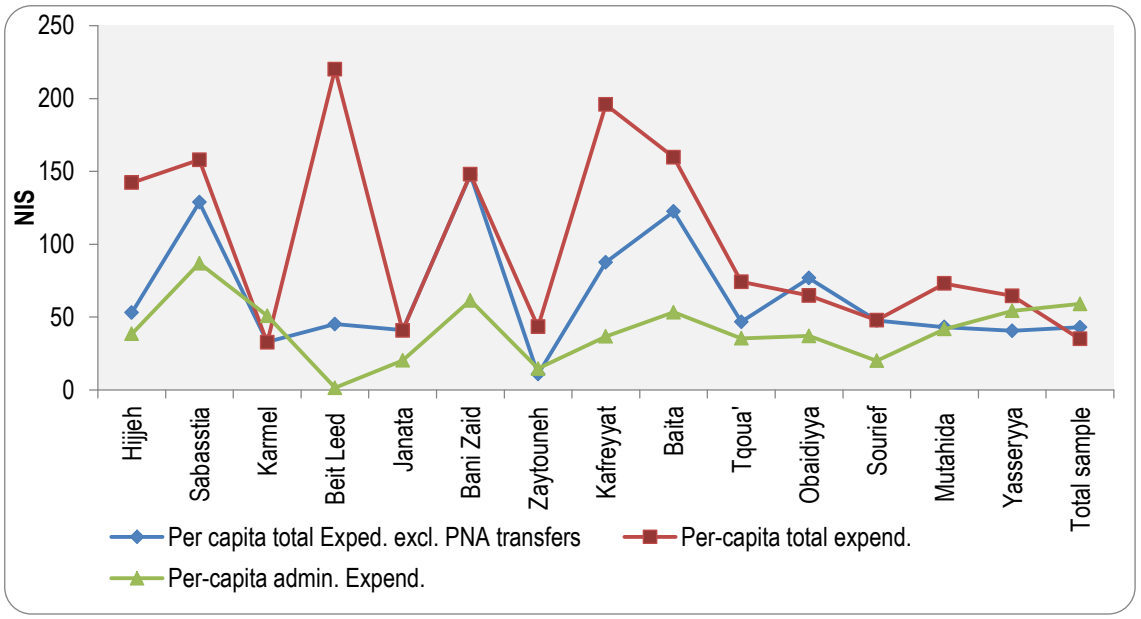


Source: LGUs approved budgets for 2011-2012.

In both years, per-capita administrative expenditure also dropped with population reduction in the consolidated LGU sample, which entails reduced efficiency. This is in contrast to the economy of scale literature which hypothesised a negative relationship between population size and per-capita administrative costs. The number of constituent communities does not seem to have an effect as the highest ratio in all eight consolidations was found in an LGU with two constituent communities. It is possible that the rise in per-capita rates was caused by other external factors, such as population density and land area, although it is difficult to assess without information on the exact residential areas included within each community. Finally, the regularity and amount of external resources may be influential although also cannot be judged as entirely responsible for the fluctuation in per-capita ratio. The deduction of NIS 8.1[38] million from the total of 25 million expended in 2011-2012, the per-capita ratios would fall to NIS 68 and 50 in both years, respectively, causing a reduction by 21-45 percent in per-capita total expenditure ratios. Although controlling for PNA transfers will cause total expenditure ratios to plummet, particularly in LGUs over 10,000 people, it would not significantly alter overall or administrative spending patterns or result in U-shaped curve or in an inverted U-shaped one, as presented in Figure 5.5.

[38] LGU budgets show that 7 LGUs received NIS 10.65 million in 2011-2012. *Bani Zaid*, *Janata, Obaideyya* and *Karmel* received no support. *Soureif* and *Zaytouneh* received one payment each with a combined total of 0.5 million.

Figure 5.5: Per-Capita Total and Administrative Expenditures (2011-2012) by Ascending Population



Source: LGUs approved budgets for 2011-2012.

All in all, Figure 5.5 shows that the relationship between population and per-capita expenditure in Palestinian LGUs is not linear, but rather exhibits individual nodes of sharp rise and fall and does not resemble a u-shape curve before or after reform. In other words, there is no indication of what might constitute economies of scale in administration or the capital intensive function usually assumed by Palestinian municipalities. In the five LGUs above 11,000 inhabitants, i.e *Tqoua'* to *Yasseryya*, both per-capita spending ratios fluctuate in medium and large LGUs that provide between one and five services. The hypothetical inverse correlation between per-capita expenditure and population size was not supported in the study sample though it concurs with the viewpoint that local revenues are essential for LGU spending, which differ from one context to another. However, external factors may bear more on LGUs spending capacities, directly and indirectly, such as the amount of external funding, liabilities and compliance of service consumers and tax payers in LGU jurisdiction.

5.2.3 LGU Liabilities

Local government liabilities emerged as an important issue in budgetary analysis. Policy-makers considered LGU liabilities, particularly utility debt, a major factor underlying service transfer and consolidation in 2010. MOLG informants generally stated that consumer default is widespread in LGUs with direct service provision. In MOLG's opinion, utility default does not only show the

extent of LGU political weakness vis-à-vis defaulting communities but also LGU inefficiency in revenue collection and lack of transparency in spending collected revenues. Thus, LGU consolidation and service transfer to semi-public firms aim to improve utility distribution[39] and reduce Palestinian liability towards Israeli service providers, estimated to comprise nine percent of PNA's internal and external debt[40]. Indirectly, consolidation aims to improve LGU financial status through reliance on other sources (MOLG informants #3, #9).

According to other informants, the consolidation policy integrated debt-free with heavily indebted communities within the same LGU, which casts doubt on claims that communities were selected for consolidation on the basis of population size only. For example electricity default rate was estimated to 85 percent in *Beit Awwa*, the largest in *Yassereyya's* cluster, compared to 10 percent in *Kum* upon their amalgamation under *Yassereyya* (focus group #2). For this reason, policy opposition has been prevalent in small communities that believed that integration with larger communities meant unfairly extending of debt repayment to the debt-free communities. The widespread perception of the negative relationship between population size and liability is consistent with public choice assumptions that LGUs with small population also tend to have low expenditures and liabilities (Sorenson 2006, Mouritzen 1989). This view is also consistent with the empirical findings that economic disparities between LGUs and communities tend to have disincentive effects on public acceptance of consolidation. According to Sorenson (2006), Leland and Thurmaier (2005) and Okamoto (2013), policy acceptance is more likely when citizens of (small) communities perceive the potential for economic, service or political gains from integration within a large LGU.

This section examines changes to LGU liabilities after consolidation rather than investigating whether financial disparity existed between communities at amalgamation. Although some figures were collected during interviews, the reported pre-consolidation debts and surpluses in Table 5.14 could not be validated from the analysed budgets that reported the aggregate liability for each year. For the 2010 amalgamations, the data show a total of NIS two million of transferred surplus and a total of NIS 16.5 million of utility debt (LGU informants #9, #13, #17, #18). If these

[39] Some LGUs and 6 regional electricity distribution firms provide electricity in the West Bank, purchased from Israel supplies (90%) and Jordan (10%). The oldest company dates back to the 1960s whereas the newest was created in 2010 The Energy Sector Reorganisation Law of (2009) and its amendments (2012) prohibit LGUs from direct service provision and enforces a pre-paid meter system. Water is purchased from Israel and distributed through LGUs and only semi-public firm created in the 1960s (personal communication with Energy and Water Authorities).
[40]PNA public debt totalled USD 4.3 billion in 2012 which comprised 38% of GDP. Marginally lower than the maximum of 40% stipulated in the Public Debt Law, forecasts put PNA public debt at 48% of GDP by 2018 (AMAN2013).

figures were true, policy incentives of NIS one million annually over a three-year transition period seem insufficient to settle half of pre-reform debts, accumulated interests, and any future liabilities.

Table 5.14: Pre-Consolidation Surplus and Debt Transferred to Consolidated LGU in 2010

LGU	Community	Surplus	Debt	Utility	Balance
Yassereyya	*Beit Awwa*		14 million	Water	-14,000,000
Mutahida	*Maythaloun*		1.5 million	Electricity	-1,500,000
	Jdaida & Siris		350,000	Water & electricity	-350,000
Kafreyyat	*Ras*	1.5 million	850,000	Electricity	-650,000
	Kafr Sur	450,000	250,000	Electricity	200,000
	Total	**1,950,000**	**16,950,000**		**-16,499,800**

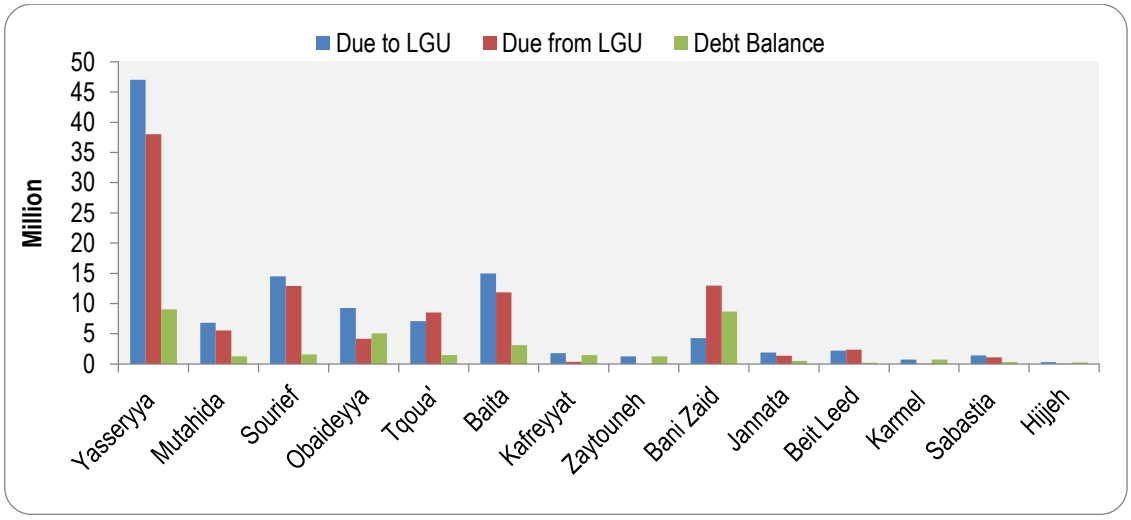
Source: interviews with LGU mayors and accountants

The analysis of post-consolidation debt shows that the largest LGUs tend to display the largest balance of liabilities in the study sample, particularly in *Yassereyya*. Figure 5.9 confirms that small LGUs below 10,000 inhabitants had lower debt than large LGUs between 10,000 and 21,000 inhabitants. In addition, Figure 5.6 shows that all LGUs in the sample accumulated NIS 94 million payable to other agencies, while citizens, the PNA and other sources collectively owed LGUs 114 million. Almost 50 percent of all liabilities originated in new amalgamations and one-third in independent LGUs in addition to a combined 22 percent in older amalgamations and annexations. The study results indicate that public boycott of consolidated LGUs increased consumer default by an additional 16 million debt in 2013 in new consolidations and caused losses equivalent of 80 percent of LGUs actual revenues collected in 2012.

The above findings suggest that consolidation has exacerbated rather than resolved the utility default problem or improve LGU revenues. Contrary to policy-makers' expectations, only one LGU declared improvements in financial management and utility (debt) collection after reform whereas the continued rise in utility default in *Yasseryya* is attributed to public boycott. In *Mutahida,* no utility debt increases were reported since 2010 and a total of NIS 240,000 in revenues were collected from *Siris* and *Jadida* for the first time without waiving their debts. The LGU had total savings of NIS 2 million since October 2012. However, it can be argued that debt decline in *Mutahida* because bill collection and utility debts were passed to the new service providers. By contrast, *Kafreyyat,* which still a major *service provider,* claimed settlement of previous debt through rescheduling without reaching self-sufficiency in terms of operational expenditures. However, the firm's informant admitted incurring NIS 28 million of public default in two years despite imposition of the pre-paid system. To check for these claims, LGUs budget

analysis shows increase by 10 percent in default rates in four LGUs (i.e. *Mutahida, Baita, Sabastia* and *Hijeh*) after electricity transfer, while three direct providers (i.e. *Kafreyyat, Soureif* and *Yasserrya)* reduced their aggregate dues by only one percent. No LGU settled its debts entirely but a reduction of 15 to 40 percent was observed in small and medium LGUs, particularly in *Kafreyya.* However, larger LGUs increased liability from 3 to 12 percent, particularly in *Yasseryya*.

Figure 5.6: LGU Liabilities at the End of 2012 by Descending Population, in NIS Million



Source: LGUs approved budgets for 2012.

Informants from the Association of Local Authorities agreed that utility debt in the major source of local government liability, which was estimated in Table 5.14 at about 90 percent of total municipal liabilities NIS (111 million) caused by low payment rate, waivers to economically disadvantaged families, and service loss due to technical factors (e.g. old network). The same informants estimated the technical loss at 15-20 percent of total unpaid utilities which manifest as a deficit between purchased/billed amounts and actual consumption. While no LGU had a 100 percent collection rate in the past two decades, lack of public transfers (less than two percent) has led to LGUs using collected revenue for operational expenditure. In addition, some studies found that no Palestinian agency, including the Ministry of Finance, knows the exact volume of energy or water purchased from Israel because the Israeli estimates are inclusive of high interest and Israeli consumption at bypass roads, military stations, settlements and illegal posts connected to the shared network located in the Palestinian areas. Other causes were found to be interference with utility meters and unlicensed buildings are illegally connected to the public networks in Area C, Bedouin villages and other micro communities (Hamdan 2012).

Table 5.15: LGUs Accumulative Liabilities at the End of 2012 Financial Year, in NIS Million

		Due to LGU		Due from LGU		Debt
		Amount	%	Amount	%	Balance
LGUs	Amalgamated in 2010	55.7	50	43.9	47	11.7
	Annexed in 2010	7.8	7.4	8.5	9.1	-0.7
	Amalgamated in 2005	7.4	6.6	14.3	15.3	-6.9
	Independent LGUs	40.6	36	27.0	28.8	13.6
	Total	**111.4**	**100**	**93.8**	**100**	**17.6**
PNA	Tax Transfers & other payments	**2,12**	**1.9**	**7.23**	**7.7**	**1.46**
Citizens	Electricity	62	56	48.1	51.3	13.89
	Water	39	34	37.9	40.4	0.81
	Solid Waste	5.4	5	26.0	0.03	5.32
	Local taxes, fees & building permits	2.7	2	-	-	2.68
	Other (salaries, projects, etc.)	0.6	1	0.343	0.40	0.26
	Subtotal	**109,3**	**98.1**	**86.3**	**92.1**	**22.9**
Private sector	Purchases and public works	**0.14**	**0.01**	**0.26**	**0.20**	**-0.21**

Source: LGUs approved budgets for 2012.

For these reasons, LGUs contested the official estimates for utility dues and argued that default exists in PNA agencies, such as governorates, ministerial directorates, police stations, fire departments, schools and even hospitals, all of which are outside the local government mandate. Defaulting individuals were described by informants as high ranking public officials affiliated with influential factions and therefor difficult to pressure through litigation or service suspension. It was further explained that until the pre-paid utility system is enforced nation-wide, defaulters are targeted through a combination of debt rescheduling, partial waivers as incentives, and financial clearance certificates that compel applicants to settle utility and other dues prior to lodging their applications to LGUs and other agencies (LGUs informants #7, #9, municipal firm informant #1). While these methods have partially eased the crisis, they seem to have created a host of new problems and challenges for local governments which is discussed in Section 5.5.

The Palestinian Energy and Water Authorities[41] corroborated the local governments view on debt composition. According to both authorities, the West Bank had NIS 860 million of aggregate water debt and NIS 0.78 billion of electricity debt. The latter is incurred by LGUs (20 percent) and five electricity distribution firms (80 percent) particularly in the central districts (43 percent) and northern (25 percent). The total of NIS 260 million owned by the oldest electricity distribution firm in central districts was distributed between citizen default (44 percent), PNA agencies (18 percent), technical loss/theft (18 percent), other sectors (9 percent) and supplier's interests on

[41]Electricity debt is reportedly rising by a monthly average of NIS 83 million and reached NIS 1.3 billion in January 2014 (personal communication with Energy Authority).

debt (11 percent). The fact that the oldest and the most established firm has such a high default rate suggests that the provider's institutional identity, whether a firm or an LGU, appears unrelated to the default rate and debt size which means that and LGUs are as an efficient manager as firms of delivery as public firms. All communities, whether independent or consolidated will have their share of utility debt whether provided by their LGUs or through the firm. By extension, the default rate is not an appropriate criterion for consolidation because it is only partially related to LGUs financial capacities. That utility debt has become a fiscal and a political crisis is more indicative of serious problems in PNA policy-making and fiscal management since its creation as well as in the underlying economic relations with Israel that allowed Israel control over the collection of major Palestinian taxes.

Finally, the last dimension of financial capacity investigated in this section concerns the effect of service transfer on LGU income in recent consolidations compared to older amalgamations which also transferred major services in the past decade. The study found that service transfer had reduced incomes, expenditures and liabilities. LGU informants mentioned some of the benefits gained by the municipality of *Mutahida*, the only LGU in the sample that transferred public services after 2010[42]. The major financial advantage of transfer was considered relieving the LGU from 50 percent of the transferred staff pensions and the burden of accumulated utility default and interests, estimated to NIS 300 million at the time of transfer. Secondly, transfer agreement granted the LGU a fixed share of profit, estimated to 10-15 percent of the total consumption within municipal jurisdiction, which was estimated on a monthly average consumption of NIS 63,000[43]. However, the equivalent of 7 percent of total consumption was received in 2012. Given that no expenditure was incurred, the actual returns on electricity were deemed as good despite slow disbursement (LGU informant #14). However, the analysis shows that the disbursed amount comprised only 25-41 percent of the LGU electricity revenue in 2011-2012, indicating a loss of at least 58 percent of income. In water services, the LGU stated that these economic advantages are passed on to local populations in the form of uninterrupted water supply at lowest price, estimated to be 50 percent lower than rates charged by direct providers. The municipality is entitled to a share in the firm's annual profits and administrative fees charged to new subscribers to the water network on behalf of the firm.

[42]Within one year of amalgamation, *Mutahida* transferred electricity and water to the Northern Electricity Distribution Company and Water Authority while under MOLG's direct management.
[43] In 2011 electricity revenue and expenditure were NIS 3.1 million and 1.3 million indicating a net profit of NIS 1.8 million in *Mutahida* only.

Despite the technical and financial justifications for transfer, some informants were skeptical of the capacity of municipal firms to resolve utility debt and securing their own economic viability. One informant stated that:

> *As a board member of the municipal firm, I learned that creating any firm out of public debt is a big economic mistake in this economy. So far, the firm had not made any payments to Israeli providers nor was allowed the cut off power from defaulters. This does not mean that LGUs should keep providing electricity. In the long-tem, firms have the advantages of political neutrality to enforce realistic prices and the technical specialisation to upgrade services, enforce public safety and quality standards in network control. Regarding water, I believe, as a mayor and engineer, the water transfer was technically and financially sound. At first, the LGU leased the land/project site and took sole responsibility for the cost of drilling from a 1,530 meters deep well, the deepest one dug since 1967. The high cost of drilling and operations pushed towards accepting offer for operation Water Authority covering all costs: the pump, the drilling, and carrier pipes while supplying other two villages. The town is relieved from such costs and we have leverage on others to help with electricity shortage from their own projects. But the public knows little about the actual costs of public services. The opponents to consolidation say that the town's water was sold while water is a national resource for all Palestinians (*municipal firm informant #2).

Notwithstanding the above view, LGUs recognised that communities are inclined to protest if any provision system does not lead to financial benefits or observable service improvement. Thus, the concept of transfer is acceptable only in retrospect when both LGU and communities have economic advantages than allowed by transfer agreements. According to one mayor;

> *Better financial returns to LGUs will definitely make transfer more acceptable to the public. The current division of labor and profit-sharing agreements with the municipal firms discourage municipalities from accepting transfer of any service even on a trial basis. Worse, LGUs know of no legal way to retrieve their resources if they decide to withdraw from the municipal firm. This makes transfer a permanent sale of assets rather than shareholding as we always thought (LGU informant #1).*

In addition, some informants stated that disagreements emerged early between LGUs and firms over each party's tasks and responsibilities with regard to the cost of localised functions. In one community no street lightening units were installed/replaced for more than a year following transfer. In another community, providers demanded compensation for network maintenance (focus group #1). From the LGUs perspective, new service providers must assume full responsibility for service delivery, including infrastructure maintenance and rehabilitation, which are not LGU functions which explains their funding only from external resources. As the cost of localised public functions of service delivery is shifted to LGUs and residents, firms defy the very purpose behind their creation (LGU informant #18). Providers assert that local functions must remain local responsibilities, including network maintenance and street lightening, which are

legally municipal functions and payable by residents rather than by the provider (municipal firm informant #1).

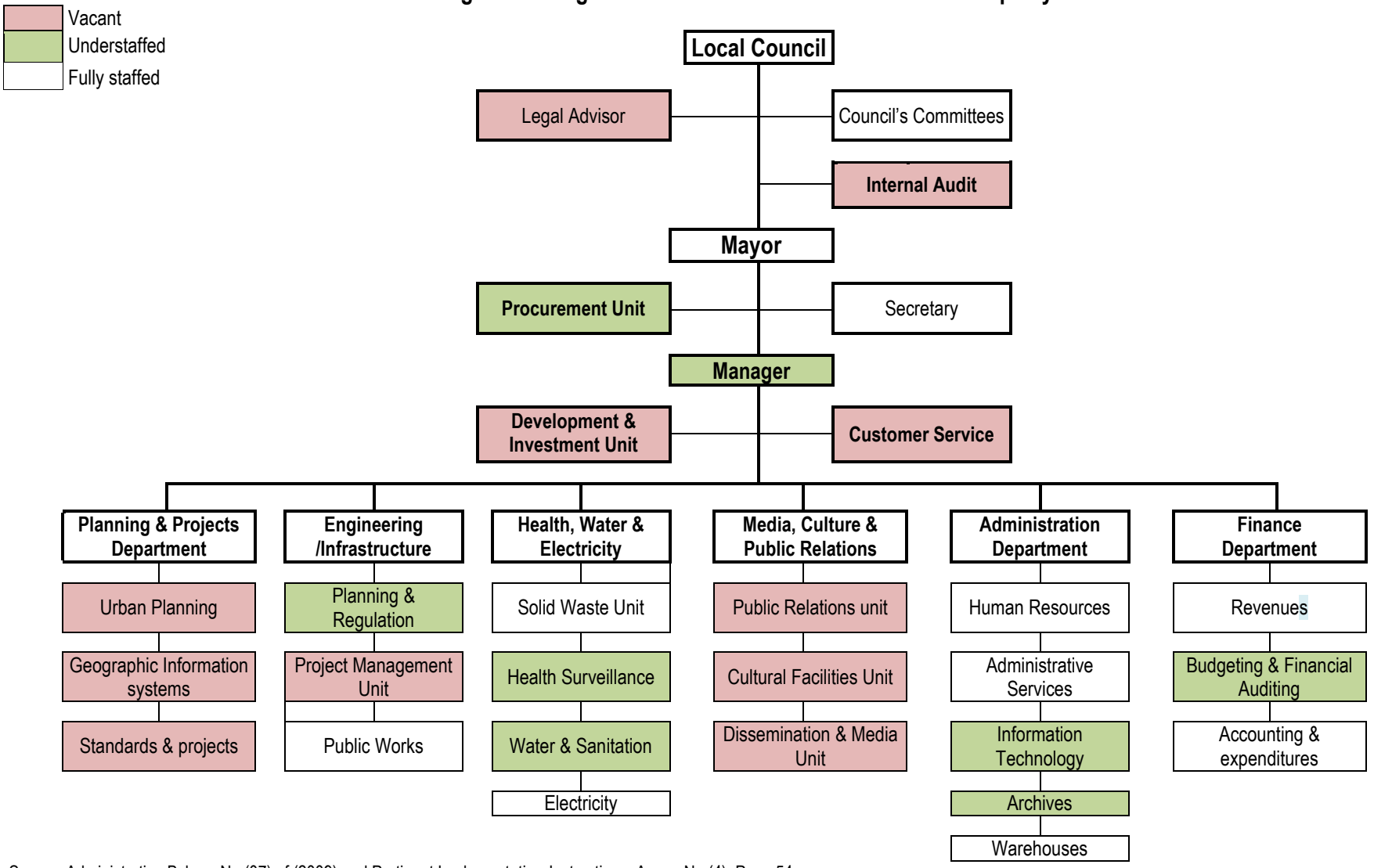
The next two sections look at changes in the internal organisational structure and functions following consolidation. I argue that the imposed structure was too complex for small LGUs to fulfil during transition or anytime in the near future. The financial and technical requirements of this structure undermine LGU responsiveness for service delivery, and hinders participation and accountability towards the public.

5.3. Organisational Structure and Functional Mandate

The study found that most consolidated LGUs have organisational structures and ranks identical to those of the largest community in each cluster. MOLG informants confirmed that, all consolidated LGUs in the study are assigneda rank C municipality regardless of their performance and demographic size. Some informants thought that rank C is an arbitrary designation and incompliant with the present classification system. Some amalgamated LGUs, e.g. *Kafreyyat,* have not fulfilled the population or capacity requirements such as the existence certain services and operational units for customer service, quality control or investment. Where a lower rank was assigned, informants explained that by small population and nascence (e.g. *Karmel* village council) or lack of certain attributes despite a large population. The rank D assigned to *Yassereyya*, despite its large population, was caused by the absence of a unified cost center and accounting software (MOLG informant #8, MDLF informant #2).

Upon examination of actual staff distribution patterns, vacant and understaffed units were found in all new consolidations, especially in highly skilled and specialised technical categories. Vacant and understaffed units are highlighted in the approved organigram included in Figure 5.7. Coupled with weak financial resources and skills, personnel shortages have implications on service delivery and internal efficiency of consolidated LGUs and their strategic capacity to lead local development in their jurisdictions. The inhibitive cost of recruiting additional personnel was repeatedly identified by LGU informants as the major cause of understaffing.

Figure 5.7: Organisational Structure For A Rank C Municipality



Source: Administrative Bylaws No (07) of (2009) and Pertinent Implementation Instructions. Annex No (4), Page 54.

According to local informants (LGU informant #4, #16, #20), the approved structure could not be realised for two reasons: the inadequacy resources at LGUs disposal of consolidated LGUs and the heavy workload from serving multi communities dispersed over a large area. Although LGUs obtained offices and material assistance as incentives to consolidate, external funding has not covered pre-existing or new functions and salaries defined for the proposed structure. Financial constraints created a tendency to fill new positions internally if a suitable candidate was available among redundant staff without necessarily having expertise relevant to the role. In staff mobility, horizontal reassignment was preferable to vertical mobility because the former neither affects employees' classification and remuneration nor creates a need for office space and equipment.

According to the Ministry (MOLG informant #7), a rank C municipality should have six units and a minimum of 35 employees (i.e. a department head plus one employee per unit). However, budget analysis shows that all new consolidations contain an average of 2-3 units and 26 employees, some of which perform duplicate roles. For example, some LGUs run a joint administration and finance unit, whereas none created a special unit for budgeting and internal financial auditing, as required by law, preferring instead to prioritise recruitment for accounting and revenue collection. In contrast, consolidated LGUs lack several departments (i.e. procurement, investment, technology and information management, and planning) but their functions partially undertaken by consultancy firms hired by donors. As a result, redundancy exists in some categories (e.g. accountants and low-skilled labourers) and shortages in others (e.g. planners, engineers, internal auditors) thus making organisational development and resource utilisation less uniform or optimal. Taking into consideration LGU staffing priorities and constraints, MOLG informants estimated the absolute minimum number of personnel to 10 including a mayor and nine full-time employees in critical managerial and service-delivery positions, namely treasurer, accountant, engineer, surveyor, building inspector, electricity re-charging officer, human resource manager, secretary, cleaner/janitor and a municipal manager where the structure includes four or more units (MOLG informant #8).

In the study sample, several modes of service provision were found in independent and consolidated LGUs. An LGU can deliver the service directly or through joint service councils, other providers or functional arrangements within the local government sector[44]. Some LGUs were found

[44] Multiple service provision arrangements were found. Only 3 LGUs in the sample are direct utility providers; 4 LGUs have no utility-related function; 5 LGUs are responsible for bill collection on behalf of providers, including public firms, joint councils or neighbouring LGUs, and 3 LGUs transferred services to municipal firms.

to utilise different modes for different services. Nevertheless, the service provision pattern is reflected in LGU hierarchy and staff distribution between departments. Staff distribution analysis shows that LGUs often run three service units/departments or less in addition to management and administration units. Firstly, a public health unit could be responsible for any combination of environmental tasks, such as solid waste collection and street cleaning, but rarely proper health services such as clinics or ambulances. Secondly, an engineering or infrastructure unit may be involved in land survey, construction licencing and inspection. Thirdly, a public works unit often handles road maintenance, sanitation, and processing applications to utility networks. Depending on population size, water and electricity units could be included under public works or separately undertaking functions from street lightening to meter reading bill collection and network management. However, no LGUs run a department for media, culture and public relation functions relegated to mayors or councillors. The same applies to planning and projects department, often listed as infrastructure and engineering tasks. Mutahida was found to be is the only one with customer services department known as One-stop Shops**.**

In addition, the analysis shows that eight LGUs had ten or fewer staff, including two older amalgamations. This implies that many LGUs were understaffed or unable to raise the needed salaries for the minimum level of human resource, particularly in upgraded village councils. Since most functional units are small or understaffed, few LGU informants acknowledged that staff utilisation occasionally disregards the principle of separation of duties necessary for internal control. For example, surveyors may double as engineers and accountants as treasurers while other may handle technical and managerial functions simultaneously. Therefore, improving skills of existing staff was identified as a vital need although most informants agreed that staff development should have been started prior to reform and well into the future.

According to interviewed mayors, it is not a practical option to merge all independent service units into one department, as proposed by the new structure, except where consolidated LGUs run few services. Instead, centralised planning and quality control were considered more suitable for a joint department. An LGU with multi-constituencies over a large land area needs large service units more than LGUs with a single constituency. In turn, a growing number of staff under a joint unit ultimately complicates the unit's internal hierarchy and effective management. In addition, interviewed mayors expressed the need for investment in tailor-made training, system modernisation and constant funding until consolidated LGUs develop full functional capacity

autonomously and efficiently. These issues were believed to be the main barriers to LGU strategic capacity.

In short, members of the new consolidations subscribe to the view that organisational structure should enable LGUs realise their main objectives rather than be dictated by present limitations to operational capacity and the central government. Structure, resources, and functions therefore need to be coherent and flexible enough to respond to changes in the local conditions. The wide legal mandate of Palestinian local government mandate is being eroded by new legislations and public policies, determined without input from citizens and LGUs in their design, particularly concerning service fees and provision arrangements. The next section discusses the study findings on the public satisfaction of LGU services and performance in consolidated LGUs, in which most constituent communities asserted deterioration in local services and improvement in local infrastructure as a result of consolidation. The results of the citizen survey show community dissatisfaction was triggered by a centralisation of LGU services and rise to service costs of LGUs and municipal firms which assumed provision responsibilities locally in parallel with consolidation.

5.4 Conclusion

My analysis of LGU budgets and respondents' feedback confirmed a few positive changes in the internal elements of LGU structures after consolidation, mostly in LGUs physical infrastructures and equipment. Human resources, however, remained largely constant without improvements in size, quality, or employment mode, while personnel costs generally increased. LGU financial performance was found to fluctuate annually with funding inflows without necessarily increasing or diversifying the revenue base Expenditure reduction was observed only when services were transferred from LGUs to semi-public firms. In terms of public services, there is no indication of post-reform economies of scale, improvements in quality, accessibility and affordability, or debt reduction after transfer of major services by semi-public entities.

This chapter has shown that four major fiscal policies and legislations have interfered with consolidation outcomes: reorganisation of public utility sectors, utility debt reduction, and unification of LGU structure and personnel expenditure. These policies have far reaching effects on the mandate and future financial sustainability of local governments. It also shows that LGU capacity is tightly linked to availability of financial resource least likely to be buildable from within without an enabling fiscal and public policy environment. Taking the outcomes of these policies into account, it

can be concluded that capacity is a function of mandate, and a lesser degree of reform type. Therefore, the results highlight three organisational capacity models in relation to population size and amalgamation, while no significant developments were found in the capacities of studied annexations. In large amalgamated LGUs that continue to provide multiple services, e.g. *Yasseryya*, capacity is developed only in terms of staff numbers and functional range albeit their size in terms of population and area increases their vulnerability to fluctuation in local revenue and/or public transfers. However, large amalgamated LGUs with limited functions have small personnel and relatively large resources in comparison. The major threat to these LGUs is becoming single-purpose regulatory entities detached from the other function of local government, i.e. political representation. Medium-size amalgamated LGUs seem more likely to be able to balance structure, functions, resources, and public satisfaction than the larger LGUs. In all LGUs, the pre-existing capacities of dissolved individual councils were crucial to their current capacity, especially regarding staff availability and lack of financial liabilities.

Furthermore, availability of external resources and financial incentives were extremely critical so were the economic outcomes on public service users which shows that utility reforms failed to strike a balance between efficiency on one hand and public affordability and LGU institutionalization on the other. The next chapter looks into how consolidation affected LGU capacity for representation and democratic participation because LGUs functional and financial capacities are also related to its perceived legitimacy obtained from electoral democracy, democratic civic engagement and continued public satisfaction of LGU performance.

Chapter Six

Local Representation and Democracy

6.0 Introduction

This chapter examines the state of local democracy after the 2010 consolidation to investigate how consolidation has affected local democracy and participation in the study sample of consolidate LGUs. Given the dual roles of local government (Sharpe 1995), the dilemma facing structural reforms is achieving maximum efficiency in service delivery without undermining representation and public participation in LGU decision-making. The empirical studies reviewed in Chapter Three point out that efficiency-democracy trade-offs has generally been substantiated: increasing population size through consolidation tend to result in some efficiency gains in some functions and some loss mostly in local representation and LGU responsiveness which over time leads to a reduction in public participation and citizen satisfaction (Dollery 2010). So far, research had not identified the optimal unit size that guarantees economies of scale in service delivery and in relation to the democratic values of representativeness (Aulich *et al* 2014).

In line with the literature, this chapter present data analysis that explores the main hypothesis that government expenditure, accessibility to representatives and non-electoral democracy are expected to decline after consolidation. Electoral participation is also expected to decrease voting turnout and party competition in local elections. The hypothesis is based on two developments that were reported in consolidated communities in the OPT prior to the field research (Marsad 2012, State Auditors 2013). First several communities participated in the first local elections ever in 2012/13, i.e. after consolidation, indicating that electoral participation may have generally risen from the 2005 elections. Contrastingly, the public boycott of some consolidated LGUs during transition suggests an interruption to non-electoral participation activities during transition. Citizen participation is used here to denote the processes by which public needs and interests are incorporated into LGU decision-making (Hilmer 2010). Therefore, changes in the frequency and type of participation activities will not be investigated assuming that both opportunities for participation and citizens feeling of efficacy have already decreased in new consolidations. The examination of immediate outcomes of the 2010 consolidations in this chapter will be limited to electoral participation and representation levels; whereas the system capacity for participation will be discussed on the basis of 2005 older amalgamations.

The chapter follows the aforementioned empirical lines for investigating democracy outcomes of consolidation from three different perspectives: (i) citizens, (ii) representatives, and (iii) institutional. These communal, representational and institutional perspectives are discussed in the context of data collected from the citizen survey, focus group discussions and interviews with stakeholders and legal experts.

The chapter is divided into five sections: The first three sections address the effect of consolidation on representation levels, government expenditure, and accessibility to elected representatives, LGU administration and services. The fourth and the fifth sections discuss public satisfaction of electoral and non-electoral participation during transition, including participation of women and youth, with reference to electoral participation data for 2012/13 and 2005 elections.

6.1 Post-Reform Representation Levels

In the words of Sorenson (2006), the sure outcomes of consolidation are that they always lead to a reduction in the number of elected representatives and a rise in representation levels, measured by average councillor-to-citizen ratio in comparison to the pre-reform level. In some countries, such as Canada, reducing the number of local politicians was a motive for consolidation reforms (Sancton 2004). This study found that, as a result of dissolving 128 Palestinian LGUs between October 2010 and April 2013, the number of LGUs decreased by 28 percent, from 457 to 329 LGUs, whereas the number of councillors decreased by 26 percent, from 3,802 to 3,505. By 2014, the OPT had 353 LGUs and 4,743 councillors, 93 percent of which are in the West Bank.

The research findings in Table 6.1 show that abolition of 17 LGUs reduced the total number of seats in the study sample by 43 percent, from 211 seats in 2005 to 120 in 2013. The average councillor-citizen ratio in the five new consolidations increased by 85 percent from 474 people per councillor to 830. The data show that seat reduction corresponded proportionally with the number of communities and that the increase in councillor-citizen ratio was proportional with population size. Being the largest in area and population, the 2010 amalgamations resulted in 65 percent reduction in elected representatives and 158 percent rise in councillor-citizen ratio. Despite the addition of four seats to increase the council number to 11, *Kafreyyat* cluster saw a significant reduction of 72 percent in seats and a 250 percent rise in councillor-citizen ratio. By comparison,

the two annexations, *Tqoua* and *Karmel*, were downsized by 33 and 45 percent in seats and councillor-citizen ratios, respectively.

Table 6.1: Changes in LGUs Government Indictors in Study Sample (2005-2013)

LGU	Dissolved	No of Elected Councillors			Councillor-Citizens Ratio		
	LGUs	2005	2013	Reduction	2005	2013	%
Yasserya	3	33	*13*	**-61**	633	1,608	**154**
Mutahida	3	31	*13*	**-58**	661	1,577	**138**
Kafreyyat	7	47	11	**-72**	180	624	**246**
Tqoua'	1	21	13	**-35**	591	909	**54**
Karmel	1	12	9	**-25**	434	578	**33**
2010 Amalgamations	13	111	37	**-65**	491	1,270	**158**
2010 Annexations	2	33	22	**-33**	513	744	**45**
2005 Amalgamations	-	39	39	**-**	1,249	1,586	**34**
Rejected Amalgamations	2	31	22	**-29**	996	1,334	**34**
Other Independent LGUs	-	46	46	**-**	625	795	**27**
Total Sample	**17**	**211**	**120**	**-43**	774	1,146	**47**

Source: CEC documents on local elections 2004/5 and 2012-2013.

These findings partially explain the concentration of anti-consolidation protests in amalgamated clusters with the greatest losses of seats, especially in communities at both ends of the population spectrum. According to focus group feedback, each town lost at least one seat, which meant that a faction, a family or both must have lost a position of prestige and power where such positions are scarce by default (focus group #2). Yet, seat loss inadequately explains why policy opposition was stronger in *Yasseryya* than in *Kafreyyat* and generally weaker in annexed communities than amalgamated communities or why families were more avid opponents than political factions.

The number of constituent communities grouped together and their relative demographic weight may offer more plausible explanations to policy opposition patterns than seat loss. It is likely that different stakeholders estimated their losses and benefits differently. Informants from political factions stressed that small consolidated towns had lost most seats to communities of larger populations, however, factional opposition was inconsistent in the amalgamated areas because the reduction in the total number of LGUs offered opportunities to some factions and threatened others with under-representation or exclusion (factional informant #2). Some informants confirmed that seats reduction was also substantial where an LGU involved several constituent communities. According to informants from MOLG, older amalgamations were met with least opposition because each LGU integrated a fewer number of constituent communities with less population disparity. In

their opinion, seat loss was insignificant due to the fact that most communities were practically unincorporated despite being represented by project committee prior to amalgamation. In contrast, the latest amalgamations abolished long-established councils and combined several communities of different population sizes and densities under a single LGU of vast territorial jurisdiction (MDLF informant #1).

Representation size in the study sample averaged 12 councillors and 1,850 person per councillor and council costs averaged 4.9 percent of LGU total revenue. Palestinian policy-makers have not perceived the cost as excessive or the reduction in council size as drastic and leaving insufficient opportunities for representation. MOLG informants maintained that a reduction by 20-30 percent in one consolidation wave was customary in many European countries including those with small-size LGUs such as Sweden, Norway Belgium and Greece. Few reforms had reduced the lowest tier of government by less than 20 percent, as was the case in Bosnia and Latvia. In terms of the seat number, the consolidated councils were assigned the maximum number of seats allowable by election law, which is based on population size. The number of seats in Palestinian LGUs range from seven to fifteen elected representatives which is also identical with the European average (MOLG informant #3). According to Purdam *et al* (2010), the number of elected local representatives in Europe ranges from eight to fourteen in most Scandinavian countries an average costs of 1.2 percent of annual revenue. The largest are found in UK (49 seats) and Sweden (100 seats of which 50 percent are elected). The OPT average of 830 to 1,600 people per councillor falls within the European average ratios in Purdam's study, which estimated electoral ratio to 300 people per councillor in the most fragmented systems and 2,500 people per councillor in the most concentrated systems. The dominant view among MOLG and LGU respondents was that augmenting council size would increase government costs, complicate decision-making and decrease citizen trust, whereas specific ratios and formulae may complicate local elections and further inequality and dissatisfaction among communities and social groups in consolidated areas.

According to Tiley (2010), determining the number of seats on the basis of population size means over-representation in small government units, particularly in fragmented systems. Nonetheless, a small number of representatives does not necessarily result in low quality participatory democracy, as hypothesised by Dahl and Tufte (1973) who argue that enlarging electoral boundaries of government units inhibits democratic government within each unit. Both Tiley (2010) and Purdam (2010) tend to view electoral ratios an indicator of equity between units without indicating the optimal number of councillors. For both authors, efficiency of councillors depends on many other

factors, particularly the roles of councillors and the extent to which the government system considers democratic engagement a core value and an integral part of policy-making. These factors are also relevant to councillor remuneration and frequency of engagement with consistencies although the number of elected representatives and their expenditure may be indicative of LGU autonomy more than of government efficiency.

6.2 Government Costs

The analysis of councillor expenditures in the study sample shows several discernible patterns suggesting that the effect of size is more consistent than that of consolidation. First, the reduction in government expenditure after consolidation is found only in relative measures, i.e. per-capita terms and as a percentage of total LGU expenditures, rather than in total spending amounts. The relative measures are positively related to population size, except in LGUs between 10,000 and 15,000 inhabitants, and to reform type where the new amalgamations have lower government costs than the new annexations. Thirdly, mayors' remuneration in the new consolidations is lowest than in independent LGUs and older consolidations. Finally, the 2005 amalgamations exhibit the highest spending in both relative measures which suggests that consolidation increases government costs in the long term, thus supporting conclusions that efficiency savings tend to be transient and reversible. The results also suggest that low expenditures must not be conflated with either high efficiency or low quality of government.

At first glance, Table 6.2 shows that annexations could be described as the most efficient LGUs and reforms. This group had the lowest average expenditure of NIS 170 thousand and was slightly higher the 2010 amalgamations in per-capita rate. The latter group had the least average per-capita expenditure rate of NIS 15, they had the highest average spending per LGU (NIS .25 million) and the second total expenditures of NIS 0.75 million. By comparison, independent LGUs had the lowest percentage of government costs of total expenditures (5.3 percent), the second lowest average spending per LGU (NIS 172,000), and the highest per-capita rate. In terms of per-capita expenditure, the new consolidations appear the most effective with the least per-capita rates of NIS 15-18 and between 5.5-6.5 percent of expenditure whereas in terms of population size, LGUs above 15,000 inhabitants are the most efficient with government costs constituting between 4.5 to seven percent of expenditures and per capita spending between NIS 12-16.

Table 6.2: Government Costs in Study Sample (2011-2013), in NIS Thousand

	Costs (NIS thousand)		% of Expenditures	Per-Capita (NIS)	Per Mayor NIS (thousand)		Per Councillor (NIS)	
	Total*	Av/LGU			%	Month	%	Month
2010 Amalgamations	750	250	5.6	15	49	6.06	51	338
2010 Annexations	300	150	6.5	18	66	5.44	34	312
2005 Amalgamations	663	221	8.5	32	59	3.65	41	129
Independent LGUs	1,035	172	5.3	20	71	3.86	29	70
≥20,000	515	257	4.5	12	36	6.92	64	240
15,000-20,000	258	258	6.7	16	56	4.36	44	88
10,000-15,000	689	230	15.0	19	69	4.81	31	66
5,000-10,000	999	167	8.9	25	60	3.68	50	133
≤5,000	233	117	9.0	42	95	2.82	10	10
Total Sample	2,694	192	5.89	22.6	60	5.30	40	212

Source: LGUs approved annual budgets 2011-2013. *Inclusive of payments to appointed mayors and/or care-take committees during transition.

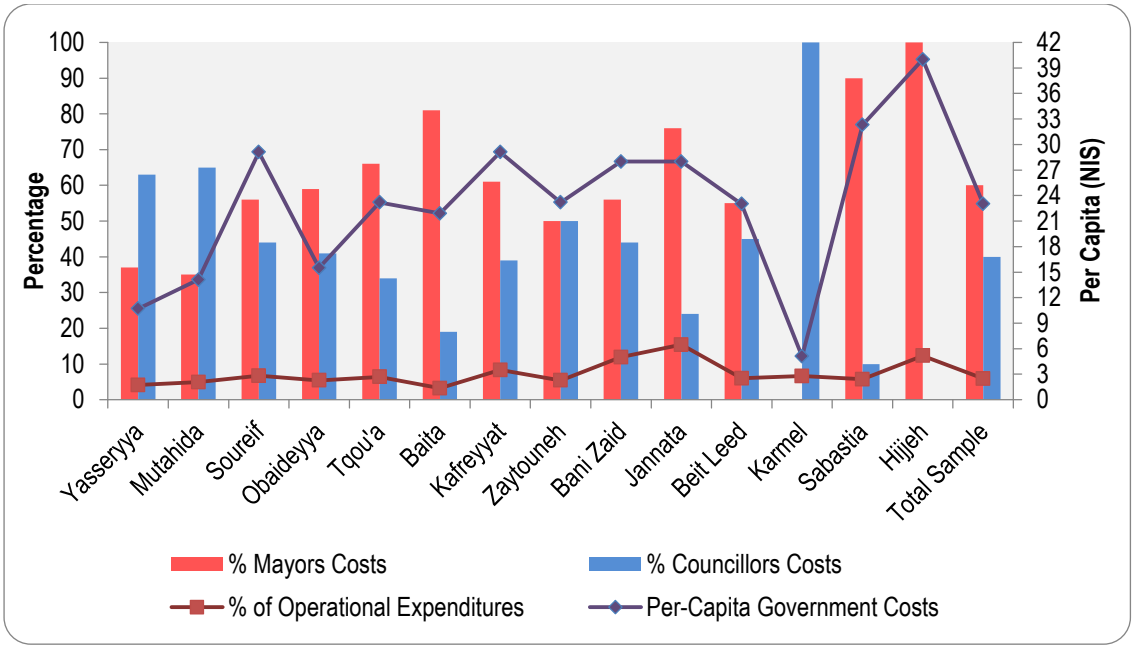
Total spending on councillors in consolidated LGUs were found to have increased from the previous years and redistributed between mayors and councillors compared to the rest of the sample. In Table 6.2 monthly payments averaged NIS 6,060 per mayor and NIS 338 per councillor in the 2010 amalgamations, the highest rates in the sample. In contrast, independent LGUs expended the least amount on the largest number of councillors (66 persons averaging NIS 70 person/month) and the second lowest on mayor remunerations. As expected, councillor share of costs is tiny even with the maximum of Nis 1,000 allowed by the new legislations. Councillors' contribution is largely voluntary, despite attempts from the 2012 Administrative bylaws[45] to incentivise councilor through a higher rate system based on LGU ranking and frequency of council sessions.

However, the 2010 consolidations reversed cost distribution patterns between mayors and councillors seen in amalgamated areas, thus may be considered more cost-efficient than amalgamations in the long run if measured by total monetary spending rather than by percentage of recurrent expenditure and per-capita spending. The variation between LGUs government cost structure is also evident in Figure 6.1. In terms of councillor costs, *Yasseryya, Mutahida*, and

[45] Pursuant to Articles (1) to (3) of the Bylaws on Salaries for Local Authorities' Heads and Members Allocations (2012), council allocations are population-based Monthly mayors' allocations range between NIS 3,500 and 11,000, increasing by an increment of 2,000 for each of the 5 municipal ranks (D through A+). Each councillor is entitled to 50-400 NIS for a maximum of four weekly sessions per month and NIS 25-200/member for a maximum of two monthly meetings per committee. In total, allocations range between NIS 75 and 375 per member/month. In small villages (≤2,500 residents), rates are set at NIS 250-1,000 for a mayor and at NIS 20-50 per councillor for normal weekly sessions and 12.5-25 for committee meetings. Salaries and allocations cannot be combined (unnumbered Cabinet decision dated 31/07/2012). Allocations are not fixed monthly sums but cover only transport and other incidental expenses as determined by the actual number of meetings in a given month.

Karmel are the only LGUs where councillor costs exceeded mayor costs. The opposite occurred in all other LGUs as mayors tended to generate most expenditure than all other LGUs, irrespective of size. *Hijjeh* appear to have expended only on the mayor *whereas* the mayor of *Karmel* village council operated without compensation. This pattern of voluntary involvement has been common in village councils and LGUs of limited capacity which explains their low government costs.

Figure 6.1: Distribution of Government Costs by LGU (2011-2013)



Source: LGUs approved annual budgets 2011-2013

The discrepancy between the effects of size and the effect of consolidation may be explained by differences in LGU income and expenditure patterns and the number of elected representatives. Chapter Five already established that substantial external funding was channelled into the 2010 amalgamation which caused total and per-capita government expenditures to appear extremely low compared to other subsamples, even though this group had the largest number of councillors. The general rise in total governance spending post-reform can be attributed to two factors: first, substitution of volunteers with paid staff in dissolved small LGUs, and second, the standardisation of mayor and councilors' allocations in 2012. According to MOLG, higher allocations, which are still voluntarily applied, aim to encourage qualified candidates to run for local elections and to attract high-calibre mayors and councillors devoted to public office and engagement with citizens (MOLG informant #9). LGUs doubted that the intended effect was achieved. Some informants remarked that the new allocations are unsustainable if financed only from LGU budgets, particularly those with a large number of councilors which can include up to 15 councilors. For example, monthly

payments for mayors of rank B municipalities increased by 130 percent, from NIS 3,000 to 7,000 per person compared to an average of NIS 4,000 in the sample, whereas councilors monthly allocations averaged NIS 176. According to one mayor:

> *Elected or appointed, councillors are only reimbursed for unsponsored travel and transport for council-related business outside the town. I donate 20 percent of my 7,000 salary to the municipality. Paying NIS 500-600 per month does not seem much at first but considering there are 11 members residing in the town, there is no need to cost the municipality NIS 84,000 per year. We would rather use that amount to hire 3-4 qualified full-time employees (LGU informant #16).*

Unlike the unified payroll that helped stabilise personnel and minimise policy rejection, it can be said that the new allocations had the unintended effect of inflating councillors' expectations of material benefits for involvement in local government. Some LGUs stated that increased remuneration sparked fierce competition particularly for the mayor's position and led to a reduction in the council's monthly meetings in order to reduce government expenditure (LGU informant #8). Others mentioned that the new remuneration scale does not recognise the extra load on councilors in consolidated area, the large area and the complexity of problems in constituent communities compared to stand-alone LGUs. In their view, the remuneration system should have factored in the number of meeting the extent of need in the LGU, which can be inferred from the number of population, land area size, number of communities and volume of LGU activities. To these informants, differences in local conditions mean that consolidated LGUs should be allowed additional meetings and allocated higher compensation (LGU informant #4).

Informants' remarks raise several issues pertaining to the quality of government. Most importantly, government efficiency cannot be discerned only from council expenditure patterns. A rise in government expenditures in amalgamated LGUs could indicate higher involvement by councilors, more council meetings, or a higher attendance rate. Alternatively, it could indicate the adoption of the maximum ceiling allowed in the remuneration scale. Moreover, the interviewed councilors questioned the new remuneration scale and whether it undermines LGU financial autonomy in determining a flexible scale, based on local needs and financial capacity. These concerns are legitimate given that the OPT system have moved from complete local autonomy to a fully regulated remuneration system at the time of consolidation and new local elections. While some countries allow a greater degree of autonomy to determine council compensation, pay scales are defined by laws in other countries. When regulated, remuneration can be based on population size, number of councillors, and/or the number of council meetings, or linked to national indexes of

average salaries to ensure that remuneration is economical to LGUs while reasonably compensate representatives without privileging their status (Pudram *et al* 2008).

6.3 Public Accessibility to LGU

Many scholars question the assumptions by Dahl and Tufte (1973) that consolidation reduces the quality of government by reducing representation levels and citizen accessibility to councillors and LGUs. Sorenson (2006) and Tiley (2010) maintain that citizen-population ratio is an unreliable indicator of democratic quality, whereas Pudram *et al* (2008) affirms that lack of accessibility lowers the quality more than the representation ratio itself. Kushner and Segal (2005) further argue that accessibility is not easily definable or measurable as the concept involves many elements and dimensions. For empirical purposes, the last study defined the concept in terms of physical accessibility to municipal offices and staff, LGU openness to constituent communities, and communication with councillors and participatory bodies. The following sections discuss all three and conclude that accessibility has indeed been reduced in consolidated communities once due to centralisation of administration and service delivery in one location and once due to under-presentation of certain communities in the elected councils.

6.3.1 Accessibility to Elected Representatives

During fieldwork, almost all communities were less concerned about reduced accessibility to elected representatives than to LGU new offices outside the constituent communities. Some interviewees stressed that formal methods of consultation offer no substitute for informal, personal and verbal communication or interaction between councillors and the social groups within each community (participation expert #1). Factional informants stressed that direct citizen-councillor interactions depend least on formal relationships between voter and elected representatives due to strong traditional ties and the fact that factions in the OPT largely function as underground resistance movements rather than open political parties (factional informant #3). In LGUs' opinions, the disruption in LGU relations with community was first caused by public reluctance to approach appointed mayors and management committees during transition then by the imbalanced distribution of council seats between communities after elections. The most familiar and accessible channels of communication were also reduced particularly if the LGU adopted a complex hierarchy and became more inclined to prioritise internal management over constituency relations. Rural areas, however, preferred following kinship and social norms than formal communication routes with LGUs. One mayor remarked that:

> *Residents prefer talking to the mayor or councillors they know personally rather than reading LGUs public announcements. Vote for non-local candidates in unheard of in our communities and visits to the elected members or staff and offices outside the town are unthinkable unless absolutely necessary. Our experience as the oldest amalgamations taught us that one or two councillors, irrespective of gender, could not represent an entire town fairly and effectively regardless how small is the town's population (LGU informant #5).*

Another mayor commented that:

> *Nine years on, maintaining civic engagement in the three amalgamated communities is a struggle because activities and meetings must be held in each town and continuously. The new generation prefers telecommunication and social media but we lack such resources to reach them and strengthen their interest in the LGU (LGU informant #10).*

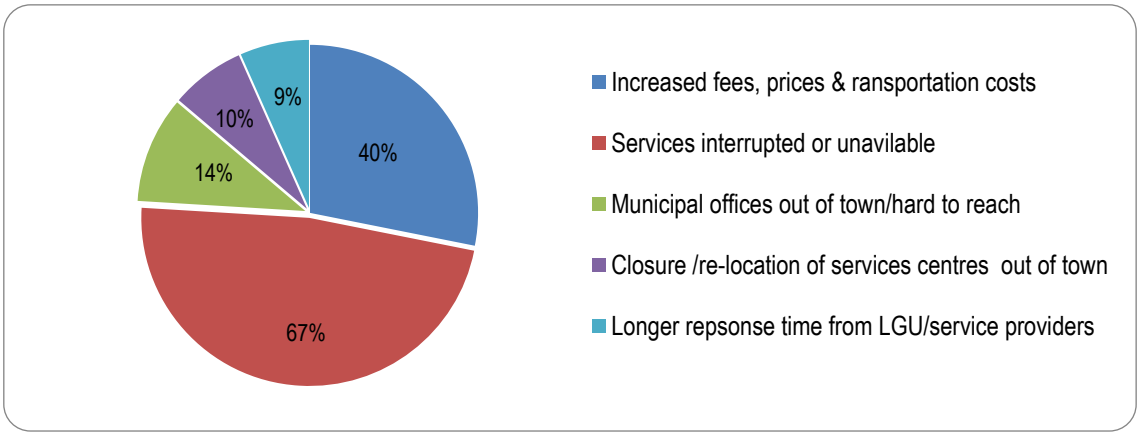
In addition, the fact that only mayors are obligated to render themselves available during work hours limits citizen-council interactions to client-business relations. Respondents noted that communication and council meetings became less frequent either because communities have fewer representatives or because councillors are less knowledgeable of the public needs of constituents communities (LGU informants #8). Citizen inaccessibility to elected councillors and LGU staff during relatively short working hours pressures both sides towards direct informal communication and using primordial ties as shortcuts to decision-making. Going directly to the top (i.e. mayors) usually guarantees swift decisions for a public accustomed to monopoly over decision-making inside the governance and management bodies of all institutions. One interviewee said that "what usually starts as harmless pragmatism often leads to nepotism as this route may not be equally open to all citizens" (participation expert #1). While informal communication may open new windows for public involvement, it also encourages non-democratic decision-making. To avoid conflict between councillors and voting, major decisions were usually taken by consensus and by mayors in issues pertaining to routine, managerial and ceremonial tasks without recourse to councillors. These common dynamics were more pronounced in amalgamated LGUs, explained by informants as necessary to maintain a facade of unity and civic peace (LGU informant #10).

6.3.2 Physical Accessibility

This study found that the physical accessibility to LGU offices was also a major issue particularly in the newly amalgamated communities. Figure 6.2 indicates that 20 percent of respondents in these communities identified accessibility-related issues regarding public service and administration fully centralised in one location as the worst outcome of consolidation. Of these, two-thirds referred to

interrupted, unreliable services, 40 percent cited rising service charges and fees and 25 percent pointed out that LGU location outside public transport routes increased transportation costs and frequent trips due to longer response time to local demands on part of LGU staff.

Figure 6.2: Respondents' Perceptions of Accessibility to LGU and Services (N=239)



Source: Citizen Survey 2013-2014

In the case of annexations, it was found that LGUs relocated essential services, decision-making and daily interaction to larger communities due to the availability and perceived sufficiency of institutional structures. In the amalgamated clusters, informants believed that the main concern was maintaining appearances of neutrality and non-bias between communities. The construction of new buildings was explained by MOLG informants in terms of the need to upgrade administrative facilities to accommodate larger staff and jurisdictions, including in *Mutahida* which had the largest staff reduction. Nevertheless, the midpoint location of LGU offices did little to dissipate local perceptions of single community dominance. Whichever community or location was selected, the public seemed convinced that mayors served their voter bases by maintaining LGU headquarters in their own communities, and by extension, favouring them in service delivery and recruitment to LGU positions. To some informants, communities felt that external resources should have been used for services provisions and employment creation rather than for new offices in addition to the sudden deprivation of long-held institutions which intensified local feeling on loss of the most significant land mark in their town (participation expert #1).

Some of MOLG's informants explained that determining office location or asset utilisation is a local discretion as long as LGUs comply with land use and other regulations. With regard to the claim that *Mutahida* new municipal offices were erected protected, high value agricultural land, MOLG also explained that prior ministerial approval was granted (MOLG informant #10). To the LGU in

question, public objection to mid-point location would fade in the long-term as citizens recognise that the new building brings many benefits to the area. For example, the addition of new infrastructure networks and roads was necessary for the construction of the new LGUs offices which in turn increased land values and farmers' accessibility to agricultural areas. The LGU believed that the now deserted municipal area would shortly develop into a shared service and business centre for the amalgamated area. The costs borne by citizens to access LGU services would be compensated for in terms of rural development (LGU informant #14).

Community reactions to consolidation policy reflect a strong sense of localism and a resistance to sharing services, facilities and political control with neighbouring communities. Nevertheless, perception gaps between the consolidated LGUs and their constituencies point out that the relationship between the public and LGUs deteriorated first because of public exclusion from policy design and decision-making during transition. The main conclusion is that throughout the process, local communities were perceived by policy-makers and local leaders alike as non-actors or less important stakeholders than local traditional and political leaderships. Therefore public opposition and boycott of consolidated LGUs and local elections can be attributed to deliberate exclusion from decision-making with regard to consolidation and service transfer first and then in the selection of election candidates.

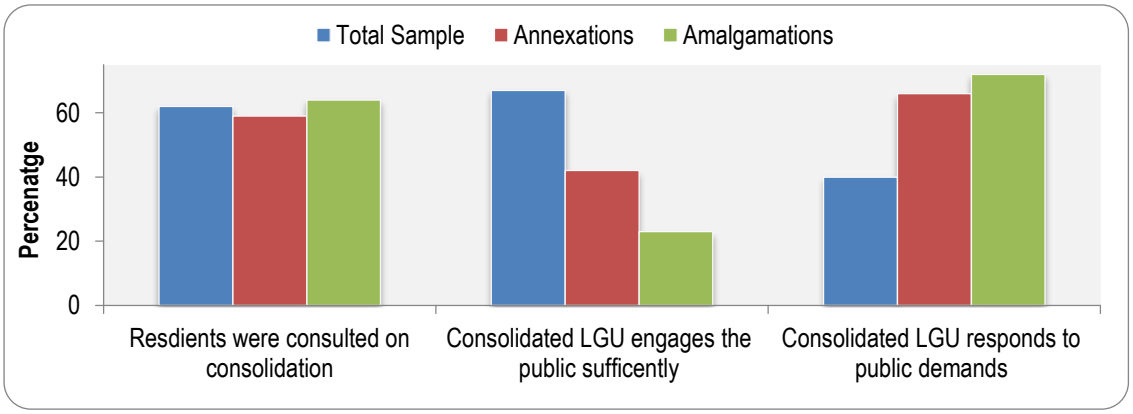
6.4 Public Consultation and Non-Electoral Participation

This section first presents the informants' views on the extent of public participation during the two phases of policy design and implementation that took place between 2009 and 2012. Interviewees were asked to describe the consultation and participation process whereas survey respondents were asked to indicate their satisfaction with public participation with the consultation process since the start of consolidation process, and with LGU overall engagement with the public and responsiveness to local demands after consolidation. The objective was to identify public perceptions of the relationship between communities and LGUs rather than identify what participation activities have been use and their regularity.

The analysis shows a consensus between all informants on two points: first, that MOLG dominated and monopolised the policy process and secondly clarity was lacking in decision-making, particularly regarding criteria by which communities were selected for consolidation. Interviewees agreed that the policy's tendency for non-participation and community avoidance systematically

diminished public trust in this policy with local election dynamics being the last straw. All stakeholders agreed that without legal guarantees of minimum, balanced or acceptable representation and fair distribution of benefits between constituent communities, it was unavoidable that consolidation policy would face the strongest opposition during local elections. The survey results confirm the above analysis. Among consolidated LGU respondents, only 29 percent agreed that the public was consulted on consolidation of their towns. Figure 6.3 indicates that 62 percent of all respondents (strongly) disagreed that LGUs consulted with the public, 67 percent disagreed that LGUs sufficiently engaged with the local community after consolidation and 41 percent of respondents agreed that consolidated LGUs were responsive to local demands. More respondents from amalgamated LGUs disagreed on statements of local public consultation (64 percent) and LGU responsiveness to public demands (72 percent), except for the statement on public engagement (23 percent).

Figure 6.3: Respondents' Who (Strongly) Disagreed with Public Participation Statements (N=720)

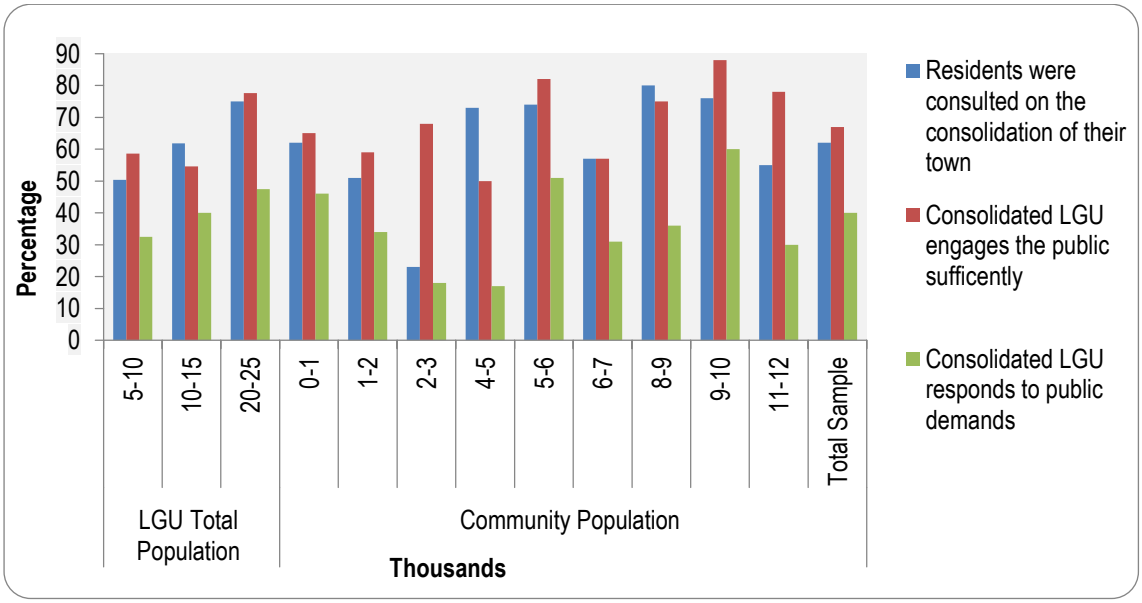


Source: Citizen Survey 2013-2014

Individually, disagreement with the statements shown in Figure 6.3 generally increased with population size. The strongest disagreement on all three statements was expressed in the largest LGUs above 20,000 inhabitants (i.e. *Yasserya* and *Mutahida*) and in seven communities above 5,000 inhabitants. Figure 6.4 shows that the least disagreement was found in LGUs below 10,000 inhabitants and in communities between 2,000 and 4,000 inhabitants, mostly the constituent communities of *Janata* and *Kafreyyat*. The data are generally indicative of strong dissatisfaction of communication methods used with the public during transition, although 46 percent or respondents agreed that consolidated LGUs were responsive to local demands which may be due to the reported increased direct interaction between the public and LGU staff since elected councillors

were dismissed until the first elections after reform (LGU informant #12). The dynamics of reform seem to have dissuaded both the public and LGUs from resuming previous participatory forums, such as annual budgeting and development project planning. LGUs in transition suspended such activities while they underwent institutional changes, although citizen boycott obviously caused a disconnection and an indefinite freeze in public participation. Apparently, LGUs were reactive rather than pro-active, meaning that responding to citizens was easier than constantly engaging with citizens in many communities. The sheer effort and cost of informing and reaching out to dispersed constituents may be prohibitive to maintain systematic participation at pre-reform levels or higher. Under annexation, LGUs were more likely to retain participatory approaches given the small population increase of 5 to 10 percent.

Figure 6.4: Respondents who (Strongly) Disagreed with Public Participation Statements, by Population Size of Consolidated LGUs and Communities (N=720)



Source: Citizen Survey 2013-2014

The survey results suggest that highly exclusive policy processes resulted from weak consultation with stakeholders. According to MOLG, consultation during policy design phase primarily involved the Cabinet, mayors, donors, consultants and some of MOLG's high ranking staff. At a later stage, national agencies were included, such as the Municipal Fund and the Ministry of Finance though excluded the Election Commission, the Land Authority and the political factions, until the policy was well into execution, as affirmed by the interviewed representatives of these stakeholders. The least consultation appears to have occurred at the local level. Informants from consolidated LGUs maintained that, few local institutions and key figures in each community were consulted during the

planning phase, while factions became involved late in the implementation phase. Meetings were held with a select number of local elites such as factional leaders, local organisations managers and clan heads in cluster communities. Participation activities finally took place in few communities after LGU abolition, which informants deemed late and insufficient to influence change public perception of consolidation (LGU informants #9, #15-16).

According to member of local protest committees who participated in the study's focus groups, consultation and participation activities were "disseminative" or "formal festivities", rather than open discussion geared principally to illicit local public preferences. The presentation of *Kafreyyat* amalgamation as a success story was seen as a strategy for public marketing and deterrence from planned service transfer (focus groups #1, #2). For other informants, these meetings were meant "to announce the policy and the irreversible dissolution of councils" or "to develop memoranda of understanding between participants and obtain their acceptance of consolidation in writing". Moreover, few informants highlighted that discussions were often led by donor contractors which strengthened perceptions that donor projects are conditional upon consolidation (focus group #1).

In an internal diagnostic report (MOLG 2013), the Ministry conceded with critiques of hasty execution and over-marketing, though denied accusations of top-down approaches arguing that public participation and community initiatives are not legal pre-requisites for reforms which are the prerogatives of the executive authority. Nevertheless, because of the ethical and democratic values of participation, elements of voluntariness were incorporated in some cases (e.g. *Maythaloun*) when local leaders initiated smooth reforms before they became adamant policy opponents after recognising they would not be (re)elected. Few of MOLG's informants insisted that all amalgamations were locally initiated or requested or that all LGUs were consulted, in person and informally, about which communities they would like to join (LGU informants #3, #11).

Moreover, methods by which local communities and their representatives were engaged can hardly be considered participatory, but top-down communication. According to focus groups, some village councils received official dissolution letters (e.g. Qaryout) or were surprised by the arrival of appointed mayors for effective handover (e.g *Deir Samet).* Others learnt of the amalgamation when utility bills arrived bearing the name of the new municipality (e.g. *Kum*). These examples show that public consultation and information dissemination were sub-standard at best which left communities unable to understand policy goals and timeframes or the extent of public sacrifices before policy objectives are achieved.

Respondents' feedback suggests that public participation did not fare any better in transitional management bodies formed through appointment from non-local members. According to Zbaidi (2013), councillors were alienated by appointment for transitory management bodies that replaced local amalgamation committees so that they openly opposed the policy. Even donors felt that policy-makers failed to devise a stable format or frequency for public participation despite the awareness of the importance of public buy-in and involvement (donor informant #2). In hindsight, the MOLG regarded the decision to dissolve councils at the start of the transition process as the most detrimental while it should have been the last step. To the Ministry, appointment of non-locals for local amalgamation committees or take-over by MOLG's staff was the last resort. Local amalgamation committees were either dysfunctional or unable to take decisions regarding service transfer and distribution of mayor and councillor seats between communities in the transitional bodies (MOLG informant #1).

However, some interviewees stated that citizen consent and participation was not a prerequisite for policy implementation and success. For example, most countries imposed reforms and went against referenda results clearly showing public rejection of amalgamation. Although participation has become a core principle of local government, MOLG, MDLF and LGU informants stated that the public lacks specialised technical and legal knowledge for participation in sector restructuring and in LGUs internal decision-making, particularly regarding distribution of infrastructure, service networks, and resources, or aware of the effects of local and national politics on LGU decision-making. According to some informants, communities should also not be concerned with the identity of service providers as long as services are actually available (MOLG informant #13).

The above views concerning the limited value of public participation was consistent with Dahl (1956) that effective administration of modern local governments requires a specialised bureaucracy in which decisions are regulated by law and often made through deliberation and negotiations between local elites. As Michels and De Graaf (2010) noted that public consultation is useful in identifying public preferences, albeit without local impacting vertical decision-making in any isntituion, including LGUs. In Zbaidi's (2013) opinion, public participation does not aim to shape government policies or improve LGU technical decision-making. Rather public participation aim to legitimise LGU decisions; create a basis for LGU accountability, and seek citizen's acceptance of policy decisions and outcomes. In conflict and unstable political contexts, participation compensates for weakness in other forms of legitimacy. In the case of structural reforms involving

LGU abolition, Zbaidi (2013) affirms that consolidation often replaces institutions with public and electoral legitimacy with structures only legitimated by law. The multiplicity of constituent communities also means that consolidated LGUs must increase participation in order to restore public legitimacy and trust. The consolidated LGUs have to gain electoral and functional legitimacy from all communities and establish new working relationship to replace the former ones.

The task of legitimisation is more difficult to accomplish in the OPT context, for many reasons, which manifest locally in the form of irregular local elections and low public confidence in LGUs, particularly the large ones. Other studies also show that at the time of the policy, public trust in LGUs was generally low. One citizen satisfaction survey (Alpha International 2009) reported that 95 percent of surveyed citizens[46] had never been invited to participation activities; 50 percent believed LGUs lacked transparency and 28 percent thought that LGUs disclosed selective information on LGUs income, expenditure, liabilities and projects. About 36 percent of respondents perceived LGUs as partial and discriminatory between citizens so that influential local figures enjoyed leniency despite violating construction codes and utility defaults. Moreover, 78 percent of the surveyed staff stated that residents were kept aware of their financial dues to LGUs and 50 percent believed LGU projects were carried out without public consultation or participatory planning. If the largest and best-resourced of urban municipalities have weak relations with the public, it shows that local democratic government is negatively related to population size and institutional capacity unless democratic participation policies and practices are well established and protected by law. To be perceived as deserving of claim to authority and public obedience, an LGU needs legitimisation by citizens through electoral and non-electoral means of participation.

6.5 Electoral Participation

The comparison between the results of the first local elections after consolidation (2012-2013) and the 2005 elections show that consolidation resulted in increased electoral competitiveness and reduced representation of certain groups and communities in the OPT. The results indicate a redistribution of political power between constituent communities, political factions, and social groups. First; large and small communities were found to be under-represented compared to medium communities. Secondly, the ruling party increased its share of LGU seats, mainly due to acclamation and non-participation of opposition parties. Thirdly, composition of newly elected councils shows improvement in factional and young representation at the expense of that of clans/families and women.

[46] The survey respondents included 632 citizens and 200 staff members of 10 independent urban municipalities.

Challenges to the 2012-13 elections in consolidated LGUs were well documented in reports by Election Commissions and media outlets. Focus groups and factional informants stated that consolidation; amalgamation in particular, caused new social divisions between constituent communities and amongst families in the same community, and heightened competition between factions and families for dominance of LGU council. This tension came as a surprise to policy makers who insisted that consolidation commenced as administrative or service consolidation but soon developed into an issue of representation, politics and competition between individuals and communities over dominance (MOLG informant #1). Several interviewees (MOLG informant #3; factional informants #1, #4) explained that communities were unprepared for the elections when elections were announced and could not conclude acceptable joint representation arrangements. Aside from public attitudes, two other factors undermined local elections, namely: the President's rejection of proposed amendments to local elections law which attempted to bridge the population gaps between communities, increase council size and define minimum representation quota, in addition to *Hamas* refusal of participation in West Bank elections or allow local elections in the Gaza Strip.

6.5.1 Council Formation Methods

The Central Election Commission (2013) reported that councils were formed either through ballot-casting, acclamation[47] or appointment. In the West Bank, ballots were cast in only 125 councils (35 percent), 214 councils (61 percent) were formed by acclamation and 16 councils had no electoral lists and therefore were likely to have appointed councils. Competitive elections were higher in the study sample where 10 LGUs (55 percent) were competitively elected compared to seven councils (33 percent) formed through acclamation and only two councils (17 percent) shunned elections altogether. Voter turnout averaged 34.35 percent in consolidated LGUs which was substantially lower than the West Bank average of 54 percent of registered voters (i.e. 23 percent of 1.4 million eligible voters) compared to the turnout rates of 74 to 95 percent in 2005. This means that three-quarters of West Bank voters abstained from voting and two-thirds of LGUs were formed through essentially non-democratic means.

In the consolidated areas, this study found low satisfaction with election results which attracted criticism for foul play and anti-democracy. As LGU informant #4 stated: "It is unfathomable how

[47] An acclamation list, or consensus list, denotes a single list lacking opposition, comprised of as many candidates as the council seats. The uncontended list automatically wins and eliminates the need for voting.

13,000 or 20,000 people could have unanimously agreed on a short list of 11 to 13 persons without large-scale formal consultation methods". Overall, Table 6.3 reveals that 49 percent of survey respondents (strongly) disagreed that election results were satisfactory, with generally equal levels of dissatisfaction between competitively-elected consolidated councils and independent LGUs formed through acclamation (54 percent each) or through open competition (50 percent). Despite cries for democracy, it was surprising that satisfaction was highest (50 percent) in communities left without elections and councils formed through acclamation (43 percent). Such attitudes towards the second local elections in four decades are difficult to explain because competition and turnout rates in 2005 were extremely high or envision citizens pleased with no elections unless electoral processes were seriously marred.

Table 6.3: Respondents Satisfaction of Election Results, by Sub-Sample and Formation Method

Elections	Type	LGUs	N	% in Total Sample	% (Strongly) Agree	% (Strongly) Disagree	% No Opinion
Competitive	Consolidated	4	437	40.8	39.4	54.0	6.6
	Independent	6	264	24.7	41.3	50.4	8.3
Acclamation	Consolidated	5	283	26.4	42.8	38.8	18.4
	Independent	1	54	5.0	29.7	53.7	16.7
No elections	Independent	2	32	3.0	50.0	40.7	9.4
Total		18	1070	100	434	521	115
Percentage		100	100	100	40.6	48.7	10.8

Source: Citizen Survey 2013-2014

Informants' explanations as to what may have caused electoral (dis)satisfaction identified the method of council formation, the number of seats allocated to each community, or identities of elected councillors as major factors. From the perspective of election experts, the number of constituent communities created a population gap that reinforced, diluted, or blocked community representation. In the study sample, nine consolidated communities were unrepresented and five were represented with 0-1 councillor, particularly in amalgamated LGUs of four or more communities, such as *Kafreyyat, Janata and Mutahida*. The survey results in Table 6.4 confirmed that the formation method has straightforward effects on satisfaction of election results than LGU or community population. Only one quarter of respondents in were satisfied LGUs with 5,000-10,000 and above 20,000 inhabitants. Although LGUs above 15,000 had competitive elections, they had lower satisfaction rates than small LGUs below 5,000 (30 and 57 percent respectively). Significant variations were also found between consolidated and independent samples. The newly consolidated LGUs had an average satisfaction rate of 41 percent, with the highest being in *Yasseryya* (43 percent) and the lowest in *Karmel* (7 percent). In the control sample, satisfied

respondents averaged 40 percent, with highest being in four village councils particularly *Hijjeh* (63 percent), *Upper Deir Assal* (56 percent), *Sabasstia* (55 percent) and *Beit Leed* (52 percent).

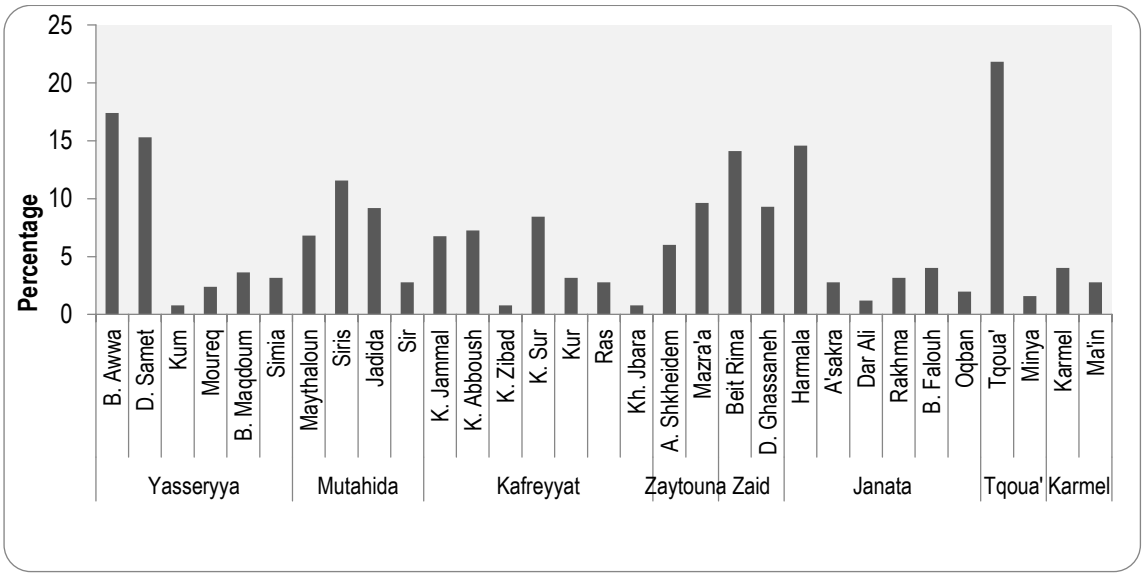
Table 6.4: Percentage of Respondents Satisfied with Election Results, by LGU Population (N=1070)

Population	LGU	Competition	Acclamation
≥20,000	*Yassereyya*	42.7	
	Mutahida	30.3	
15,000-20,000	*Sourief*	43.7	
	Obaideyya		29.7
10,000-15,000	*Tqoua'*		23.3
	Baita	29.9	
	Kafreyyat	30.0	
	Zaytouneh		23.4
5,000-10,000	*Bani Zaid*		14.6
	Janata		27.7
	Karmel		6.81
	Beit Leed	51.5	
	Sabasstia	54.7	
≤5,000	*Hijjeh*	63.3	
	L. Deri Assal		42.9
	Average /LGU	**43.2**	**24.1**
	2010 Amalgamations	**34.1**	**-**
Total	**2010 Annexations**	**40.7**	**15.0**
	2005 Amalgamations		**21.9**
	Independent LGUs	**40.3**	**36.3**

Source: Citizen Survey 2013-2014.

Community population size and the number of constituent communities seemed more important to communities than total LGU population. In LGUs with two communities, the smaller is consistently the least satisfied, probably due to perceptions of under-representation in elected councils. In LGUs with three or more communities, the contradiction is more pronounced at both ends of the population spectrum where small communities oppose the policy largely on the grounds of marginalisation in political representation and service delivery. Figure 6.5 depicts communities in descending population order within each LGU and shows that communities most satisfied with election results were small and belong to three amalgamations of different sizes, namely *Janata* (i.e. *Dar Ali, O'qban,* and *Bid Falouh* communities*), Kafreyyat* (*Ras, Kafr Zibad, Kafer Aboush* and *Jbara)* and *Yasseryya* (*Kum, Beit Awwa, Moureq,* and *Maqdoum*). This indicates that local democracy is influenced by reform type since medium communities tend to be amalgamated whereas small communities tend to be annexed to a much large LGU. Population disparity was relatively smaller in amalgamations than in annexations where population ratios between annexed and central communities were found to be 1:6 for *Minya* and *Tqou'* and 1:10 for *Ma'in* and *Karmel.*

Figure 6.5: Satisfied with Election Results in Consolidated LGUs, by Community (N=720)



Source: Citizen Survey 2013-2014.

6.5.2 Community Competition and Representation

With regard to local democracy, the literature suggests that consolidation initially strengthens electoral participation but may weaken non-electoral forms of participation. This chapter showed accessibility challenges and increased councillor-citizen ratios and the decline in citizen satisfaction with non-electoral participation and community representation. As Table 6.5 shows, the most satisfied communities were those with the highest number of electoral lists, candidates and turnout rates, namely *Jadida, Kafr Jammal* and *Dier Samet*, while dissatisfaction was most prevalent in small communities with no, or low, participation because they abstained from participation in both nomination and voting, such as *Kur, Ras* and *Jbara,* or had negligible turnout rates (e.g. *Sir* and *Kafr Zibad)*. According to the Elections Commission, citizen boycotts and a low turnout conveyed citizen ejection of the election and/or amalgamation out of conviction or to avoid intimidation by policy opponents (CEC informant #1). In the sample LGU, a total of 31 electoral lists and 277 candidates competed for over 96 seats in eight LGUs. Nearly 82 percent of electoral lists, two-thirds of candidates and half elected representatives were from the new amalgamations (CEC 2013). Competition and participation was stronger in amalgamated LGUs, except for an average voter turnout of 35 percent compared to 60 percent in independent LGUs.

Table 6.5: Election Participation Indicators of Elected LGUs in Sample Communities

LGU/Community	% Satisfied	No of Lists	Candidates		Seats		% of LGU Population	% Voter turnout	Councillor-citizen ratio
			No.	%	No.	%			
Deir Samet	50	2	20	57	8	61	31	47	905

Beit Awwa	36	1	12	34	4	31	45	46	2,576
Kum"	32	-	3	9	1	8	7	17	5,419
Subtotal	**39**	**3**	**35**	**100**	**13**	**100**	**20,904**	**36.7**	**1,608**
Jadaida	55	5	33	48	5	38	27	59	1,047
Siris	38	2	23	33	6	46	28	59	988
Sir	*37*	-	*2*	3	-	-	4.3	*2.7*	-
Maythaloun	22	1	11	16	2	16	40	15	3,909
Subtotal	***38***	***8***	***69***	***100***	***13***	**100**	***20,505***	***33.9***	**1,577**
Kafr Jammal	77	*2*	*21*	44	*4*	36	34	*70*	648
Kafr Sur	58	*2*	*18*	38	*6*	55	15	*74*	203
Kur	53	-	-	-	-	-	7.5	*52*	-
Ras	47	-	-	-	-	-	3.6	*14*	-
Kafr Abboush	40	*1*	*4*	8	*1*	9	16	*54*	1833
Khirbet Jbara	14	-	-	-	-	-	4.1	*3*	-
Kafr Zibad	10	*1*	*5*	10	-	-	20	10	-
Subtotal	**43**	**6**	**48**	**100**	**11**	**100**	***8,115***	**39.6**	**624**
Sabastia	46	3	29	100	13	100	74	74	234
Nisf Jbail	43	-	-	-	-	-	14	3	-
Ijnesnia	22	-	-	-	-	-	11	*8*	-
Subtotal	**39**	**3**	**29**	**100**	**13**	**100**	**4,081**	**28.6**	**371**
Hijjeh	64	3	25	100	11	100	100	76	231
Beit Leed	51	2	18	100	11	100	100	70	514
Sourif	44	3	27	100	13	100	100	44	1,274
Baita	15	3	26	100	11	100	100	48	963
Amalgamated LGUs	**40**	**17**	**181**	**65**	**50**	**52**	**53,605**	**34.7**	**1,072**
Independent LGUs	**43**	**14**	**96**	**35**	**46**	**44**	**31,855**	**59.5**	**693**
Av./LGU	**42**	**3.8**	**35**	**13**	**12**	**12**	**10,683**	**47.1**	**1,370**
Av./Community	**41**	**1.5**	**13**	**5**	**5.2**	**4.6**	**6,104**	**40.3**	**1,174**

Source: CEC (2013). Excluding councils formed through acclamation. Data for *Kum* cluster covers 4 communities.

The findings imply that the interest of local elites in local elections was neither present in all communities nor matched by the public's willingness to vote. By strengthening one aspect of electoral participation (i.e. candidacy) and weakening another (voting), it could be said that amalgamations differently affected supply and demand of local democracy. In nonconsolidated areas, stronger competition coincided with higher voting in small LGUs (*Hijjeh* and *Beit Leed*) and lower voter turnout in large LGUs (*Baita* and *Soureif*). Despite equal populations, *Yasseryya* had the smallest participation indicators (three lists, 28 candidates and 37 percent turnout) than *Mutahida* (seven lists, 69 candidates and 34 percent turnout) or *Kafreyyat* (six lists, 48 candidates and 40 percent turnout) which had 60 percent less population than the first two. Participation indicators suggest that population growth may be associated with a reduction of all forms of electoral participation in independent LGUs, whereas population growth through amalgamation may be associated with reduced participation in small communities, increased participation in medium-size communities and mixed outcomes in large communities depending on the number of communities, population sizes and dynamics and composition of electoral lists.

The presence of candidates and lists for each town did not guarantee representation in elected councils or prevent representation of one or two towns disproportionately to actual voter weights. For example, being comprised of 40 percent of *Mutahida's* total population*, Maythaloun* should have had three seats rather than two (16 percent), while *Jadida* and *Siris* seats should have reduced to four instead of 11, and *Deir Samet* from eight to four. The problem of disproportionate representation could have been avoided if legal amendments to local elections law enforced certain formulae for list composition and seat distribution, equally or proportionally, or that local communities were allowed to negotiate representation prior to elections. Informal representation arrangements have long been applied in older amalgamations, particularly *Janata* and *Zayotuneh*, to avoid conflict over seats during election cycles.

Even with the participation of all eligible voters and no internal competition, no community would have won six seats out of 13. The type of electoral lists and how they were formed, especially the lack of inter-community lists and multiplicity of lists within each community, explain how certain communities and parties benefited from population disparity to maximise representation. According to election experts and the Elections Commission, most lists were community-specific and of four types: party-specific, coalition between parties, acclamation and independent lists. In party lists, familial and factional candidates competed for top places on the closed list and impeded formation of inter-community lists, while independent lists represented non-affiliated local figures, clans and technocrats. Coalition lists downplayed the effects of political and familial heterogeneity in each community and acclamation lists avoided significant population disparity or other differences between communities. In contrast, multiple short lists comprised of the bare legal minimum of candidates (50% +1 of seats) were meant to fragment votes and capitalise on family influence by restricting voter choice of candidates. A shorter list meant that voting results were easily anticipated that there was a higher probability of successful election of the first few candidates on most lists, because seats are distributed in the same order names are listed on the ballot paper. In the sample, only four lists of 31 did not win any seats, averaging in size between seven and eight candidates per list. Voter boycott also helped by reducing total votes and enabling most lists to meet the election threshold of 8 percent of valid ballots.

The above discussion illustrates the strategy by which *Jadida* managed to trump *Maythaloun,* the largest town in the cluster, aided by *Maythaloun* residents boycotting nomination and voting. Only one candidate from each of the five *Fateh*-affiliated lists in *Jadida* was elected which also meant that at least two-thirds of candidates knew they would not be elected; yet they participated to

maximise the share of the town and faction of council seats. The same strategy was employed in *Siris* which almost managed to double its relative weight within the council. Together, both towns outweighed *Maythaloun* which historically had larger support for leftist and Islamist parties. The town's multiparty coalition list, which also covered *Sir*, won two seats only despite both communities comprising almost half the population. Some informants (APLA informant #1) suggested that the vote fragmentation strategy was sometimes employed to pre-empt the hegemony of a single list, faction, or family and weaken the larger lists and mayors, traditionally the most influential of elected representatives, by the continuous need for negotiation and councillors' support. Post-elections, the same strategy lowered public and official trust in LGU effectiveness due to decision-making problems and conflict between councillors' own interests and those of the forces they represent, whether familial, political or geographical.

Although the exemption of micro-communities (≤1,000 inhabitants) from the 2005 elections was a ministerial decision, the tendency for self-exclusion in the latest elections seems contrary to the theoretical association of small communities with more local democracy. Election experts argued that self-exclusion resulted from the legal contradiction between election law and consolidation which did not address representation. If the amendment was approved, (which anticipated conflict over seats), the amalgamated councils would have been expanded to 15 seats and ensured a minimum of two seats per community above 2,000 residents and one seat for smaller communities (election expert #1). According to the Elections Commission,

> *When the amalgamations were first announced in 2010, the communities did not grasp the effects on local elections. In 2012, the Cabinet took amalgamation decisions in the midst of the electoral cycle, although changing electoral boundaries is illegal after the call for elections is issued. Consolidation could be announced and implemented over two election cycles (eight years) so that LGUs can conclude their legal terms without dissolution or ministerial interference in LGU management during transition. The other advantage is preparing communities for the upcoming joint council elections* (CEC informant #1).

In other words, disincentives for participation were increased after consolidation, there were reportedly higher in micro-communities (even before consolidation) and usually resulted in purely familial lists, no lists or list disqualification on the ground of lacking female candidates or failure to produce election programs. These LGUs also tend to be the weakest in terms of candidate literacy and post-election transparency, particularly among closely-related councillors, such as spouses and siblings (CEC informant #1). Some informants thought that the smallness of voter bases and financial resources in micro-communities discouraged the formation of and voting for joint lists.

Inter-community lists lacked candidates popular across towns and sufficient funding for election campaigns and capacity to attract further resources to fulfil election promises (LGU informant #17). At the same time, micro-communities were concerned about marginalised minority competing with larger towns for representation and services. While some informants felt that the notion of "minority representation" was "degrading" or "superficial or cosmetic in purpose", a former mayor had another explanation:

> *People understand that democracy is about size and the majority's exercise of decision-making powers. However, behind the apprehension of joint councils are communities unsure of future services and development. People believe local services should be kept separate from political competition. Residents must not compete for services under any circumstances or obtain them as bribes or rewards for supporting this or that faction* (focus group #3).

To prevent under-representation, some informants recommended legislating community quotas and minimum candidate qualifications to ensure the effectiveness of elected councils, mainly because "without political or geographical majorities, the consolidated councils are likely to be still-born, short-lived or suffer from decision-making paralysis" (LGU informant #14). Some informants stated that because electoral quotas are easily manipulated, effective representation of any community should be enhanced by upgrading the quality of representatives (e.g. personal qualities, capacities and pro-action), more than by increasing the number of representatives. Of those policy-makers interviewed, all councilors, particularity mayors, must possess formal education and basic knowledge of local government law, planning and financial management (MOLG informant #3; MDLF informant #3). In contrast, local leaders emphasised ethical standards of conduct, fairness towards all communities, and extension of councillors' mandate to the entire council area (focus groups #4-5).

Whether achieved through legal population-based quota or through prohibition of acclamation, partial and community-specific lists, there is a need for resolving the gaps in population and other barriers to competitiveness and participation, in order to ensure fairness and unobstructed exercise of nomination and voting rights. The next section looks at the effect of consolidation on political competiveness by examining the differences in nomination and representation patterns between LGUs and communities. It concludes that there is negative relationship between the number of lists and the number of political faction represented except in the new amalgamations.

6.5.3 Political Competitiveness

Two observations are made by the empirical literature on consolidation: first, large communities tend to be organised along different lines and competitive because of their heterogeneity, and secondly, political parties tend to show policy support if their dominance is not threatened after reform (Wilson 1996, De Ceuninck *et al* 2010). The analysis of Palestinian local election data shows that the main competition was between familial and factional lists. LGU composition by party affiliations showed that *Fateh,* the ruling faction*,* increased its presence through acclamation although it marginally won in the new amalgamations.

Many informants believed that local elections, consolidation and service transfer were intended to serve the interests of *Fateh* movement and weaken LGUs and *Hamas* political presence in this sector. On the other hand, policy-makers believed that neither amalgamation nor local elections had political agendas deliberately blocking participation and diluting turnout and that the proposed legal amendments to the local government and election laws were rejected in order to avoid unsettling the political factional arrangements after 2007. The other policies were also seen as simply co-exited with consolidation and were not intended to reduce local autonomy or democracy (Cabinet informant #1, APLA informant #1). Informants from MOLG also stated that the elections ruined what were initially successful consolidations while the low participation rate reflected public apathy after the postponement of elections for six consecutive times (MOLG informant #2). Whether election results were invoked by Palestinian political polarisation, inappropriate timing and/or purposive engineering remained matters of interpretation. For example, left-leaning factions asserted that "local elections were staged democracy" (factional informant #3), while faith-based factions thought that "factions resorted to a combination of traditional familial and factional systems in candidacy and voting in order to avoid showing their true intentions or exposing their supporters" (factional informant #5). If exclusionary goals drove elections and consolidation, low voter turnout does not signal low demand for local democracy. One legal expert stated that:

> *Electoral competitiveness sought the opposite effects of democracy. It worked only because of the public's scepticism and lack of real political competition when the heavy weights (i.e. Hamas) were intimidated out of competition. These non-competitive elections meant that one party competed with itself instead of its political rivals. Democracy is not well-functioning when communities are left hopeless and completely gave up (on) their right to elections* (legal expert #1).

To validate the above claims, Table 6.6 presents the political affiliations of winner lists in contrast with the results of the 2005 elections. Two observations stand out: first, the absence of Islamist lists

and secondly, the appearance of electoral lists without clear political affiliations in 69 percent of LGUs, which were self-identified as "independent" or "coalition". If the objective of creating larger LGUs was to consolidate the domination of the ruling faction by minimising political opposition, the policy apparently thwarted itself by alienating the public or underestimating its responses. Despite public boycott, *Fateh* failed in amalgamated LGUs winning only 19 percent of seats while 81 percent went to coalitions, independents and left-leaning lists. The new consolidations evidently show that the vote fragmentation strategy used in amalgamated areas did not work as effectively as the acclamation strategy (or competition elimination) in the annexations. The results may be interpreted differently: that *Fateh* could only control small towns without real opposition, or that the policy targeted medium towns supportive of *Fateh* opponents because the opposition bedrocks in large cities could not be targeted directly for consolidation.

Table 6.6: Election Results in the Study Sample by Political Affiliation and Reform Type and Era

Reform Type/Era	Seat Distribution by Political Affiliation					Electoral Lists	
	Total	*Fateh*	Independent	Coalition	Leftist	Total	% Elected
2005 Amalgamations	**39**	13		26		**19**	**84.2**
2010 Amalgamations	**37**	6	22	5	4	**3**	**100**
2010 Annexations	**24**	24				**2**	**100**
Independent LGUs	**48**	36	12			**9**	**88.9**
Proposed amalgamations	**29**	15	3	2	9	**5**	**100**
Rejected amalgamations	**13**	9			4	**5**	**100**
Subtotal – Main Sample	**100**	**43**	**22**	**31**	**4**	**24**	**87.5**
Subtotal- Control Sample	**90**	**60**	**15**	**2**	**13**	**19**	**94.1**
Total Seats	**190**	**103**	**37**	**33**	**17**	**41**	**90.2**
Total LGUs	**16**	**15**	**6**	**5**	**3**		
% Seats	**100**	**54**	**19**	**17**	**9**		
% LGUs	**100**	**94**	**38**	**31**	**19**		

Source: CEC (2013) *Excluding two communities without elections.

The results in Table 6.6 lend support to the claim that both consolidations and elections aimed to improve *Fateh's* political weight. The movement controlled 54 percent of seats in 94 percent of LGUs in the sample, which are both higher outcomes than previously achieved. Table 6.7 shows that in 2005 Hamas won the absolute majority in 32 percent of LGUs, while *Fateh* came close to 27 percent only after proportional representation was introduced in the 3rd round and major cities were excluded from elections. In less than seven years, *Fateh's* presence increased by 250 percent to control 65 percent of total LGUs and 45 percent of total seats, while the leftist factions almost doubled their votes from 8.5 to 15 percent. If national elections are better estimates of factional political weight, *Hamas* was indeed the largest political party which occupied 58 percent of the legislative council seats, greater than *Fateh* and the leftist factions combined.

Table 6.7: Results of National and Local Elections (2004/5-2012/13)

Political Affiliation	Local Elections 2012/13 % LGUs	Local Elections 2004/5 % Votes	% LGUs	% Seats	Parliamentary Elections 2006 Seats (132)	% Votes
Hamas	0	42	32.4	31.7	76	57.6
Fateh	65	37	26.8	45.2	43	32.6
Independent	48	na	na	10.6	4	3.0
Leftist	15	na	na	8.5	9	6.8
Other	4	na	na	2.0	2	1.5

Source: CEC 2005, Miqbil 2011, page 45. The Leftist parties include PFLP, PDLP, and the People's Party. Others include the National Initiative, the Third Way and the Islamic Jihad.

From the above discussion one may understand why the proportional system was often accused by some factions of being introduced to "exaggerate the size of *Fateh* and PLO factions over independents and Islamists, *Hamas* in particular" (election expert #1). The proportional system has led to the over-politicising of local governments and for imprinting in the collective consciousness that reforms were precursory to *Fateh's* political agendas (Miqbil 2011). Factional informants maintained that the Islamists did not in consolidation see a political priority worth exposing their supporters although the participation of leftist factions implied acceptance and exploitation to gain more seats despite familiarity with the policy since the earliest wave (factional informants #1, #5). In reality, however, the leftist factions registered modest wins in rural and consolidated areas, yet lost their largest strongholds (e.g. *Ramallah* and *Abu Dis*). The factions took no unified position on consolidation, preferring instead to address the potential benefits and risks on a case-by-case basis despite admitting that consolidation was "one of *Fateh's* demands". Factions appear to have followed their narrow interests because of the policy's major attraction: the creation of large LGUs with political advantages over small towns. Interviewees explained the lack of factional opposition as a precaution against potential PNA political or financial sanctions and to ensure organic protests remain legitimate under local protest committees and familial leadership (factional informants #1, #3).

Whether independent and coalition LGUs can transcend their familiar or ideological differences and present local alternatives to the major two factions is for the future. Meanwhile, it is unclear whether the 2012/13 elections changed the social composition of LGU leadership or whether consolidation helped transform the nature and rule of local political elites. Nevertheless, LGUs local priorities are unlikely to change first because both *Fateh*- and *Hamas*-affiliated local lists are dominated by the national political agendas of these movements. Secondly, both share similar conservative social and democratic agendas despite their conflicting political visions and strategies. As Miqbil (2010)

notes, disinterest in democratic government and power sharing is most salient in terms of subordinating women's participation to factional interests, the only social group that sought affirmative action and elimination of entry barrier to local political institutions.

6.5.4 Gender and Youth Participation

This section examines the effect of consolidation on women and youth representation and participation in order to identify how both groups have been impacted by the seat reduction and the electoral dynamics between communities. The analysis shows that women were losers and male youth were winners from elections after consolidation. Although seat reduction affected gender representation proportionally, women participation regressed in terms of candidate competition and ability for effective participation after elections. Youth participation in electoral lists increased especially in party-specific lists. Voters turn out rate decreased to 38 percent among women and increased to 66% among the youth.

Despite comprising 49 and 34 percent of the total population, Palestinian females and youth (i.e. under 30 year of age) are underrepresented in local government. Their participation fluctuates according to their perceived values at various points in the council's life with emphasis foremost on them being service users more than tax payers, candidates or voters. While statistics are lacking on youth in local governance, this study found that in 2013 women comprised 20 percent of elected councillors[48] and 13 percent of LGU staff. Women's share of LGU seats after consolidation remained constant, only declining by 0.3 percent from the 2005 levels. In the MOLG's opinion, the percentage of women after consolidation reflected their pre-reform presence depending on the relative openness of individual communities towards female employment and political participation (MOLG informant #5). Budget analysis shows no differences in gender-sensitivity between LGUs since women staff were found in administrative and subordinate positions rather than in technical units in both samples (except in *Kareyyat* where women head accounting and engineering units). LGUs believed that women tend to reject jobs perceived as gender-inappropriate (e.g. land survey or operation of heavy machinery) and prefer employment in social services that are lacking in rural LGUs. Women councillors believed that recruitment reflected factional interests and patriarchal values more than women's qualification or attitudes to certain occupations. Once recruited, female

[48] According to MOLG informant #5, appointed councils had 60 women councillors (less than 0.5% of councillors) in 1997, which increased to 1.8% in 2000 and to 21% in 2005. Women's organizations advocate raising the quota to 30%. In the sample, women comprised 8 percent of staff in independent LGUs and 17 percent in consolidated LGUs.

staff met fewer gender-based challenges than female candidates or councillors, particularly in promotion or training rather than in remuneration (LGUs informants #5, #17).

Electoral data in Table 6.8 reveal that consolidation equally reduced the number of male and female councillors in the West Bank LGUs by 31 percent, from 5,040 to 3,474. Despite a reduction of 328 seats in women's seats, women continue to comprise 21 percent of total councillors, including one elected female mayor instead of 3 in previous elections. Nonetheless, almost all women councillors won competitively and by large margins of the votes in 2005 whereas less than 5 percent of women councillors were elected through voting in 2012 compared to those who won through gender quota (3 percent) and acclamation lists (13 percent). However, the quota is a double-edged sword: it guarantees at least two seats for female candidates, applicable only when no female candidate wins by direct vote. However, quota seats are lost where insufficient numbers of female candidates were enlisted, as was the case with partial lists.

Table 6.8: Distribution of Councillors by Gender and LGU Formation Method (2005-2013)

Election Method	Gender	2005 Elections		2012/13 Elections*		Eliminated	
		No	%	No	%	No	%
Competition	Men	2,945	58	1,096	31.5	-1,849	-37
	Women	937	19	164	4.7	-773	-82
	Quota	71	1.4	103	3.0	-32	-45
Acclamation	Men	1,035	27	1,646	47.4	-611	-59
	Women	52	1.0	465	13.4	413	794
Total	West Bank	5,040	100	3,474	100	-1,566	-31
	Men	3,980	78.6	2,742	78.9	-1,238	-31
	Women	1,060	21.4	732	21.1	-328	-31

Sources: Compiled from Miqbil (2010), Kittaneh (2013), and CEC (2013). Excluding 14 LGUs that did not participate in 2012/13 elections.

In the estimation of LGU respondents, the high rates of female voters, candidates and councillors in 2005 were overridden by acclamation which denied women the opportunity to run freely and learn from election processes (LGUs informant #17). Table 6.9 shows that female and youth participation patterns were transposed after consolidation: of 86 women candidates, only 35 were elected to 16 councils or 16.7 percent of a total of 190 seats. Thus, women failed to obtain the minimum quota of 20 percent of LGU seats. Interestingly, candidates and seat percentages were identical (16 to 17 percent) in new and old consolidations though were surpassed by young councillors in the amalgamated LGUs (35 to 52 percent) while youth barely filled eight percent of seats in the annexations.

Table 6.9: Women and Youth Representation in the LGUs Sample (2005-2013)

Consolidation Era/Type	Total Sample		Women's Representation			Youth Representation		
	LGUs	Seats	% of Candidates	% of Seats	% of Turnout	% of Candidates	% of Seats	% of Turnout
Acclamation:								
Independent LGUs	4	31	29	29	-	na	na	na
2005 Amalgamations	3	39	16	16	-	35	35	-
2010 Annexations	2	24	17	17	-	8.3	8.3	-
Competition:								
2010 Amalgamations	4	50	26	16	38	69	52	66
Independent LGUs	3	46	22	17.4	na	na	na	na

Source: CEC (2013). Youth representation data obtained directly through an interview CEC Operation Department.

Given the gender quotas, female councillors of abolished LGUs said they expected amalgamation to reduce the number of female councillors' and compound their marginalisation in the elected councils. Theoretically, the percentage of women would be reduced from 22 percent in nine seat councils, to 18 percent in 11 seat councils then to 15 percent in 13 seat councils, whereas the share of men would increase gradually from 78 to 85 percent. To maintain gender representation at the pre-reform level (21 percent), all new councils must have a minimum of 13 members, including 3 seats for women. Since the public office is seen as a male pejorative, factions were concerned with compensating for the loss of abolished councils with a larger share in consolidated LGUs more than with compensating the loss in women seats. For the MOLG, the reduction in female representation was an acceptable trade-off between rural development and participation:

> *To MOLG, amalgamation has been foremost about project funding and development rather than local democracy or gender. Given the total seat numbers, men were the biggest losers as the quota guarantees women's representation at 20% of council seats. For example, when five, nine seat LGUs were amalgamated, men lose 35 seats while women lose 10 seats, assuming two women in each new council. In the new LGU, men would definitely try to occupy all seats, except for the minimum quota* (MOLG informant #7).

To compensate for male losses, interviewed election and legal experts noted that factions tended to adopt the quota *minimum* specifications as *ceilings* in list formation. The strictest interpretation of quota-related articles assigned female candidates the 3rd, 7th and 13th places on all lists which in turn restrained representation to 2.2 candidates per list and two to three female councillors per LGU. Table 6.10 shows that in general, the number of older males (159) was double the number of female candidates (86) and youth (117). On average, three candidates competed for each seat although the actual candidate-seat ratio was the lowest for women (0.72) than for youth (0.97) or older males (1.33).

Table 6.10: Women and Youth Participation Indicators in the Study Sample (2012/13)

	Candidates		Women Candidates			Youth Candidates		
	Total	Lists	Total	Av/List	Seats	Total	Av/List	Seats
Yasseryya	35	3	7	2.3	2	12	4	9
Mutahida	69	8	17	2.2	2	48	6	7
Baita	26	3	6	2	2	8	2.6	6
Kafreyyat	48	6	14	2.3	2	23	3.8	3
Zaytounah	13	1	2	2	2	5	5	5
Bani Zaid	13	1	2	2	2	1	1	1
Jannata	11	1	2	2	2	7	7	7
Sabastia	22	3	7	2.3	2	9	3	7
Karmel	11	1	2	2	2	4	4	4
Tqoua'	11	1	2	2	2			
Beit Leed	18	2	3	1.5	2			
Odala	9	1	4	4	4			
Ossarin	9	1	2	2	2		NA	
Hijjeh	25	3	7	2.3	2			
Obaideyya	13	1	3	3	3			
Sourief	27	3	5	1.7	2			
2010 Amalgamations	**174**	**22**	**38**	**1.72**	**6**	**83**	**3.7**	**26**
2010 Annexations	**22**	**2**	**4**	**2**	**4**	**4**	**2**	**4**
2005 Amalgamations	**37**	**3**	**6**	**2**	**6**	**13**	**4.3**	**13**
Independent LGUs	**127**	**17**	**38**	**1.2**	**19**	**17**	**1**	**6**
Total Sample	**362**	**44**	**86**	**2.2**	**35**	**117**	**2.7**	**49**

Source: CEC (2013) except for youth data obtained during an interview with the CEC Operations Department.

Elections Commission informants remarked that young men benefited from lowering candidate's minimum age from 28 to 25 years to occupy 40 percent of seats, including one mayor in *Janata*. Factional informants also reported of general interest in finding young rural candidates to replace aging cadres or those with stained reputation. Rural areas offered a training zone for young politicians without competition with factional leadership over seats in urban councils. In the case of acclamation, preference for males was justified by the need to satisfy local families given the limited number of seats for the annexed communities. In amalgamated LGUs, youth served as a buffer zone between competing leadership ranks within factions and between constituent communities, particularly when local residents were wary of well-known political leaders. Satisfying local ambitions and protecting party interests thus meant limiting women participation to the lowest minimum possible (factional informants #1-2).

Unlike youth, women's representation is yet to be fully acceptable, especially when involving young women of marriage, and factions have retracted their pledge to increase the female quota to 30 percent, or three to four seats/council. Calls to drop the quota were based on the argument that affirmative action interferes with factions' freedom in candidate selection which becomes based on gender rather than on popularity or merit. The quota was also believed to discourage women from

earning their seats and that they replace male candidates with higher votes because of their gender (Miqbil 2010). However, the Elections Commission stated that since the quota works only within a proportional system, elimination of either will definitely result in male-exclusive councils as was the case in the pre-PNA era. According to Berrian (2015), the introduction of gender quota has opened a channel for entry into the political sphere but it does not ensure either that female councilors become respected and efficient political actors or become part of local political elite despite their familial or partisan memberships. The composition of local elite with actual power remains exclusively male in other Arab countries with gender quotas.

The MOLG agreed that women's seats after elections were targeted through a combination of crowding-out and scare tactics, driven by seat limitations and sense of entitlement, especially if positions of status were long kept in certain families (MOLG informant #7). Some LGUs confirmed this occurred more in acclamation councils where lists tended to include former mayors and male councillors, and favoured "weak females least threatening to male councillors in terms of social power and experience with LGUs" (LGU informant #6). In contrast, competition lists tended to select socially-acceptable professional women, such as schools principals, teachers or social activists to attract votes. After helping lists fulfil the legal pre-requisites for candidacy and seat distribution, women face the prospects of early resignation, indefinite leave of absence, or intimidation leading to resignation and replacement by men usually within the first year[49]. In the Elections Commission's view, lists generally lacked community visions and defined roles for councillors, which hindered effective performance of youth and women. To this informant, improving quality of councillor's participation is better addressed by competent institutions than by factions. The MOLG maintained that the quota assists women to gradually overcome major barriers to participation, especially lack of social and political support. However, educational programs help women improve performance during and after elections but are unable to overcome men's traditional views of women. Blocking women's candidacy, post-election engagement and re-election should be criminalised because they interrupt accumulation of gender gains (MOLG informant #5).

In terms of the electorate, this study found that consolidation was detrimental to the relationship between female councillors and communities. Women's freedom of movement and familiarity with voters or candidates tend to be restricted to their immediate communities rather than enabling

[49] Article (5) of Local Elections Procedural Bylaws (2012) stipulates that vacant quota seats must be filled by another non-winning female candidate from the same or another list. Otherwise, the seat goes to the highest-voted male candidate from the same list and religion. If no candidates were available, vacancies are filled by appointment.

frequent interaction with women and the general public constituencies during or after elections. Cultural norms and extensive travel posed concerns over time, costs and physical safety of women councillors commuting between communities to attend afternoon activities or council's lengthy night sessions. According to the MOLG, "some female councillors privately talked about being threatened with divorce for attending late meetings and/or co-ed activities in the other villages" Notwithstanding that reforms furthered geographical and social limitations, female councillors and staff tends to facilitate the accessibility of women residents to LGU and vice versa. Interestingly, the consolidation policy was found to have lacked funding and strategies to strengthen gender, youth and community participation during and after consolidation.

6.6 Conclusion

This chapter argued that consolidation policy led to democracy deficits beyond the expected reduction in government costs, representation ratios and accessibility. The large number of communities and disparity in population sizes weakened local democracy and lead to electoral imbalances in the representation of weak groups, especially micro-communities and women, made possible by deficiencies in legislation and exclusion of political opposition. As political power in Palestinian rural areas is familial-factional and constituent communities are relatively small, consolidation caused a major power re-distribution between communities and actors. Generally, the proportional system precludes the participation of small communities and resembles the majoritarian system in effect meaning that representation is guaranteed for communities, families or factions with the largest voter base. Within the context of extreme political polarisation, elections and consolidation advanced the agendas for dominance among certain factions. Coupled with the absence of deliberative processes and democratic institutions, factional interests rendered communities unable to contest or reverse the policy without political support.

This thesis has accounted for the policy outcomes on communities in social, functional and political terms. Under consolidation, communities became part of enlarged territorial jurisdictions, changed relationships and redefined political representation and functional arrangements. The next chapter discusses the consolidation policy outcomes in relation to the territorial dimensions of local government including identifying several barriers to territorial contiguity in the OPT which ultimately affected local democracy, prevented area coherence and eroded LGU financial and functional capacities.

Chapter 7

Territorial Criteria and Outcomes of Consolidation

7.0 Introduction

The previous chapters suggested that local government restructuring has a territorial dimension inseparable from demographic, fiscal and political dimensions. Chapter Two described the complex legislative legacy and lack of Palestinian exclusive jurisdiction over OPT and Chapter Five showed the misfit between territorial bases for service delivery, taxation and political representation undermines LGU revenue and responsiveness. This chapter further investigates fragmentation in terms of whether the policy has territorial defragmentation objectives and outcomes. Due to the unique geo-political situation in the OPT and for the purposes of this chapter, defragmentation denotes either unification of internal sub-jurisdictions within (consolidated) LGUs where discussion pertains to local government or achieving territorial integrity of West Bank with regard to larger issues of policy-making, land administration.

In both cases, this chapter diverges from the consolidation literature which equates territorial defragmentation with the reduction in the number of local government tiers and units (Meligrana 2005, Swianiewcz 2010a), or with spatial fragmentation in mega cities, urban-rural integration and city-region consolidations (McLoughlin 1991, Siegel 2008). Territorial fragmentation of the West Bank is caused by ongoing colonialisation and population containment policies rather than by urban sprawl and unplanned expansion (Abu Helu 2012). The Palestinian reforms occurred under continuing conflict and foreign control without any prospects of ending and two different legal and political systems imposed on the same population and territory. This makes the Palestinian reforms unique from other post-conflict/apartheid reforms (Atkinson 2003), that tend to be concerned with the political unification of municipalities or address fragmentation related to political inequality and heterogeneity on all parties to the conflict and within one system, i.e. a nation-state, regardless how unsovereign, fragile or contested by its population.

This chapter argues that territorial defragmentation is a prerequisite for successful consolidation and capacity building of Palestinian LGUs, although fragmentation is unresolvable without political solutions. The findings show that by focusing on horizontal fragmentation in local government, the consolidation policy circumvented the issue of territorial fragmentation and its implications on consolidated LGUs. The analysis shows that fragmentation continues within jurisdictions of

consolidated LGUs and hinders area coherence and integration. Other territorial public policies have also compounded LGU revenue and functional weaknesses and could undermine LGU capacity for local planning and regulation.

The territorial objectives and outcomes of consolidation policy were investigated from two angles and presented in four sections. The citizen survey addressed whether consolidation has contributed to territorial defragmentation or has been impeded by fragmentation, which is discussed in the first section. Interviews and document review looked into the potential effects of territorial policies such as spatial planning and land administration on integration of constituent communities and capacity of consolidated LGU, which are the topics discussed in in the remainder of the chapter. The results show that most micro effects of local planning were felt in increased construction and land prices, whereas the macro issues of territorial fragmentation and land administration were not affected.

7.1 Public Perceptions of Territorial Objectives

The results of the citizen survey suggest that the public perceived that the consolidation policy had no territorial objective and was weak on territorial fragmentation. Table 7.1 shows that 75 percent of the total respondents perceived the policy aimed at rural development whereas 56 percent of respondents stated it aimed at curbing expansion of Israeli settlements or at unification of territories designated as Areas A, B, and C. However, the least percentage of respondents believed consolidation aimed to extend Palestinian sovereignty to Area C (46 percent) or would prevent further land confiscation (40 percent).

Table 7.1: Territorial Objectives of Consolidation According to Respondents (N=1070)

LGUs	Develop rural areas	Prevent settlement expansion	Unify Areas A, B & C	Extend PNA control over Area C	Prevent land confiscation	Av. %
2005 Amalgamations	66	43	51	48	51	52
2010 Amalgamations	61	34	51	41	31	44
2010 Annexations	65	48	41	47	45	49
Planned Amalgamations	94	56	73	53	65	68
Rejected Amalgamations	89	38	52	33	38	50
Independent LGUs	29	65	62	48	27	46
Subtotal consolidated	63	53	49	44	38	49
Subtotal non-consolidated	87	58	63	47	41	59
Total Sample	75	56	56	46	40	55

Source: Citizen Survey 2013-2014

The average percentage in all five objectives, was consistently lower in the consolidated sample (49 percent) than in the non-consolidated sample (59 percent) which suggests that consolidated

LGUs were skeptical about the capacity of the consolidation to minimise territorial fragmentation caused by political factors. Among the consolidated sample, the type and length of reform seemed to influence results. Older amalgamations seemed to believe that consolidation contributes to defragmentation generally (52 percent) more than the 2010 annexations (49 percent) and 2010 amalgamations (49 percent). Among the non-consolidated LGUs, the planned amalgamations are the most supportive with an average of 68 percent especially concerning the two objectives of rural development (94 percent) and land unification (73 percent). In contrast, the stand-alone LGUs have the lowest total average of 46 percent in the study sample particularly with regard to prevention of land confiscation (27 percent) and rural development (29 percent).

Concerning the relation to population size, results indicate that LGUs small in population and/or area tended to agree more on the territorial objectives than the large LGUs. Table 7.2 shows that the strongest total average was expressed in *Beit Leed* with an average of 83 percent, followed by *Hijjeh* (78 percent) *and Baita* (68 percent), while the weakest were in *Yasseryya* (34 percent), *Mutahida* (41 percent), and *Karmel* (44 percent). LGUs were generally supportive of rural development which is reflective of their perceptions of rural needs and marginalisation relative to larger towns, although low support in the new consolidations is astonishing given that LGUs had the most financial support and largest improvement in local infrastructure.

Table 7.2: Territorial Objectives of Consolidation, by LGU and Population Size (N=1070)

Population	LGU	Rural/ local development	Unify all areas (A, B & C)	Prevent land confiscation	Prevent settlement expansion	Extend control over Area C	Av. %
≥20,000	*Yasseryya*	44	37	26	33	33	34
	Mutahida	63	46	29	26	43	41
15,000-20,000	*Sourief*	70	43	58	52	47	54
	Obaideyya	72	52	61	67	46	60
10,000-15,000	*Tqoua'*	57	74	49	56	53	58
	Baita	94	72	65	56	53	68
5,000-10,000	*Kafreyyat*	78	44	41	46	47	51
	Zaytouneh	64	49	47	46	35	48
	Bani Zaid	70	56	50	44	56	55
	Janata	66	46	54	41	43	50
	Beit Leed	97	86	96	86	51	83
	Karmel	63	36	41	39	43	44
	Sabasstia	89	42	38	38	33	48
≤5,000	*Hijeh*	100	82	72	73	64	78
	L. Deir Assal	79	50	64	57	43	59
	U. Deir Assal	94	67	67	57	39	65

Source: Citizen Survey 2013-2014

Compared to the other territorial objectives, community perceptions of rural development as the main objective reflect actual need and/or mirrors the policy's marketing slogan of 'accelerated development' except by the largest independent LGUs which probably self-identify as urban or Bedouin areas rather than as rural ones. Alternatively, rural development is probably perceived as the most tangible or more feasible than challenging Israel's land expropriation and settlement expansion measures. LGUs, particularly those with the largest land areas such as *Tqoua, Kafreyyat*, *Yasserrya* and *Janata,* are in fact surrounded by several settlements[50] and lost land to the Separation Wall. Local respondents confirmed that almost all LGUs, except *Mutahida* and *Beit Reema* suffered land expropriated for Israeli settlement. Five Israeli settlements are built on *Tqoua' lands,* the largest of West Bank LGUs, and 90 percent of its territory is closed before Palestinian habitation and investment. Respondents were understandably skeptical about the policy's potentials for challenging the territorial implications of occupation and sovereignty arrangements.

Principally, the survey results suggest that the public seems willing to accept consolidation if it is associated with developmental and territorial gains. Respondents assigned less importance to land-related state-building strategies advocated by the PNA over the past decade. In fact, survey findings in Table 7.3 indicate that land strategies were relegated to 6th, 8th, 9th and 11th in order of importance whilst top ranks were assigned to enforcing rule of law and public order and international recognition of the Palestinian state. More than 93 percent of respondents thought that the rule of law, economic development, and institutional building should have primacy over refugee return, peace, land contiguity, and dismantling of settlements and the Separation Wall. These results were similar in both consolidated and independent samples but varied slightly between the amalgamated and annexed LGUs. The latter subgroup reiterated the mainstream Palestinian views of decolonisation which typically considers refugee return, statehood on 1967 territories, and international support fundamental to just resolution of the Arab-Israeli conflict.

[50] During the data collection period, all four LGUs were notified of the expropriation of 1,297 dunums.

Table 7.3: State-Building Strategies According to Survey Respondents (N=1070)

	Strategy	Total %	Amalgamations 2010	Amalgamations 2005	2010 Annexations	Independent LGUs
1	Rule of law/ public order	94.1	1	1	7	1
2	International recognition	93.4	5	2	1	2
3	Economic development	92.4	2	3	6	4
4	Public institutions	91.8	4	5	9	3
5	Refugee return	90.9	6	4	4	9
6	All 1967 territories	89.7	7	8	2	8
7	Just peace agreement	89.3	8	7	5	12
8	Land contiguity	89.1	9	10	3	5
9	Dismantling settlement /Wall	87.9	3	9	11	11
10	Democratic political system	87.7	10	6	10	6
11	Sovereignty	85.4	11	12	8	10
12	Economic independence	85.2	12	11	12	7

Source: Citizen Survey 2013-2014

The first top four strategies formed the backbone of all development plans during Fayyad era (2008-2013). A comparison between PNA budgets and actual expenditures for the period, also show that security was a major concern. One study by Aman (2013) proclaimed that PNA public spending was biased towards security. Although allocated 41 percent, social services comprised 31 percent of total spending compared to security which had a budgetary allocation of 9 percent but accounted for 29 percent of total spending. Believed to be tightly linked to security, roads comprised 10 percent of total spending while public services, such as electricity, (waste) water, and solid waste, comprised 13 percent of expenditures instead of the budgeted 19 percent. With a chronic public deficit, the PNA turned to new donors (i.e. Arab and Islamic countries), reduced public spending and increased taxation (Aman 2013: 23).

Security, public debt, and revenue generation needs were recurring themes in discussions of the Palestinian consolidation and service transfer policies. Several respondents stressed that both policies were motivated most by the PNA fiscal priorities and a decline in funding. This next section discusses stakeholder views regarding territorial and other criteria for consolidation, including targeting of political hotspots, urban expansion, under-developed communities, and avoidance of LGUs in frontiers with Israel.

7.2 Territorial Criteria of Consolidation

Although no consolidation criteria are disclosed in written policy documents, Cabinet decisions show two basic territorial considerations for community clustering: LGU type and location. LGU type indirectly denotes population brackets; however, no thresholds or ceilings were enforced on the

number of communities, total population and total land area in each cluster as long as district boundaries were not affected. Some respondents believed that territorial and demographic criteria were secondary to LGU type and the geo-political location (MDLF informant #1) whereas consolidated communities preferred other clustering options for integration with other towns than the selected ones (focus groups #2). Similarly, stakeholders agreed that local development was the overarching objective of eliminating small LGUs. MOLG informants felt the difference in community circumstances prevented the definition of exact territorial criteria for adherence in targeted clusters and regions. In exceptional cases, separating distances and relationships between communities factored into final decisions, unlike built-up areas, population densities, topography or demographic conditions (MDLF informant #1).

The absence of territorial criteria for the selection of communities for consolidation is somewhat justified by the lack of Palestinian control over the majority of the West Bank territory. Cabinet respondents noted that consolidation policy excluded LGUs in Gaza Strip, Jerusalem district and Area C in addition to those around the Separation Wall and few Bedouin communities leading a nomadic lifestyle (Cabinet informant #2). According to MOLG informants, the lack of PNA jurisdiction over these areas meant that policy enforcement is fraught with political risks or might cause political and financial loses, such as alienating donors unsupportive of unilateral measures. One informant stated that:

> *Had the choice been entirely ours, the policy would have covered the entire West Bank, but LGUs in the Palestinian frontiers with Israel were given special considerations. Among the political prohibitions in policy design is anything overtly political or may cost political losses or weakens PNA position in the negotiations. Politically, consolidation in these areas is paramount with minimising the Palestinian presence in Israeli-controlled areas and delegitimising Palestinian communities and land. The goal is to restore not compound the legitimacy stripped by the occupation. These areas need all possible political, material and moral support which means consolidation is not a feasible option anytime soon* (MOLG informant #2).

Taking the above into account, the policy was applied to Areas A and B, whereas Project Committees were upgraded to Village Councils in other areas despite lacking the basic capacity to perform as such. Other informants stressed the impracticality of consolidating communities with vast separating distances so standalone councils were deemed a must rather than an option, irrespective of population or capacity (MOLG informant #1). However, LGUs in excluded zones were not exempt from other interventions, some of which are ultimately conducive to future consolidation. Since 2007, LGUs excluded from consolidation have featured in national plans and

central coordination of donor funding. According to the Ministry of Planning, strategic and physical plans have been prepared for LGUs in Area C and donors have pledged to build infrastructure despite Israeli threats of demolition after completion[51] (MOPAD informant #1). In exceptional cases, few amalgamations occurred between communities in Areas C and A or B. For example, *Khirbet Jbara, a community of* 300 residents 33 km^2, was annexed to *Karefyyat* after the Israeli Supreme Court ended 11 years of isolation by altering the route of the Separation Wall's in 2014. Local informants stated that within two years of amalgamation, Israel banned LGU activities except for some occasional donor activities. Community leaders concurred that as a remote, underdeveloped small town, it should have remained eligible for additional infrastructure or development assistance if its inclusion in national or regional plans was proven difficult (LGU informant #16, focus group #3).

7.2.1 Community Size and Marginalisation

According to respondents from the Municipal Fund, consolidation criteria were community marginalisation which is directly associated with poverty, political unrest and LGU incapacity (MDLF informant #2). Poverty is more prominent in small and rural communities often targeted for consolidation, than in urban areas, particularly Hebron. For example, deep and relative poverty was reported for *Karmel* (49-83 percent of households), *Kafr Sur* (28-36 percent), *Jdaida* and *Siris (*21-28 percent) and many communities in *Kafreyyat, Yasseryya,* and *Janata*, whereas *Maythaloun, Beit Awwa, Beit Reema* and *Mazra'a* had the lowest poverty rates of 12-20 percent (PCBS 2013b). With regard to under-provision of public services, Table 7.4 shows that nearly 96 percent of abolished LGUs were in six districts which also had the largest number of underserved communities, particularly in Hebron, Jenin, Nablus and Bethlehem districts. The other six districts were less affected because LGUs were already small in number (i.e. *Jericho, Tubas* and *Salfeet*), located outside PNA jurisdiction (i.e. *Jerusalem* and *Jericho*) or in PNA's power seat (i.e. *Ramallah* district). In 2010, a few months before the latest consolidations, the 2010 census (PCBS 2011) reported that 95 percent of West Bank LGUs lacked sewage networks and 28 percent lacked water networks compared to 18 percent without solid waste collection and six percent without electricity networks. This means that 58 percent of the population has lived in households unconnected to sewage

[51]In March 2012, the European Commission (EC) and the PNA signed €7 million agreement in support of social and economic development in Area C seen as crucial for economic viability of Palestine. The Fayyad-Ashton agreement granted Israel 3 months to study each project. If the Palestinian request was not answered within that period, project implementation will proceed (EC press release dated March 20, 2012). It allocated €22 million for a medium-scale wastewater treatment plant in *Tubas-Tayasir*, the 2nd wastewater treatment plant and the 1st for using treated water for agriculture purposes in the West Bank, to be linked to aforementioned water project in *Mutahida.*

networks and about six percent lacked waste collection while 1-3 percent of the total population had no water or electricity networks.

Table 7.4: Population Density and LGUs Lacking Basic Services in Targeted Districts (2010)

	South Districts		North Districts					% of
	Hebron	Bethlehem	Jenin	Qalqilia	Tulkarem	Nablus	Total	WB
A- Number of LGUs lacking public services:								
Sewage network	88	37	77	29	30	52	313	95
Water network	40	0	28	4	2	19	93	28
Solid waste collection	35	5	9	3	3	4	59	18
Electricity network	11	2	1	1	0	4	19	6
Physical plan	52	15	18	6	0	9	100	30
Municipal HQ	29	7	18	6	7	6	73	22
B- LGUs after 2010 Consolidations:								
% of dissolved LGUs	49	17	41	44	45	12	28	27
No of dissolved LGUs	43	7	34	17	15	7	124	96
Remaining LGUs	45	34	48	22	20	52	221	67
Population (thousand)	600	189	247	98	166	340	1,640	68
District Area (km^2)	997	659	583	166	246	605	3,256	58
Density (person/km^2)	612	291	476	595	68	569	435	
Built-up density (2010)	7,307	896	9,048	11,136	8,644	12,102	8,189	
Average population/LGU	13,333	5,559	5,146	4,455	8,300	6,538	7,421	
Average area/LGU (km^2)	22.2	19.4	12.1	7.5	12.3	11.6	14.7	

Source: ARIJ (2011), PCBS (2011) and (MOLG (2013).

These data show that basic services were generally available in most communities and the small percentage of residents without water or electricity networks suggests these were micro-communities. Joint and neighboring councils were the only service delivery mechanisms in the 14 percent of LGUs which lacked institutional infrastructure such as offices and staff. The 30 percent of LGUs that lacked physical plans were also small communities which lacked all planning and regulation functions, such as roads or major infrastructure. Nevertheless, unavailability of sewage networks for the vast majority of the Palestinian population shows that LGU capacity and size were secondary factors. Despite large demands in urban and rural areas, some respondents stressed that Israeli restrictions and donors' reluctance have completely constrained development of the (waste) water sector that was allocated only USD 25 million of a total of 50 billion of donor funds received in 2013 (MOPAD informant #1).

The study found that service under-provision seems to be geographically concentrated in the most fragmented districts, unlike consolidation which has occurred in districts with the largest and least demographic densities. If low population density is indicative of small-size, then by extension diseconomies of scale consolidation should be more common in fragmented districts with medium and low population densities. However, most consolidations occurred either in the most fragmented

districts with the highest population density, such as *Hebron* (45 LGUs and 612 person/km^2) where economies of scale were already present, at least theoretically, as well as in the least fragmented districts with the lowest population densities, such as *Tulkarem* (20 LGUs, and 68 person/km^2). Furthermore, consolidation was rarely applied in districts with extremely high built-up densities and small land areas, such as *Qalqilia* and *Nablus*, where built-up densities ranged between 11-12 thousand person/km^2. This shows that regional population densities were not part of consolidation criteria, but more indicative of population containment policies of earlier eras. As a result of consolidation, new large LGUs, territorially and demographically, were created in the *Hebron* district averaging 22 km^2 and 13,000 inhabitants although the district remains fairly fragmented. By comparison, northern districts have about half of Hebron's post-reform average size and number of inhabitants per LGU, despite large-scale consolidations.

Based on the above discussion, if the number of LGUs per district is the only criterion for consolidation, *then Nablus, Hebron, Jenin*, and *Bethlehem* are likely to be targeted in future consolidations because these districts collectively have 55 percent of remaining LGUs and 65 percent of the population. The districts with the largest number of LGUs are also the most territorially fragmented and have the strongest political opposition to *Fateh* and consolidation policy. Their territorial contiguity is constrained by several geopolitical obstacles, such as the presence of 48 Israeli settlements in *Nablus* and 27 in *Hebron*, including four within the city of *Hebron* itself and 18 in *Bethlehem*. These districts have also lost large areas to the Wall compared to *Jenin* which is settlement-free and entirely under Palestinian jurisdiction, except for a few communities behind the Wall (B'tselem 2013).

Some informants believed that territorial fragmentation obstacles, ambiguity of selection criteria and faulty implementation processes should not have diminished the policy's focus on improving institutional performance and services in small, marginalised areas. Of all policy-makers, only informants from MDLF, the most infrastructure-oriented institution in the local government sector, believed that LGU capacity-building and local services have overshadowed the policy's ultimate objective of territorial defragmentation. However, one informant disagreed by stating that:

> *the consolidation policy was carried out under the pretext of local development in order to break the presumed link between religious extremism and political resistance on one hand and between poverty and under-development on the other* (non-profit organization informant #3).

Likewise, local protest committees suggested that unclear criteria for community selection and funding distribution enable the targeting of problematic areas such as the hot spots of "lawlessness" outside PNA control, the epicentres of *intifada* or armed resistance activities in remote, sparsely populated areas; and the so-called terrorist areas and groups boycotted by donors (focus groups #2, #7). Similarly, factional informants were of the view that Palestinian insovereignty and internal polarisation should have deterred policy-makers from structural reforms because territorial fragmentation must be resolved first so that consolidation, at least in theory, could contribute to the strengthening of national and local sovereignties on territory, natural resources people and services.

Most factional and NGO participants emphasised the fact that consolidation and other public policies, such as service transfer, would not have emerged had LGUs been administratively and financially autonomous, rather the policy has taken advantage of LGU financial problems and the current state of political and territorial fragmentation to serve the PNA's political objectives. In their view, government interventions were concentrated in rural areas to enforce law and order in the southern and northern regions, under pressure from Israel and international communities. Secondly, informants noted that after 2007, donors imposed village clustering and other conditions for receipt of funding, followed by consolidation in 2010, in stark contrast to donor disinterest in earlier voluntary amalgamations during the Arafat era and before *Hamas'* legitimate access to power. Finally, respondents perceived that consolidation incentives and development projects aimed to bolster Fayyad's popularity with voters as a potential successor of Abbas (factional informants #1, #4, non-profit organisation informant #3).

There are many weaknesses to the above interpretations, most importantly being that if the PNA's political negotiation agendas with Israel and external pressure for *Hamas* exclusion prolonged Fayyad's government for five years (the longest term of any Palestinian government), they have not prevented its eventual ousting after public backlash against the government's economic and amalgamation policies. Moreover, such interpretations fail to note that Palestinian factional leadership and public resistance has historically been led by the middle-class in urban areas (Hasan 2010). Factional perception of consolidation motives and objectives is essentially a leftist analysis in circulation since the signature of Oslo Accords which conceptualises the relationship between PNA and Israel as primarily cooperative because of mutual interests in maintaining the status quo and blocking other factions' access to power. The widely-held view is that Palestinian resistance and political activism threaten Israel's security and the existence of PNA's political and

economic elites. Both authorities are compelled to combine efforts to eliminate *Hamas* from the West Bank and shut down grassroots organisations of opponent factions. Consequently, LGUs which became a legitimate window for political opposition after 2007 were also controlled by PNA financial centralisation, donor boycott and dismissal of *Hamas*-led councils. To complete the cooptation-pacification-exclusion cycle, PNA economic policies have placed the public under economic stress through inflation, rising taxes, and is encouraging consumption behaviour so that economic dependence on public sector salaries gives the PNA additional leverage over the public, factions and donors (factional informant #1).

While it is hard to imagine public policy without associated objectives and expectations for political, economic or social implications, land-related policies in the OPT, there are political issues par excellence even if they declare purely administrative or developmental objectives. According to one of the MOLG staff, selection of amalgamated clusters is future-oriented:

> *Long term local development is the policy's ultimate objective. It is good for small communities because they have the rights for service delivery and local regulation. It is about future services and roads and benefiting local populations. They can have all that if merged with relatively larger LGUs. For the time being, it is more precise to call it 'administrative amalgamation' policy because local development takes a long time to realise without considering the question of sovereignty over land and economic development* (MOLG informant #13).

Nonetheless, some stakeholders stated that the policy design and outcomes have disappointed most communities. Some LGU informants remarked that infrastructure projects have had minor developmental impacts beyond service delivery to local populations because they were not accompanied by economic or overall community and development planning. The policy has not involved critical ministries (e.g. of planning, economy, agriculture, housing, etc.) or assigned strategic leadership roles in policy processes. Despite their obvious benefits, most LGUs perceived infrastructure projects as "carrots used to lure communities and their leaders away from political agenda behind the policy", or "the gains received for altering affiliations and forsaking LGU financial assets" (LGU informant #5, #16).

7.2.2 Criteria for Annexation and Amalgamation

Aside from political interpretations, it can be inferred from the interviews that the type, location, population size and functional capacity of an LGU were the four main considerations for its

consolidation, while population size and capacity of the largest LGU determined the type of reform and the lead community within each cluster. Interviewed planning expert considered annexation straightforward to analyse more than amalgamation because the former involves few geographic and territorial factors. Annexation involves a pre-existing nexus, typically a large (semi) urban town endowed with a strong economy and services and one or more smaller communities with organic linkages to the central town. In annexation, power is usually one-sided but mutually beneficial. The centre usually needs land for expansion and development which is only available at the towns' outer limits or periphery and well into its neighbour's zone where land is traded for services. In the case of amalgamation, this nexus has yet to be created by promising benefits to all communities without guarantee of attractiveness or achievement. When such nexus is established, the centre-periphery relations between the largest and the smallest and outer communities often develop into political and other inequalities (planning expert #1).

Furthermore, planning experts concurred with the MOLG estimation that ongoing urbanisation necessarily leads to annexation, at least because 60 percent of population is centered in six cities over 20,000 inhabitants. The latest population census (PCBS 2010), found that 74 percent of the population resided in urban areas in 2010 compared to 10 percent who lived in rural areas and sixteen percent in refugee camps. Informants from the Ministry of Planning expected that the future consolidations would help expand urban areas and resolve service delivery needs in rural areas (MOPAD informant #2). Some informants from the MOLG argued that most 2010 annexations were long due and formalized factual rural integration into urbanised centres, as was the case when *Jenin* city integrated five surrounding residential localities. *Irtah*, *Shwaika* and another four villages practically became the main streets of *Tulkarem* city. In a third example, geographic distances disappeared between *Nablus* city and *Rafidia and Rujeeb* due to the dependence of both villages on city services (MOLG informant #5).

The research found counter arguments to informants' perceptions of the drivers for annexation using official statistics that show demographic redistribution was actually slower. A study on migration from the OPT (PCBS 2010) found that migration outflows remained relatively equal with inflows for 2005-2009[52] and that short travel distances between communities encourage internal migration which involves daily commuter patterns for employment, social services or trade

[52] Total migration outflow and inflow from the OPT in 2005-2009 was estimated to 33,000 and 31,000 respectively. Most outmigration occurred from urban areas. Internally, the highest outflow was registered in *Hebron* and *Jerusalem* districts and the highest inflow was registered in *Ramallah* district.

purposes within the same district. Permanent inter- or intra-district migration coincides with permanent employment yet without severing individuals' ties to community of origin. These ties continue to factor in the individual reliance of familial ties for social life, provision of capital for economic investment projects and electoral support. Therefore, this study concludes that West Bank rural areas are hardly at imminent risk of de-population or major migratory movements at least in the foreseeable future. For some scholars (Abu Helu 2012), the significant increase in housing-related infrastructure and services reflects what is described as the "urban property bubble" because it tends to co-occur with economic stagnation rather than growth.

These examples clearly show that urbanisation and service gaps may have motivated urban-rural annexation, to be perceived as a problem of infrastructure and service planning rather than of LGU finance or distribution of tax burden. None of the informants considered the LGUs free-riding problem and differences in tax contribution between urban LGUs and their hinterlands (Jorhdal and Liang 2010) as a major motive for Palestinian consolidations, including annexation. The planning expert who was interviewed explained that small-scale cooperation projects and free-riding were necessary for provision of a minimum level of services locally. Historically, service-cooperatives and free-riding enabled Palestinian micro-communities to adapt to non-recognition by authorities, the absence of native institutions, or lack of communal capacity to deliver services independently. However, most rural areas in the expert's opinion need to establish basic infrastructure, which is a major capital investment, although use patterns by smaller populations generate only a small need for expansion and lower degradation, hence a lesser need for maintenance. By contrast, there is a constant need for infrastructure expansion and renewal in urban regions despite private sector contributions to meeting service demands. To this expert, small-communities are seen as more cost efficient in the long term than large communities, at least with regard to PNA's contribution to infrastructure building and maintenance (planning expert #1).

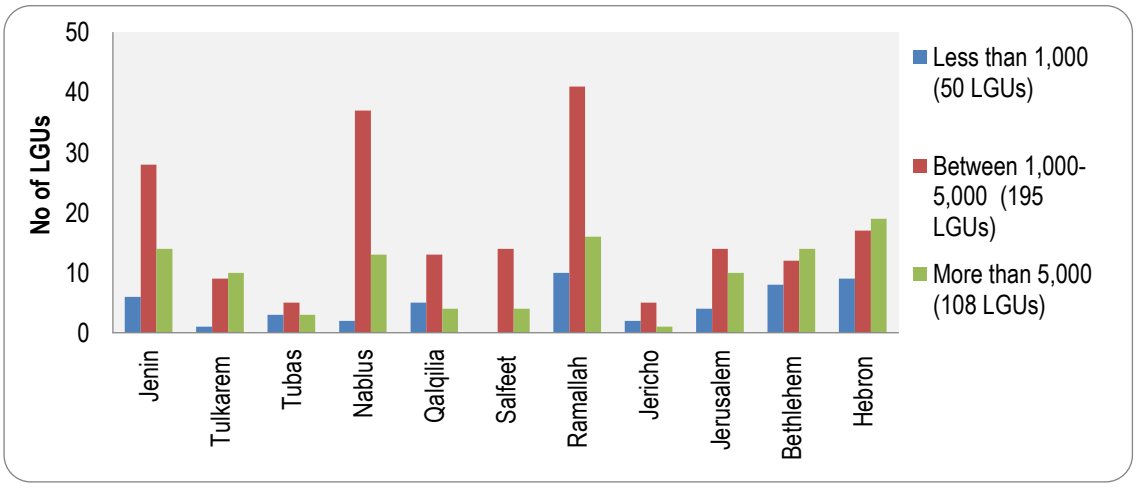
Analysis of 2010 consolidations found that regional differences in the prevalent type of reform, and that the criterion of urbanisation[53] was applied loosely to indicate population size. The difference between amalgamation and annexation criteria appears minimal because some consolidations feature an easily identified population and administrative centres, while others contain communities of comparable sizes. Annexation was more common in southern districts because most communities were either very large or very small, including mass annexation of tens of micro-

[53] Population census defines urban communities as those above 5,000 inhabitants and a density above 400 persons per km^2 (PCBS 2011: 16).

communities to *Yatta* and *Dura* in 2010. The average size of LGUs particularly in *Hebron* district entails that future consolidations will probably result in extremely large metropolitan areas. Many consolidations were found in rural areas and lacked the features of "urban centres" in the sense of being the focus of regional service and economic activities, including *Maythloun* and *Beit Awwa* despite a population of 7,000-10,000 inhabitants. When *Ma'in* (1,000 residents) was annexed to *Karmel* (5,000 residents), neither villages had major capacity or service differences to identify the former as the periphery and the latter as an urban centre. The integration of *Deir Ghassaneh* (2,000 people) and *Beit Reema* (5,000) in the *Bani Zaid* municipality seems more like an annexation than of amalgamation. The urban-rural distinction in the studied consolidations was found only in *Tqoua'* which is five times the size of *Minya* and provides several services.

After the 2010 consolidation, this study shows that small local councils were not eliminated. Figure 7.1 shows that in 2014 about 14 percent of Palestinian LGUs (50 LGUs) had less than 1,000 residents and 55 percent (195 LGUs) had 1,000-5,000 inhabitants. *Ramallah*, *Nablus* and *Jenin* districts have more than two-thirds of total village councils. In addition, 31 percent of all LGUs (108 LGUs) were above 5,000 residents particularly in *Hebron, Ramallah, Bethlehem* and *Jenin* Districts.

Figure 7.1: Distribution of Palestinian LGUs after Consolidation, by LGU Population Size



Source: PCBS (2014) and MOLG's data on consolidated LGUs (October 2013).

The earlier amalgamations show that integration of a large number of micro-communities or their integration with medium-large LGUs are the only way to up-scale Palestinian LGUs to 10,000 or higher. For example. *Janata* needed two decades to double the 1996 population to 6,500 residents in six constituent communities. The 2010 amalgamations tended to integrate small-medium communities with a distinctive population centre, except for *Kafreyyat* (which lacked a demographic

centre) as communities were all below 3,000 inhabitants. While *Maythaloun* had a well-functioning LGU and a relatively large population in par with *Siris*, *Beit Awwa*, by contrast, was exceptionally weak to lead the cluster despite being the largest in population and land area. In both cases the policy created three city-size LGUs with various population nodes over a wide geographical area.

More importantly, statistics show that Palestinian rural communities are likely to remain small for decades to come despite population growth. The average population per LGU increased by 130 percent, from 5,509 in 1998 to 12,720 in 2013, while population increased by 38 percent (PCBS 2014). However, this average is misleading because figures include highly-dense urban areas and refugee camps. This suggests that rural-focused structural reforms to date have not resolved the inconsistency between LGU numbers, land area and population distribution patterns. Since territorial and demographic dimensions are intertwined, policies affecting either dimension should consider future population growth projections and area coherence which are essential to political representation, planning and other functions of LGUs.

7.2.3 Cluster Contiguity and Coherence

In this study, policy-makers asserted that no natural physical barriers prevent the contiguity of boundaries between consolidated communities, albeit temporarily hindered by shortages in connecting roads, shared service facilities and economic co-dependence (MOLG informant #4). For mayors and LGU planners, geographic proximity does not guarantee contiguity or develop a sense of community between neighbouring villages. Focus group participants considered roads essential to increase transportation routes and economic relations between constituent communities without subduing conflicts, competitions and gaps. In their estimation, creating a sense of oneness requires conscious effort on part of LGU and the public (focus group #2).

In policy implementation, factional respondents emphasized that policy-makers erred twice and pre-empted the emergence of smooth intercommunity relations. The MOLG failed to establish and disseminate the factors behind community selection and clustering: a mistake that MDLF then repeated when infrastructure projects were solely based on population size. Respondents added that incentive projects and local elections became powerful disincentives that prevented integration of annexed and amalgamated communities and underestimated the power of organic social fabric and ties (factional informant #4). During focus groups, members of local opposition committees considered cultural or social differences between communities insignificant, stressing six triggers

for public resistance, namely: 1) lack of public conviction in the need for consolidation; 2) imposition of local government structures unacceptable to local communities; 3) community exclusion from decision-making; 4) material losses due to service transfer; 5) under-representation in elected councils; and 6) community favoritism in project distribution (focus groups #2, #4).

The divergence between policy-makers and community views show that their perceptions differ in what makes for a successful consolidation. The aforementioned six causes of local opposition, and the citizen satisfaction rates previously presented in Section 5.4, show that blaming the local mentality seems a gross oversimplification of policy's shortcomings. Even some LGU respondents focused on the resultant organisational capacity for service delivery as the measure for successful consolidations (e.g. *Kafreyyat*) or failed experiences (e.g. *Yassereyya),* Some informants considered rural communities similar in terms of values and family influence on local economies and politics to suddenly become conflicting or complementary in terms of local decision-making mechanisms and institutional structures According to this view, Palestinian communities already have a high level of racial and linguistic homogeneity but differ in terms of religion, political affiliation, family origin and wealth, which are important in local and national politics. This means that policy opposition is more likely reflective of discrepancy in socio-economic and political development, i.e. the same objectives that the consolidation has sought to achieve, than of social/cultural differences between communities (participation expert #1).

The two challenges before the consolidated LGUs are how to develop institutional capacity and a common vision that unifies communities into a holistic political, social and economic unit. This study found that inter-community connections were already low at consolidation. Table 7.5 shows that only three to six percent of survey respondents were employed, married or residing in another community within the cluster compared to 45 to 93 percent who maintained such relationship with their communities of origin. These percentages not only reflect strong individual connection to direct communities rather than to the cluster or district, but also suggest that rural communities are self-contained and more dependent on internal ties than external relationships with other communities. Assuming these figures are indicative of actual socio-economic relations in rural areas, it can be concluded that policy-makers overestimated the existence of community relations and their contribution to policy success although their weakness may be an indicator of possible policy failure. If inter-communal ties are a must for consolidation, it is imperative that these ties are strengthened in policy and LGU decisions so an imagined sense of oneness can be created. Therefore, it is unrealistic to expect communities to abandon personal attachments to home towns

and blend automatically without major benefits, such as service and economic development, which according to the interviewed participation and planning experts are more likely to foster new connections and relationships between these communities.

Table 7.5: Percentage of Respondents with Relationships to Constituent Communities (N=720)

Relationship	Same Community	Consolidated LGU Area	Same District	Other District
Respondent's community of origin	84	6.1	5.5	3.5
Respondent's place of employment	46	6.2	4.7	3.8
Respondent's place of residence	93	3.1	2.4	1.6
Community of spouse origin	54	4.9	5.8	3.4
Average	69	5.1	4.6	3.0

Source: Citizen Survey 2013-2014

Perhaps due to all of the factors, five of the nine interviewed mayors thought a full-scale feasibility assessment should have preceded consolidation and included the following: a) a study of political feasibility; b) resource mapping in the area and anticipated long-term development benefits; c) a planned comprehensive capacity building program for the new LGU depending on needs of the entire consolidated area and d) full-scale public consultation in each of these steps. When local communities accept consolidation, implementation should be carried out to enable local participation in final decision-making, set realistic timeframes, fast-track service improvement programs and conflict resolution in all communities, especially the smallest and the most marginalised communities. With the realisation that implementation might not go as smoothly as anticipated or within the specified timeframe, mayors advised considering consolidation on a case-by-case basis. Moreover, the mayors believed that LGUs should monitor and analyse all policy outcomes and results as they occur during implementation rather than be occupied with financial incentives or unanticipated disruptions in municipal functions during transition (LGU informants #3, #9, #14, #16, #20).

7.3. Jurisdictional Fragmentation of Consolidated LGUs

For decades, the West Bank populated communities have been demarcated by geographical features and natural physical barriers more than by legally established boundaries for local governments (Ghnaimat 2012). According to election experts, electoral boundaries are much larger than LGUs functional boundaries in order to extend political representation and voting to all Palestinians, regardless of Oslo sovereignty arrangements. As a result, LGUs electoral boundaries cover all of the 1967 territory and Palestinian population, except for the city of Jerusalem and

refugee camps. Nevertheless, the indivisibility of geographical and political jurisdictions is implied in the prohibition of functional overlap between LGUs and double voting (election expert #1). Informants from MOLG affirmed that the political jurisdiction of any single LGU is wider than its service delivery jurisdiction. Informant explained that service jurisdiction may correspond to the approved physical plan, if any, which in turn is often smaller than total area of the actual built-up zone(s) in the community. In other words, each LGU has a minimum of three overlapping zones: 1) a functional jurisdiction comprised of a physical plan in the centre, 2) built-up areas and surrounding the center and 3) a political representation zone which stretches from the centre to the village boundaries, if any are established in the land registration system, or as defined by the Cabinet (MOLG informant #6)

Legislative ambiguity on functional jurisdiction for an LGU, i.e. the exact territory defined by an approved plan, seems intentional on the part of law-makers in order to circumvent the thorny question of territorial reference. According to the MOLG informants, boundary definition is centrally determined rather than being a parliamentary prerogative or an administrative decision subject to contestation procedures. As a result, exact jurisdictions are sometimes contested between competent ministries and LGUs forced to navigate through layers of administrative jurisdictions[54] (MOLG informant #7). Functional boundaries are therefore fuzzy and changeable, depending on the type of service or function and whether an LGU or a national agency is responsible for that function or territory, as described earlier in Section (2.1.3).

The MOLG informants highlighted many implications of boundaries for structural reform. The policy could consolidate all voting inhabitants but parts of the territory they live in because electoral boundaries were easily collapsible and re-definable whereas functional jurisdictions require actual territorial sovereignty. It was also found that although consolidated LGUs are accountable to all electorates, residents outside official jurisdictions receive fewer and costlier services if they fall in Areas B and C. If the LGU lacks capacity and/or jurisdiction, communities are obligated to directly interact with Israeli authorities and other Palestinian agencies for construction permits and services, a matter that results in revenue losses and policy outcomes beyond the LGU's control (MOLG informant #3).

[54] Local electoral districts are closest to the 1927 Village Boundaries maps of the British Mandate era which are still valid, particularly in the north. The Israeli-prepared Palestinian locality maps, also known as Oslo Boundaries. Were used for authority transfer to the PNA and restricted the Palestinian communities to an average of 2-3 km^2 of the densest built-up areas. If an LGU had historically physical plan, it becomes the third territorial point of reference with the exact territorial jurisdiction being a sub-layer of the structural plan (MDLF informant #1).

This study found that consolidated LGUs, like their abolished predecessors, are granted partial control, restricted to communities' separate physical plans before consolidation, if any, and their approved future expansions. Where communities lacked physical plans, their jurisdictions become the actual built-up area(s) located in Area A pending preparation of such a plan. Partial jurisdictions were also found even in areas lacking geopolitical barriers to full consolidation (e.g. *Mutahida, Bani Zaid, Zaitouneh* and *Karmel*).

Table 7.6: Total and Built-Up Densities in 2012 in 2010 Consolidations (person/dunum)

	2012 Population	Total Area	Total Density	Built-up Area	% Built Up of total land	Built Up Density
Yasseryya	18,303	29,580	0.619	1,516	5.1	12.1
Mutahida	19,475	43,947	0.443	1,869	4.3	10.4
Kafreyyat	7,763	47,674	0.163	1,160	2.4	6.7
Tqoua'	10,902	88,908	0.666	1,623	1.8	3.6
Karmel	4,860	26,000	0.187	220	0.8	22.1
Total	**56,303**	**236,109**	**0.239**	**6,388**	**2.71**	**8.814**

Source: Arij (2012) and PCBS (2012). *Dunum*= 1,000 m^2

A number of pragmatic concerns were used to justify the decision to restrict consolidated LGU jurisdictions. A few of the MOLG respondents stated reasons such as LGUs lack of capacity to serve and regulate vast stretches of lands or potential mismanagement of planning and zoning (MOLG informants #3, #4). The study findings in Table 7.6 indicate that the 2010 consolidations actually regulate less than three percent of their total lands, or three percent in amalgamations and less than two percent in annexations. *Yasseryya* has the largest built-up area (5.1 percent) o whereas *Mutahida* has the largest land and built-up areas. *Kafreyyat* has the smallest jurisdiction (2.4 percent) despite having the largest land area of approximately 44,000 dunums. *Tqoua*' expanded to 1,623 dunums of built-up area after the addition of *Minya* and become the second largest consolidation despite controlling less than two percent of its territory. According to land Authority, land ownership records remain in the names of communities pending a further central decision.

While annexed communities lacked plans prior to consolidation, annexations have the largest average area of 57,000 dunums compared to 40,000 dunums per amalgamation. Table 7.7 shows that the 2010 amalgamations and independent LGUs were comparable in area. LGUs actual jurisdictions in the sample were indeed small, ranging in average between 0.6 km^2 for older amalgamations and 4.5 km^2 for the 2010 amalgamations. The latter had the largest functional

jurisdictions for all LGUs with an average of 4.5 thousand dunums of built-up area or about 3.8 percent of total area. Because of their multiple and heavily-populated communities, the new amalgamations were 7.5 times larger and contained 2.5 times more inhabitants than older amalgamations which were generally smallest and densest (22 persons/100 m^2).

Table 7.7: Average population and Built-Up Densities (2012) by Reform Type (person/dunum)

	2010 Amalgamations	2010 Annexations	2005 Amalgamations	Independent LGUs
Av. built up area	0.0234	0.147	0.0142	0.0417
Av. built up density	3.340	2.920	11.066	3.052
Av. land area/LGU	40,400	57,454	11,844	39,813
Av. population	15,180	7,381	6,950	9,056
% built up area	3.75	1.60	2.65	1.86

Source: Arjij (2012) and PCBS (2012). Dunum = 1,000 m^2

None of interviewed LGUs stated it had sufficient technical and material capacity for undertaking infrastructure projects, particularly roads, water and sewage networks, unless the separate physical plans are expanded into an uninterrupted jurisdiction. The MOLG respondents reported that by mid-2014, physical plans would be prepared or updated separately for each community before joint physical and strategic development plans are prepared in 2015. Meanwhile, The MOLG and other agencies fill gaps in LGU jurisdiction so that infrastructure projects are completed and equally present in all constituent communities (MOLG informant #8).

7.4. Territorial Outcomes and Barriers to Defragmentation

7.4.1 Land and Property Taxation

Land administration bears on local government functions and revenues as well as on economic development and public sector finance. Since the mid-2000s, land use, registration and taxation have increasingly become central to reforms although the MOLG respondents insisted that consolidation was designed separately from national land administration reforms. According to one interviewee:

> *The objectives of the amalgamation policy are not related to land registration and were not initiated to collect or increase property tax which will be the natural outcomes of both physical planning and land settlement. The ministry is aware of the problems regarding land lots owned by abolished LGUs and the enforcement of hefty fines on unlicensed buildings by the consolidated LGUs. Amalgamation aside, LGUs must rely on property-related taxes and fees although serious land and property issues prohibit investment in economy, infrastructure and human development in all communities. Land registration or undisputed ownership of land is the basic step for construction*

> *and any other economic projects. It is more important than capital or land zoning and will definitely develop LGUs financial sustainability more than taxes* (MOLG informant #13).

With respect to the territorial outcomes of consolidation, an interviewee from the Land Authority reported no immediate changes to land registration transactions or land taxation. Nevertheless, several cases emerged pertaining to the disposition of common land and property owned by abolished LGUs. In the intermediate term, this informant expected a possible surge in legal cases in consolidated areas due to lack of proof of ownership. In the long term, the outcomes depend more on the development of land administration system than on consolidation, although land registration will improve public finance but most importantly protected land from confiscation and settlement expansion (Land Authority informant #1).

According to LGUs, the fiscal effects of property taxation take years to materialise thus are unlikely to become the major financial source in the medium term (Section 5.2.1). Husseini's study (2010) found that only 43 LGUs, or 13 percent of West Bank LGUs, generate property tax, either because of community evasion or lack of ownership records. Another study (Maso'ud 2013) identified several factors that make Palestinian rural communities hard-to-tax, such as exempting agriculture from income tax, the small size of rural economies and taxable commercial activities, and many barriers to land settlement/registration. As a result, there is a tendency for tax evasion through unregistered transactions and illegal construction despite the obvious benefits summarized by one informant as follows:

> *Land settlement is a birth certificate for land. It cannot be forged. People hesitate to seek such documents probably because applications for settlement/parcelisation are too lengthy, cumbersome and costly. The cost has recently shifted from sellers to buyers by a ratio of 1:2 and new applicants are charged four percent of land value and obliged to settle outstanding taxes of previous owners; a reasonable charge compared to 10 percent in Jordan. Years ago, the fees dropped from three to one percent in the hope that it would encourage applications for first registration. Perhaps private land changed multiple hands it becomes extremely difficult to prove who owns what and the judiciary is ineffective in establishing or enforcing property rights. Only 48 percent of the current owners match the various historical registry records the PLA has access to. People also built on and farmed common land for generations and are unwilling to disrupt familial arrangements or fragment land lots into small, unworthy pieces if inheritances were divided. In Area B, it is impossible to register any lot less than 750m^2 or settle those under 500m^2 (*Land Authority informant #1).

Some studies (Husseini 2008, Maso'ud 2013) argue that the propensity of tax evasion and informal transactions has historical and legal roots which left 70 percent of West Bank land unregistered (Section 2.2). The authors stressed that it is impossible for the PNA to operate an efficient and equitable land administration system based on partial surveys, inaccurate records and transactions subsequent to first registration. The accuracy of the land register is easily contested on the grounds of fraud, inheritance and absentee ownership. The public accords the system a very low level of trust so that communities and developers have long relied on local social networks to secure land. The studies concluded that the system has led to a small formal market, erased registration benefits for land-owners, and become detrimental to the interest of the emerging Palestinian state and national development (Husseini 2008; Maso'ud 2013).

To improve public finance, the PNA appear to prefer increasing tax rates to the removal of entry barriers to the formal market because doing so causes substantial financial loses. In Husseini's (2008) opinion, establishing a substantial record of up-to-date titles requires the PNA to remove registration disincentives, relax survey requirements, waive first registration fees, and levy affordable and equitable fees. Radical changes are also needed for legislative frameworks and institutional capacity for land administration involving, for example, modern spatial mapping and archiving. Until the new system takes hold, the costs of land administration system and reforms will exhaust and surpass revenues from land registration.

Respondents from the Association of Palestinian Local Authorities expected local tax revenue to improve with local administration and retention of all tax revenues (e.g. income, property, land, business, etc.) on all transactions and activities within LGUs jurisdictions. However, most interviewees preferred centralised tax collection with prompt disbursement of 90 percent of revenues to LGUs, as required by law. The general consensus was that only rank A municipalities have the capacity and power to enforce payment whereas other LGUs have to manoeuvre through multiple and conflicting legislation on a variety of issues (planning, building, land registration, and the like) before taxes can be levied. Despite their inability to bring taxation under control, respondents claimed that the PNA's detachment from local politics make centralised taxation more effective since LGUs are concerned about loss of electoral support. In this regard, some informants stressed that consolidation allows LGU-community relations to escape familial and electoral interests in order to develop new relations moulded after the de-personalised service provider-users model (LGU informants #5, #9, #14, #20).

At the same time, few informants argued that centralised taxation undermines LGU autonomy and performance and feeds into the PNA's extractive agenda since the mid-2000s so as to compensate for reduced international funding and blockage of customs[55] transfer from Israel (factional informants #1, #4). A recent report on PNA income in 2013 estimated donor contributions to 13 percent and customs transfers from Israel to 57 percent. Local taxation in the West Bank accounted from 30 percent which to the report was the highest tax rate in the Arab region (Aman 2013). Some informants claimed that income taxes rose between five and 30 percent for certain income brackets and land registration fees also rose by 500 percent in 2010 without publically disseminating Cabinet's decision which makes enforcement unlawful (LGU informant #20).

The same view was shared by informants from the Land Authority and LGUs who said that in addition to central taxes, owners pay annual taxes to LGUs, five charges on applications for permits and service subscription determined by lot area (LGU informant #20). They further stated that citizens incur prohibitive costs from registration and construction compliance unlikely to be recovered through commercial leasing. Since rural construction is basically intended for family residence[56], LGUs cannot ignore housing needs or penalise communities for land system failures, preferring alternative procedures to unregistered land, fees and tax rescheduling, and fines on illegal construction. However, destroying buildings is seen as definite political suicide because it echoes Israel's use of house demolition for collective punishment of Palestinians (PLA Informant #1; LGU informant #5). In other words, tax evasion and construction violation codes are sustained by LGU political interests and PNA's economic interests although an informant mentioned that incompliance fines compensate for revenue loss after service transfer (LGU informant #14).

7.4.2 Spatial and Land-Use Planning

The 2010 consolidation wave occurred in parallel with preparation of the first national spatial plan and hundreds of LGU strategic and physical plans[57]. Only a few consolidated LGUs stated that strategic plans were developed after reform mainly because local needs are chronic and easily anticipated or because of unpredictability of internal and funding needed for plan execution. According to some informants, LGU actual spending and projects are determined by priority needs

[55] Between 2001 and 2012, Israel deducted NIS 7 billion in electricity debt and 220 million in unrequested waste water treatment services (Aman 2013).

[56] According to population census, 83 percent of OPT households are owned by a family member (PCBS 2010).

[57] Spatial plans are national in focus and considered the geographical expressions of economic, social, cultural and ecological policies in a given country (MOPAD informant #1). A structural plan is local, and consists of a physical plan and a land use plan. The first defines LGU boundaries, land parcels, and present and planned infrastructure. The land use plan allocates areas for residential, industrial, commercial and other purposes and has a legal status indicating what is (not) allowed on a parcel of land (MOLG informant #1).

and donors conditions whereas strategic plans are usually developed to improve relations with donors and local communities and least used for performance improvement (LGU informant #6, #20). Other informants remarked that planning is complex due to a lack of contingency and coherence within the consolidated jurisdiction, competing needs and priorities, and difficulty in developing a unified vision for all constituent communities. Recognising that LGU funding is unlikely to match growth in public expectations, informants stated that consolidated LGUs avoid participatory planning, allocate resources based on community population, and limit spending to actual revenues collected from each community. Thus, strategic plans contain separate sub-plans for each community comprised of a community profile and a list of infrastructure projects in search of donors. Community rivalry and unresponsiveness to match donor-funding obstruct local partnerships and unified implementation when funding is secured, which lead to community-specific projects (MOLG informant #9, MDLF informant #3).

Regarding physical planning, the study found that structural and land-use planning are introduced after a community is upgraded to a municipal status or consolidated with a municipality. During data collection, physical plans were under preparation by teams of technical consultants, secured sufficient funding, and expected to be completed and approved by the PNA and/or Israel within two years. Therefore, the impact of land-use planning on communities and LGU finances will occur in the near future. However, informants from older amalgamations reported latent impacts on local economy and affirmed that physical planning resulted in increases in land prices and formal transactions due to road opening, land zoning and availability of service networks and in some cases extended construction into arable land. In one community, sudden rise in land value in *one LGU* awakened a host of sleeping inheritance and collective property problems (focus group #6). In another community, respondents claimed that councillors often used planning information to buy land before physical plans were opened to public contestation, or passed information to private sector and families to benefit from or hinder extension of zoning and public amenities to their property (focus group #4). In a third case, physical plans attracted manufacturing and housing investments from nearby cities although the LGU was concerned by the inadequacy of infrastructure necessary for absorption of newcomers, potential environmental impact of industrial activities (LGU informant #7).

According to respondents from national institutions, the spatial plan carries more significance to territorial planning than LGU long-term planning. The informant from the Ministry of Planning stated that the spatial plan offers a multi-purpose strategic framework for land use across all local

jurisdictions. As land is the scarcest of all natural resources and non-reproducible public goods, the plan aims at protection of natural resources and sites of historic or architectural interest from excessive consumption and unplanned urbanisation (MOPAD informant #3). However, another informant denied land scarcity in terms of total density, i.e. total population living in total area, except in Gaza Strip, while few cities in the West Bank have limited land supply to justify spatial planning or land annexation (Land Authority informant #1).

Many stakeholders were alarmed by the plan's initial recommendations, summarised in Table 7.8, and the anticipated outcomes. Overall, the draft plan designated 75 percent of the West Bank land as protected areas and restricted population expansion and economic investment to 23 percent. The protected areas are natural landscapes, and high and medium-value agricultural land (37 percent) in addition to areas designated as natural reserves, forests and biodiversity areas (38 percent). Development is permitted only on low-value agricultural land (18 percent). Respondents perceived the percentage of land designated for development as sufficient to meeting short-term investment and housing needs resulting from natural population growth only if such areas are open to Palestinians and under Palestinian sovereignty. Respondents were concerned that in assigning future use according to present-day control the Israeli policies of population containment and territorial fragmentation are reaffirmed. Respondents were worried that most land may be taken off the market and may increase costs of housing, taxation and investment in addition to limiting the prospect of horizontal expansion and increased vertical construction that may exacerbate social and infrastructure pressures in urban areas. That the plan was also perceived as short-sighted also means that strategic development needs, including the prospect of refugee return, are overlooked while making the steering of local development excessively central, deterministic and rigid if decisions hinge on governmental approval (Land Authority informant #1; planning expert #1).

Table 7.8: West Bank Land Uses in Draft Palestinian National Spatial Plan (2013)

Suggested Land Use	% Designated in Spatial Plan	% Actual Use (2011)
Palestinian Urban Boundaries:		
Current Built-up Area	4.99	5.3
Low Value Agricultural Area	18.45	
Pastures		29.6
Roads		1.1
Subtotal	**23.44**	**36.0**
Protected Areas:		
Agricultural Land - High Value	9.4	
Agricultural Land - Medium Value	27.2	Cultivated/Arable Land: 49.9
Landscape - Medium Value	24.5	

Natural Reserves	9.0	9.1
Biodiversity	4.25	
Forests	1	1.8
Subtotal	**75.35**	**60.8**
Built-Up Area – Israeli Settlements	1.21	3.2
Total	**100**	**100**

Source: Ministry of Planning (2013), PCBS (2011b)

From local government perspectives, some respondents emphasized contradictory fiscal effects and overlap with regard to assignment of institutional responsibilities for administration, financing, and revenues generated from protected and development zones. For example, clarity is lacking regarding whether the Ministry of Antiquity or LGUs would be responsible for daily operation, maintenance and income from archeological sites within local jurisdictions. The costs of plan implementation, maintenance of protected areas, and laying basic infrastructure for development would also demand enormous resources exceeding the financial capacity of most local governments. To these informants, the PNA and big businesses stand to benefit the most because the spatial plan supersedes all land-use and physical plans and infrastructure regulations within and outside local jurisdictions, a false sense of land scarcity and stringent construction codes in order to increase taxation which fall within the PNA extractive priorities (LGUs informant #1, #5-6, #14). However, respondents from the Ministry of Planning, which is responsible for plan development, anticipated mixed outcomes such as a reduction in LGUs planning authorities, strengthening their position vis-à-vis communities for tax rate changes and land acquisition, and attracting governmental funding for land preservation in protected areas (MOPAD informant #3)

Adverse effects on land administration were also expressed as the prohibition of all forms of construction and disposition (i.e. purchase, lease, sale or division) in protected areas may deny owners and communities property rights and livelihoods, and without fair compensation. To informants from the Land Authority, protection zones are likely to discourage property registration and undermine national policy of land protection against Israeli settlement particularly in Area C. This respondent argued that:

> *owners will not be interested in having their land registered and taxed if they would not be able to live off their property or if it could be taken away to become a natural landscape. There is no sense in designating Area C as natural reserves because it is the largest area and the backbone of the national economy with its natural and touristic resources. Clearly, controlling this area means sovereignty and statehood. Strangely, the plan does not allow much development in any sector and its failure to designate future Palestinian uses left white areas screaming for Israeli confiscation. They could be marked as future built-up or industrial areas. In my opinion, the plan*

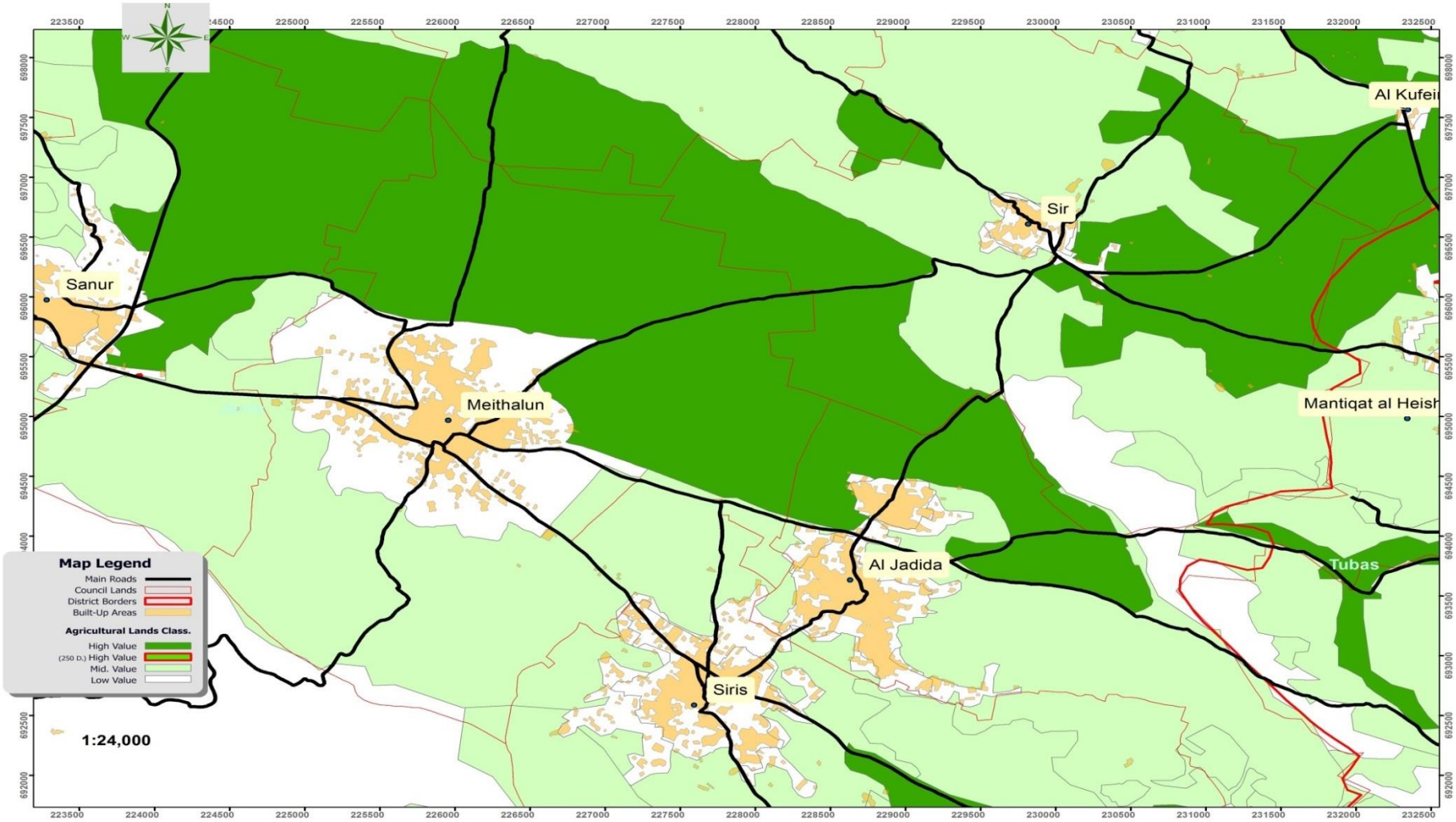
> *conveys a superficial and administrative sense of territorial sovereignty while tightening the grip over own people* (Land Authority informant #1).

According to planning experts, the plan's shortcomings stem from its extremely technical approach and disregard of wider economic, social and environmental needs, particularity housing. The overall tendency is to reinforce the status quo of communal segregation and territorial fragmentation, and its inability to balance local autonomy and area-wide interests with the plan's objectives. In their opinion, the overemphasis on resource management efficiency and economic growth in urbanised regions is expected to deepen exiting economic gaps between communities through hindering redistribution of resources and employment from rural areas (planning expert #1). Factional respondents asserted that geo-political fragmentation renders all land-use plans (e.g. spatial, physical, investment, etc.) unrealistic and un-implementable yet clearly show the PNA's centralist tendencies and approach to local government as local planning (factional informant #4).

After examining the draft maps for the three new amalgamations, the study found that the spatial plan has not altered the boundaries of local governments, yet it does not take into account the need for defragmentation and contiguity between the constituent communities in consolidated LGUs particularly those located in protected zones. In Figures 7.2, 7.3 and 7.4 below, land reserved for population and development expansion is presented as white zones surrounding the current centres of each community, which are the actual built-up areas. The spatial map of *Mutahida* in Figure 7.2 shows expansion reserve is greater for *Maythaloun* than for *Sir* which appears to have already exhausted such reserve. A similar situation is found in the adjunct towns of *Jadida* and *Siris* where integration seems inevitable if the area separating them is no longer protected as medium-value land. The adoption of the cluster spatial plan will maintain three distinct population centres separated by protected agricultural land. *Sir* and *Maythaloun* (i.e. the smallest and largest communities) would practically remain independent, whereas *Jadida* and *Siris* will definitely be integrated and placed within the physical plan if its classification is lowered from medium to low-value agricultural land.

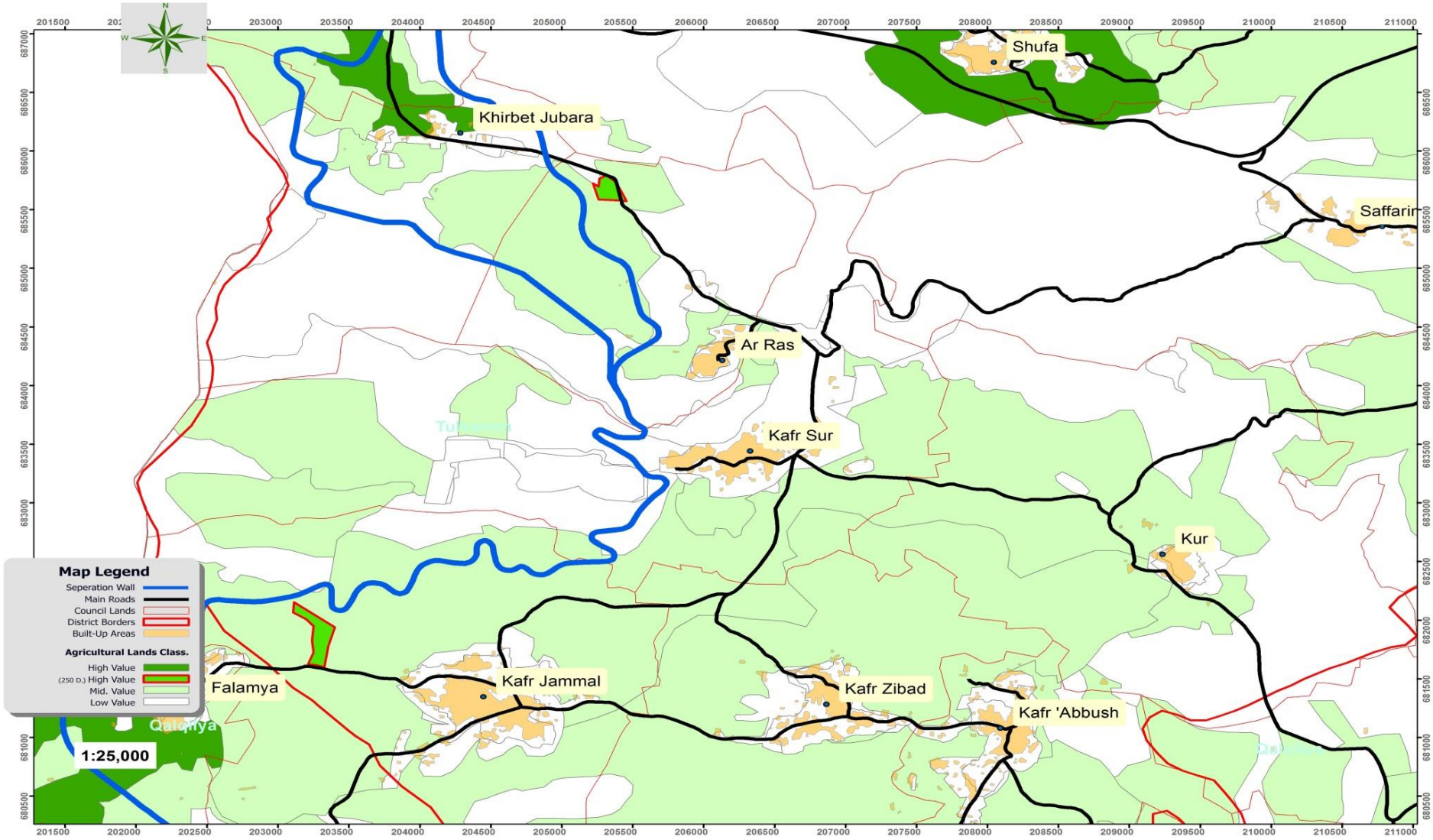
The same could be noted for the spatial plan of *Kafreyyat* in Figure 7.3. The seven villages could expand in all directions, although their separation by medium-value land means a development continuum could be established only in two cases: between *Kafr Zibad* and *Kafr Abboush* and between *Kafr Sur* and *Ras*. By contrast, *Kur, Kafr Jammal* and *Khirbet Jbara* are more likely to remain disconnected because of their location at the outer boundaries and designating of little

Figure 7.2: *Mutahida* Draft Spatial Map, 2013



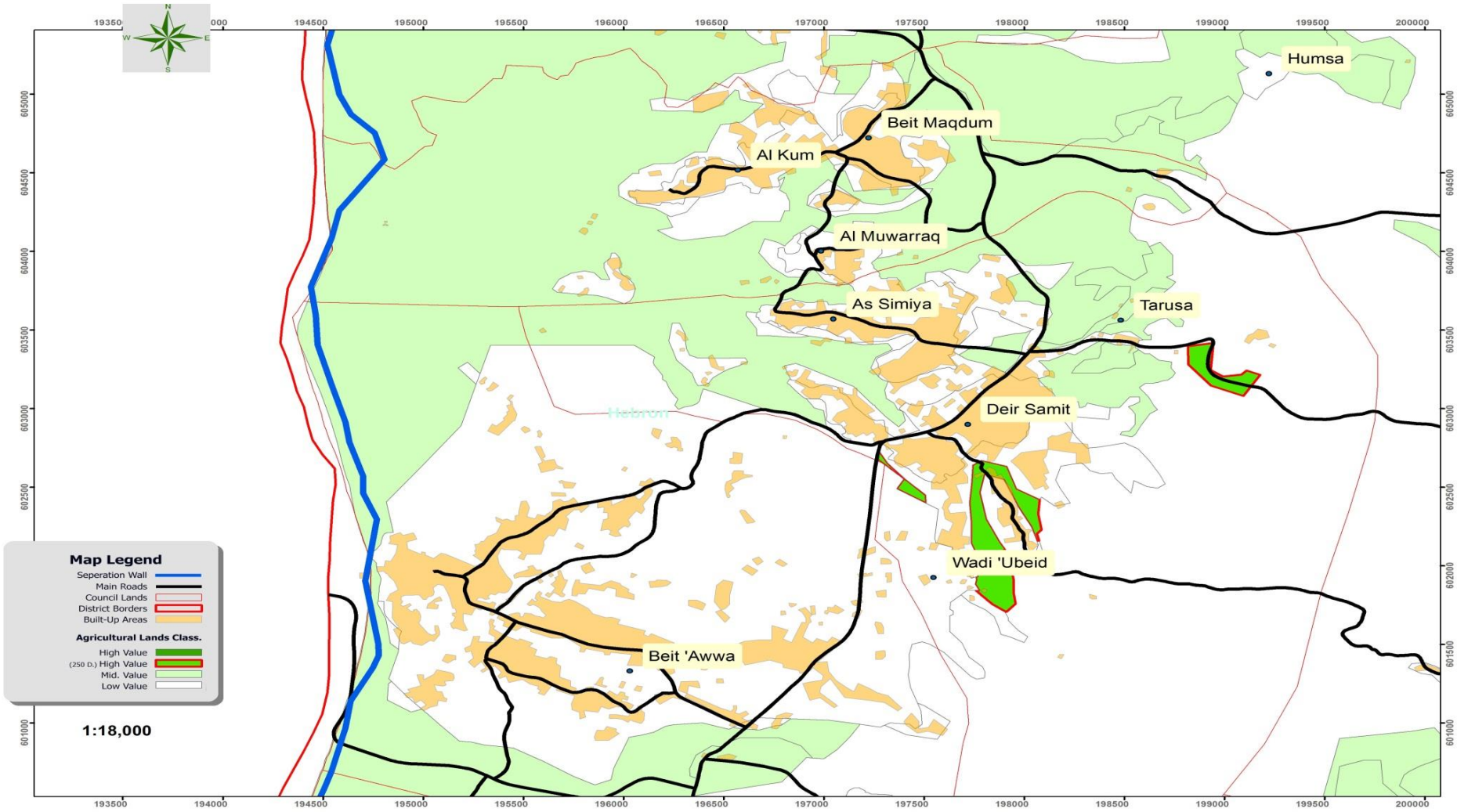
Source: Draft West Bank Spatial Plan, 2013. Ministry of Planning, Ramallah

Figure 7.3: *Kafreyat* Draft Spatial Map, 2013



Source: Draft West Bank Spatial Plan, 2013. Ministry of Planning, Ramallah

Figure 7.4: *Yasseryya* Draft Spatial Map, 2013



Source: 2013 Draft Spatial Plan. Ministry of Planning, Ramallah

reserve for expansion. With a total land area of 50 km^2, *Kafreyya*t is almost as large as Gaza city, the largest independent municipality, and serves a fraction of its population (53 km^2 and 0.5 million inhabitants). While agriculture is the primary economic activity in the northern region, due to large share of agricultural areas and water basins, *Kafreyyat* is more water sensitive and relies on other districts and Israel for employment. The small population, seasonal agricultural potential and inaccessibility to the LGU weaken *Kafreyyat*'s potential to develop service and trade sectors without some linkage to urban or industrial centres in the region.

The draft spatial plan for *Yasseryya,* lends support to local calls for disintegration of *Beit Awwa, Tarussa* and *Humsa,* particularly because the last two micro-communities are completely isolated and excluded from the LGU physical plan. Despite being the largest town in the cluster, *Beit Awwa* is the least developed, the most sprawled and disconnected from the rest of communities so that amalgamation may have been more successful had it been postponed a decade or so. This water-scarce town is located in tough mountainous terrain least valuable for agriculture, while the remaining towns overlap in their built-up areas and therefore can remain consolidated. However, the spatial plan also seems to support proposals for regional consolidation of some or all of *Yassereyya's* constituent communities with *Dura*, encouraged by community expansion towards the east (i.e. *Dura)* or and north *(Kharas),* both of which are large municipalities.

Expansion towards the west is blocked by the Separation Wall and the Green Line as well as by Area C in the south. Secondly, *Dura* is expected to absorb *Yasseryy*a and other surrounding LGUs due to demographic growth and sprawling. Many respondents believed that:

> *Yatta is the natural extension of our land, agriculture, tribal lineage and everything else. Many families have property in both areas. We have direct transport so it is our choice for trade, education, health services and contact with governmental agencies. We visit Deir Samet and Beit Awwa only to contact the municipality or buy used furniture. Our future is with Dura (focus group #3).*

According to respondents from MOLG, future consolidation waves are most likely to create the *Greater Dura* Municipality which population reached 55,000 inhabitants in 2014 and increases by 3.6 percent annually. Amalgamation with one of the region's service and trade centres benefits rural and marginalised communities more than integration with 'urban villages' with no services or economic future. Because of its elevation and dispersion, communities were concerned that

heavy investment in *Beit Awwa* is imperative to bridging the gap with the *Kum* cluster would occur at their expense and marginalisation (MOLG Informant #10).

The spatial plan is likely to preempt future consolidations, especially in the north districts, and encourage very large consolidations in the south. Table 7.9 shows that the north is likely to remain fragmented because of the highest ratio of protected areas and the largest number of small-medium rural communities, intercepted by 63 percent of the West Bank's cultivated land. In spite of regional similarities in total demographic and area size, the south is more compact, geographically and administratively, and contains half the number of LGUs. By having the highest ratio of built-up or urban areas against a low ratio of protected land, the south is likely to consolidate, encouraged by high population growth rate and dependence on manufacturing and service sectors that contribute to rapid urbanization.

Table 7.9: Regional Land Use Patterns in the West Bank (2010)

	North	South	Ratio
Districts	6	2	3:1
Communities	254	137	2:1
Population	1,094,814	1,096,094	1:1
% of inhabitants in micro-communities	17.95	14.64	3:1
Land area ($km^{2)}$	2,226	2,735	1:1
% Cultivated Land	38.3	11.2	3:1
% Forests	2.2	0.4	6:1
% Natural Reserves	9.1	1.3	7:1
% Pastures	5.9	14.6	1:3

Source: PCBS (2011)

In 2011, tens of micro communities were annexed to three large LGUs in order to ease service provision burden from Hebron city. It is possible that *Hebron* district will be divided into two or more districts in response to current proposals that the south needs to awarded equal political representation opportunities in national institutions and adequate administration locally. In short, fragmentation would be extended from the first to the second tier in politico-administrative system (i.e. governorate or districts) and remain in both tiers at the district and LGU level in the north.

7.5 Conclusion

In summary, the study concludes that the extent of territorial fragmentation has not been reduced in the latest reforms. The overall perception of citizens and policy-makers is that land is central to the Israeli-Palestinian conflict and the balance of power does not allow modification or revoking the sovereignty arrangements unilaterally. Palestinian territorial public policies, particularly

consolidation, local planning and spatial planning, adapt to fragmentation and by doing so risk intensifying community seclusion and produce unfavourable effects.

The next chapter presents respondents recommendations and preferences for the improvement of policy design and implementation to successful consolidation and citizen satisfaction of processes and outcomes. Possible alternatives to this policy are also discussed from the respondents' points of view which are presented separately from the study recommendation on larger dimensions of local government.

Chapter Eight

Community Satisfaction, Preferences and Recommendations

8.0 Introduction

Improved citizen satisfaction is implicit in the economic rationale of consolidation. The underlying assumption is that enhanced functional and fiscal capacities leads to better and specialised services at lower costs or taxes when LGU's total population increases (Mouritzen 1989). This also means that individual communities of different population size are also expected to have different satisfaction rates before and after consolidation (Hansen 2015). Tiebout (1956) has a different opinion where he expected citizen satisfaction to decrease with increase in population size mainly because reduced competition between LGUs and interested in attracting citizens with quality services.

Empirically, the consolidation literature identifies four components as responsible for determining ex-poste satisfaction rates: individual perspectives, governance, area-wide policy, and structures and processes for public consultation and participation. Individual position on amalgamation lies in citizen assessment of external factors, not on their personal attributes. Empirical Assessments of consolidation outcomes addressed population size and changes in the legal, institutional and organisational capacities more systematically than on how individual citizens perceive these changes. Attributes of individual citizens, such as gender, age and education had less influence on respondent perceptions than attachment to community. Variables that do not predict citizen assessment were found to be gender, home ownership, and community of residence. Variables with predictive power included age, income, participation in labor force, and length of residence within a community. The results of Poel's research show that young, employed individuals who lived in amalgamated regions for short periods of time were more supportive of consolidation.

This study examined public satisfaction after of LGU performance of before and after consolidation and obtained feedback from all informants on local preferences, recommendations and alternatives for consolidation. The recommendations in this chapter draw upon analysis of the responses to citizen survey, interviewees' feedback, internal evaluation reports, and official correspondence between MOLG district offices and LGUs. These sources offered plenty of propositions and modifications to policy design and practical suggestions to minimise

implementation difficulties and community losses. Section one presents the survey findings on citizens satisfaction of LGU performance which show a drop by an average of 30 percent.

Section two show that community perceptions of policy outcomes were pragmatic and driven by concerns for local cohesion and satisfaction of community needs of public services and political representation. A similar tendency was found with regard to the pragmatic approach adopted by informants' recommendations for policy alternatives in section three which is reiterated by preferences of non-consolidated communities in the third section. Local preferences indicate that policy opposition is not caused by ideological rejection or political interests of local elites but are expressions of local dissatisfaction of under-representation. Notwithstanding public dissatisfaction of policy process and outcomes, there is equal support locally for de-consolidation and continued integration within consolidated clusters.

8.1 Citizen Satisfaction of LGU Performance After Consolidation

The analysis of survey results shows that citizen satisfaction was higher in annexations and an increase with population size which supports Mouritzen's (1989) hypothesis that satisfaction increases with size of local government. In contrast, satisfaction was lower in amalgamations and decreases with increasing population, irrespective of the number of constituent communities, confirm Tiebout's (1956) hypothesis that citizen satisfaction decreases with population increase.

This study found that a causal relationship appears to have existed between community size and satisfaction only before consolidation. The citizen survey results in Table 5.16 clearly show a 27 percent drop in public satisfaction, from 67 percent of respondents who were satisfied with the performance of abolished LGUs (i.e. before consolidation) to 40 percent who were satisfied with the performance of new LGUs after consolidation. The least satisfaction was registered in the largest amalgamations above 20,000 inhabitants where only one quarter of respondents voiced satisfaction of the consolidated LGUs. However, the smallest LGUs (5,000-10,000) seem to confirm Mouritzen's (1989) expectation of most satisfaction in small communities only before consolidation, whereas the medium-large LGUs were the least satisfied after consolidation. In terms of community size before consolidation, satisfaction exceeded 53 percent in all communities and increased with population particularly in communities above 6,000. After consolidation, satisfaction dropped in all towns of all sizes except in communities with 2,000-5,000 inhabitants where satisfaction increased by 23 percent.

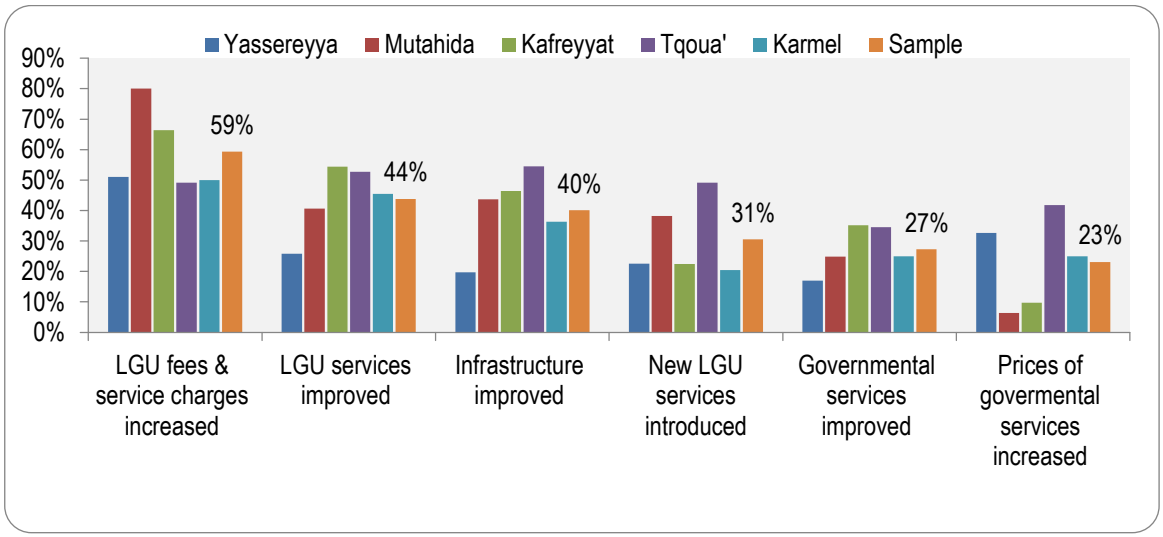
Table 8.1: Community Satisfaction of LGU Performance in 2010 Consolidations (N=536)

		% of satisfied respondents before consolidation	% of satisfied respondents after consolidation	Variance (%)
2010 Amalgamations	*Yassereyya*	64	36	-28
	Mutahida	67	32	-35
	Kafreyyat	68	54	-14
	Subtotal	66	32	-35
2010 Annexations	*Tqoua'*	85	45	-40
	Karmel	48	39	-9
	Subtotal	69	42	-26
LGU Population	≥20,000	66	25	-40
	15,000-20,000	na	na	na
	10,000-15,000	85	45	-40
	5,000-10,000	63	50	-13
Community population	≤1,000	66	40	-26
	1,000-2,000	64	48	-16
	2,000-3,000	59	82	23
	4,000-5,000	53	33	-20
	5,000-6,000	55	43	-12
	6,000-7,000	62	47	-15
	7,000-8,000	84	25	-58
	9,000-10,000	68	28	-40
	≥ 10,000	85	55	-30
	Total Sample	**67**	**40**	**27**

Source: Citizen Survey 2013-2014.

The survey results suggest one reason for community dissatisfaction, i.e. perceived increases in costs of services to consumers. Figure 8.1 shows that 60 percent of respondents agreed that LGU charges and service fees increased compared to costs of health and education services.

Figure 8.1: Respondents' Agreement on the Status of Public Services in 2010 Consolidations



Source: Citizen Survey 2013-2014

However, about 42 percent highlighted improvement in LGUs services and local infrastructure after consolidation. Dissatisfaction with service costs was noted in all LGUs, specifically in the north whereas service improvement was acknowledged the most in medium size LGUs

The difference in overall satisfaction of LGU performance between amalgamations (32 percent) and annexations (42 percent) is shown in Table 8.1 above and may be related to LGUs actual expenditures after consolidation. Analysis of the LGUs budgets in Table 8.2 shows that service expenditures in new amalgamations actually decreased by NIS 0.43 million or 15 percent in one year compared to 30 percent increase in expenditures in new annexations for the same period. Although per-capita expenditures in the new amalgamations was more than 30 percent higher the rate in annexations, the latter were found to be more satisfied. This means that the status of service prior to reform, or the public perception of them, is critical to public satisfaction than the exact amount spent. It could also mean that public expectations of consolidation were not met in actual expenditure which is obvious given that per-capita expenditures increased by nearly less than half a dollar in the entire sample, an increase that is unlikely to have led to improvement in the range or quality of LGU services.

Table 8.2: LGUs Total and Per-Capita Service Expenditures (2011-2012)

	Total Service Expenditures in (NIS Million)		Per-Capita Service Expenditures (NIS)			% of respondents who believed LGU services improved
	2011	2012	2011	2012	% Variance	
2010 Amalgamation	2.87	2.43	58	49	-15	39
2010 Annexation	0.44	0.57	26	34	30	37
2005 Amalgamations	0.84	0.95	41	46	13	na
Independent LGUs	2.41	2.74	47	54	14	na
≥20,000	2.39	1.93	58	47	-19	36
15,000-20,000	0.47	0.45	28	27	-3	na
10,000-15,000	1.87	2.32	53	66	24	38
5,000-10,000	1,56	1.65	39	42	6	35
≤5,000	0.27	0.33	50	59	19	na
Total Sample	6.56	6.68	47	48	1.9	na

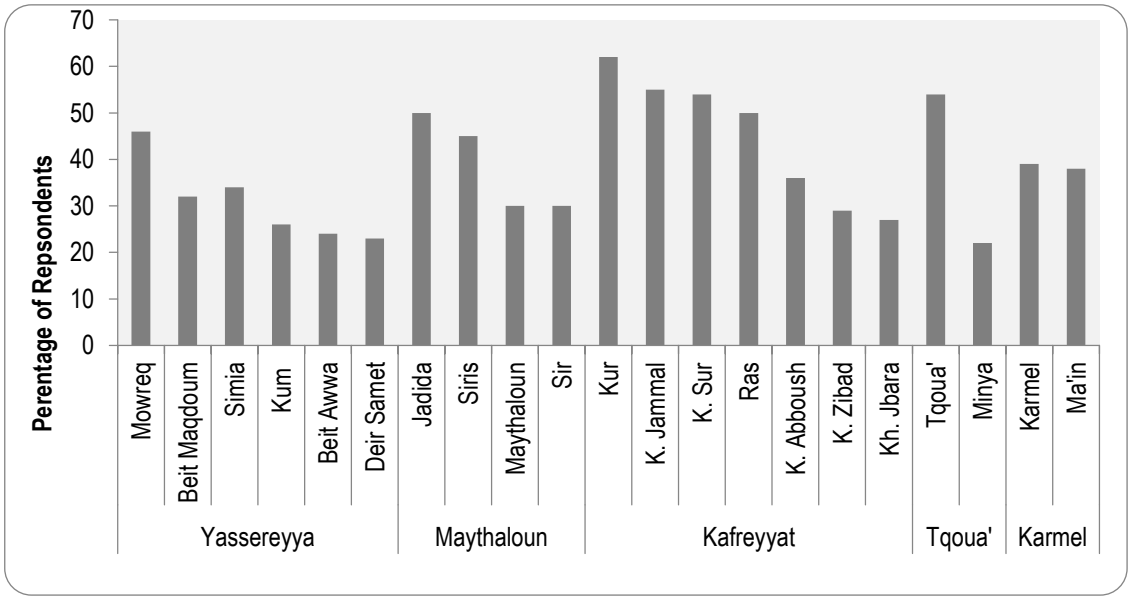
Source: LGU budgets 2011-2012

Some informants attested that community expectations were inflated by the policy's emphasis on donor-projects but attributed dissatisfaction to initial misdistribution of resources, which was later aggravated by fund interruption. According to donor informants, the annexation of *Minya* to *Tqou'a* was followed by a single transfer of NIS 50,000 in government transfer and one road asphalting project worth NIS 150,000 (donor informant #3) whereas *Yasseryya* received no transfers until late in 2012. Due to their small populations, independent and consolidated village councils, e.g. *Karmel,* were ineligible for annual allocations from the Municipal Fund earmarked

only for municipalities or amalgamations. The slight increase in total population after annexation had not raised LGU's overall appraisal score needed for grant award, meaning that population size and performance criteria in fund distribution were not outweighed in consolidations involving small communities. Therefore, informants from both the Municipal Fund and MOLG maintained that need (i.e. total community welfare) should outweigh size (i.e. individual welfare) in annexations and small amalgamations (MDLF informant #2, MOLG informant #5)

To determine which areas had improved services, survey responses were broken between constituent communities of each LGU. Figure 8.2 shows that constituent communities differed in their assessment of service improvement. In only seven of 21 communities did half, or more than half, of respondents attested to service improvement. Satisfaction rates were relatively high in *Kur* (62 percent of its respondents), *Kafr Jammal* (55 percent), *Sur* and *Tqou'a* (54 percent each) in addition to *Jdaida* and *Ras* (50 percent), indicating modest satisfaction in these communities that benefited from electricity, water or road projects. Based on respondents' opinion, services have not improved, or declined, in 13 communities, particularly *Deir Samet, Kum and Kafr Jammal* where less than one third of respondents attesting to improved public services.

Figure 8.2: Percentage of Respondents Who (Strongly) Agreed that Services improved after Consolidation, by Community



Source: Citizen Survey 2013-2014

During the focus groups discussion, participants mentioned various factors they believed had led lead to dissatisfaction of LGU performance, although representatives from the smallest towns in

clusters (e.g *Khirbet Jbara* in *Kafreyyat*) or from the largest (e.g *Maythaloun* in *Mutahida*). Some of these communities felt deliberate exclusion from incentive projects (e.g *Kafr Zibad*) or faced service shortages (e.g. water in *Beit Awwa* or schools in *Khirbet Jbara*). In large communities, dissatisfaction stems from service prices and transfer to other entities (focus group #1-3). However, two LGUs denied that utility rates have resulted from revenue maximization policies or consolidation but rather from currency devaluation, salary scale harmonisation, and the rise in the costs of labor and materials in addition to utility debt interests by suppliers. A third LGU believed that prices would have risen sharply if the LGUs adopted the PNA new price systems on major utilities. To ensure affordability particularly to rural households with less disposable incomes, this LGU opted to overprice its administrative fees in in order to subsidise vital utilities (LGU informant #20). According to a municipal firm, higher rates after transfer reflect cost-shifting practices based on principles of commercial management and full cost recovery more than on social justice considerations, in addition to the necessity to generate resources for further infrastructure investment (municipal firm informant #1). Based on the above viewpoints of consumers, providers and LGUs, service fees did increase after consolidation, particularly in electricity and LGU administrative fees, driven by other public policies and market forces.

Despite the fact that service transfer is not a new in (consolidated) LGUs[58], it seems to have generated different economic outcomes and sentiments in the new consolidations in the OPT or because it occurred in parallel with the pre-paid utility system. According to respondents from the focus groups, people object to service transfer and the pre-paid system more than consolidation, perceived as loss of community assets. In some consolidated LGUs, transfer was the strongest driver of public opposition to consolidation. This view was reiterated in the citizen survey results which found that half the respondents rated loss of town assets as the second worst outcome of consolidation.

Focus groups and LGUs that rejected service transfer criticised transfer for its potential impacts on cost, quality, and accessibility, and social justice and negative effects on LGU financial capacity. Some mayors were overtly against 'losing' the most revenue-generating and profitable services, and subsequently losing autonomy and control of local development. They argued that non-local service provision is impractical and does not guarantee accessibility or timely responsiveness from distant providers especially that the transferred services are vital to human

[58] For example, *Bani Zaid* transferred electricity, property tax collection, and solid waste collection to Jerusalem District Electricity Distribution Company, the PNA, and Joint Service Councils in early 2000s. After transfer, it became a shareholder in the only publically traded electricity distribution firm in the OPT (LGU informant #5).

life. Therefore, it was believed that these should remain under local control, especially in a protracted conflict context such as the OPT (focus group #3-4, (LGU informant #13). In the public's mind, service networks were also seen as local legacies and communal resources. One participant stated that:

> *In the 1970s, the public paid a lot (JOD 150-200) for a single share in electricity cooperatives so that LGUs could purchase electricity for the town. It was given to the municipality to manage not sell. Electricity network became the town's property and a legacy. Now we became consumers after we were shareholders. The municipality should have never given it up at least without consulting with all shareholders and the entire town. A merged council decided on behalf of several villages with no idea how these communal resources were created. The council thought that good profits and better services to all communities were more important (focus group #1).*

In other words, resistance to service transfer stems from its perception as a step towards privatisation since both policies turn residents into powerless consumers of firms more interested in the lucrativeness of major commodities than in contribute to local development. As an extra incentive the vitality of these services to modern life gives firms the upper hand with both central and local governments. This view was often expressed by former councillors and members of local protest committees than by current mayors and staff.

According to one firm (municipal firm informant #1), the aforementioned local concerns were legitimate because the PNA, LGUs and distribution firms are all middlemen rather than service producers. Even with centralised services, the Palestinian powers are still restricted to distribution, bill collection and negotiation of infrastructure projects with donors. To improve services, reforms must change the entire supply chain and the relationship with consumers rather than the institutional identity of the intermediate link. On the demand side, Palestinian needs, under pressure from urbanisation and population growth, have long exceeded Israeli-permitted supply without developing the capacities to respond to them, politically, financial or technologically. On the supply side, the capacity to produce services locally is absent given the Oslo restrictions on independent Palestinian decision-making over natural resource extraction and construction of service facilities (power plants, groundwater well, waste treatment and roads). Clearly, the questions of service cost, quantity, or availability are beyond local or national control. Although energy reforms may improve distribution, municipal firms are unlikely for generate profit under present collection rates and service quality, which are clearly related to provider management. For LGUs, potential benefits may come from cashing out assets, relieving

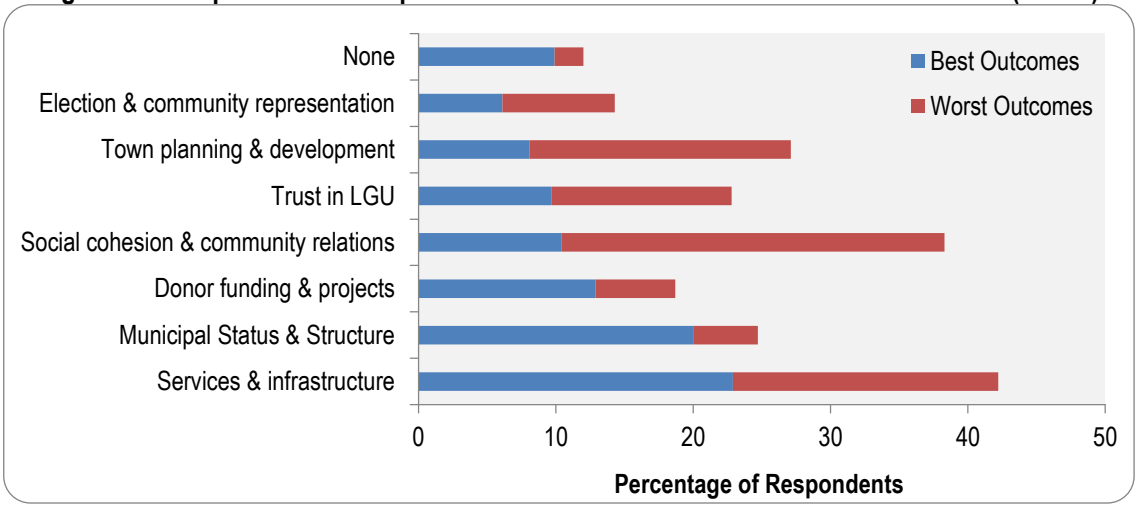
LGUs from the technical and financial burdens associated with default, pension, networks depreciation and rapidly changing technologies (municipal firm informant #1).

The public's complaint of increased prices associated with the prepaid system and/or new utility price systems may be valid but could not be validated through the analysis LGUs budgets. However, a recent study of the impact of utility pre-paid meters (Hamdan 2012) reported increased water and electricity prices in northern districts, most notably in amalgamated LGUs. In the period of 2008-2012, average household bills of both utilities increased by 300 percent, whereas electricity subscription fees increased the 600 percent. Another report (Mas 2013) argued that the pre-paid system blatantly violates consumers' legal and human rights and misled consumers by the exaggerated benefits of improved quality, lower prices, and reduced consumption levels. Opposition to the pre-paid system has reportedly been based on the grounds of technical inaccuracy, cost, loss of consumer control and equity which would have serious socio-economic and political repercussions. The pre-paid services also meant that the PNA is incapable of protecting the public, particularly the poor and makes the individual's right to basic service conditional upon capacity for payment and debt settlement. Both studies concluded that public services have increasingly become market goods regulated by supply, demand and capacity to pay where the public have no bargaining power to challenge policies enforced by PNA and service providers (MAS 2013, Hamdan 2012).

8.2 Community Assessment of Policy Outcomes

This section discusses the public perception of the best and worst outcomes of the consolidation process as expressed by participants in focus groups and surveyed citizens residing in the 2010 consolidations. For the large part, the consolidated communities identified the increase in conflict between and within constituent communities and the bias in the distribution of resources between them as the worst outcomes of the consolidation policy more than election results or service transfer (focus groups #1, #3). Figure 8.3 shows that nearly 28 percent of surveyed respondents expressed the same view compared to 10 percent who believed that the policy contributed to the unification of neighboring communities. In contrast, the best outcomes were often cited as improvements in local infrastructure or services (23 percent), and the development of a municipal organisational structure (19 percent). Five to 19 percent believed that local infrastructure and LGU organisational structures were negative outcomes.

Figure 8.3: Respondents' Perceptions of Best and Worst Outcomes of Consolidation (N=720)



Source: Citizen Survey 2013-2014

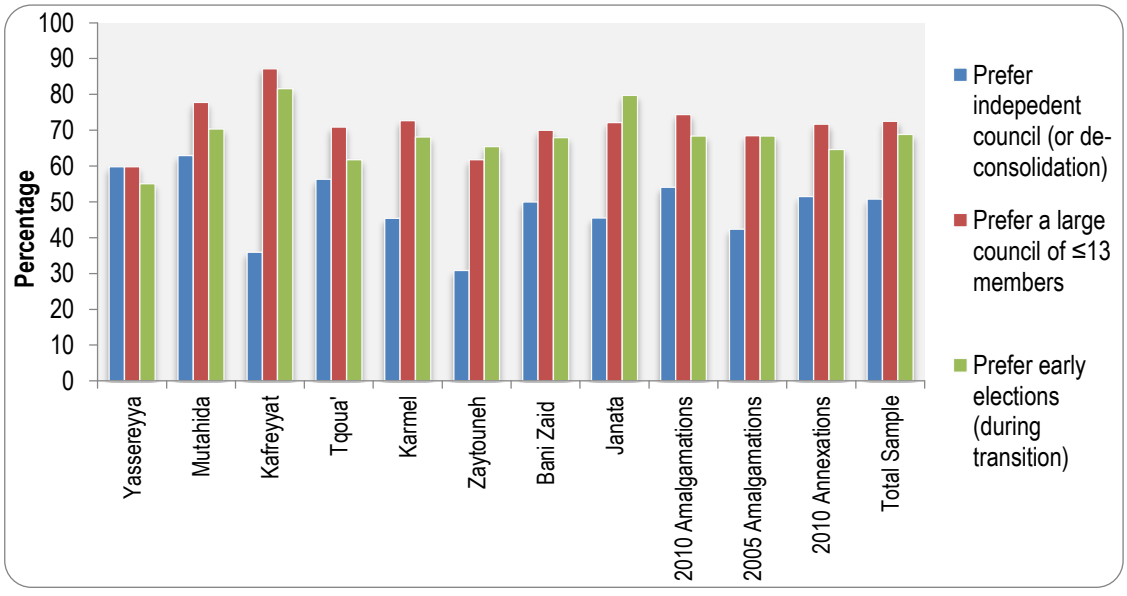
Donor projects and funding, one of the proxy indicators for resource improvement and distribution, was indicated as a positive outcome by 13 percent and as a negative one by 6 percent of respondents. Interestingly, about 10 percent believed there were no positive outcomes compared to 2 percent who believed the policy has undesired outcomes. These views echoed the official assessment of consolidation and its main focus on improving the living conditions in marginalized areas (MOLG informant #3). When asked about what the PNA and LGU priorities should be, the majority of respondents believed that both should prioritise the creation of employment opportunities, particularly for youth, improvement of basic services, and equal development of communities in consolidated clusters.

Policy proponents within the newly consolidated LGUs specifically pointed out that the emerging institutional capacities have led to further improvements in services, town planning and donor funding (LGU informants #9, #15, #16), while informants who opposed consolidation insisted that the institutional improvements resulted from the increased funding (LGU informants #10, #17, #20). Informants from consolidated LGUs without financial support reported stability in services and organisational capacities (LGU informant #1, #6, #13). Nevertheless, the results of post-reform local elections and community representation in new councils were mostly identified as negative outcomes of consolidation according to eight and six percent of respondents, respectively.

8.3 Community Preferences for Deconsolidation and Representation

The survey results indicate that the public leans more towards holding of early elections and expanding the number of council seats than towards deconsolidation or restoring the autonomous status. Figure 8.4 shows that nearly 53 percent of the respondents (strongly) agreed on deconsolidation whereas 39 percent preferred to remain consolidated and 8 percent who gave no opinion. Given the scale of protest activities and election outcomes, the study expected stronger support for deconsolidation, particularly in the new amalgamations and annexations (54 and 52 percent respectively) compared to 42 percent in the old amalgamations. The lowest support for deamalgamation was found in *Zaytouneh* (31 percent) and *Kafreyyat* (36 percent). More than 70 percent supported a larger council particularly in the new consolidations such as *Kafreyya*t (87 percent) and *Mutahida* (78 percent) while *Yasseryya*'s respondents were split between both suggestions (60 percent). The older amalgamations had equally preferred earlier elections and council augmentation (68 percent), than for de-amalgamation (42 percent), understandably because their consolidation was more voluntary than the new wave. These overall preferences would not be influenced by the undetermined voters, i.e. those with "no opinion" responses, except in three LGUs (*Karmel*, *Bani Zaid*, and *Janata*) which lacked a majority for either consolidation or independence.

Figure 8.4: Local Preferences for Representation and Deconsolidation (N=720)

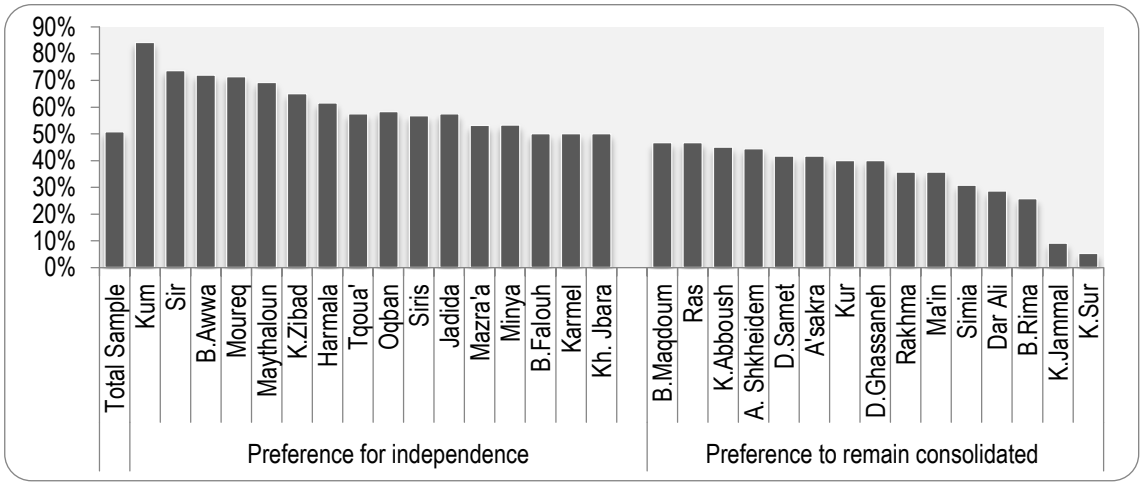


Source: Citizen Survey 2013-2014

Preferences diverged between constituent communities and regions. Of the 31 surveyed communities, the preference for independence was unequivocally the strongest in the southern

districts, as stated by 50 to 84 percent of their respondents, although the preference to remain independent was a continuous issue in most communities in the northern and central districts. Figure 8.5 implies that if a referendum on deconsolidation was held during the fieldwork period (September 2013 - February 2014), provided that deconsolidation was determined by the majority of votes in *each* community, a total of 16 communities would have exited their respective clusters and led to the definite disintegration of *Yasseryya and Mutahida* after each lost three of their constituent communities. The same would have happened to all four LGUs comprised of two communities (*Zayotuneh, Bani* Zaid, *Karmel* and *Janata*), if only one decided to deamalgamate.

Figure 8.5: Respondents Who (Strongly) Agreed on Deconsolidation by Community (N=720)



Source: Citizen Survey 2013/2014

Aside from the feasibility of deconsolidation, Table 8.3 points to some factors that may have influenced public preferences for deconsolidation. Of the three size-related factors, community population and number of representatives were more critical than the number of constituent communities. The smallest mean of 2.29 indicates the strongest predilection for autonomy with the LGUs with the largest number of communities (i.e. *Yasseryya* which has eight villages) followed closely by micro-communities with one representative, then by small towns of 4,000 to 5,000 inhabitants and 4 to 5 representatives. Deconsolidation preferences appear to hinge on the relative political weight of each community within a cluster, which implies that the strongest opposition would likely come from the under-represented communities, whether large towns or micro-communities. Undoubtedly, the public will vote favourably for any future deconsolidation if representation arrangements remain similar to the current ones.

Table 8.3: Deconsolidation Preferences by Number of Constituent Communities, Number of Representatives, and Population Size (N=720)

	Community Population (Thousand)		No of Community Representatives		No of Constituent Communities/LGU	
Number	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
0	2.82	1.344	2.75	1.293		
1	2.82	1.393	2.49	1.365		
2	3.86	.640	2.76	1.348	2.82	1.445
3			3.06	1.765		
4	2.67	1.322	2.50	1.492	2.56	1.142
5	2.94	1.244	2.61	1.175		
6	2.76	1.317	3.10	1.132	2.96	1.363
7	2.35	1.101			3.18	1.146
8	1.90	1.359	2.71	1.296	2.29	1.400
9			2.87	1.360		
10	2.30	1.344				
11			2.83	1.427		
Total	**2.73**	**1.344**	**2.73**	**1.344**	**2.73**	**1.344**

Source: Citizen Survey 2013-2014. On a scale of 1-5. with 1 being the highest

Although dissatisfaction with local election results after reform was clearly a major factor in public preferences regarding deconsolidation, respondents' socio-economic conditions and community also had an effect. Table 8.4 shows that 72 percent of respondents with monthly incomes of USD 1,000-1,499 agreed with deconsolidation, as did 50 percent of respondents with medium-high income of USD 1,500-1,999. Support for deconsolidation was also evident in two-thirds of respondents employed in the same district, or outside the OPT employed in the infrastructure sector, as well as by those who resided in a community within the consolidated LGU jurisdiction. In terms of age and gender, young male university graduates were more likely to prefer deconsolidation, which constitutes a substantial demographic group opposing such reforms. However, there was no relationship between respondent satisfaction with LGU performance and service quality after consolidation and public preference for independence or consolidation, except with regard to the increase in service charges.

Table 8.4: Percentage of Respondents who Supported Deconsolidation by Satisfaction Level and Demographic Profile (N=366)

Respondents who were/had	% who supported deconsolidation
Dissatisfied of election results	82
Monthly income of USD 1,000-1,499	72
Employed in same district	67
Employed in infrastructure sector	67
Employed outside OPT	66
Resident within consolidated LGU jurisdiction	65
Spouse from the same district	63
Employed by commerce/service sector	61
Self-employed	58
Employed by the public sector	58
Main provider for family	57
Employed	56
Service charges increased after consolidation	56
Youth	55
Males	54
Family is native to the town	54
Family origin from another district	52
Dissatisfied with LGUs performance after consolidation	52
Respondent with school education	51
Monthly income of 1,500-1,999	50
Females	50
Spouse from the LGU jurisdiction	50
Spouse from the same town	50

Source: Citizens Survey 2013-2014

These findings generally convey diminishing support for consolidation with the rise in economic conditions of towns and residents, as well as among native families. Therefore, public consultation and awareness activities need to refocus on the well-to-do and educated segments; i.e. the local elite, rather than on the general public. The dismissal of consolidation by rich communities and the local elite is well-known in the amalgamation literature. For privileged social groups, education in the sense of information dissemination is less fruitful than considering ways to minimise and compensate the potential losses of power. For the average citizens and under-privileged groups, information dissemination does not address their economic concerns an consolidation impact on service accessibility and affordability. The groups that usually typify rural poverty, such as the unemployed, uneducated, farmers and women, are usually the least supportive of consolidation unless they perceive a potential for consolidation to improve their living conditions. These groups are therefore likely to demand improvement of service quality and cost before they support consolidation.

8.4 Stakeholders' Recommendations and Alternatives

When asked for their recommendations, informants made several suggestions to improve policy design and implementation including thorough preparations, and inclusive and community-sensitive processes, longer time frames for implementation, funding for local development and decision-makers' commitment to the policy at all tiers. Informants' feedback also contained recommendations for comprehensive reforms of the local government sector which are included in Appendices (8-9).

Some informants were aware that the recommendations are unlikely to be adopted by the PNA, at least in the foreseeable future, and that some could lead to harmful results under the current circumstances. Informants from the Central Election Commission, for example, believed that a semi-proportional system with open electoral lists is more appropriate to rural and semi-urban communities than a full proportional system. Nevertheless, recommendations focused more on amending current legislation and procedures to ensure quotas for micro-communities, women and youth. The same informant affirmed that public consent is essential for boundary reform in principle, but a referendum would only work to strengthen local democracy if conditions were favourable and the public and factions were familiar with this method. Under the present conditions, referenda results are likely to reflect ad hoc views and ideological rejection by communities and have other consequences. If the public voted no, there is a risk of deepening the local divide on consolidation and other policies; if the results were positive, the referenda would be used "to put a justificatory seal of acceptance on policy's outcomes, including the negative ones, which the public could neither anticipate nor control" (CEC informant #1). Similarly, participation experts shared the view that decentralisation may erode services and hamper LGU chances for institutional development because they lack resources and experience to assume the functions of central government.

8.4.1 Preference for Functional Reforms

Informants' recommendations can be divided into two contrasting views. First, informants who recommended deconsolidation and policy termination suggested other alternative preferences mainly because no major objectives of consolidation were achieved. The second view recommended policy affirmation provided that it is rectified and complemented by other reforms and measures, in order to satisfy opposing communities, such as fulfillment of promises made before LGU abolition and provision of further financial and administrative incentives to the

smallest and least developed communities. Focus group participants maintained that deconsolidation of LGU-boycotting communities is necessary because community rejection will guarantee LGU failure, at least financially, and will have long-lasting effects on the relationship between residents and communities (focus groups #1, #3). Factional informants stressed the fact that the government should have addressed public opposition seriously instead of tolerating noncompliance from some communities rather than others. For these informants, forestalling making final decisions gives opposing communities hope that the central government will be pressured into compliance with public desire for deconsolidation, whereas the central governments hopes that public protests may wane over time and be discussed by the Supreme Court upheld most of consolidation decisions and signaled a unified approach within he PNA regarding LGU structural reforms (factional informants #2, #3).

Proponents of continued consolidation (i.e. MOLG and some mayors and donors) felt that no impasse would be reached because the complaints of opposing communities are largely solvable, except for the return of transferred services, if the PNA addresses financial and legislative needs. Secondly, the smallness of these LGUs will continue to deter donor and state funding which means that communities have the choice between autonomy and service under-provision or improved services within consolidated LGUs. For one donor, communities prefer joint councils because of their perceived neutrality and flexibility as a cheap service delivery mechanism, nevertheless amalgamation is the inescapable radical solution far superior to functional reorganisation and worth the associated political risks (donor informant #2). For another donor, both functinal cooperation and territorial reoganisations are valid options for the short-term and will eventually lead to reassignment of LGUs responsibilities to governorates.

Respondents from interviewed joint service councils and the Association of Local Authorities offered suggestions for policy alternatives based on community size. According to these respondents, clusters comprised of small and micro-communities without a population centre can benefit more from the creation of joint service councils than from consolidation. Services can be provided locally without losing political representation to larger communities. For small to medium communities surrounding a large rural or urban centre, the creation of agglomeration councils is perceived as more economical than a large council, and could provide a practical and temporary arrangement particularly for communities affected by territorial fragmentation. In their view, agglomeration has the advantage of establishing central administration while service remains locally delivered. Both alternatives must be created with a clear vision and plan for regional

development exceeding the delivery of basic public services, facilitated by the creation of metropolitan areas from cities and large LGUs centred on regional economic planning. Some informants, however, noted that previous attempts at urban agglomerations or metropolitan areas were aborted because the creation of strong and mega LGUs carry the risk of emerging as mini states to challenge national cohesivness and compound policy compliance among the hisorical powerhouses within the system, i.e. the largest and oldest LGUs (Joint Council informant #1).

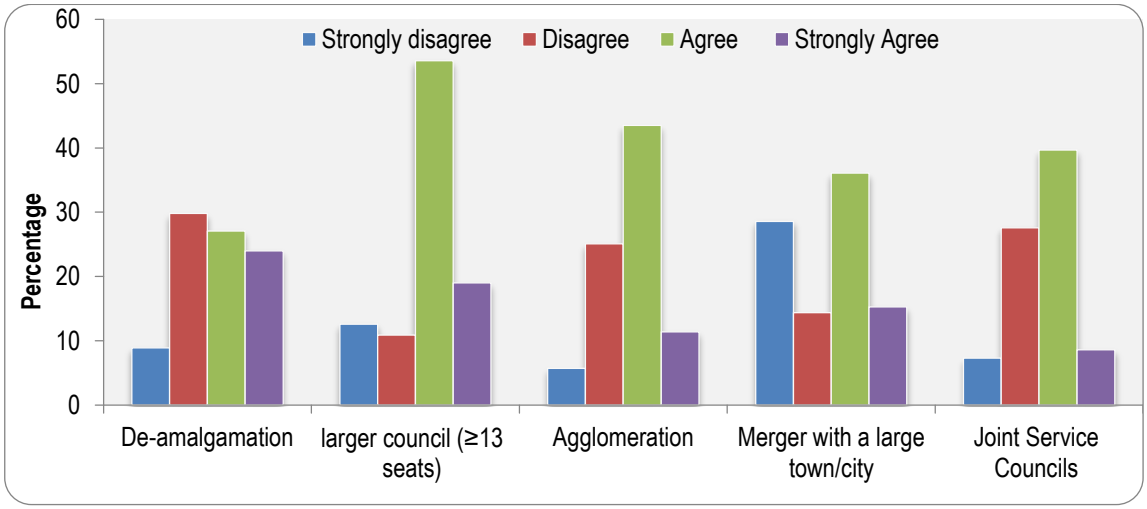
Concerning policy timeframes, informants suggested that if consolidation is unsuccessful or unacceptable, single or multi-purpose joint service councils can serve as a long-term alternative for amalgamation or as preparatory or a complementary step, but must be premeditated with well-financed local bodies tasked with preparing the social, institutional and physical infrastructures for amalgamation. According to informants from the Ministry of Planning, local reforms have higher chances of success when an incremental approach is adopted and a sufficient timeframe is set, such as 10-20 years, for small LGUs to attain a certain population and capacity thresholds before being officially amalgamated. It was suggested that communites retain independence during this timeframe provided that every three to five LGUs create their own intermunicipal cooperation arrangements. A large cooperative body could be created for termproary or permanent execution of one or more of LGU tasks, inlcuding finance, procurment, planning, public works, and information technology.

By the admission of one of the MOLG respondents, single-purpose joint councils (e.g. waste collection) were more successful functionally than joint development councils, thus they should not be abandoned for future consolidation, but rather used in conjunction with consolidation. Nonetheless, joint councils are not considered as effective as consolidation in sector-wide capacity building unless these councils are eventually reconstructed as municipalities. According to the MOLG informants, the essential lack of LGU characteristics, such as linkages to communities, democratic representation, resource extraction from communities and the permanency of institutionalised presence, diminishes the value of joint councils as the only local government model in a large area. Informants from governorate offices (i.e. district-level tier) were open to local suggestions to assume regulatory and planning functions on behalf of small LGUs and and oversight of multiple service providors. However, these repsondents remarked that these suggestions imply that governorates would effectively become part of the local government system, rather than part of the PNA political structure, which in turn requires reorientation towards comprehensive reforms in the relationship between government tiers.

8.4.2 Public Perceptions of Policy Alternatives

In addition to informants' preferences for the immediate and strategic alternatives to consolidation discussed in the previous section, Figure 8.6 presents the perceptions of survey respondents of five alternatives to consolidation. Since 51 percent of respondents strongly to deconsolidation, a large council size seems to be the major alternative for 54 percent of respondents, compared to agglomeration (43 percent), joint service councils (40 percent) or the prospect of integration with a large town or city (36 percent). Clearly, larger councils and joint service councils are strategies pre-emptive of deconsolidation because they seek to alleviate some of the drawbacks of consolidation regarding political representation and service provision. A larger council which may satisfy communities in terms of fair representation will also provide the local elite with more opportunities to access power. Nevertheless, some mayors argued that a larger council increases government costs and creates decision-making difficulties, and personality clashes between councilors. Instead, mayors proposed reducing the number of constituent communities to ensure that communities are adequately represented, and the direct election of mayors and/or open electoral lists to ensure that communities, not factions, actually choose representatives (LGU informant #20).

Figure 8.6: Respondents' Preferences for Alternative Reforms in Consolidated LGUs (N=720)



Source: Citizen Survey 2013-2014

The opposition of factional respondents to direct elections was justified by concerns regarding revival of the majoritarian system or regress to traditional power structures based on family voting. Respondents expected direct election will likely lead to largest families and communities taking most seats of elected council, particularly that of the mayor. On the other hand, informants

argued that the adoption of the open-list proportional system would enable mayors' direct election, albeit with the risk of confusing the electorate with lengthy ballots (factional informants #2, #3). Factional respondents perhaps disliked the additional campaigning required, or the potential of losing the mayor seat and leverage to local families. In contrast, some key community figures backed this proposition arguing that directly elected mayors have the absolute "popular legitimacy" directly from voters, so they would be insulated against factional and ministerial pressures (focus group #5).

The survey findings show that agglomeration was the second preferable alternative after council enlargement probably because it offers small LGUs service improvement without sacrificing independent legal personality. To improve community representation and participation, some informants stated that agglomeration is more appropriate for rural LGUs provided it allows for a decentralised, two-level government structure. It was proposed that each community remains an independent electoral unit which directly elects the first level of government or sub-council. The 2nd-level council is not elected, but formed of representatives of all elected sub-councils determined according to the population size of each community. In the expand council, all communities have equal voting rights and weights. The expanded council also functions as the main municipal headquarters and tasked with regulatory and managerial functions (e.g. taxation, budgeting, planning, procurement, construction licensing and donor relations), while sub-councils have autonomy in service delivery, staff management and other daily functions. Alternatively, governance arrangements may include a directly-elected mayor, an area-wide local council, and an-area wide-citizens' advisory council (MOLG informant #3, legal expert #1).

Survey respondents and most interviewed LGUs were divided regarding proposals for the joint service councils and merger with larger towns or annexation to a nearby city. Only eight to 15 percent of respondents strongly agreed with either alternative. In addition, mayors were also concerned about proposals to assign some of their regulatory functions to governorates or capable, neighbour LGUs (LGU informant #5). LGU enthusiasm for municipal cooperation was explained by the view that cooperation arrangements are voluntary and more flexible, while joint councils are least sustainable financially and politically despite several advantages such as preserving historical names of constituent communities and community autonomy. Respondents claimed that despite being easier to abolish than LGUs, joint councils are associated with serious challenges particularly with regard to funding, performance enhancement, disposal of common assets and dissolution (Joint Council informant #2).

According to Mevellec (2008), a geographical name implies recognition of the existence of a community, its individuality and the collective identity of its citizens. This is particularly true for small communities that are more attached to their institutions and more conservative in their political and social outlook. Generally, an entirely new name for the amalgamated communities is considered socially and politically ambiguous; implying a new collective identity that yet to be developed. Accepting the name of the largest community within the cluster means that communities have to suppress their entrenched identities for another one they have never identified with. The implication of annexation is that communities acknowledge existing power cleavages and accept their formalisation and continuation in the consolidated council, probably indefinitely. This may explain the positive correlation often reported between citizen attitude towards consolidation and between various forms of territorial ties and attachments to community, such as family origin and length of residence in the community. For Horak (1998) new socio-political identities could be built and maintained in consolidated local governments if broad social values and common interests are developed to become the common founds for communities. The emergence and maintenance of a collective identity, is contingent upon social mobilisation about area-wide concerns and the insittuionalisation of the new collective values, norms, and common interests in the municipal political practice.

8.4.3 Perceptions of Consolidation in Independent Communities

To examine whether public perceptions of and attitudes to consolidation differed in consolidated communities after reforms, respondents from independent communities were asked specific questions about what they may consider the appropriate design, community selection criteria and implementation measures that the policy should adopt. Table 8.5 shows that approximately 88 to 92 percent of respondents (strongly) agreed that consolidation must be voluntary, preceded by public consultation, capable of rendering equal projects and funds to communities and possibly be accompanied with development planning for the area. Moreover, approximately two thirds of both samples agreed that preserving the local identity of consolidated communities is important, albeit less important than the name given to a consolidated LGU. In independent communities about 77 percent of respondents thought council size is important and 62 percent agreed that elections should be held during the transitional period, whereas 69-72 percent in the consolidated sample believed both council size and the timing of first election after reform were as important.

Table 8.5: Community Perceptions of Consolidation Criteria and Alternatives (N=1070)

		% of Respondents in Independent Communities		% of Respondent in Consolidated Communities	
		(Strongly) Agree	(Strongly) Disagree	(Strongly) Agree	(Strongly) Disagree
Implementation Measures	Prior public consultation	92	4		
	With development planning	91	6		
	Voluntary consolidation	89	9		
	Equal distribution of benefits	88	8	81	16
	Large councils/more seats	77	20	72	15
	Preserving local identity	68	24	65	26
	Name for new council	62	29	62	29
	Early elections	62	29	69	14
	Town needs consolidation	41	38		
	With a larger town/city	41	25	51	43
	With towns from other districts	9	72		
Criteria	Lack of services/infrastructure	88	10	75	21
	Small population	85	12	73	19
	Poor communities	83	4	71	20
	Remote communities	77	15	65	7
Alternatives	Voluntary de-consolidation	89	13		
	Joint Service Councils	49	41	48	35
	Agglomeration	55	34	55	32
	Independent council	55	39	51	39

Source: Citizen Survey 2013-2014

The results show modest differences between both sub-samples regarding criteria for identifying communities for potential consolidation. Nearly 70 to 75 percent of respondents from the consolidated LGUs sample and 83 to 88 percent of respondents from independent communities agreed that consolidation is suitable for communities with small populations or those experiencing poverty or lacking public services and infrastructure. However, 65 to 77 percent of independent LGU respondents stated that consolidation is suitable for remote communities, while only nine percent agreed to consolidation with towns from other districts, compared to 41 percent who agreed that their communities need consolidation notwithstanding that the sample was dominated by towns of 3,000 inhabitants or less, i.e. communities in need of services and infrastructure. Interestingly, integration with a city or large town gained more approval from consolidated communities (51 percent) than from independent communities (41 percent) indicating that public opposition was grounded in perceived potential for favourable treatment of communities with large populations on account of small and micro-communities. In any case, public satisfaction with new LGU names is generally good with between 42 and 80 percent, indicating that arguments about loss of historical names of consolidated communities fade in comparison to concerns about political representation. Most dissatisfaction about LGU names

was expressed by *Yasserya* and *Tqoua'* informants, probably due to the obvious reference to Yasser Arafat in an area traditionally supportive of *Hamas*, and in the case of *Minya,* where residents are descendants from other tribes in *Sair* with which they prefer to be amalgamated (focus group #2, LGU informant #18).

Furthermore, the acceptability of alternative reform in the independent LGU sample was investigated to ascertain whether a possible relationship exist between local preferences and population and council size. Table 8.6 reveals that 55 percent of respondents preferred agglomeration and independence equally, with the strongest preference for maintaining independence voiced by micro-communities and large municipalities of 11,000-15,000 inhabitants and 13 seats. The greatest support for consolidation came from middle-size village councils (i.e. towns with nine seats and 5,000-10,000 residents) in complete contradiction to de-consolidation preferences of both groups found in the consolidated LGUs. The prevalence of independence preferences in the control subsample implies that the public is more likely to reject consolidation in future pre-reform referenda, except in small-medium communities (1,000-5,000 people) where 62 percent of respondents in this group also perceived a need for consolidation. The size of this group in the control sample suggests that the public may be open to the idea of consolidation, conditional upon the policy being capable of meeting their needs and preferences.

Table 8.6 Percentage of Respondents' Who (Strongly) Agreed to Alternative Preferences, by Community Population and Council Size in Independent LGU Sample (N=350)

Preference for	% in Sample	Community Population (Thousand)					Current Number of Council Seats			
		≤1	1-5	6-10	11-15	≥15	NA*	7	11	13
Agglomeration	55	73	46	74	55	45	62	50	56	45
Joint service councils	49	63	34	63	51	50	55	39	47	50
Independent council	55	39	41	19	56	45	58	33	53	61
Integration with large town/city	41	39	35	37	63	41	39	33	50	41
Perceived need of consolidation	41	29	62	34	42	20	36	39	50	20

Source: Citizen Survey 2013-2014 *NA indicates LGUs which had no elections in 2012/2013

Put differently, similar developmental conditions and political representation levels encourage consolidation whereas exiting gaps in material conditions engender policy resistance, especially in the smallest and the largest communities. In itself, this contradicts the official reasoning that demographic, developmental and institutional gaps between neighbouring communities necessitated their consolidation.

This research found that consolidated communities at either end of the population spectrum were the most dissatisfied with election results and were least likely to acknowledge the need for consolidation. Table 8.6 above shows that 29 percent of respondents in LGUs below one thousand inhabitants and 20 percent of respondents in communities above 15,000 inhabitants perceived no need of consolidation. However, small communities may need essential services and basic infrastructure, while large communities may require improvements in service quality or infrastructure maintenance. These findings are partially consistent with the consolidation literature that expects policy acceptance when small communities perceive future material and political advantages to consolidation that override concerns about existing demographic, economic and political disparities with other communities in the cluster. Moderate-sized Palestinian towns are likely to be satisfied by gaining a municipal ranking when the threshold of 5,000 inhabitants is reached, they are also least concerned with being dominated or marginalised. When extreme gaps appear with integration of several micro-communities together or with towns of critical population mass, both sides may doubt that consolidation improves communities' living conditions and political status.

8.5 Conclusion

In this chapter, local preferences and suggestions for alternatives to consolidation focused on bridging the deficits of consolidation policy in democracy, resource distribution and local development. Results of the citizen survey indicate that consolidation is undesirable for its own sake, nonetheless it becomes acceptable when designed to bridge material and political gaps between communities, preferably of comparable population sizes. By all accounts, local preferences show that consolidation must achieve the ultimate goal of serving underdeveloped areas. This could be achieved by functional consolidation in the form of joint councils or structural reforms that guarantee local autonomy and political representation for each community, either through agglomeration or by assigning to the governorates certain functions for LGUs lacking sufficient local demand or institutional capacity to fulfil such roles.

Some of these recommendations and alternatives are further addressed in the next chapter, especially population-based reforms and the distribution of functions between government tiers. The recommendations stress that reforms aiming at capacity building must have solid legislative and financial foundations to guarantee democratic public participation in decision-making and LGU fiscal and functional sustainability after consolidation.

Chapter Nine

Discussion, Recommendations and Policy Implications

9.0 Introduction

This chapter reflects on implications of the research findings regarding policy motives, outcomes and implementation challenges presented at length in the previous analytical chapters. Each section of this chapter addresses one the five research questions presented in Chapter One:

The key question in this thesis is what are the immediate outcomes on institutional, democratic and territorial dimensions of local government from the perspectives of all stakeholders, including local communities? Is there a contradiction between capacity-building and local democracy? The sub-questions are:

1. How successful has the consolidation policy been in achieving its objectives?
2. How have the outcomes of the Palestinian policy fared in comparison with international experiences in terms of designs, processes and outcomes?
3. How has the consolidation policy been affected by the absence of Palestinian state?
4. What are the policy implications and recommendations of this research? What alternatives to consolidation can be adopted in Palestine?

In addition, the chapter discusses reform drivers and assesses policy process against McConnell's (2010) spectrum of policy success. The question of stakeholders' recommendations and perceptions of policy outcomes were dealt with in Chapter Eight. This chapter concludes with recommendations for local government reform and possible alternatives to structural reforms.

The major argument of this thesis is that building LGU institutional capacity is best achieved through addressing both external and internal dimensions of local government rather than through structural reforms. Although increasing population size and strengthening internal institutional elements may improve some management or structure, building capacity of extremely small or weak LGUs requires intensive, long-term investment before they can fulfil their functions effectively, democratically and sustainably. A holistic approach to capacity building needs also to address LGU roles and functions in addition to the resolution of major territorial and fiscal issues which have constrained both central and local governments.

9.1 Policy Outcomes and Implications

This section discusses the following research questions: what are the policy outcomes and implications, and how do they compare to efficiency outcomes and strategic capacity improvements reported in the consolidation literature? The research hypothesis is: since the policy aims at strengthening institutional capacities of small LGUs, total and per-capita expenditure is most likely to increase rather than decline, due to increased resources, improved systems and services or expanded mandate. As stated in Chapter Five, the main indicators of LGU capacity adopted in this thesis are: LGU total revenue, percentage of governmental transfers of total annual income and percentage of permanent employees to total staff. Liabilities, administrative expenditures, government cost and staff distribution patterns are the main indicators of LGU efficiency.

The research hypothesis of increased LGU capacities and expenditures after consolidation is partially confirmed. The finding of this research suggests that the recent consolidation policy has resulted in a few efficiency gains and improvements in local infrastructure, institutional systems and staff, but not in terms of financial capacity and institutional mandate. Efficiency gains are limited to some reduction in per-capita (administrative) expenditure and slight reduction in the percentage of administrative staff compared to increased government costs and increased utility liabilities. Lower (administrative) expenditure reflects LGU modest resources to start with, a sudden reduction in LGU service scope, and/or sudden availability of resources. Resource increases were tightly linked to policy incentives and projects which inflated the share of governmental transfers of total budgets, while local revenues suffered under public boycotts. The temporary gains and resources are unlikely to be sustainable and maintain strategic capacity for continued service delivery.

These outcomes say little about changes to the permanent base from which LGU finances were derived or about potential for sustaining expenditure at the achieved low levels. Some of these outcomes were probably unintentional or resulted from other polices adopted simultaneously without due consideration of the impact on consolidation. Coupled with sector-wide internal organisational and salary restructuring, the strongest effects were produced by energy and water reforms which seem more significant policies than consolidation. Neither consolidation nor other reforms changed fiscal relations between the central and local governments to guarantee steady inflow of incomes.

9.1.1. Institutional Capacity Outcomes

Table 9.1 summarises this study's main findings with regard to the institutional capacities of LGUs in the study sample. Results shows that the only outcomes of consolidation consistently found in consolidated subsamples were a reduction in the number of councillors and a reduction in LGU per-capita expenditure. At first glance, the new amalgamations appear to have the strongest institutional and financial capacities of all subsamples by virtue of having the highest average staff and annual revenue, and highest share of governmental transfers. New amalgamations were the only subsample where the number and cost of councillors were reduced by 65 and 29 percent, respectively

Table 9.1: Summary of Findings on Policy Outcomes (2011-2012)

	2010 Amalgamation	2010 Annexation	2005 Amalgamation	Independent LGUs	Total Sample
Human Resources					
Average number of staff /LGU	30	8	15	18	18
% Increase in staff number	-4	23	2	2	0.8
Average staff to population ratio	1:550	1:1,064	1:458	1:479	1:728
% Full-time staff	94	100	87	96	94
% Administration staff	43	43	40	44	43
% Increase in staff costs	16	26	5	14	14
% of salaries of operational expenditure	55	41	71	61	59
% of salaries of total revenue	49	50	96	94	69
Government Costs					
Average number of councillor/LGU	12	11	12	12	11.7
Average councillor to population ratio	1:1,270	1:744	1:586	1:334	1:835
% Reduction in council seats	-65	-33	-	-29	-43
% Reduction in councillors' costs	-29	53	-52	-14	-11
% estimated increase in councillors' costs (2013)	215	51	314	87	167
% mayors costs of government costs	49	66	59	71	60
Expenditures					
Average annual expenditures (million)	1.504	0.466	0.514	0.771	0.830
Increase in total expenditures (million)	-28	-58	2	11	6.1
% of administration of total expenditure	39	29	40	49	40
% Change in per-capita total expenditure	-21	-24	10	10	-17
% Change in per-capita service spending	-14	-16	26	11	3
% Change in per-capita administrative expenditures	-31	-55	-4	10	-17
Revenues					
Average annual revenues/LGU (million)	1.07	0.291	0.486	0.632	0.646
% Increase in total revenues	16	0.02	33	26	20
Average annual deficit (million)	0.434	0.175	0.028	0.139	0.184
% of public transfers of total income	54.8	52.0	10.2	25.4	39.6
% increase in net liabilities (2013), i.e. debt due to LGUs	16.8	33.8	13	4.6	17

Source: LGUs budgets for 2011-2013. 2013 figures are estimates.

Although per-capita administrative expenditure in new amalgamations dropped by 43 percent, the increase of 16 percent in staff costs resulted in an insignificant surplus of 0.07 percent. In contrast, the 2010 annexations operated with the smallest personnel, councillors, incomes and budgetary deficits of all subsamples. The 33 percent reduction in the number of councillors occurred with 55 percent in per-capita administrative, both staff and councillors costs increased by 51 and 26 percent without an increase in LGU annual incomes.

In the first three years of consolidation, consolidated Palestinian LGUs seem to have achieved more reduction in per-capita administrative and service expenditures, 31 and 14 percent respectively, than have ever been reported for developed countries. In the OPT, consolidated LGUs achieved no savings and increased salary costs and almost stable staff which means that expenditure reduction was likely caused by service reduction rather than by efficiency or economies of scale. In comparison, South Australian amalgamations in the 1990s achieved savings of only 2.3 percent in total administrative expenditure (Allen 2003), compared to seven percent for Norwegian amalgamations in the 1970s (Sorenson 2006). Nine percent expenditure reduction was reported for Israeli LGUs amalgamated in 2003 (Reingewertz 2012), compared to eight percent reduction in administrative expenditure in Danish LGUs amalgamated in 2007 (Blom-Hansen *et al* 2011). In the Netherlands and Germany, amalgamated LGUs had significant reductions in per-capita administrative spending on administrative and council costs but none on staff costs (Allers and Geertsema 2014, Fritz 2013).

The examples presented above show that if savings do occur, they may not necessarily result from economies of scale, improved administration or reduced human resources, but rather from policy design or other external factors. For example, Palestinian LGUs received financial transfers and in-kind incentives for a few years although they were awarded no compensation for revenue losses from service transfer, public boycott after reform or unified salary scales, which may explain lack of efficiency savings. In comparison, policy incentives are accompanied with unconditional operational and investment support in amalgamation reforms in Netherlands, Greece and Finland (Martins 1995; Allers and Geertsema 2014). In some developing countries, revenue loss was compensated, particularly where reforms aimed at cost savings for central governments. For example, Estonian amalgamations in the 1990s aimed to reduce LGU expenditure and central government equalisation grants and allocations for general education payroll which were distributed on population size, and therefore, less favourable to small LGUs. Despite achieving a 25 percent reduction in administrative and personnel costs, investment

grants were increased after revenue declined by an average of 17.3 percent in small rural LGUs and by 4.7 percent in LGUs above 10,000 inhabitants. Revenue gains of 1.7 percent were only reported in medium-sized LGUs with 5,000-10,000 inhabitants. The Estonia study concluded that reducing public transfers created unpredictable expenditure for small and large LGUs without increasing financial sustainability and that amalgamation benefited medium LGUs the most (Reilijan *et al* 2013).

Similar results were found in the latest Palestinian amalgamations which indicate that economy of scale in small developing countries may occur most in medium LGUs below 10,000 residents. *Kafreyya*t was the only medium-size consolidation in the 2010 wave that had increased revenues and decreased debt in the first three years of transition. This could be explained by LGU retention of revenue-generation services and gradual expansion of its functional mandate and organisational structure instead of rapidly shrinking like *Mutahida*, or expanding like *Yassereyya*. The size of the resource base and complexity of LGU organisational structure appear to have stronger effects on LGU expenditure than population size. Older amalgamations, of medium-size brackets have different expenditure patterns that support the above interpretation that population is not the most important determinant of LGUs expenditure, at least in the West Bank.

Large expenditure reductions in the recent consolidations are unusual outcomes in the sense that they are significant reductions in a short period. As shown in Table 9.1, annual expenditure grew faster than annual income in all subsamples, particularly where they were on average two to three times higher in the latest amalgamations than in other subsamples. Since most expenditure reductions occurred in the second year of consolidation, it is unlikely this trend would continue in the future. On the contrary, significant increases in salaries and government costs are anticipated in the third year (i.e. 2013), counteracting savings in LGUs which had already transferred major utilities. In addition, LGUs experienced more deficits than savings which may have been used for salary increases and to a lesser extent for liability settlement in some LGUs. It is worth noting that municipal utility debt is also found in other developing countries, including Egypt, Jordan, Kuwait and Saudi Arabia, irrespective of consolidation, population size and average per-capita incomes. In Jordan, municipal debt ensued not from utility default, but rather from increased employment after reform and mandatory borrowing for local investment projects. Six years into the 2003 amalgamations, a parliamentary investigation commission reported that 27 of the 99 municipalities owed USD 40 million, incurred from large land purchases or failed investments and the loss of municipal assets used as loan collateral. Most LGUs lowered debt either by waiver or

after the 20 percent reduction to municipal loan interest rate. The same report also claimed financial mismanagement, reduced municipal revenues and staff inflation in order to satisfy families opposing amalgamation (Tbaishat 2011). Similar to the experience of consolidation in the OPT, another report on the long-term impact of amalgamation on LGU institutional capacities found that Jordanian LGUs had a 10 to 27 percent revenue increase in the first two years largely because government transfers increased by 125 percent, from USD 16 to 40 million, rather than from locally-generated income. LGU operational expenditure was slightly reduced and salaries rose to comprise 54 percent of municipal budgets (Abu Odeh and Al-Ma'ani 2006). In some ways, Palestinian LGUs seem to have escaped further debt by avoiding financing reforms by commercial methods, as adopted in Jordan, which shows that municipal involvement in economic investment is not a secure way to LGU finance or substitute for tax-sharing.

As Palestinian LGUs in the sample had limited functions and low expenditure compared to LGUs in developed countries, changes in LGU revenue and expenditure cannot be construed as solid financial reforms with long-lasting positive effects on LGUs and communities. In a pre-post analysis, such results could have ensued from elimination of duplication and other operational costs of abolished LGUs. In the current study, which investigated post-reform outcomes, government transfers were the major cause of difference in financial performance between subsamples, meaning consolidation contributed little to secure a stable and adequate financial base. That LGU deficit and liability increased in itself is contradictory to the notion of improved efficiency. Expenditure reduction may as well be caused by differences in accounting practices between LGUs, such as under-recording of accrued expenditure or deferral of incomes to next financial year.

The effects of consolidation on local public expenditure could not be divorced from the influences of other financial policies implemented concurrently with consolidation. Ministerial bylaws stabilised staff and increased personnel and councillor costs while economic policies reduced LGU service mandates and diverted revenues to regional utility firms. While some countries implemented fiscal and functional reforms in parallel with structural reforms, the OPT neglected to incorporate additional sources of funding or support to service improvement and other functions, such as those reported in the 2007 amalgamations in Denmark. Post-reform assessment indicated that LGUs increased expenditure on service harmonisation due to central allocations for long-term improvement in welfare quality and LGU management practices (Allers and Geertsema 2014). Even Jordan supplied constant funding and a low-interest borrowing

mechanism for economic investment projects in amalgamated LGUs. Regardless of how the outcomes of reforms in both countries are assessed the fact remains that policy-makers take into account potential long-term financial implications of consolidation more than the Palestinian reforms which were said to be inspired by these two experiences.

The important question is not whether consolidated LGUs function more economically than their predecessors or present peers, but which of their human, financial and functional capacities were strengthened and whether these capacities are beneficial to constituent communities. In terms of human resources, modest changes in amalgamated LGUs indicate they were already available prior to reform rather than recruited post-reform, irrespective of population size. Retaining the same staff at higher costs consumes local resources without furthering administrative or service delivery capacities unless staff skills and productivity were adequate or improved during transition. Findings point to a disregard of human resource development in policy design and re-assignment of positions between existing staff, irrespective of expertise. The unified salary scale has reduced competition between LGUs and made them almost equally attractive to qualified candidates, whereas new recruits filled low-skilled labour positions indicating that consolidated LGUs also lack employment opportunities and funds for hiring high-skilled technical experts.

Narrowing the scope of public services reduces staff, revenue and administrative expenditure without necessarily improving efficiency and quality of other functions. Consolidation resulted in either under-resourced multi-purpose LGUs with large bureaucracies and salaries, or compact LGUs low in resources, expenditure and functions. In terms of income, retaining the same distribution between external and internal incomes re-emphasises the lack of resource-based diversity and revenue to undertake capital-intensive functions and mandates, in case capacity for land zoning and infrastructure planning is developed. It is unlikely for regulatory functions to substantially increase LGU revenue in residential and agricultural rural areas compared to large tax-bases provided by economic diversity in urban areas.

In the final analysis, two major conclusions can be made. Firstly, post-consolidation institutional capacity is dependent on pre-consolidation capacity but more affected by the outcomes of other public policies and factors external to LGUs during the consolidation process. Secondly, there is no consistent relationship between consolidation, population size and LGU functional and democratic capacities. LGUs of the same population bracket showed different institutional capacities. In both consolidated and non-consolidated samples, small LGUs (below 5,000) tend

to have least staff, and lowest expenditure and service range, with few exceptions (e.g. *Sabasstia*). In small-medium LGUs (5,000-10,000), capacity was generally improved as compared to the smaller group, although the weakest examples were in consolidated LGUs, particularly the oldest amalgamations and new annexations which also tended to have restricted mandates. Some medium-size LGUs have stronger performance and capacity than large LGUs which tended to have larger organisational structures but fewer services with the tendency to focus on regulatory functions.

A conclusive judgement is difficult to make about the long-term effects of population size and consolidation policy in the OPT. In terms of human and financial resources, the striking gap between new and old amalgamations contrasts with similarity of indicators between new consolidations and independent LGUs. Each consolidated LGU should be studied separately and at length in order to identify consolidation outcomes and how outcomes were achieved. To date, the oldest consolidations, except *Bani Zaid*, seem to lack advantages or other structural and performance features to distinguish them from non-consolidated LGUs generally. Performance indicators of older amalgamations are slightly better than those achieved by the new annexations in many respects. This raises further questions of a) whether amalgamation and annexation are different reforms leading to different outcomes, b) whether the size effects of consolidation are essentially different from those achieved by natural population growth (beyond economies of scale and density assumptions), and c) whether population growth and consolidation affect institutional functioning and community relations differently. Additionally, if the new institutional capacity is largely an extension of pre-reform capacity, there might be an argument for strengthening LGU capacity to a minimum level before consolidation so that bridging institutional capacities and services is made easier when at comparable levels. Regardless, jurisdictional expansion is meaningless if it occurs without improved financial, functional and democratic local governance.

This section concludes that LGU access to constant financial resources is the key reform needed for local government in the OPT. Consolidation neither constitutes a financial reform nor addresses the strategic financial needs of new LGUs, because it places more emphasis, intentionally or otherwise, on debt reduction than on income generation or service improvement. Structural reforms will probably fail without adequate financial resources ensured for the resulting LGUs, particularly from external sources and central taxes, rather than from local revenues which tend to be constrained by local income levels, population size and economic activities.

9.1.2. Local Democracy Outcomes

Consolidation policy has more straightforward and easily identifiable outcomes for local democracy other than its effects on capacity building, although outcomes were influenced by policy-makers and constituent communities alike. Along with the decline in the number of councillors, government costs declined in the first two years then rose in the third to constitute between five to eight percent of total revenue. New and old consolidations have the highest councillor-citizen ratio of one to 1,600 people. As was the case with staff salaries, councillor allocations across the sectors were increased by decisions from the central government. As a result, the second hypothesis in this research is partially confirmed which anticipated that consolidation would reduce the number of councillors and increase councillor-citizen ratio. The findings partially contradicted the expectation that council costs will be reduced after consolidation.

In terms of electoral democracy, voter turnout in consolidated LGUs was generally lower than national averages for the last two elections. Electoral participation varied between and among clusters regardless of LGU total population size. With low voter turnout, consolidated LGUs can be seen as having weak electoral and popular legitimacy along with weak institutional capacity. By limiting the number, gender, and geographical affiliation of candidates within the electoral lists, the number and composition of lists become the methods by which the ruling elites has the opportunity to regulate elections long before campaigning even starts; thereby contributing to reinforcing the status quo within the strongest of pre-existing local regimes in the consolidated areas. As an unpopular policy put forward by an unpopular government, it is likely that citizen feelings of political inefficacy, vis-à-vis internal political polarisation, discouraged voters. It is also possible that consolidation re-affirmed communities' sense of identity and re-emphasised public perceptions of the negative effect of population disparities.

Overall, the outcomes of the 2012/13 elections were poor in terms of voter turnout, electoral competition and community representation, yet surprisingly more participatory in new amalgamations and least participatory in annexations and old amalgamations. These results tend to affirm this study's hypothesis that electoral democracy is likely to decrease in consolidated LGUs not only during transition but also in the long-term. Within amalgamated LGUs, medium-size communities tended to be overrepresented in electoral lists and elected councils compared to large communities which were under-represented and micro-communities were largely not represented or were awarded one seat. These findings differed from other studies which

generally reported a negative relationship between post-amalgamation electoral turnout and population size, despite an initial positive effect which faded over time. In the Netherlands, for example, one study found that voter turnout declined by 11 percent in LGUs with 100,000 inhabitants compared to those with 20,000 inhabitants, and that elected councillors tended to spend more time in council meetings than with residents (Schaap and Karsten 2015). Given election results, medium-size communities in the OPT were more satisfied and less keen on de-amalgamation than small and large communities that associated amalgamation with loss in representation, community identity and financial assets. Micro-communities seem to oppose consolidation out of concerns with political representation and service equality rather than with disappearance of cultural distinctiveness. In large communities, weak electoral participation indicated policy opposition and reflected entrenchment of political positions and concerns about capitalising on community's distinctive features and the power of certain families.

Although social and political heterogeneity often justifies opposition to consolidation, opposition was strong in the largely homogenous OPT. Lack of racial, sectorial and cultural diversity makes the Palestinian society rather homogeneous socially and too fragmented politically, particularly along factional or religious lines. In some communities, differences in religious composition of towns are addressed by elections law, which determines distribution of council seats between Christians and Muslims, including mayorship, in LGUs where either religious group is a minority. Elections law is said to have underrepresented Muslims in major urban areas that are historically Christian but demographically Muslim (e.g. *Ramallah* and *Bethlehem*). In these areas, religion was an in previous attempt at to the creation of metropolitan councils. Nonetheless, divisions related to political pluralism do not translate into democratic political participation in the traditional sense because political participation is also influenced by the social fabric. In the consolidated clusters covered by this study, major differences existed in three areas, namely extent of development in local service and infrastructure; community access to PNA institutions through powerful clans and residents in key positions in public bureaucracy; and historical inclination of community towards support of particular factions.

Tension in consolidating a predominantly Christian community with several Muslim communities, or vice versa, was only found in *Sabasstia* cluster. In comparison to populations of 3,000 in *Sabasstia*, *Ijnesnia* and *Nisf Jabail* have a combined population of less than 1,000 inhabitants, or the equivalent of one quarter of voters. Politically, both small towns had better infrastructure and elected councils of independent representatives while the large town was *Fateh* affiliated. In this

cluster, religion, political and development needs were the declared reasons for rejecting amalgamations, while opposition from *Sabasstia* was centred on the need to preserve its historical legacy as and further developed into a tourist attraction. Most likely this cluster has already been designated as a protected area in the draft spatial plan.

Analysis shows that heterogeneity seems to have played several roles in the Palestinian consolidation policy. On one hand, political heterogeneity and intensity of cleavages at the state level pressured policy-makers' towards reforms that maintain the single-faction regime. On the other hand, social and political homogeneity at the local level appear to have little influence on the extent of policy support or opposition, except where utility debt and tribal origin differed markedly between constituent communities. There were examples of public resistance in areas with the same political orientation (i.e. *Dura* and *Kafreyyat*) or with inclination to support several factions (*Mutahida* and *Yasseryya*) that were excluded from political participation or were not awarded sufficient weight in council composition. While *Hamas* did mobilise its popular base directly against consolidation, communities seem to have split sharply around the distribution of limited resources, depending on local conditions pre-consolidation. All communities cited several reasons for opposition, yet the strongest and the most common were that consolidation is socially divisive and its material benefits were late, few and unequally distributed.

Concerning internal relationships between elected councillors, the first post-reform local elections appear to have shifted political power from councillors to mayors who usually come from the largest community where the council was formed through competitive elections. In acclamation and coalition councils, mayors have a weaker support base which shifts decision-making power to the strongest political faction, most influential family and/or higher tiers of government. The transitional period was characterised by tense relationships between communities, families, factions and councillors so that power was entirely relocated from communities and local leaders towards MOLG and the major factions in each community. Acclamation lists, decision-making by consensus and resource-sharing formulas were used to prevent public participation and conflict between communities and councillors. These arrangements have not been popular with the public as survey results show that citizen satisfaction of council performance and election results was consistently lower in acclamation councils than in competitively formed councils. Citizen satisfaction was also highest in independent LGUs followed by amalgamations, and least in annexations. Decision-making based on factional, familial or community interests explains the survey results that consolidated LGUs are perceived as more responsive to local demands than

engaging with the public. Put differently, local politics in consolidated LGUs do not allow for open public participation and seek increased responsiveness in order to simultaneously strengthen the political position of the council and minimise service disparities between communities.

What the study findings really show is that amalgamation is politically risky and less manageable than LGU administrative or functional reforms. This also applies to local actors, policy-makers and political factions. The political disadvantage of consolidation, amalgamation in particular, is that it tends to debilitate established leaderships and re-centralise power in certain communities and actors, not necessarily the largest communities or families, and Consolidation has fragmented political opposition between communities without providing a systematic means for their inclusion in policy process and LGU affairs after consolidation. Power configuration in small rural towns is family-based and therefore considered incompatible with the faction-based proportional election system. In contexts other than the OPT, the shift from traditional to factional representation may be considered a sign of democratic transformation, where citizenship replaces traditional ties as the basis for the relationship between government and the public. The changes in local politics allowed youth representation to increased, but women's representation was hindered by familial and factional considerations. However, if selection of election candidates also takes into account professional experience, popularity and public trust, as was the case with women candidates in competition lists, then it is possible to say that consolidation has contributed to changing the local dynamics of participation and voting. Such changes in electoral participation patterns of youth and women were not noted in older amalgamations, probably because power arrangements have long been stabilised, which means that new amalgamations may represent a different model, politically and institutionally. Increased population may force different councillor selection considerations on factions and voters. Coupled with power re-distribution, the result may indicate a long-term change in the composition of local elite, i.e. the social groups that undertake representation and decision–making role within each community and the consolidated cluster.

Compared to the abolished and independent LGUs, current consolidated councils undoubtedly lack political diversity, especially when dominated by representatives from the ruling faction. This domination strengthens public perception of consolidation as motivated by exclusion of major political rivals from the local government arena and that consolidated councils impose PNA's political and economic agendas on local communities and political institutions. Scaling down LGU functions and involvement in service delivery not only reduces revenue and autonomy, but also

questions the value of LGU roles in political representations, democratic participation and representation after service transfer. Without public services, capacity building would be meaningless because it would create a bureaucracy for its own sake or for future tax collection and without autonomy and stable income. Thus, LGUs would become an extension of central government. When half of LGU revenue is derived from policy incentives, consolidation seems to fuel rather than reduce dependency on public transfers at least in the short term, or that access to tax funds is made dependent on the central government's approval of council's political affiliations and compliance with public policies, leaving consolidated LGUs particularly vulnerable to political shocks and the possibility of public transfer suspension.

In some countries, consolidation has had more obvious political and economic agendas than in the OPT. In Denmark, for example, the state compulsorily devolved some local services to private firms equal to 26 percent of LGU budgets, made inter-municipal cooperation mandatory and reassigned regional functions of spatial and investment planning and environmental control entirely to LGUs which weakened regional government. In this case, amalgamation is said to have successfully minimised local financial independence through municipal budgetary ceilings and restrictions on tax rates (Allers and Geertsema 2014). Palestinian policies featured some of the above financial and planning control measures in parallel with consolidation, particularly spatial planning and budgetary restrictions, and functions being assigned to municipal firms rather than governorates which are considered political institutions already affiliated to the President and the ruling faction. Nevertheless, service transfer followed a series of government and ministerial interferences with local (financial) autonomy, including restricting organisational structure to three types, standardisation of salary scales, service charges and councillor allocations. Legally, the MOLG is an institution of oversight rather than legislation because in the 1997 Law all LGUs were declared financially independent with the freedom to regulate internal affairs individually or collectively through representative bodies, i.e. the Association of Local Government Authorities. Besides, legislation pertaining to local government enacted by presidential decrees after 2007 can be contested on the grounds of legality and legitimacy because they have not been debated and approved by the Legislative Council or properly announced after promulgation.

9.1.3. Territorial Defragmentation Outcomes

The effects of consolidation on territorial integrity of LGU jurisdiction was the third dimension of local government investigated in this thesis. The research hypothesised that consolidated LGUs

were unlikely to exercise full control over their territorial jurisdictions and achieve full integration of constituent communities and population mainly because of geopolitical fragmentation. The results confirm the expectation that there is no effect on territorial defragmentation because sovereignty arrangements have remained in place, which means that consolidated LGUs have fragmented functional jurisdictions comprising a small portion of the land area. Similarly, the citizen survey showed that the public generally has not associated the policy with territorial defragmentation objectives, although survey respondents acknowledged consolidation may have some potential for aiding Palestinian rural development, unification of areas under Israel's sole or joint jurisdiction and halting expansion of Israeli settlements. This means that territorial fragmentation and consolidations are not synonymous in the Palestinian case, despite being described as such in the consolidation literature. Territorial fragmentation also has far reaching implications on local government capacities and functions.

Overall, extreme territorial fragmentation emerged in this research as the ultimate barrier to territorial and structural reform and a major underlying cause of LGU institutional weakness. The size and complexity of territorial barriers, be it Oslo territorial divisions, settlements, land administration or spatial planning, prevent the adoption of cooperative and functional alternatives to consolidation. This indicates that territorial fragmentation foreshadows the legal, institutional and cultural dimensions of consolidation. As paramount as these issues are to local government, territory only factored in determining which areas to exclude from consolidation rather than which areas to target. Territorial dimensions were largely ignored by consolidation policy in terms of guaranteeing contiguity and area coherence within consolidated LGUs, or seeking convergence between electoral and functional boundaries usually delineated by physical planning.

In this study's estimations, PNA territorial policies undermine consolidation by reinforcing rather than reversing the current patterns of community dispersion and limited Palestinian presence in the West Bank. There is an apparent inconsistency between requirements for consolidation and spatial and planning policies that designated the largest parts of the West Bank as protected areas. Territorial policies constrain rural development and residential expansion both of which would lead to unaffordability of housing and services and further undermine LGU planning and financial resources.

9.2 Policy Drivers and Motives

With regard to the research question of what factors might have led to the Palestinian consolidation policy, the literature offers two models to analyse reform motives and processes. Since the policy was not justified by efficiency arguments, the political economy approach can shed light on the context of the reform because the approach situates reforms in political and economic transformations within a country, which necessitated the altering of the roles and responsibilities of government tiers, and ultimately central-local relations. The OPT economy has not been transformed radically in the past decade to give rise to demographic shifts, nor has the PNA developed into a sovereign state orientated towards welfare and centralised development planning. Despite that, the political situation has been transformed radically following the death of Arafat. The crisis model is used to analyse the post-Arafat era that gave rise to local government reforms. The model is therefore extended from the local to the national level in order to identify the major actors and the turning point leading to reform adoption and the implementation process to determine the factors behind public acceptance and rejection of consolidation. Nevertheless, neither model could anticipate, explain or evaluate the exact outcomes of reform on individual LGUs or the local government sector.

9.2.1 The Political Economy Approach

The political economy approach to reform analysis is useful in contextualising the policy and explaining contradictory outcomes on institutional capacity of consolidated LGUs. The variety of stakeholders' perceptions of selection criteria, other than size and geographical proximity of constituent communities, can be understood as a contestation of PNA justifications for consolidation. Notwithstanding that building capacity of small LGUs was declared by MOLG as the ultimate policy objective, several stakeholders openly expressed serious doubts about the policy's actual goals and suggested that fiscal, security, political and economic motives were the underlying cause and objective of reforms. The enforcement of several policies locally, including local elections without ensuring participation for all communities, strengthened public convictions that local reform policies are purely political tools.

Although they may seem conflicting, respondents' views on reform motives and objectives are complementary to one another, and suggest that several factors had contributed to local government reforms since 2008. Drivers of consolidation can be classified into three motives, namely political, fiscal and developmental. Political motives were concerned with elimination of political opposition from local government and rural areas and the enforcement of legal

compliance on local institutions and communities. Fiscal motives include improvement of government revenue and donor funding to LGUs on the one hand, and the reduction of utility debt and public transfers to LGUs on the other. Developmental motives include LGU institutionalisation, improvement of infrastructure in small communities and development of basic utilities and services.

Political and fiscal goals of consolidation seem more critical to central and local governments than capacity building, efficiency, democracy and territorial defragmentation. In terms of the policy's security motives and objectives, factions and some national institutions asserted that the policy targeted areas of active political opposition and resistance to the PNA and Israel rather than areas rife with criminal activity. Based on the collected data, this study could not directly validate or entirely dismiss local perceptions of political security being a major underlying cause of local reforms. This claim gains some credibility when also expressed by informants from public institutions directly responsible for policy implementation and may also be substantiated by policy timing immediately after Israeli and Palestinian authorities targeted Palestinian political activists in certain districts, except for those from the mainstream group of the ruling faction. Furthermore, increased annual public spending on the security sector in the years leading to 2010 consolidations is strongly indicative of the significance of the security agenda.

Unlike security, study findings support the assumption of fiscal motives, understood here to be mitigation of utility debt, particularly electricity, and reduction of LGU financial dependence on central government. Both objectives could be understood as addressing areas of government failure at all tiers. Local governments have failed in utility collection and prompt payment of dues and the central government has failed in managing the utility portfolio with Israel, controlling public consumption, allowing payment waiver and default based on political considerations rather than on consumer ability to pay. Both central and local governments failed to find a solution that balances debt reduction with service affordability to all social groups. The pre-paid system and regional and municipal firms have succeeded only in some technical improvement and penalising non-defaulting users in terms of service cost and quality. Some informants maintained that utility debt is sustained intentionally either to attract external financial assistance or to pressure factional rivals into political concessions.

Rather than showing evidence of local dependency on central government, analysis of LGU budgets and few documents on PNA public spending indicates that public transfers were irregular

ranging between 10 to 25 percent of annual budgets of LGUs with centrally-collected property taxation. Small communities and LGUs targeted for consolidation had least transfers except as incentives for policy acceptance and as donor-funded infrastructure projects. While most LGUs rely on local revenues for recurring expenditure and external funds for development projects, the new consolidations, particularly amalgamations, rely on external resources which constituted more than half their income. This indicates financial dependency on central support has increased rather than declined, in contrast to policy goals.

Apparent disharmony in consolidation outcomes could indicate under-studied and uncoordinated public policy-making, or that consolidation is a minor policy compared to other public policies implemented at the time, irrespective of their potential success. The policy has not chosen the worst performers, i.e. LGUs with least revenues and services and highest debt and default rates, but assumed that small LGUs were the worst performers. Among new amalgamations, there are three different configurations. One cluster contains only one indebted community yet it has another with the least debt and strongest finances; hence it was selected as the cluster's central town. A second cluster contains a community with the largest utility debt and weakest functionality; nevertheless it was selected to lead the cluster. A third amalgamation has communities with no capacities, but fewer debts than the first two clusters, although no community emerges as the cluster's leader. In both annexations, one community was added to a large indebted community and another was added to a barely established LGU with no capacity. Neither capacity nor absence of capacity seem to have been uniformly applied because LGU revenue, debt and external support tended to increase with population size and the policy was devoid of debt relief measures. In contrast, the control sample included indebted and resourceful LGUs surrounded by several small towns which were not selected for amalgamation.

If consolidation deliberately sought to mix LGUs of different levels of financial performance, both the richest and poorest are justified in policy opposition on the basis of immediate and long-term implications on residents' financial obligations and LGU sustainability. Moreover, the new consolidations differed widely in post-consolidation debt and revenue with the tendency of medium–size communities to have most service improvement and debt repayment. This indicates that population is not the main determinant of LGU financial capacity. This conclusion reinforces the perception that local reforms aimed to weaken and control local governments rather than build performance capacity and self-sufficiency. In any case, the weakening effects

on local government are unlikely to be reversed without consideration of other public policies that contributed to the weakening effects.

9.2.2 The Crisis Model

Rosenbaum and Kammerer's (1974) model of a crisis necessarily preceding local government reform can be used for analysis of possible motives for Palestinian consolidation policy. Rather than being the central crisis, utility debt is supposedly one of several crises facing central and local governments since mid-2000s. In many respects, the PNA is afflicted by other crises: an electoral legitimacy problem since national elections should have occurred in 2009-2010, a popular legitimacy problem considering that an independent state has not resulted from twenty years of peace negotiations, strong political contestation from *Hamas* and military confrontations with Israel and diminishing and politically conditioned donor funding. The ruling faction has faced eroding public support and conflict between young and old leaders on the one hand and between its military and political wings on the other. LGU electoral legitimacy was undermined by PNA and donor rejection of *Hamas*-led councils.

The centrality of crisis to Palestinian reforms is clear although it diverges from the model (Section 3.3.3) in three aspects: origins of both crisis and solutions, absence of a specific catalytic event that turned reform proposals into enforced public policies and efficiency of enforced reform(s) to resolve the said crises. In the OPT, crises are national and local, and reforms were upon the initiative of central government under pressure from donors rather than local elites, as assumed by the crisis model. Keeping in mind that resolution of utility debt will only address 10 percent of total public debt; the national fiscal crisis debt of central government looms large. While consolidation and service transfer have failed to resolve utility debt, local elections partially restored *Fateh* dominance and eliminated *Hamas* as a political rival in local councils, at least temporarily.

The crisis model can be used to explain policy failure locally. It can be argued that lack of consultation and open public debate prior to consolidation, except for some groups, denied the local elite the opportunity to shape, lead and rally the public in support of consolidation. Taking into account the survey findings on reform objectives, lack of early opposition suggests that local communities initially identified, and continue to identify, with the consolidation agenda of rural development even though no message was developed to resonate with future interests of individual citizens. It is likely that resistance emerged when local elites recognised power losses

and communities recognised the policy's various economic losses. In addition, the timing of policy execution prevented formation of serious political opposition among factions, particularly because execution coincided with the expiry of LGUs terms in 2009/10. When electoral legitimacy was removed, LGU capacity for policy opposition was generally weakened and MOLG dismissed many LGUs or curtailed their budgetary powers. This provided central government a good opportunity to push reforms on LGUs, especially those with a sufficient revenue base to remain fiscally autonomous. With their interests in local elections, most factions have not perceived immediate political returns from backing-up local opposition and demands for deconsolidation. The entire process has resulted in a legitimacy crisis for consolidated local governments because electoral legitimacy is weak and contested by non-recognition in some constituent communities.

9.3 Final Assessment of Policy Success

This section assesses policy outcomes from a process perspective as measured against the policy success spectrum suggested by McConnell (2010), previously discussed in Section 4.5. On a scale of 1 to 5, and one being the highest, Table 9.2 shows that the Palestinian consolidation policy obtained a low score of 4 on the four dimensions of policy legitimacy, sustainable political coalition, innovation and influence, and opposition. The policy scored relatively higher, i.e. 3 out of 5, with regards to policy goals and instruments because policy did strengthen some aspects of LGU capacity, as was originally intended by the policy, even if the results were conflicting, modest and not uniform across new consolidations. The score for policy goals would have been higher if the policy had fewer implementation deficiencies or was implemented independently from other public policies, which largely shaped the resulting institutional capacity of consolidated LGUs.

According to McConnell's spectrum, consolidation has achieved precarious success, indicated by a score of 4, slightly short from reaching the point of process failure and reform abortion. The policy obviously has faced strong public opposition and some communities disintegrated from the cluster. However, five years of public protests have not resulted in policy reversal and no governmental decision was taken for deconsolidation of opposing communities, prohibition of new consolidations or imposition of the next planned wave. A few amalgamations did occur in 2014 and 2015, although all were voluntary, as was the case for the amalgamation of *Karmel* with four new communities in March 2015 and the amalgamation of *Surda* and *Abu Qash* in late 2014 (personal communication with MOLG informant #3).

Table 9.2: Assessing Palestinian Reforms against McConnell's Policy Success Spectrum

Dimension	OPT Score[59]	Explanations
Policy goals and instruments	(3) *Conflicted success*	***Preferred goals and instruments proving controversial and difficult to preserve. Some revisions needed*** Policy was monopolised and instruments were uniformly implemented across all LGUs. The resulting amalgamations have stronger capacities than annexations. Generally, LGU human resources, system capacity and infrastructure improved, whereas local services, local revenues, LGU functional mandates and relationship with the public declined. The positive effects were diluted by other reform policies.
Policy legitimacy	(4) *Precarious success*	***Serious and potentially fatal damage to policy legitimacy***. Inadequate legal procedures circumventing public participation legislative and political actors; failure to amend elections law; deliberate avoidance of public consultation, legal decisions acted as a barrier to consultation. Councils lack legitimacy in terms of being formed as a result of free competitive elections and representation of all communities.
Sustainable political coalition	(4) *Precarious success*	***Policy coalition on the brink of falling apart***. Policy benefited certain parties without promoting democratic participation practices. Disagreements existed between the Cabinet, MOLG, CEC and governors and within MOLG ranks. Many donors discontinued financing the policy and the PNA did not honour its promises and financial commitments. Governmental commitment falls short of declaring a policy reversal while allowing non-*enforcement* and informal integration
Innovation and influence	(4) *Precarious success*	***Police appears to being out of touch with viable alternative solutions.*** The policy depended more on other countries experiences than on previous local reforms which generated lesser outcomes but also lesser opposition due to a (semi) voluntary nature. A strong preference was expressed for alternative functional arrangements, inter-municipal cooperation and sector-wide reforms.
Opposition	*(4) Process failure*	***Opposition to process outweighs small levels of support***. Public resistance have not weakened over time despite lacking lobbying power and political support. Opposition reduced LGUs financial capacities and community compliance with tax and building codes.

Source: Adapted from McConnell (2010) page 352. On a scale of 1 to 5, 1 being the highest.

[59] Based on McConnell's (2010) spectrum, a score of (1) is the highest which indicates *process success* and mission accomplished of in all 5 dimensions. A score of (2) indicates *resilient success* indicating policy commitment, routine implementation with minor opposition and changes to objectives and process; (3) indicates *conflicted success* when policy obtains some results and abandons some goals with overall support still stronger than opposition; (4) indicates precarious success meaning serious departure from original goals, competing values, semi-universal opposition and dwindling central support with implementation. The lowest score is (5) indicated policy failure where reform had few merits, universal opposition and eventual policy termination.

9.4. Study Recommendations

This section offers recommendations on issues of strategic importance to local government which complement informant recommendations presented in the previous chapter. This section argues that deconsolidation may be as complex as consolidation; therefore both should be addressed in specific legislation which enables policymakers and local communities to have clear roles and rights in the process. The recommended municipal formation and boundary change legislation will set the basic criteria for LGU abolition and creation, resolve conflicts during policy processes and secure participatory, economic and other rights of LGUs and local populations. Securing financial support and long-term sustainability is also important, which is reiterated in the recommendation for resource sharing between central and local governments.

9.4.1 Deconsolidation

With the dearth of literature on de-amalgamation, the issue was addressed by a few Australian studies (Dollery *et al* 2011; Spearritt 2011; Drew and Dollery 2014). The persistence of consolidation reforms despite meagre results worldwide has several possible explanations. Bish (1996) explains the policy attractiveness to central governments and local elites by the higher visibility of larger governments, and territorial envy, particularly cities. LGUs with large bureaucracies or better infrastructure are perceived as modern and competent with the usual methods of separating management from the politics of the council and because of reliance on large scale competitive delivery, privatization, or contracting-out. In a small council, these issues are invisible to citizens and higher government tiers. They are implemented because citizens act out of fear, rarely included in feasibility studies. Finally, citizens are usually ill-equipped to discuss the technical, legal and institutional issues involved in local government reform or anticipate their impact in formalised consultation and participation settings.

It is also possible that the public has gradually accepted the consolidated LGUs over time, as higher tiers responded to grassroots protest campaigns by adopting protective mitigation measures (Dollery *et al* 2011) or that inability of consolidated communities to finance the high cost of deconsolidation campaigns and the reluctance of political actors to provide the necessary support and government failure to provide necessary legislative foundations for starting and implementing de-amalgamation (Aulich 2012) encouraged by inconclusive empirical evidence to conclude the consolidation debate (Mouritzen 1989, Sharpe 1970). The winning deconsolidation campaigns have so far been disgruntled communities and local leaders that were successful after years of protests in putting the issue on political agendas and gaining sufficient support from

politicians (Sancton 2004, Drew and Dollery 2014). More importantly, deconsolidation implies a political defeat on the part of government by admitting that the reform actual harms their future implications on local government and exceeds actual benefits. To quote Boyne, a definitive yes to deconsolidation referenda raises questions of where and how it should occur; a definitive questions the next steps and policy alternatives of a lesser evil (Boyne 2002).

The aforementioned studies emphasise that consolidation and deconsolidation meet similar hurdles except that citizens are willing to shoulder the additional burden in exchange for autonomy. In Australia, estimates put the total cost of de-amalgamating two LGUs from *Delatitte Shire* and *Redcliffe* Councils (23,000 and 55,000 inhabitants) at 12 million; roughly the same cost associated with the creation of a regional council. After de-amalgamation local rates increased by 12-38 percent to compensate for a 36 percent loss in total rates revenue from water/sewage services that were not returned to the councils (Spearritt 2011). In Canada, politicians opposed the separation of big LGUs, such as Toronto (45 seats), spearheaded by the mayors and councillors of smaller cities. Of 87 LGUs amalgamated two years earlier, 31 LGUs were demerged with 51 percent of public votes. Nonetheless, power over many functions was retained by the agglomeration council in metropolitan area (Sancton 2000). In Sweden, only 13 municipalities split between 1977 and 2003 (Rydergard 2012), while the Czech Republic passed a law enabling large LGUs forcibly merged during the communist era to split, subsequently raising the number of LGUs by 52 percent between 1989 and 2007 (Illner 2010). In Jordan, about 10 percent of amalgamated communities have informally split since 2011 due to indebtedness, service deterioration and electoral boycott, at a cost of USD 50 million to the central government (Tbaishat 2011).

Palestinian communities demanding autonomy were under the impression that deconsolidation only requires reversal of the Cabinet's previous amalgamation decisions and a return of employees and assets to function from local offices. This perception is justified because conditions are relatively easy to restore to their pre-2010 status: employees, offices and cash transfers of abolished LGUs still exist and could be reassigned given that consolidated LGUs also keep a separate cost account for each community. The requirements for running a new LGU and the assignment of pre-reform assets and debts between micro-communities is less problematic because these were already small in value as compared to medium and large communities which have continued to incur most liabilities. Deconsolidation is attainable if Cabinet and MOLG are willing to resolve or circumvent legislative ambiguity since the Local Authorities Law and its

subsequent amendments are devoid of any reference to LGU division and disintegration. The serious obstacle however is how to advance community campaigns to the factional agendas and pressure the government regarding making final decisions[60].

This thesis concurs with the informants' recommendations for deconsolidation and that PNA procrastination would be costlier financially and politically if taken a few years later while the communities continue to defy the policy by boycotts and managing their own affairs informally. Deconsolidation is recommended for communities demanding independence if they continue to boycott consolidated LGUs financially and/or electorally, or if communities where services and LGU functions have deteriorated or shown no significant improved since consolidation. The dependence of both criteria on public perceptions and satisfaction facilitates determining when it is best for a community to exit the consolidated cluster. This also shows that policy imposition against local will is not worth councils' delegitimatisation and functional destabilisation. However, the deconsolidation decision could be enhanced by other objective criteria, such as an LGU consistently showing performance indicators lower than average for consolidated LGUs in the district or than the aggregate national average for LGUs of the same population bracket created in a particular consolidation wave. These indicators show that consolidation has not been as successful in these areas or that their post-reform institutional capacity remains generally weak, unsustainable and in need of improvement though further policy interventions. In case of partial deconsolidation, criteria should also include geographical contiguity between communities in the consolidated cluster.

Based on the above criteria, *Yasseryya* emerges as the most likely candidate for disintegration because it has the lowest revenue, spending on service delivery and public satisfaction rates as well as the largest increase in personnel, salaries, debt, utility default and council costs, not to mention a problematic relationship with local communities. In this particular case, there are no winners or advantages to justify the existence of a consolidated LGU. For political reasons, *Mutahida* will be a difficult disintegration not only because half of the communities are satisfied and half are not, but because the major services were transferred and are unlikely to be returned. By contrast, *Kafreyyat* faces a major problem since the main dissatisfied communities are located in the heart of the cluster, which means that de-amalgamation may interrupt the contiguity of the

[60] In early 2015, the reconciliation government that succeeded Fayyad's formed a special committee to evaluate the prospects of de-amalgamation in light of the persistent public protest and modest policy outcomes. No information is available on this evaluation or its final recommendations.

towns remaining under LGU jurisdiction, unless boundaries are changed. In the case of annexations and LGUs formed of two communities, disintegration is straightforward although the smaller community is likely to suffer financially trying to run its own independent council.

In the Palestinian case, 'separation anxieties' of deconsolidation (Dur and Staal 2008) may well be the potential costs, service under-provision or possible conflicts between families and factions. These can be minimised by following normative guiding principles to consolidation (Drew and Dollery 2014). The principles prioritise mobilisation of community support, minimisation of cost and conflict, and democratic representation of community interests during the deconsolidation process. In terms of financial viability, deconsolidation is likely to be associated with LGU return to small-scale delivery, small tax-base and revenue and likely to incur higher re-establishment and operational costs. These factors are mostly likely to increase taxation service costs to citizens, and liabilities in the new LGU.

It is recommended the Palestinian public and LGUs take part in planning for deconsolidation and developing a community's vision of how new LGUs will be administered and sustained. In discussing the pros and cons of a potential LGU deconsolidation, strategies can be identified to improve local conditions, representation and public satisfaction. For example, a new election could be held in the cluster before the term of current council expires in order to avoid complicating the issue of community non-representation through appointment of representatives. Similarly, communities demanding return of transferred service networks could be compensated by preferential prices for a certain period and infrastructure projects sponsored by other service providers. Consolidation rarely means a return to pre-reform conditions but comes with the risk of an LGU with a semi-independent status or partial functional or territorial jurisdictions.

9.4.2 Municipal Formation and Boundary Modification Legislation

The overwhelming majority of survey respondents believed that (de)consolidation decisions need to be taken locally and voluntarily which clearly presents government-initiated reforms the major challenge of how to carry out democratic territorial reforms. The OPT lacks special legislation to regulate municipal boundaries and limit interference of the executive authority in local government structure. This can be done through a) granting the sector explicit protections in the Basic Law, b) creation of an independent municipal boundary commission, and c) developing a separate law on the criteria and procedures pertinent to all types of territorial reforms, including the creation of new units and tiers, definition of initial boundaries, abolition of new tiers and units,

annexation, amalgamation and boundary reforms. The proposed municipal formation and boundary delimitation act should specify the changes addressed in passing in Article (4) of the Local Authorities Law. Before its promulgation, it is also important that the new law is drawn out by a special legislative committee and in a participatory manner with the LGUs, the public and other national agencies.

For initiating any territorial change, the requirements vary with the type of proposed change and the initiator. For example, if citizens take initiative for incorporation of a new LGU, possible requirements would be a petition signed by a designated minimum of the local population (e.g. 25 percent of residents, property owners or voters on the voting registry) explaining the reasons for the incorporation and specifying the proposed size and initial capacity and viability potential of the proposed LGU (e.g. land area, population, existing infrastructure, financial resources to run a council, etc.). A request for incorporation could then be submitted to the proposed Boundary Commission for evaluation and further consultation with the community and decision-makers. Requests submitted by the central authority should provide the justifications except for the residents' petition.

After the commission takes an initial decision in any submission, the Central Election Commission could organise a public poll or hearing with the entire community to inform them of the initial decision and give the residents a reasonable period to legally challenge the decision before implementation. If a set timeframe passed without challenge, the new LGU is considered a lawfully existing one and ready to elect its first local council in accordance with the local elections law in force. In reforms involving the dissolution of LGUs, i.e. annexation and (de)amalgamation, stricter requirements, processes, technical studies and guarantees of public participation can be enforced. For example, some US states require a petition by the majority of property owners in the territory/LGU to be annexed or de-amalgamated as they constitute the main group that will be impacted by joining another LGU of different tax-base and service package. Other states require the approval of the majority of resident voters in all communities proposed for amalgamation, annexation or consolidation within a metropolitan area (Hutchcroft 2001). In Canada, a petition for de-amalgamation must be signed by at least 10 percent of voters to start the process and a majority vote in a referendum in each community in order to de-amalgamate (Sancton 2000).

Key elements in proposed boundary legislation are criteria for reform, requirements of viability review of the new LGU, and procedures for challenging and appealing boundary decisions. All

three would replace MOLG discretion and local elite monopoly of decision-making. For example, viability assessment should indicate how the proposed LGU will generate local resources to provide necessary services and infrastructure at reasonable costs to the LGU and citizens. LGU capacity to serve can be assessed in terms of per-capita production cost, time to render the service, staff travel time/cost, rental value for service facilities in different communities and the additional cost of maintaining quality control and oversight over several distant service centres. The criterion of service affordability and accessibility can be measured in terms of the amount charged per user/visit, travel time and cost borne by citizens to access service facilities. In the case of amalgamation, proximity can be measured by distances, travel time and cost, and transportation network between each two communities in the cluster. In the proposed legislation, the appeal procedures must be specified and serve the purpose of facilitating public voice and potential to reject the decision in a legitimate protest. These procedures must define five important elements regarding the appeal process: a) time frame of the appeal, b) who has (equal) right to appeal (i.e. individuals, councillors, local institutions, firms, etc.), c) on what grounds appeals may be brought, d) which institutions have jurisdiction to look into them (e.g. Boundary Commission, Supreme Court, Administrative Court, etc.), and e)what is prohibited or allowed during appeal period (e.g. major expenditure, local elections, transfer of municipal services or assets, new recruitments, etc.). By doing so, the law defines who actually represents the community voice, which institution has the final say and who temporarily manages community affairs during transition.

Since building local consensus is difficult to accomplish without good legislation and public participation, particularly when involving a large number of communities, the complexity of reform design and execution would probably increase and require plans for managing local affairs by the communities themselves for a transitional period of and for the first years of LGU life. The process may become extremely difficult to manage successfully if only a few local actors are involved to pre-empt policy rejection. In the Palestinian case, public protests were first directed at the reform's authoritarian procedures, rather than at mediocre outcomes of reform, before they graduated to a rejection of the principle of amalgamation. Communities went to open confrontation and boycotts because mandatory requirements for community participation and appeals on technical and democratic grounds were all lacking, except where the policy was noncompliant with general administrative procedures.

As constituent communities are concerned with electoral and resource distribution bias, electoral inclusivity, citizen engagement and accountability mechanisms need to be improved in consolidated LGUs taking care that these processes do not become mechanical, symbolic or superficial to validate already taken decisions. Accountability and participation in annual budgeting and planning also requires informing communities of how revenues are generated and how taxes, fees and fines are determined by other agencies (e.g. utility firms). In consolidated jurisdictions with multiple communities and service providers, citizens are likely to be perplexed about what to expect from the LGU and other agencies although service transfer does not prevent the LGU from playing an intermediary between service providers and users or relieve it from the responsibility of monitoring service provision to public satisfaction. For effective participation, an LGU needs sufficient budgetary allocations, measures to simplify participation and safeguards against capture by certain groups, factions or communities. LGUs may need additional resources for social auditing of local resource use, holding frequent town or neighbourhood meetings in each community, conducting referenda if necessary, or establishing general or service-specific oversight boards or user committees and, among others.

9.4.3 Inter-Governmental Fiscal Relations and Transfers

It is fair to conclude that no LGU in the study sample was self-sufficient, debt-free or financially sustainable. For two decades, the PNA has been unwilling to decentralise major taxes or increase central transfers and by doing local government development and reform increasingly difficult. No technical solutions, such as consolidation or utility transfer, would resolve PNA fiscal problems, which are political in essence, but certainly would aggravate LGU financial problems. In fact neither tier of government could access additional or significant resources under ongoing occupation and Israel's control of land, customs and other revenue. Moreover, it could easily be predicted that the PNA fiscal crisis will not be eased by a reduction in local public spending and by an increase in state revenues as the largest public expense is comprised of public salaries and the largest revenues are customs transfer (from Israel) and taxes from public sector employees.

In theory, Palestinian local governments could improve their finances through developing internal revenue, such as increasing service charges and costs to the public and investing in successful entrepreneurial ventures, or receiving more external support from the central government and donor funding. LGU recurring expenditure grows faster than growth of internal resources in rural areas that are largely residential and agricultural areas and lack the demand on housing and

other tax and revenue-raising economic and employment activities of urban areas. Distribution of tax revenues remain the only method for LGU stable resources to medium and small LGUs and reform policies aimed at building local capacities or improving performance should seriously tackle the issue of exclusion of tax revenues and imposition of political conditions and self-sufficiency on small LGUs. This means that the current fiscal arrangements can no longer ignore central retention of various taxes and must necessarily modify current legislation to allow sharing revenues of centrally-collected taxes in addition to property and fuel tax. This can be done through either the transfer of a fixed percentage of collected taxes to local government annually or devolution of selected taxes exclusively to LGUs.

Fiscal reforms do not imply increased LGU dependency on government or provide LGUs with disincentives for local revenue generation, but they there are many legitimate reasons for public transfer. First, the purpose of LGUs is the provision of local public services and meeting local needs rather than maximising revenues from local administration and needs. Secondly, it is the state contribution to public services which are the state's ultimate responsibility, not to mention that LGU functions are assigned by the central government. In other words, the state defines which resources are given to LGUs when assigned specific functions. While the state keeps control of the most significant revenue generating functions, LGUs usually recover part of the production costs of local administration services (planning, land surveying and building regulations), but there is almost no recovery of costs for social and environmental activities such as parks, cultural activities, slaughter houses and markets, even where these facilities are managed by the private sector. Thirdly, governmental support to LGUs enable subsidy of below-cost services otherwise unaffordable charges weaken rural economies or certain social groups, particularly if they are fully paid before consumption. The pre-paid service is endangering the weakest groups which the state and LGUs are required to protect. Finally, governmental transfers and grants to LGUs that aim to reduce differences in tax-raising capacity and/or service costs across jurisdictions can also be used to compensate for additional burdens, such as meeting immediate costs and outcomes of reforms.

The suggested annual fiscal transfers to LGUs is best undertaken through major legislation and included in the government's yearly public budget as a share of state expenditure irrespective of availability of donor funding or political inclination of LGU councils. The tax share earmarked for local governments can be distributed directly or through intermediary bodies. One possible solution is to alter MDLF mandate or create a similar structure for funding and building capacities

of small LGUs. This funding allows access to equalisation transfers directly and without competition with other LGUs, while having the power to decide over the prospect of spending. Currently, MDLF grants and allocation mechanisms are not aimed at equalisation because they exclude village councils, fluctuate annually, and are determined on a competitive basis.

To avoid transfers being driven by state interests, several measurable factors must not be solely based on population size and capacity, but should include other factors that cannot be modified or manipulated by the central government. Ad hoc and per capita grants allocated on the basis of population number in each LGU can be stable but not always equitable, although they could be used to supplement the main method. The main allocation formula could include factors such as the extent of need, hardship conditions, location, land areas, special contribution to the national economy, including the implementation of industrial development and spatial protection plans. The formula can be fixed for a period of time, then a new formula is negotiated with stakeholder participation. To ensure LGUs sustainability after consolidation, it is necessary to go beyond local revenue generation and administrative and functional restructuring to give due attention to financial reforms and tax decentralisation or devolution.

9.5 Territorial and Administrative Reorganisation

During this study it became salient that geopolitical and territorial divisions are extremely difficult to change without political solutions and agreements with Israel, even when Palestinian policymaking attempts to circumvent the fragmentary effects of earlier agreements. At the LGU level, total number of population is less relevant than availability of resources generally and community demographic and natural features, while the number of communities, population distribution and topography are more critical for LGU effective functioning, expenditure patterns and political representation in consolidated areas. For LGUs, the optimal size for a successful consolidation is medium population and medium land area with similar population densities and free of natural geographic barriers. The public also favoured living in medium-size LGUs and rejected consolidation with large towns, as indicated by the survey results.

Apart from territorial politics, suggestion of a two-tier system is unwarranted given the OPT is a small area, while creating three or four large regions in the West Bank may exacerbate the subordination and politicisation of small LGUs because Palestinian governorates lack experience in service delivery and management of large cities. In the near future, policymakers will deal with serious problems of urbanisation, such as infrastructure deterioration, congestion, pollution,

underdeveloped outskirts and sprawl into rural areas. As urban growth is not entirely controllable, internal administrative divisions may be reviewed to introduce asymmetrical arrangements amongst LGUs that adjust to demographic and other changes.

First, two separate systems can be established: one for small LGUs and rural areas and another one for large LGUs and urban areas. Each level can be associated with different functions, powers, public transfers, funding mechanisms, administrative systems and oversight institutions. For example, small and rural areas may refer to MOLG and receive specialised support and capacity building directly from MOLG or from another institution created specifically for this purpose. In this way, variation in LGU size can be reflected into different functions congruent with their resources, while eliminated functions may be provided in cooperative arrangements or in partnership with the private sector. Such arrangements mean formalisation of existing differences between village and municipal councils in terms of resource base and functional powers despite equal treatment in legislation.

Secondly, annexation can be replaced by creating a few metropolitan areas from the most populated LGUs and neighbouring LGUs overlapping in services and borders to provide land for future growth without scarifying LGUs autonomous status. Each area will retain its council and services will be planned centrally but delivered locally according to qualities and vision for the cluster. Potential candidates for metropolitan areas include cities with strong manufacturing or commercial sectors *(Nablus* and *Hebron*), tourism (*Bethlehem, Beit Jala* and *Beit Sahor*), services and institutional concentration (*Ramallah* and *Al-Bireh* and surrounding areas) or population (*Gaza*[61]). *Nablus* could become a large metropolitan area stretching from *Huwarrah* in the south to *Tulkarem* in the North to integrate areas already benefiting from municipal services including four refugee camps which may be a potential political problem. The city's strong infrastructure and investment capacity would quickly cause economic growth and larger tax and revenue provided that political conditions were favourable for economic development.

Thirdly, district capitals not participating in metropolitan areas could be assigned a special autonomous status and exercise similar responsibilities while reporting directly to the central government rather than MOLG. They may receive special public transfers for investment and some decentralised functions, such as policing, civic affairs, culture and welfare. The above three

[61] Hamas has reportedly considered amalgamating four LGUs in North Gaza Strip to create the largest Palestinian municipality with more than 50% of the Strips' population (Ma'an News Netwrok, May 25, 2015).

strategies offer alternatives to the consolidation of small areas, or may serve as a precursor to voluntary amalgamation, driven by regional and/or national economic planning objectives. If these areas were established, the OPT would have largely transitioned into a four-region structure. Governorates can assume roles of a regional tier with regard to rural development, spatial plan implementation, and regulatory functions on behalf of individual LGUs outside the capital cities and metropolitan areas. The major implications of radical restructuring are two: devolution of tax functions to most LGUs or other sub-national agencies and amendment of MOLG mandate from sector regulation and oversight to capacity building of small LGUs and rural development alongside other agencies with large national development mandates.

9.6 Conclusions and Further Areas for Research

The reported developments in LGU institutional capacity after consolidation were the net outcomes of various policies that actually represent different types of local government reforms. Despite the fact that effects can be contradictory, the different types of reform share the intention of reforming different aspects of local government. Drawing on a typology of local government reforms suggested by Dollery (2009), five different types of reforms appear to have simultaneously been enforced in the OPT after 2008 and each has different objectives and public agencies responsible for implementation.

First, annexation and amalgamation are obviously *structural reforms* led by MOLG and perceived local government fragmentation and weak institutional capacities of small LGUs as the main problems. Therefore, structural reforms achieved the objective of reducing LGU type and number by 30 percent and expanded boundaries of the resulting LGUs without substantially changing functional capacities. Secondly, water and electricity reorganisation can be understood as a form of limited *functional, jurisdictional* and *financial* reforms undertaken simultaneously. Led by the Water and Electricity Authorities, reforms sought to reduce utility debt and LGU involvement in service provision, while improving strategic capacity of new agencies for service expansion. Utility reform changed the authorities and competencies of LGUs which accepted service transfer or were forced to do so through consolidation. Along with reduction in LGU functions, utility transfer intensified public default and thus destabilised LGU local revenue and expenditure. Yet, the creation of new service agencies and service payment methods have not lead to a reduction in overall utility debt to PNA. As *financial reforms*, the effect of utility transfer on local government was largely negative and managed to reduce LGU resource base locally without changing the distribution of public resources between the central government and LGUs.

Internally, MOLG introduced various changes to LGUs internal organisational structure and salary scale aimed at improving stability, efficiency and attractiveness to highly-skilled personnel. These can be considered *organisational and managerial reforms* that affected LGU autonomy in resource utilisation and created a complex organisational structure incompatible with local demand and LGU capacity to maintain. Therefore, the new structure remains understaffed in small and medium LGUs and have not brought the variety of technical skills and knowledge needed for regulatory and planning functions. These functions appear to be the new roles of local government preferred by policy makers which are consistent with the objective of utility reorganisation policies.

Further research is needed on the long-term outcomes of each of these policies and on the total effect on the local government sector. For example, municipal utility firms can be studied from different angles. Research may focus on firms' profitability, sustainability or on service quality and affordability to various social groups and rural areas. Investigation can address the questions of financial returns to LGUs and the extent of LGU involvement in firms' internal decision-making and governance. A third angle can look into PNA public policy setting with regard to public services and rural development in light of the multiplicity of service providers.

With regard to consolidation policy specifically, informants' recommendations are worthy of careful consideration in order to assess feasibility for improving PNA approach to public policy design and execution, at least with regard to public engagement. To aid policy-making, economies of scale can be studied with the aim of balancing efficiency and local participation rather than to justify further consolidation. The institutional outcomes identified in this research can be verified through a larger sample, preferably inclusive of all LGUs created by the same consolidation wave. The complexity of structural reform impacts on complex environments, such as the OPT which provides a diversity of potential research themes, such as the implications of local government reform on state-building, state formation and democratic and economic transformations. Many social themes in relation to local democracy present interesting potential research topics, particularly the relationship between population size and local democracy and how structural and other reforms impact the roles and the composition of local elites and the relationships between traditional power bases and political factions and the Palestinian state-in-the-making.

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11. Appendices

Appendix (1): Citizen Perceptions Survey for Consolidated Communities

Part 1: Respondent's Information

1. Gender:	□ Male	□ Female			
2. Age:	□ 18-29 years	□ 30 - 45 years	□ 45-59 years	□ 60 years+	
3. Education status:	□ School	□ Diploma	□ University	□ Higher	□ None
4. Community of residence	□ This town	□ Within the LGU area	□ within the district	□ Another district	□ Other
5. Community of origin	□ This town	□ Within the LGU area	□ within the district	□ Another district	□ Other
6. Household monthly Income	□ Less than $500	□ $500 -$1000	$1001-1500	$1501-2000	≤ $2000
7. Employment status:	□ Unemployed	□ Employed	□ Retired	□ Student	□ Other
8. Place of Employment	□ This town	□ Within the LGU area	□ within the district	□ In another district	□ Other
9. Employer:	□ Self-employed	□ Public Sector	□ Private Sector	□ Non-Profit	□ Other
10. Employment sector	□ Agriculture	□ Health/ education	□ Commerce/ services	□ Infrastructure	□ Other
11. Marital Status	□ Currently married	□ Previously married	□Never married		
12. Community of spouse origin	□ This town	□ Within the district	□ Another district	□ Other	□ NA
13. Family Provider	□ Respondent	□Parent(s)	□ Spouse	□ Combined	□ other

Part 2: Respondents' Satisfaction of the Consolidation Process and Outcomes

	Please indicate your level of agreement with the following statements:	**Strongly Agree (1)**	**Agree (2)**	**No Opinion (3)**	**Disagree (4)**	**Strongly disagree (5)**
14.	I was satisfied of LGU performance before merger	□	□	□	□	□
15.	I am satisfied of LGU performance after the merger	□	□	□	□	□
16.	I am satisfied of local election results after the merger	□	□	□	□	□
17.	I am satisfied of the LGU new name after the merger	□	□	□	□	□
18.	The residents were consulted about the merger	□	□	□	□	□
19.	The quality of LGU services has improved after the merger	□	□	□	□	□
20.	The prices of LGU services increased after the merger	□	□	□	□	□
21.	The quality of government services improved after merger	□	□	□	□	□
22.	The prices of government services decreased after merger	□	□	□	□	□
23.	The LGU introduced new services after the merger	□	□	□	□	□
24.	The local infrastructure has improved after the merger	□	□	□	□	□
25.	The LGU has carried out new projects after the merger	□	□	□	□	□
26.	The LGU responds to public demands after the merger	□	□	□	□	□
27.	The LGU sufficiently engages the public after the merger	□	□	□	□	□

Part 3: Respondent's Preferences for Consolidation

	Please indicate your level of agreement with the following statements:	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly disagree (5)
28.	Merger is good for small communities (1000 people)	□	□	□	□	□
29.	Merger is good for communities without public services	□	□	□	□	□
30.	Merger is good for remote communities	□	□	□	□	□
31.	Merger is good for poor local councils	□	□	□	□	□
32.	Merger should benefit all merged communities equally	□	□	□	□	□
33.	I prefer my merger with a large town (+10,000 people)	□	□	□	□	□
34.	I think local identity is the most important issue in merger	□	□	□	□	□
35.	I prefer demerger from the current councils	□	□	□	□	□
36.	I prefer a union of municipalities (agglomeration)	□	□	□	□	□
37.	I prefer joint service councils instead of merger	□	□	□	□	□
38.	I prefer early elections after the merger	□	□	□	□	□
39.	I prefer a local council of 13 seats or more	□	□	□	□	□

Part 4: Respondents' Perception of the Objectives of Merger

	In your opinion, what are the outcomes of the merger	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly disagree (5)
40.	Achieving socio-economic development in rural areas	□	□	□	□	□
41.	Curtailing settlement expansion on Palestinian land	□	□	□	□	□
42.	Protecting against land confiscation/appropriation	□	□	□	□	□
43.	Bringing Area C under the PNA control	□	□	□	□	□
44.	Unifying areas A, B and C	□	□	□	□	□
45.	Reducing corruption in local councils	□	□	□	□	□
46.	Increase local democracy	□	□	□	□	□

Part 5: Respondent's Perceptions of State-Building Strategies

	In your opinion how important are the following for building the Palestinian state	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly disagree (5)
47.	Rule of law /Public Order	□	□	□	□	□
48.	Good institutions of public administration	□	□	□	□	□
49.	Economic development	□	□	□	□	□
50.	Economic independence from Israel/	□	□	□	□	□
51.	Dismantling of Israeli Separation Wall	□	□	□	□	□
52.	Dismantling of Israeli settlements	□	□	□	□	□
53.	The entire 1967 land	□	□	□	□	□
54.	International recognition of a Palestinian state	□	□	□	□	□
55.	Plural political system	□	□	□	□	□
56.	A fair and just peace agreement	□	□	□	□	□

Part 6: Open-Ended Questions

57. In your opinion, the best outcome of merger has been:----------
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58. In your opinion, the worst outcome of merger has been: ----------
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59 - Any other issues or comments you would like to add?

Appendix (2): Citizen Perceptions Survey for Independent Communities

Part 1: Respondent's Information

1. Gender:	□ Male	□ Female			
2. Age:	□ 18-29 years	□ 30 - 45 years	□ 45-59 years	□ 60 years+	
3. Education	□ School	□ Diploma	□ University	□ Higher	□ None
4. Community of residence	□ This town	□ Within the district	□ Another district	□ Other	
5. Community of origin	□ This town	□ Within the district	□ Another district	□ Other	
6. Household monthly income	□ Less than $500	□ $500 -$1000	$1001-1500	$1501-2000	≤ $2000
7. Employment status:	□ Unemployed	□ Employed	□ Retired	□ Student	□ Other
8. Place of Employment	□ This town	□ Within the district	□ Another district	□ Other	
9. Employer:	□ Self -employed	□ Public Sector	□ Private Sector	□ Non-profit	□ Other
10. Employment sector	□ Agriculture	□ Health/education	□ Commerce/ services	□ Infrastructure	□ Other
11. Marital Status	□ Currently married	□ Previously married	□Never married		
12. Community of spouse origin	□ This town	□ Within the district	□ In another district	□ Other	□ NA
13. Family Provider	□ Respondent	□Parent(s)	□ Spouse	□ Combined	□ other

Part 2: Respondent's Preferences of Consolidation

	Please indicate your level of agreement with the following statements:	**Strongly Agree (1)**	**Agree (2)**	**No Opinion (3)**	**Disagree (4)**	**Strongly disagree (5)**
14.	Merger is good for small towns (less than 1000 people)	□	□	□	□	□
15.	Merger is good for towns lacking basic services/infrastructure	□	□	□	□	□
16.	Merger is good for remote towns	□	□	□	□	□
17.	Merger is good for poor local	□	□	□	□	□
18.	Prefer merger with development planning	□	□	□	□	□
19.	Merger should benefit all communities equally	□	□	□	□	□
20.	I prefer merger with a large town (more than 10,000 people)	□	□	□	□	□
21.	I prefer merger with a small town (less than 1000 people)	□	□	□	□	□
22.	I think my community needs to be merged with others	□	□	□	□	□
23.	I do not prefer merger	□	□	□	□	□
24.	I prefer a union of councils (agglomeration) instead of merger	□	□	□	□	□
25.	I prefer joint service councils instead of merger	□	□	□	□	□
26.	I accept merger with towns from other district(s)	□	□	□	□	□
27.	I prefer voluntary merger	□	□	□	□	□
28.	I believe towns must be demerged when they request it	□	□	□	□	□
29.	The name of the new municipality is an important issue to me	□	□	□	□	□
30.	I like to be consulted about the merger of my town	□	□	□	□	□
31.	I think maintaining local identity is an important issue in merger	□	□	□	□	□
32.	I am satisfied with the overall performance of my local council	□	□	□	□	□
33.	I am satisfied with the results of latest local council elections	□	□	□	□	□

Part3: Respondent's Perceptions of the Objectives of Merger

	How do you agree with the following statements:	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly disagree (5)
34.	Achieving development in rural/local communities	□	□	□	□	□
35.	Curtailing settlement expansion on Palestinian land	□	□	□	□	□
36.	Protecting against land confiscation/appropriation	□	□	□	□	□
37.	Bringing Area C under the PNA control	□	□	□	□	□
38.	Unifying areas A, B and C	□	□	□	□	□
39.	Reducing corruption in local councils	□	□	□	□	□
40.	Increase local democracy	□	□	□	□	□

Part 4: Respondent's Perceptions of State-Building Strategies

	Do you agree that the following are important for the building of the Palestinian state	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly disagree (5)
41.	Rule of law	□	□	□	□	□
42.	Good institutions of public administration	□	□	□	□	□
43.	Economic development	□	□	□	□	□
44.	Economic independence from Israel/	□	□	□	□	□
45.	Dismantling of Israeli Separation Wall	□	□	□	□	□
46.	Dismantling of Israeli settlements	□	□	□	□	□
47.	The entire west Bank land	□	□	□	□	□
48.	International recognition of Palestinian state	□	□	□	□	□
49.	Plural political system	□	□	□	□	□
50.	A fair and just peace agreement	□	□	□	□	□

Part 5: Open-Ended Questions

51. In your opinion, the merger outcome most likely to be achieved would be:----------
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52. In your opinion, the merger outcome least likely to be achieved would be: ----------
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53- Any other issues or comments you would like to add?

Appendix (3): Questions for Focus Group Discussions

1. As local leaders, how do you see the idea of merger between local councils?
2. What did the communities think when the merger process started?
3. How did the communities participate in the merger policy? Who took the decision and why?
4. Were the communities supportive? What were the reasons for rejection/acceptance?
5. What did the communities have in common before/after the merger?
6. What were the major problems and how they were dealt with? How can they be addressed?
7. How have locality identity played a role in merger process and outcome? To what results?
8. How has the local leadership dealt with the merger? Were they affected and how?
9. How did the merger impact services and infrastructure in your community/ entire council area?
10. What were the major achievements of merger? Were they expected? Are they sustainable?
11. What was least achieved of your expectation (positive and negative)?
12. How do you compare the pre-after situation in your community?
13. How has each community benefited from merger? Who/which benefited the most/least?
14. Do you think is a better option: bigger or smaller local councils?
15. What do you think makes a successful merger?

Appendix (4): Questions for Semi-Structured Interviews

Introductory questions

1. What is the institution's role in local council merger? What is your role in this policy?
2. How important is merger to you/ the institution?
3. Do you think that merger is a significant policy?

Territorial Outcomes

1. What is the institution's reference for local council boundary definition?
2. What are the criteria for council clustering approach and community selection?
3. What are the common features/capacities of merger areas/councils?
4. What are the desired size levels? Have they been achieved?
5. How does the merger policy account for migration/population change?
6. What outcomes has merger policy had on physical planning, land use and zoning and property prices in the amalgamated communities?
7. What outcomes has merger policy had on rural/local development?
8. What outcomes has merger policy had on regional or district planning?
9. How has the merger policy been incorporated into national development plan?
10. What outcomes has merger policy had on peace negotiations?
11. What outcomes has merger policy had on state formation/building?
12. What are the requirements for state formation / state building?

Financial Outcomes and Policy Costs

1. How the financial status of all local councils is monitored?
2. How do you see the financial performance of consolidated councils?
3. How were council financial issues incorporated into the merger policy in terms of criteria, technical assistance, systems and incentives?
4. Were there unexpected costs of merger/council during transition? How were they incurred and funded?
5. How did the policy address the differences in capacity, esp. in terms of staff salaries, infrastructure and service qualities
6. What changes were introduced in PA policies to facilitate merger (taxation, transfer, equity in transfers and development)?
7. What financial changes has merger policy achieved in terms of LGU's:
    a. Budget and resources
    b. Overall revenues: service fees, taxes, transfers, donations
    c. Expenditures: operations, infrastructure, investment
    d. Debt size / debt relief
8. Can you estimate the cost of reform (total/per council)?
9. Have LGUs fees/production cost changed after merger?
10. How has the reforms contributed to LGU financial sustainability?
11. How has the reforms contributed to decentralization?
12. What policies and changes that can enhance efficiency/ decentralization?

Institutional Building and Efficiency Outcomes

1. What are the set/reached population thresholds for size/council capacity?
2. What changes were introduced to municipal services after merger A in terms of types, quality, prices, and accessibility and delivery points?
3. What services were contracted out / privatized after merger?

4. What changes were introduced to the council's structure and size?
5. How satisfied are the staffs and communities?
6. Has the sense of community affected merger (e.g. performance of staff and councillors?)
7. How has merger affected governmental services in urban areas? How
8. Has merger affected governmental services to rural area? How?
9. How has merger affected governmental services in the areas (e.g. health, education)
10. What services are needed in the micro communities? What services are provided?
11. What impact has merger had on infrastructures in all areas?
12. How do you see the performance of newly upgraded village councils?
13. What mechanism replaced the dissolved Joint Service Councils?

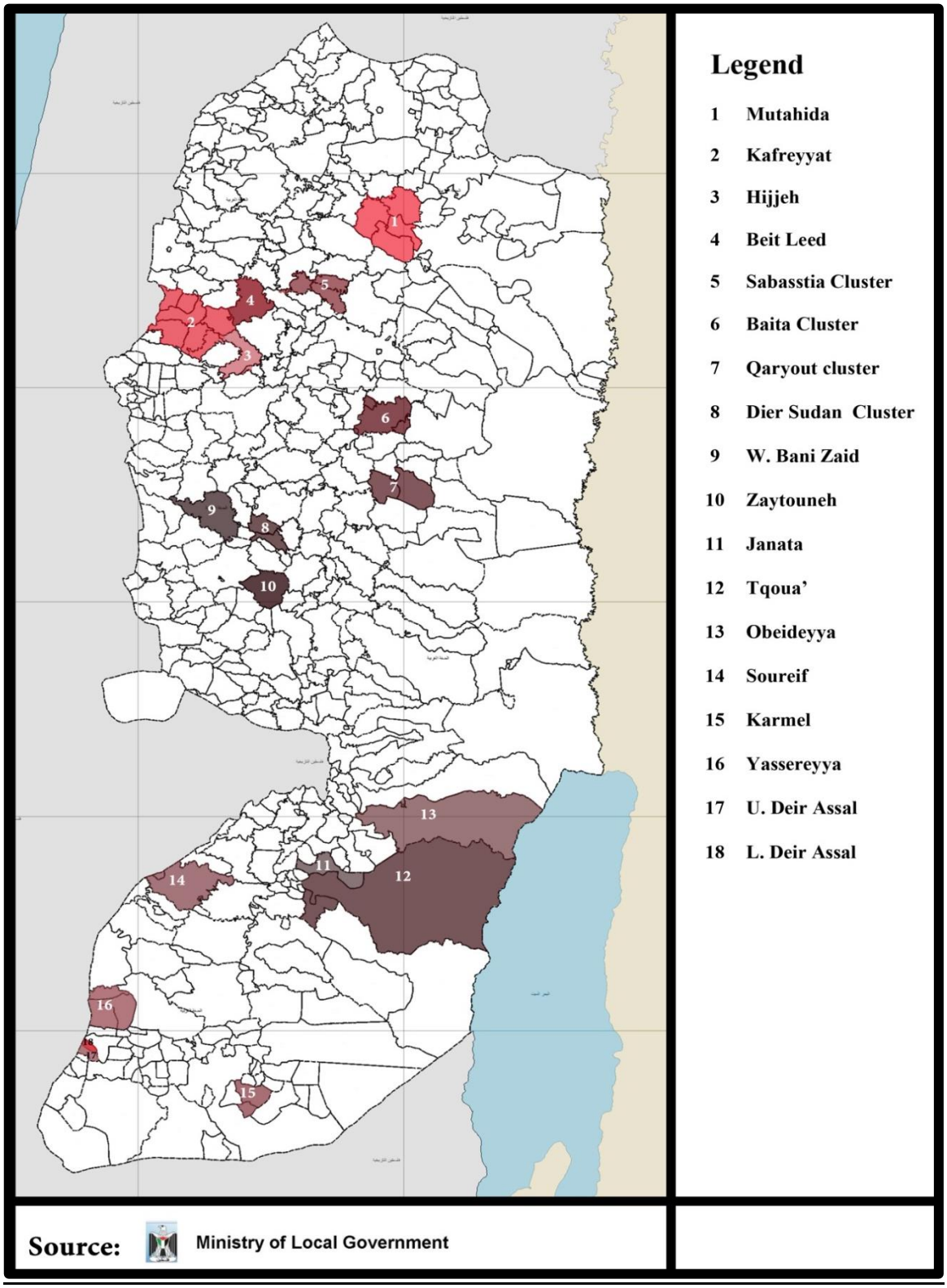
Local Democracy Outcomes

1. What is the legal basis for merger?
2. What is the public's basis for acceptance or reject in of merger?
3. What was the role of legislative councils and political parties?
4. Are the local communities aware of merger importance?
5. How do the local councils/communities perceive (forced) merger?
6. Why LGUs agree/disagree to consolidation? Does size play a role?
7. What influence the political situation has on merger processes?
8. What roles have legislative council/ political parties play in merger?
9. What roles have local leaders had in merger processes?
10. How inclusive have merger processes been of local communities?
11. What are the policy's (in)direct administrative, political, economic or partisan objectives? Are they consistent? Were processes biased?
12. How has the merger policy modified local elections law, council composition and quotas? How did that influence election results?
13. Have local communities equally benefited from merger processes?
14. How was the transitional period managed?
15. How satisfied are merger communities/councils are now?

Interview concluding questions

1. Overall, how do you rate the success of merger policy?
2. What were the major achievements so far? The major weaknesses?
3. What are your recommendations for a successful merger?
4. What alternatives to merger policy are possible to pursue?

Appendix (5): Demographical Distribution of Study Sample In the West Bank



Appendix (6): Demographic Profile of Survey Respondents, by Sample, Reform Type and Year

		Sample				2010 Amalgamations			2005 Amalgamations			2010 Annexations		Independent LGUs							
Feature	**Responses**	**Main**	**Control**	**Total**	**%**	**Yassereyya**	**Mutahida**	**Kafreyyat**	**Zaytouneh**	**Bani Zaid**	**Janata**	**Tqoua'**	**Karmel**	**Soureif**	**Onauedyya**	**Baita Cluster**	**Sabastiya Cluster**	**Beit Leed**	**Hijjej**	**U. Deir Assal**	**L. Dier Assal**
Gender	Male	360	175	353	50	75	82	63	27	25	39	27	22	32	27	41	31	17	11	10	6
	Female	360	175	535	50	73	83	62	27	25	40	28	22	32	27	39	32	18	11	8	8
Age	Youth (18-29)	222	124	346	32	56	36	38	16	14	33	20	9	23	23	23	18	11	12	8	6
	Adult (30-60)	407	205	612	57	79	110	74	28	25	36	26	29	40	29	56	38	21	9	6	6
	Seniors (60+)	91	21	112	10	12	19	13	11	11	10	9	6	1	2	1	7	3	1	4	2
Education	None	4	1	5	0	0	2	0	1	1	0	0	1	0	0	1	0	0	0	0	0
	School	409	160	569	53	77	92	72	31	31	50	27	29	25	30	41	27	10	11	8	8
	Diploma	106	54	160	15	17	30	24	10	6	8	8	3	11	4	12	12	8	3	2	2
	University	172	122	294	27	45	36	28	11	10	21	11	10	24	18	25	20	17	6	8	4
	Higher Education	29	13	42	4	8	5	1	3	2	0	9	2	4	2	1	4	0	2	0	0
Community of Residence	Same Community	658	334	992	93	139	160	119	41	49	69	41	40	63	47	78	59	35	22	18	12
	Within LGU area	21	12	33	3	5	4	2	4	0	3	1	2	1	5	2	3	0	0	0	1
	Within the district	24	2	26	2	1	1	3	7	0	3	8	1	0	1	0	1	0	0	0	0
	Another district	15	2	17	2	2	0	1	2	1	4	4	1	0	1	0	0	0	0	0	1
	Other	2	0	2	0	0	0	0	1	0	0	1	0	63	47	78	59	35	22	18	12
Community of Origin	Same Community	588	311	899	84	118	146	101	44	38	61	42	38	59	49	74	52	30	17	16	14
	Within LGU area	57	8	65	6	17	8	11	5	3	8	3	2	1	2	2	3	0	0	0	0
	Within the district	40	19	59	6	6	4	7	3	4	4	9	3	1	3	2	4	3	4	2	0
	Another district	28	9	37	3	3	6	5	3	4	5	1	1	2	0	1	3	2	1	0	0
	Other	7	3	10	1	3	1	1	0	1	1	0	0	1	0	1	1	0	0	0	0

		Sample				2010 Amalgamations			2005 Amalgamations			2010 Annexations		Independent LGUs							
Feature	**Responses**	**Main**	**Control**	**Total**	**%**	**Yassereyya**	**Mutahida**	**Kafreyyat**	**Zaytouneh**	**Bani Zaid**	**Janata**	**Tqoua'**	**Karmel**	**Soureif**	**Onauedyya**	**Baita Cluster**	**Sabastiya Cluster**	**Beit Leed**	**Hijjej**	**U. Deir Assal**	**L. Dier Assal**
Household Monthly Income	≥US$ 500	402	203	605	57	65	106	86	23	22	39	34	27	29	22	55	40	24	11	14	8
	US$ 500-999	230	98	328	31	60	45	31	18	20	32	9	15	16	20	18	20	10	7	3	4
	US$ 1,000-1,499	54	36	90	8	14	10	2	4	5	6	9	4	13	9	6	2	0	3	1	2
	US$1,500-1,999	14	7	21	2	3	3	4	3	0	1	0	0	2	1	1	1	1	1	0	0
	≤US$ 2,000	20	6	26	2	4	1	2	7	2	1	3	0	4	2	0	0	0	0	0	0
Employment Status	Unemployed	176	87	263	25	32	45	33	11	12	16	15	12	18	11	22	17	5	5	5	4
	Employed	436	217	653	61	90	108	71	33	31	49	30	24	36	26	55	44	27	14	12	3
	Retired	30	8	38	4	4	3	10	4	4	3	1	1	1	2	1	2	1	0	1	0
	Other	40	6	46	2	6	10	7	10	3	4	0	0	6	7	1	0	1	3	0	3
	Student	154	124	278	30	32	29	33	8	11	27	10	4	3	8	1	0	1	0	0	4
Marital Status	Currently married	533	233	766	72	104	131	87	44	40	47	42	38	39	29	61	43	26	14	13	8
	Previously married	33	13	46	4	11	5	5	0	2	5	3	2	3	2	4	2	2	0	0	0
	Never married	154	104	258	24	32	29	33	8	11	27	10	4	22	23	15	18	7	8	5	6
Spouse Origin	Same Community	398	204	602	56	89	95	60	23	29	41	33	28	39	29	56	31	21	9	11	8
	Within LGU area	54	12	66	5	9	15	12	4	2	2	5	5	0	1	2	4	2	2	1	0
	Within the district	53	10	63	6	8	12	10	4	5	5	3	6	2	0	3	4	1	1	1	0
	Another district	21	11	33	3	3	4	3	6	0	0	4	1	0	0	3	5	2	2	0	0
	Other	40	5	45	2	6	10	7	10	3	4	0	0	1	1	1	0	2	0	0	1
Main Provider	Respondent	307	128	435	41	71	96	49	14	17	24	20	16	25	16	33	24	16	6	6	2
	Parent(s)	138	88	226	21	23	24	29	17	6	23	7	9	16	17	13	15	7	7	6	7
	Spouse	147	95	242	23	18	29	31	12	11	16	16	14	9	10	30	23	9	6	4	4
	Sibling/children	32	15	47	4	7	5	4	3	3	8	0	2	6	4	2	1	0	2	0	0
	Combined	87	24	111	10	26	9	9	9	12	8	10	4	8	7	2	0	3	1	2	1
	Other	10	0	10	1	2	2	3	0	1	0	2	0	25	16	33	24	16	6	6	2

Appendix (7): Framework for Data Analysis

	Policy Impact Areas	Outcome Assumptions	Indicators	Information source
Institutional Building	Functional capacities	Post-reform functional capacities increase with population size: a- Improved public service basket b- municipal firms are more cost effective	Changes to LGU service range, cost and quality Citizen satisfaction and accessibility Increased responsiveness Service transfer to municipal/public firms Performance indicators between provider types Availability of systems and material resources Assistance provided before, during and after reforms	All four instruments Survey Survey, focus groups All instruments Document reviews, focus groups Interviewees with technical expert Interviews with LGUs, donors, MOLG
	Human resources	Post-reform human resources increase with population size: a- reduced % of staff in administration b- increased % of staff in service units c- Increased % of permanent and qualified staff c- reduced % of salaries of operational expenditures	Post-reform staff redundancies Adherence to approved size-based structure New units and current vacancies Staff size, type, employment mode, and distribution between departments, service units and communities Changes to staff remunerations Sustainability of staff and expenditures Staff quality and performance Citizen to staff ratios in administration and services Training received before, during and after reform Staff attitudes to the consolidation policy	Interviews, budget analysis Latest organigrams Latest organigrams Budgets analysis Legislations, budget analysis Budget analysis Interviews Budgets analysis Interviews Interviews
	Financial resources and performance	Post-reform financial performance improves with population size a- savings from staff redundancies b- increased % of local revenues from LGU total annual revenues c- reduced % of operational expenditures of total expenditures d- reduced amounts and types of liabilities e- reduced % of public transfers/foreign funds of annual revenues	Changes in annual expenditures, revenues and liabilities Operational vs service expenditures patterns Distribution of costs and revenues between services % of per capita administrative costs % and sources of utility debts of total liabilities Effects of policy financial incentives and other policies Dependency: local taxes/revenues vs public transfers Sustainability: revenues vs. state and donor funding Cost of policy planning and implementation Fiscal and tax transfer % of investment costs (foreign funds and projects)	Budget analysis Budget analysis Budget analysis Budget analysis Budgets, interviews, document review Budget analysis, documents review Budget analysis Budget analysis Document review, interviews Budget analysis Document review, interviews

	Policy Impact Areas	Outcome Assumptions	Indicators	Information source
Local Governance	Local representation	Post-reform local representation decreases with population size a- reduced number of councillors b- increased councillor-citizen ratios c- reduced % of governance cost d- reduced per-capita governance costs e- reduced representation of social groups	% of eliminated seats between 2005-2013 LGU total seats number Distribution of councillors/community % of council costs of operational expenditures % of elected youth and women Changes to electoral quotas Public satisfaction of election results Local preferences for governance structure/council size	Document review Document review Document review Budget analysis Document review Document review All instruments Survey, focus groups, interviews
	Local participation	Post-reform public participation decreases with population size a- reduced accessibility to elected councillors b- reduced participation of small communities c- reduced participation of certain groups	No of candidates per communities, factions, groups Voting patterns per community Distribution of candidates/councillors by size brackets Group satisfaction of post-reform participation Group satisfaction of participation during transition Inter-community electoral lists	Document review, focus groups Document review, focus groups Survey, focus groups Survey, focus groups All instruments Document review, focus groups
	Internal Governance	Reforms cause outward, upward and inwards power shifts in decision-making	Increased central control over LGUs Hegemony of larger communities/political majority Politically motivated decisions Decision making on managerial/technical basis Relationship between mayor and councillors Family-faction alliances Conflict between councillors/area representatives Public perception of local corruption	Interviews Interviews Interviews, document review Interviews Interviews Interviews Interviews Interviews, survey results
Territorial Defragmentation	Area coherence	a- Reforms strengthen intercommunity relations b- Reforms strengthen territorial contiguity and connectedness c- Reforms improve local infrastructure and development d- Reforms minimise impact of geopolitical fragmentation.	Causes/effect of municipal building location Community opposition to reform based on size Community perceptions of competition for resources Public perceptions/preferences for consolidation criteria Contiguity in LGU jurisdiction and service delivery Contiguity in political representation Physical plan expansion Enforcement of tax, construction and other legal codes Land use/spatial planning Amendment to pertinent boundary redrawal legislations	Interviews, document review Survey All instruments Survey Interviews, document review Interviews, document review Interviews Interviews, document review Document review Interviews

Appendix (8): Informants' Recommendations Pertaining to Local Government Law and Reform

Dimension	Sector-Level Suggestions	Suggestions for Consolidation Policy
Legislative development and reform	Replace governorates with four decentralised and autonomous regions.	
	Review LGU ranking system to also include • Specification of service baskets assigned to each LGU type. • Precise delineation of LGU's geographical jurisdiction • Precise responsibilities for each LGU type, MOLG and other tiers • End duplications in service delivery, oversight and distribution of personal and institutional powers especially with governors	Assign certain local service delivery and/or regulatory tasks to governorates Avoid decentralizing health and education services at least in the medium term
	Amend the local elections law: - Legislate direct elections of mayors - Require minimum qualifications for candidates (e.g. educational level) - Reduce candidacy age from 25 to 20 (except mayor) - Replace the closed-list proportional system with open-list - Prohibit 1st and 2nd level family members and spouses within one list. - Lower electoral threshold from 8% of valid votes to 5% total cast votes	Define electoral requirements for public referenda on reforms - Include articles to deal with post-reform elections and formulae for representation of communities, and gender and religious quota - A new quota for geographic representation for amalgamated/annexed areas - Specify alternatives for council formation in case of elections boycott - Prohibit reforms within electoral cycles or vice versa
	Avoid monopoly of reforms decision by the executive authority - Create a parliamentary committee on LG issues and legislations - Establish a permanent boundary/electoral commission involving MOLG, CEC, APLA, MDLF, governors and/or land/tax authorities)	Require changes in local government to be either: - Initiated by the executive/approved by the parliament - Initiated by the executive/ approved by citizen polls/referenda - Initiated by citizens/approved by citizens Define specific legal requirements for community notification of reforms Define appeal procedures to all decisions.
	Grant LGUs a special law enforcement status (municipal enforcement police)	- Grant LGU the power to enforce court judgments on debt owed to LGUs
	Establish a law boundary delineation and reforms, incl. of all reform types, selection criteria, financing and implementation process Define alternatives for exceptions from the standard procedures	- Prepare a guide to LGUs on the implementation of each reform type - Prepare a guide to MOLG/policy implementers - Prepare simplified documents for citizens on legal requirement for each reform
	Provide capacity building for all LGUs, irrespective of type/size: - Expand MDLF mandate to village councils and rename it as Local Government Development Fund or - Create a similar mechanism for small-community capacity assistance, such as Village Council Development Fund.	- Identify alternatives to MDLF involvement in policy implementation and capcity building to consolidated LGUs. The specific needs requires a wider insiutional mandate and exepertise than MDLF focus on infrastructure. - Reconsider roles, financing, and management of joint service councils and drop "councils" from their names.

Appendix (9): Informants' Recommendations Specific to Consolidation

Dimension	Overall recommendation	Detailed Suggestions
Reform appraisal, feasibility, and risk assessment for each proposed cluster	Define overall criteria for each specific type of reform Conduct full-scale appraisal of conditions and capacities of target communities **a) Study all communities within the proposed area** - Community assessment - LGU assessment - Unified vision after consolidation and long term risks **b) Study proposed LGUs:** - LGU resources, assets and indebtedness, service outlets and staff size - Tax payment rates, service rates - Council composition, voting patterns and rates - Community vision and development plan - Community satisfaction and involvement with LGU	Assess the potential for reform in each proposed cluster of community Study proposed communities inclusive of their environment, social relations, debt levels, service costs to citizens and LGUs based on: - Population: size, density, stability, births, daily commute, seasonal migration, - Vulnerability: poverty, unemployment, income levels, housing ownership/quality, social isolation, disability, distance from hospital/schools, water sensitivity, etc. - Distances and connectivity (inner and connective road network) - Inter and intra community connection, rivalries and alliances - Infrastructure conditions and gaps - Natural resources and environment threats - Cultural heritage: landscape, historic monuments - Educational rates and patterns - Land and property value, tendency for purchase from outsiders
Public participation and accountability	Communicate and consult even if legally not mandatory, with individuals, groups, private sector, and local institutions: - during preparation phase - during transition - after elections of new council - Permanent participatory bodies and procedures - Complaint procedures in all phases Policy implementers and government tiers should speak with one voice Acknowledge/prepare for resistance and bias to the status quo Try reform at a different time using a different approach and/or premeditated with well-supported JSCs Adopt a less technical approach to communication and consultation	- Written notifications distributed to all communities of reform proposals - Ensure representation of local groups and actors (e.g. factions, families, women, youth, minorities etc.) - Request a poll among citizens, and results are binges for the government - Only valid of 50% of voters in each communities participated in the poll - if the majority of the actual voters said no, amalgamation will not be enforced - Define and secure a budget for public participation in the plans for all stages - Conduct full scale public consultation campaigns, including gauge public willingness to consolidate with which neighbouring communities - Consult with communities on preferable representatives during the process - Conduct awareness campaigns before official announcement of reform - Focus on future vision for new LGU and long-term impacts of reform
Policy design	Address administrative, financial, economic and social dimensions of reform - Develop measurable objectives for the policy in each area - Define objective community selection criteria and size thresholds - Define a unified vision for the new council - Identify ways to achieve balance between communities to bridge or minimise service gap between communities. - Introduce planning and rural development gradually to avoid confusion	- Set realistic timeframes for completion and achievements of positive results - Set thresholds and ceilings for consolidated LGUs in urban and rural areas (e.g. 5–10 thousands in rural areas, 20-100 thousand in Urban areas) - Limit the number of consolidated communities (2-5) for good representation - Avoid merging medium to large LGUs (more than 7,000 inhabitants) unless consolidation is requested by the communities themselves. - Provide incentives/projects prior to not conditional with reform
Transition	Establish few temporary structures for oversight and actual implementation:	- Form Oversight Commission with the involvement of MOLG, regional and local

governance of amalgamated areas	- Oversight Commission - Transition executive council / with mayor or CEO - Transition assembly with specified voting rights - Transition manager and deputy - Community complaints committee - mechanism against outright intimidation from LGUs Prepare Operational plans - Transition plan - Transition budget - Code of Conduct for those involved - Prepare a risk management plan on, but not limited, to financial issues - financial position of each affected LGU - value and condition of assets; - legal proceedings in progress and any potential legal actions; - impact of reform on contracts, leases, agreements - outstanding debt, credit, insurance claims; Prepare for transitional arrangements for as long as necessary	actors which can also take the functions of the complaints committee. - Form transition executive council from former mayors and treasurers and/or financial managers, specifying also transition manager and deputy among senior full time staff. - Create a larger transition assembly from other former LGU members and representatives from each community - Prepare transition plan and budget limit spending to the defined activities, project, structure, allocations during transition. - Budget should detail operational costs for new LGU and development expenditures defined per community) - Reduce presence and involvement of outsiders in making consolidation and transitional decisions esp. with regard to assets disposal - Select transitional mayors with a good popularity base to lead transition and keep dissolved council members as a general assembly or advisory council - Define frequency of meeting for transition council meeting and publicise results - Detail procedures for complaints and methods to disseminate outcomes. - Grant transitional bodies limited managerial mandate without legislative or policy-making power over asset disposal, incurring liabilities, or service transfer
Local elections and community representation in the new council	Conduct boundary reforms in between electoral cycles Consult the CEC on policy design and proposed legal amendment to elections law and reform legislations **Proposed elections formulas within the proportional system:** **Option 1:** on tier system Adopt a single-council system with electoral district (one community is one district) and limit elections within each community to the number of its seats, determined proportionate to the number of population or eligible voters, provided that the result is a quotient. Revise seat distribution periodically according to demographic changes within communities. **Option 2:** two tier system Adopt a general assembly and a sub-council system in large LGUs (population and/or area) and define the number of seats according to the number of population provided that the result is a quotient.	- Increase number of LGU members from a maximum of 15 to 25, proportionate to population number, including consolidated LGUs - All mayoral candidates should appear on the specific ballot for each community - Re-hold elections in areas with a single or no lists - Suspend elections in areas during their legal challenge of consolidation - For seats vacancy, replace by candidates from the same community - Reject all electoral lists not fulfilling geographic and gender quotas, and ensure the elected council includes at least two representatives for each community, - community and gender quotas should not coincide in seat distribution - Devise a mechanism so that no single community representatives hold the top three positions (mayor, deputy and treasurer) - Relegate immediate delivery of certain functions and services suited to elected sub-councils within each the communities. - Document transition processes and render information accessible to new elected councils esp. on significant decisions made earlier

Reform finance and community incentives	- Secure reform finances before reform appraisal and implementation - Define spending need in participatory fashion with communities - Disclose information about funding for each community involved - Disclose information about financial expenditures regularly - Involve citizens in incentive project design and implementation - Monitor impact of other policies during the transition phase - Define mechanisms to appeal service fees and charges because revenue generation strategies should not place burdens on smallest LGUs and communities. - Apply different strategies to resolve utility debt crisis	- Communities should not compete for incentive projects - Define incentives according to local priority rather than population size - Affirmative action: provide additional finances, incentive projects and administrative facilitations to poor/small/least developed areas - Service improvement should precede increases in fees and charges. - Maintain the pre-reform tax and service rates during transition - Prepare to minimise losses among communities, social groups and factions - Avoid increasing prices and/or taxes during consolidation process - Irreversible disposal of municipal assets should be decided by the public - Follow up service quality and price issues with other service providers
Capacity building	Staff management - Involve staff of former LGUs early in the assessment and implementation processes - Build a culture for the new LGU Avoid geographic bias in the working of new LGUs	- Caution not to devalue the staff sense of pride and commitment to their communities and former LGUs or anxiety about employment - Minimise differences in work practices and policies in new LGU - Conduct awareness raising of election candidates - Educate elected members to sure active involvement within the council
Policy reversal	Define legal and procedural requirements for deconsolidation Preparing a plan to guide process including a financial viability study a) Transfer planning - Asset, liabilities, investments, bank accounts - Contractual arrangements - Information systems, plants, equipment, - Infrastructure evaluation - Elections for new council and allocations for councillors b) Interim operational plan for the new LGU - interim budget , new tax and service rates and charges - business system - procurement plans - Organizational structure - Service delivery methods and prices	- Assign a transfer committee and manager's responsibilities include: - preparing and maintaining a transfer action plan - establishing a service delivery plan to ensure continuity of business and service - developing an interim organizational structure - Increase accountability and information dissemination during the process such as website with up-to-date information dedicated for all issues amalgamations designed for both local communities and researchers - Devise stipulations for transition of government during deamalgamation - Provide deconsolidated and small communities with financial and technical assistance until fully stablished and operational