**Municipal Autonomy: Inquiry into Changes in City-State Relationships in Israel**

Nir Barak, Nir Mualam

This article examines recent changes in the relationship between cities and the central government and the rise of municipal autonomy in Israel. The article addresses two interrelated yet empirically and conceptually distinct aspects of municipal autonomy: The first type of municipal autonomy is the ordinary exercise of cities' administrative and planning powers independent of intervention by higher governmental levels. The second type of municipal autonomy is the extraordinary exercise of cities' political power vis-à-vis governments higher in the vertical hierarchy.

While cities are typically characterized as a sub-unit of the state that functions as a socio-economic node, cities are increasingly becoming semi-independent political actors. Given their new role, cities are currently engaged in policy fields traditionally associated with the state or the global political system, such as immigration and climate change. By filling in policy fields that are neglected or insufficiently addressed by the state (e.g., climate policy) or by devising municipal policies that challenge national legislation (e.g., issues relating to the Sabbath in Israel), cities are claiming for themselves greater administrative and political autonomy. Although these developments bring municipal autonomy to the fore of social and political research, a deeper understanding of how this autonomy is reflected in municipal policy-making is lacking.

In this context, we ask: What are the existing positions regarding municipal autonomy in Israel among officials in civil society and in the local and central governments? What are the conditions that enable the growth of municipal autonomy in Israel? Furthermore, what tensions and conflicts arise between cities and the central government in light of attempts to enhance municipal autonomy? These questions are examined by analyzing ten test cases from 2019-2020. The case studies were chosen based on a distinction between (1) innovative local policies that fill a governmental vacuum and, to some extent, challenge the policies of the central government, such as municipal supervision of daycare centers and the promotion of LGBT rights at the local level; (2) local-urban policies that challenge the processes and attitudes of the central government, for example, the "Sabbath wars" (opening of businesses and public transportation in Shabbat); and (3) autonomous local policies that lead to violations of individual rights and liberties, such as in cases of exclusion of women and ethnonational minorities from the public sphere. For each test case, we conducted an extensive review of policy documents and media coverage, a survey among professional and relevant experts, and semi-structured interviews with 40 stakeholders and experts in these policy fields.

Finally, the article offers a normative assessment of municipal autonomy in Israel. In light of the complex picture that emerges from the analysis, a reservation arises about dichotomous divisions and a mindset according to which "cities are good, and states are bad." However, the conclusions emphasize that the increase in the degree of autonomy of cities requires rethinking the institutional design and power structure of the relationship between the local and central governments. In a country characterized by a very high level of national, ethnic, religious, and class heterogeneity, it is possible that increasing the degree of municipal autonomy is an inseparable part of required changes in the governmental structure and an essential element for maintaining the common urban and national goods.

**Urban Renewal from a Local Perspective:**

**A Comparison between Five Cities in Israel**

Erella Hamilton, Nurit Alfasi, Henriette Dahan Kalev

**Abstract**

The goal of the research that is the subject of this article is to examine the reasons why local authorities choose to promote urban renewal processes. The article reviews the research literature regarding the way local authority officials perceive processes of urban renewal in their area. The study examined five cities in Israel where urban renewal processes have taken place. In each city, attitudes toward the process were examined among elected officials, engineering professionals employed in the authority, and staff from the Urban Renewal Authority. The research focused on “official” stakeholders in the process, and accordingly the article will not present the attitudes of the property owners influenced by urban renewal.

Data collection was based on qualitative tools – analysis of verbal discourse and textual analysis. The data analysis used both a qualitative and quantitative approach. The article presents the findings for each city, noting differences in the conduct of the process and the understanding of its essence. The research findings show that although urban renewal processes take place as part of the Israel government’s strategic housing plan, in practice the motives behind the process vary from place to place, as do the patterns of execution. It also emerges that the de facto processes are not always consistent with the goals of urban renewal as determined by central government.

**The New Gaps – Umbrella Agreements as a Mechanism of Spatial Inequality**

Sharon Eshel, Oren Yiftachel, Talia Margalit

**Abstract**

The mechanism of the umbrella agreements, which was part of the response to the housing crisis of 2011, intended to significantly increase the supply of housing by mitigating the opposition of local authorities to residential construction in their territory. The agreement stipulates that the local authority agrees to the construction of thousands of housing units on state-owned land within its territory, while the government transfers a portion of the marketing proceeds for the building of infrastructure. Such transactions, in which each of the parties has duties and profits and are motivated by considerations of entrepreneurial and budgetary profit, have characterized the neoliberal city in recent decades, but following the housing crisis they were "rescaled" to the national level. This study shows that, similar to the planning transactions that are common in planning in Israel today, which deepen inequality, the umbrella agreements also widen the gaps that exist between weak and strong authorities. In this framework, the weak authorities sign agreements that harm the city and its residents, while the powerful sign agreements that benefit them. This process stems from the nature of the umbrella agreement mechanism, as well as from the implementation of a government housing policy that relies on land values ​​and entrepreneurial concepts, instead of on the housing needs of the citizens of the cities and the country.

**The Corona and the Arnona: COVID-19 as an Impetus for Local Government Finance Reform in Israel**

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Non-residential property tax revenues (Arnona) are the fundamental basis of fiscal strength among Israeli local authorities. However, high demand for housing and softer demand for office and retail space raise doubts on the sustainability of the present model of local government finance. This model produces an oversupply of land allocated for businesses and exacerbates inter-municipal fiscal disparities. The COVID-19 crisis further exposed its vulnerability to the rise of online shopping and remote work. This paper examines the need for change in local government finance, particularly for shifting some of the property tax burden from business to residential uses. It also discusses reform alternatives and barriers for their implementation, based on interviews with stakeholders and experts.

Financial data reveal that a diminishing ability to rely on non-residential property taxes has a differential impact: most negatively affected are cities at medium levels of fiscal strength and peripherality. Rather than coming up with new ideas for reform, interviewees emphasized barriers for the implementation of any change, largely because of the inability to predict the identity of winners and losers; the former are likely to remain silent while the latter will protest and decision-makers will pay a political price.

Overdependence of local authorities on property taxes paid by businesses is particularly challenging in Israel because these taxes are not based on assessed value and are paid by renters rather than property owners. The paper discusses reform alternatives, including a transition to local value added, income, or ad-valorem property taxes, all characterized by high barriers for implementation; the first two also competing with central state tax bases. Promoting revenue-generating municipal enterprises and the establishment of value capture foundations to fund municipal services also have a limited potential, as do redistribution mechanisms: increased central state grants, redistribution of local government tax revenues, or the establishment of upper-tier regional governments. Hence, feasible alternatives are the more conservative ones of modifying the existing property tax system. Such modifications include dealing with technical distortions, gradually narrowing the gap between residential and non-residential property tax rates, levying part of the property tax on owners rather than on renters, and basing part of the tax levied on businesses on profits rather than on floor space and other property attributes.

Israel’s multiparty coalition government structure makes the implementation of local government reforms extremely difficult. Hence, steps could be restricted to small incremental, politically feasible steps. Rejection of incremental changes in a fundamentally flawed system, implies aiming at a broad reform that depends on seizing rare political “windows of opportunity”. These may consist of an emergency crisis context coupled with a stable government, enabling to fundamentally reduce the over-dependence of local government on business taxes and make housing more attractive from the point of view of local finance.

**Designing** **a Resource Allocation Policy for Public Transportation at Localities in ISRAEL**

Shlomo Bekhor, David Sivan-Seroussi

The resources allocation policy for complex public service systems requires transparency and often a balance between the central and local governments. A clear and agreed policy reduces tensions, closes effectiveness gaps, and enable directing resource allocation to achieve continuous improvement of the public services.

Tools for systematic resource allocation, aimed at achieving overall effectiveness, have not been developed enough. This article demonstrates methods to deal with this challenge in a complex public service, the Public Transportation (PT) in Israel.

Israel government decided long time ago to transfer PT authorities to the local government. For many years, this decision has not been implemented because of a variety of reasons. In practice, the central government allocates PT resources.

PT service brings people closer to metropolis, improves access to employment, cultural and consumption opportunities. PT affects economic well-being while it serves purposes such as: mobility, environment, real estate value, urban design and more. The value attributed to those goals is influenced by points of view (user, PT operator, locality or the public as a whole). The goals sometimes compete or even contradict each other. Decision makers and experts facing a huge challenge in balancing different perspectives as well as national versus local considerations while they allocate resources. The difficulty constitutes a barrier to create discourse and transparency that is essential when it comes to public resources.

This article presents new method (DEAHP) to formulate and analyze an effective resource allocation policy. DEAHP uses characteristics of the locality and characteristics of the service available to its residents to measure effectiveness using Data Envelopment Analysis (DEA). Then a resource allocation policy is formulated in Analytical Hierarchy Process (AHP). DEA & AHP in separate are both well-known and accepted methods. In designing policy, decision makers are exposed to effectiveness gaps between the localities. A resource allocation indicator is calculated for each locality, it indicates the adequacy between the PT services available and the services needed according to the formulated policy. The decision maker can assess the policy and how much it improves overall effectiveness.

DEAHP is innovative in the way that the policy is formulated in combination with effectiveness measurement. First, it enables a balanced and transparent allocation of PT resources. Second, it supports creation of competition for an overall effectiveness among the service operators that currently function as regional monopolies.

The process of designing the policy demonstrated in a workshop attended by stakeholders from the central and local governments, representatives of PT operators and experts. The feedback received from the participants points the potential to deal with allocating public resources, through flexible management tools.

**Integrating Regional Clusters and Metropolitan Authorities in the Provision of Public Transportation Services on Buses**

**Yoram Ida and Gal Talit**

This article examines the possibility of integrating new actors into the existing system for providing public transportation services on buses in Israel. The intention is to include local actors, such as the recently formed regional clusters, in the system that has operated for many years at the national level.

Public transportation, in general, and bus services, in particular, are considered an essential service that must be provided at an adequate level for every citizen. It is especially important to provide those defined as "dependent on public transportation" with the mobility and accessibility required for proper living. Therefore, governments around the world are involved in providing this service. In most developed countries, the service is provided through transportation authorities at the regional or metropolitan level. In Israel, in contrast, bus service is provided centrally, by a national transportation authority. Due to the distance between the Transport Authority and public transportation users across the country, the service provided is not optimal.

In order to improve the quality of public transportation services provided to passengers throughout the country, this article examines the possibility of integrating regional clusters, which are well-acquainted with local needs, into the bus service system. These clusters were established in Israel in recent years, mainly in the geographical periphery, with the purpose of combining regional resources to provide better services to the residents of each cluster.

To examine the feasibility of this proposal, interviews were conducted with different officials involved in the field. The results indicate that the integration of the clusters into the system could contribute to improvement of the existing situation, especially in the geographical periphery. However, there are also obstacles and limitations that must be addressed in order to implement successful reform.

**public policy design in rail transportation in Israel Yossi Daskal**

Rail transport has been around the world for over one hundred and fifty years, during these years and in all countries that have adopted transport solutions, there has been government involvement in operating trains for the benefit of the public. Today, in the most efficient public transportation systems in the world, rail transportation is integrated into them on a large scale as an essential and efficient public product.

Countries that take advantage of the massive presence of rail transportation in public space, beyond the benefit of the individual's situation, have many benefits: quality of life, economy, society, significant reduction in road accidents and more.

Contrary to global trends, Israeli governments for generations, since the establishment of the state in 1948, almost completely froze for about forty-four years, any development in rail transportation in the country. The article will focus on decisions regarding institutional changes and policy design that took place in the rail transportation in Israel when the impact of globalization, neoliberalism, and the new management theories, which influenced the public administration in Israel from the mid-1980s. As a result, structural reforms took place in infrastructure sectors, including transportation. In public policy in the field of railways, decisions were made on institutional changes which included: the establishment of mass transit systems in Tel Aviv, Jerusalem and Haifa, the establishment of Israel Railways as an independent company, the purchase of new trains, the electrification of railway transport and more. However, despite public policy design, decision-making and institutional changes carried out in the field, mass transportation in Israel, which provides the public with its needs for accessible and useful public transportation, functions only in a very partial way. In this article we will try to examine why the results of the decision-making do not satisfy the public need.

**Public Procurement Award Methods: Insights from the Economic Literature and Case Law**

**Elior Korem**

Abstract

In every public tender, a method is used to rank the bids submitted in the tender. Choosing the right award method can be very beneficial to the public body. On the other hand, an unwise choice of an award method may lead to bad results. The economic literature and case law reveal important and sometimes surprising insights into the use of different award methods. The article seeks to bring these insights to public bodies. The article has four chapters. The first chapter discusses the economic theory of indifference-utility curves of the public body and the bidders in the tender, and how the use of absolute scoring formulas enables bidders to locate the optimal meeting point between the curves. The second chapter presents the ranking paradox to which relative scoring formulas are exposed. Also, the chapter discusses the concern that relative scoring formulas may allow collusion between bidders. The third chapter shows how relative weight determined by the public body for the price and quality components may not reflect their true relative weight. The fourth chapter draws attention to the problem of determining unrealistic weights in the tender, and offers guidelines for correctly determining them. Further, the chapter shows that determining realistic weights does not necessarily prevent manipulations by bidders, and discusses alternative award methods to deal with this problem. At the conclusion of each chapter, the legal consequences arising from the economic insights are discussed.

Women Representation in Local Government:

Implications for Education and Welfare Budgets

Oded Steklov

Anat Gofen

Drawing on Representative Bureaucracy Theory, our study focuses on local government in Israel to examine the correlation between *Passive Representation*, that is, number of women in key positions, and *Active Representation*, that is, promoting policy preference of women in the general public. Passive representation is measured based on four key positions: two of which are political positions: members of the Municipal Council Board and the Mayor. Two additional positions are bureaucratic positions: the CEO (Chief Executive Officer) and the Treasurer. Based on accumulated evidence, female residents demonstrate preference for investment in education and welfare. In accordance, active representation is measured as the self-expenditure of the municipality on education and on welfare, in comparison with self-expenditure on other policy domains in the municipality budget. No correlation was found between women representation and the welfare budget. Correlation was found between women representation in key positions (Mayor, CEO and treasurer) and self-expenditure on education. Moreover, findings indicate that the CEO position is the only position with significant positive increase in self-expenditure on education by itself. These findings therefore imply that introducing policies to promote the appointment of women CEOs in municipalities will have better chances to facilitate policy preferences of female residents in local government.