

PALESTINIAN TERRITORIES

UNITARY COUNTRY

MIDDLE EAST
AND WEST ASIA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - LOWER MIDDLE INCOME Local currency - Israeli new shekel (ILS)

POPULATION AND GEOGRAPHY

AREA: **6 020** km²

POPULATION: **4.295** million inhabitants (2014), an increase of 3% per year (2010-2014)

DENSITY: **713** inhabitants/km²

URBAN POPULATION: **75.3%** of national population

CAPITAL CITY: **Ramallah** (2% of national population)

Sources: World Bank; UNDP-HDR, ILO

ECONOMIC DATA

GDP: **19.4** billion (current PPP international dollars) i.e. 4 509 dollars per inhabitant (2014)

REAL GDP GROWTH: **-1.5%** (2014 vs 2013)

UNEMPLOYMENT RATE: **26.9%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **127** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **18.6%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.677** (medium), rank **113**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
483	-	-	483
LOCAL GOVERNMENTS - MUNICIPALITIES (BALADIYEH) AVERAGE MUNICIPAL SIZE: 8 892 INHABITANTS			

MAIN FEATURES OF TERRITORIAL ORGANISATION. The Palestinian Authority was born from the Oslo Agreements. Palestine is divided into two main geographical units: the West Bank and the Gaza Strip. It is still an ongoing State construction. The official government of Cisjordania is governed by a President, while the Gaza area is governed by the Hamas. Up to now, most governmental functions are ensured by the State of Israel. In 1994, and upon the establishment of the Palestinian Ministry of Local Government (MoLG), 483 local government units were created, encompassing 103 municipalities and village councils and small clusters. Besides, 16 governorates are also established as deconcentrated level of government. Over the past years, reforms are tending to reduce the number of local governments units (municipalities and villages), with mitigated success. Finally, the governments is rather turning towards pooling municipalities together through intercommunal entities, called Joint Services Councils (JSC), that can have one specific or several functions (water, electricity, solid waste, planning). We can count around 100 JSCs but they are not all operating.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The functions and responsibilities of the Palestinian Authority are not homogenous over the territory as a whole. The territory is split between areas A, B and C (Area C represents 60% of the Palestinian territory and is under the control of the Israeli authorities). The Local Authorities Law stipulates 27 areas that are under the LGUs' responsibility, namely: town planning; building licensing and construction control; water supply; electricity supply; sewage; licensing of trades and businesses; public health monitoring; collection and disposal of solid waste; public parks; cultural and sport activities; public transport; disposal of remnants of roads; social services for the poor; cemeteries; precautions against natural disasters; budget approval and management, etc. Some municipalities take over additional such as providing emergency services and constructing and maintaining schools.

SUBNATIONAL GOVERNMENT FINANCE

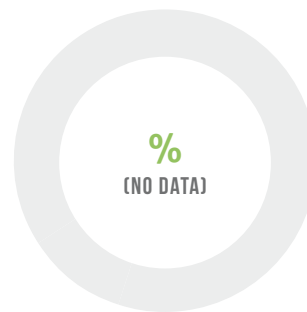
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	3.3%	10.2%	100%
CURRENT EXPENDITURE	3.0%	-	92.7%
STAFF EXPENDITURE	0.9%	5.2%	27.9%
INVESTMENT	0.2%	20.7%	7.3%

The increase of local government units and municipalities since 1994 has not been accompanied by a corresponding increase of municipal staff capacities needed to collect local resources, which is still reflected in the high share of spending dedicated to current expenditures and staff expenditures.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Despite the lack of data for 2013, we can note that from past years, Palestinian municipalities spend a larger share of their budget on public work, administrative, legal and financial affairs, and health.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	3.2%	10.0%	100%
TAX REVENUE	0.3%	1.8%	9.7%
GRANTS AND SUBSIDIES	0.1%	-	4.4%
OTHER REVENUES	2.8%	-	85.9%

Regarding tax and other revenues, many municipalities suffer from an absence of sound collection system. The Municipal Law No. 1 of 1997 did not expressly delegate the power of imposing taxes within their regions. Article 5 B authorizes municipality councils to implement systems which include taxes, fees, revenues and fines, but Article 5 does not explicitly refer to the validity of the Municipal Council to impose taxes.

TAX REVENUE. Tax revenues represent a low share of local governments' revenues, due to their strong reliance on taxes on property (around 9% of total local revenues). According to the Jordanian property tax law no. 11 for 1954, the property tax is collected by deconcentrated services from within the municipal boundaries of the Palestinian territory only. Around 90% of the total amount of collected property tax in the West Bank is returned back to the local governments while the remaining 10% is deducted by the MoF as expenses and salaries of the Department of Property Tax employees and workers. The property tax staff capacities and resources were designed to serve 30 municipalities that existed prior 1994, whereas this number has increased dramatically since then. Therefore, there is a lack of capacity for valuation and collection of the tax that is currently being reformed. Other taxes include business taxes and transportation taxes.

GRANTS AND SUBSIDIES. Some transfers that could be perceived by local governments from the Palestinian Authority according to the 1997 Local Authorities Act are not carried out effectively (for instance, half of gasoline taxes, vehicle registration fees and traffic fines should be transferred to local governments, to be spent for road construction and maintenance). This is because of a lack of accountability and transparency between Palestinian local governments, the Palestinian Authority and Israeli utilities and the Government of Israel.

OTHER REVENUES. The main source of revenues for municipalities in Palestinian territory are fees and taxes from provision of public goods and services. They have the authority to collect and administer several taxes and fees including, first, fees from services of electricity, water distribution, and waste collection. Municipalities also perceive most revenues from building permits, as well as local tax, profession licenses fees.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

The situation of local finances of Palestinian local governments, highly dependent upon the political instability of the country, makes them dependent on the provision of external resources and in particular of international aid, mostly for investment budgets of municipalities and village councils. Local governments can access these funding from the Palestinian Authority and from donors through the Palestine's Municipal Development and Lending Fund, an independent public institution set up in 2005.

A joint study of:



Sources: IMF-GFS • Palestinian Central bureau of statistics • N. R. Sabri and R. Jaber (2007), Financial Analysis of Palestinian Local Government • Diagnostic study of property tax in the occupied Palestinian territory (opt), Funded by the Government of Japan, implemented by UNDP (2010) • A. Signoles (2010), Local Government in Palestine, French Development Agency • N. R. Sabri (2012), The Palestinian Property Tax Law (Estate, Buildings and Lands)