SECTION 1. Macroeconomic processes and regional economies management

Nidal Rashid Sabri (Palestine), Rania Jaber (Palestine), Deema Hanya (Palestine)

PPPs in Palestinian municipal activities as perceived by stakeholders

Abstract

This research aims to examine the possibility of applying the concept of private participation in managing the municipal business activities including utilities' services in the Palestinian local government units. In order to fulfill the stated purposes of this study, two special questionnaires were articulated and directed to one hundred municipal citizens and 140 municipal stakeholders from local governments and other related agencies. The study found that almost all forms of PPP experiences existed in the Palestinian municipalities at a low scale level. The study found that the majority of municipal citizens still prefer that the municipalities own and operate the majority of municipal activities and projects, while private participation should be limited to operating some selected municipal projects in yearly or long-term contracts. Finally, this study concluded that the majority of municipal officials including municipal directors are less enthusiastic compared to other stakeholders regarding the partnership with the private sector for both operating the essential services as well as other business projects.

Keywords: local government, private participation, PPP, Palestine, local authorities.
JEL Classification: M1, H7, M4, M40, M41, M48.

Introduction

The Palestinian local government sector including municipality councils and village councils offers services to local residents. They have been existing for a long time; some of these municipalities such as the major cities were created during the Ottomans era in the nineteenth century, others were established during the British mandate, or during Jordan period, and thereafter, during the Palestinian Authority. The Palestinian municipalities are organized around four categories: category (A) that includes cities with provisional capitals or districts; category (B) includes cities with 150,000 residents; category (C) includes cities that have residents between 50000-150000; and, finally, category (D) that includes municipalities with less than 5000 residents. Today, the Palestinian local governments are working under the Palestinian local government law approved in 1997 (PNA, 1997). There are about 537 local governments, distributed according to their type into 121 municipality, 12 of them as local councils, and 355 as village councils or project committees, according to the Local Community Survey (PCBS, 2008).

The annual allocated budget of the local government increased from about five million dollars in 1967, to 53 million in 1980, while it reached about 90 million in 1993, however, since the establishment of the PNA, the total local government budgets value increased significantly, reaching about 170 million in 1996, and 280 million in 2004. The total budget expenditures of West Bank municipalities were about $631 million compared to $170 million to all Gaza Strip municipalities in 2005, while there is an additional substantial part regarding development projects which were implemented outside the regular budgets of the Palestinian local governments (Sabri, 1994; and Sabri and Jaber, 2006). The local government units all over the world are getting more and more attention. For example, as reported by a new released World Bank report (World Bank, 2009), the cities now host half the world's population and provide 70 percent of its gross domestic product, and demonstrated the need to focus on municipal management planning, financing and service provision. The Palestinian Local government units are not exception, they are getting more awareness in the last decade due to the recent thinking regarding decentralization and democracy concepts, more community involvement, reinforcement of local governments and increasing the contribution of residents regarding monitoring and participating in strategic decisions of local governments.

1. Municipal activities

The Palestinian Local authority law of 1997 (PNA 1997) listed about twenty seven functions for the Palestinian local governments to be exercised as stated in Article No. 15. Summary of such stated activities includes the following PNA (1997):

- Creation and maintenance of roads.
- To supply and distribute water to residents.
- To supply and distribute electricity to residents.
- Planning and controlling of buildings, building permits, and infrastructure.
- Managing of sewage systems.
- Managing, owning and or controlling of general markets.

- Providing health and environment services and protection.
- Managing of solid waste collection and slaughter house operations and controlling.
- Responsible for public entertainments, and public parks.
- Advertisements signs and boards.
- Any other relevant business activities and services.

In addition, the law authorized the local government units other activities. However, if other parties were to carry out some of the municipal work, it should be coordinated with local government units. In practice, the Palestinian municipalities exercise a wide variety of the above listed activities, and the activities vary from one municipality to another as indicated in this study.

2. Significance of the study

The majority of the Palestinian local governments established projects as to deliver the major services such as electricity, water, and sewage networks. Other business projects that are also implemented include projects of vegetable and fruits markets, commercial buildings, zoos, parking, halls for entertainments and other municipal business projects. All these services are operated by departments within the structure of the municipality. Thus, the financial and managerial performances of such projects are not measured in an accurate way. In addition, there is no relevant cost-price system which may indicate what is the net profit or losses for such projects, as well as to state the fair prices for such utilities and services. Moreover, many of these projects have been existing for a long time, and they are in urgent need for rehabilitation, which in turn leads to increase of the operational cost significantly of running such projects. Accordingly, with the absence of the needed funds to renew such projects, there is a need to look for new investment opportunities and instruments. One of the most important alternatives under debate now is known as "private-public partnership" (PPP).

This concept has come recently to replace the dramatics privatization procedures for public projects including the municipal public businesses and utilities projects. Over the last few years, the privatization process has been slowed down in many emerging and transition countries including the Arab economy, due to the fact that many national and UN studies reported contradictory conclusions about how much this transfer process of public ownership was successful, and whether handling such projects to private sector was a fruitful process or not (Sabri, 2008). Thus, the private-public partnership may be a good alternative to be examined regarding municipal business projects. An IMF report is anticipating that a wave of private-public partnership known as "PPPs" is beginning to invade the world and will be a substitute to the concept of privatization. It refers to a private sector supplying infrastructure that was traditionally provided by the government (Hemming et al., 2006).

3. Purpose of the study

The Local governments all over the world are getting more pressure to enhance their performance and efficiency. This is now under debate in the majority of the developed as well as emerging countries. The Palestinian Local government is no exception. To do so, various mechanisms may be followed such as using regional indicators, citizens' evaluation, state-based performance indicators, and stated benchmarking increasing community participation and finally applying the concept private-public partnership to selected municipal projects. However, this proposed research selected one instrument which is private-public partnership to be applied to the municipal projects. In more details, this study aims to accomplish the following purposes:

- To indicate the profitability of a sample of the existing municipal business and utilities projects.
- To explore the forms of private-public partnerships municipal projects as existed in the sample of Palestinian municipality.
- To discuss the perceptions of the related groups of stakeholders regarding the various possibilities of public-private partnerships in running the municipal business projects.
- To point out any existed differences between the stakeholders perceptions towards private-public partnerships forms. The stakeholders in this research include municipal director, mangers of municipal projects and other stockholders including directors of department in ministry of local governments, and directors of the related organizations such as water agencies, and private sectors participating in the municipal projects.
- To perceive the opinion of a sample of municipal residents regarding the various possibilities of public-private partnerships in running the municipal business projects.

4. Definition of terms

For the purpose of this study, the following meanings are related to the following terms mentioned in this study:

- Local government units: they are the Palestinian municipalities and local councils. Palestinian local governments or units, and municipality' terms are also used interchangeably in this study.

- Municipal activities: all utilities projects, business activities and the needed services owned and/or operated by the Palestinian local units as stated in Article 18 of the Local law (PNA, 1997). They include activities offer to municipal residents in return for fees, and may bring profits or loss. This does not include free services offered by municipalities.
- Profit centers: the municipal activities which have both expenditures and revenues. However, the formal budget forms used by the Palestinian municipalities consider only municipal electricity and water projects as profit centers.
- PPP: private public participation concept applies either for one process of municipal activities such as operating, renting or managing of to municipal activities and/or projects, or complete privatization of such activities.
- Build, operate and transfer (BOT) one of the private public participation forms, which existed in some municipal projects in three municipalities, and based on the concept that the private sector builds a project and utilized for long time period, thereafter, be transferred to the municipality.
- Utilities projects: they are municipal projects that include water, sewage and/or electricity activities owned and operated by the Palestinian municipalities.

5. Review of the literature

5.1. Palestinian experience. The issue of PPP in the Palestinian local governments is not explored yet, in addition, the few experiences implemented in the last period are so limited to be examined. Thus, this study may be one of the first studies to explore this issue. However, other studies related to the Palestinian municipal issues were conducted in the last decade which may have indirect relationship to the issue of this study, the majority of such research covered various aspects which may be summarized as follows.

5.1.1. General municipal issues. The Diagnostic report (UNDP, 2004) concluded that the fiscal management is a problem that requires immediate attention, and there was a lack of incentives to improve fiscal management. The action plan study (UNDP, 2005) identified various issues to be addressed to include, improving the level of decentralization system, strengthening fiscal, organizational and management capacity and enhancing transparency of the Palestinian local government units. Other studies discussed the efficiency and distribution of international aids over the Palestinian local authorities, and developed criteria to distribute international aids by using various indicators and weights (PNA, MDF, 2006). The PRDP plan (PNA, PRDP, 2008) considered the strengthening of the Palestinian local government as one of the intermediate objectives, in order to improve its governance. Sabri (2009a) identified various major issues to be addressed immediately in the Palestinian local government, including: the tax issue, software financial system, external auditing issue, local-central relationship, accumulated debts due to residents, generally accepted municipal accounting standards, and financial sustainability.

5.1.2. Accounting and budgeting issues. UNDP report (2004) pointed out that the accounting practices need to be standardized across local governments as cash basis accounting is common. Efforts, which have been implemented until 2004 to switch from cash basis to modern accrual accounting principles, have not been successful yet. Other studies covered accounting and auditing reforms as well as electronic applications in the Palestinian local governments. For example, Sabri and Al-Haj (2006) reported that there was a need to issue the related bylaws of employee system as stated by Article 19 of the Local government law No. 1 of 1997, and recommended that the local council's financial systems be build on Modified Accrued Basis rather than cash basis. The JICA study (2009) produced a draft entitled "The financial policies for the Palestinian local government" and reported recommendations towards improving the accounting system and principles in the Palestinian local government. Sabri and Jaber (2010) found that about 85% of the Palestinian local government are using cash basis, 64% of the accounting systems in the municipalities are using the same chart of account for both actual financial accounts and budget statements. Only 42% are using profit centers, the accuracy of estimated budget figures are so far from that actual revenues and expenditures at the end of the fiscal years. Moreover, there is a high percentage of debt due to the municipal residents, low share of taxes to the total revenues of municipalities, and a weak accounting transparency system.

5.1.3. Taxes issues. Various studies and reports examined the local tax issues in the Palestinian local governments and recommended reforms and the need to unify all local taxes between West Bank and Gaza using one basis or multi-bases in many countries (Sabri, 1994; Sabri, 2000; Sabri, 2003; Sabri, 2004; Sabri and Jaber, 2006; diagnostic report, UNDP, 2004; Action Plan, UNDP, 2005; JICA, 2009; APLA strategy 2008-2011).

5.1.4. Management performance and community participation. The action plan study (UNDP, 2005) recommended strengthening community participation and enhancing transparency and improving efficiency of the Palestinian local government units. The PRDP plan of 2008-2010 (PNA, PRDP, 2008) committed to local government reform in order to bring government closer to the people, and build accountable local government institutions. Sabri and Jaber (2007) reported that the efficiency of local government is still limited in the Palestinian municipalities, including the absence of an internal auditor, the absence of written job descriptions for municipality functions, and the weakness participation of the public. The study pointed out that the major-managerial problems are similar to other experiences of emerging countries such as the undefined local-central relation, the low participation and involvement of citizens in municipalities' activities and plans, and the lack of existing transparency aspects. Sabri (2009b) found that both mayors and municipal councils' members accept non-direct community communications and participations but they don't encourage the adaptation of face-to-face practices and direct community participations, such as opening councils' meetings for general public and conveying councils' meetings outside municipality headquarters.

5.2. International experiences of PPP. Various studies discussed the concept of public-private participation in supplying services by local governments. For example, Bognetti and Lobtti (2007) discussed the Italian experience of providing local public services through mixed (private-public) enterprises, and reported that the private enterprise must be selected through a public tender procedure and to allow the concept of economies of scale and keeping control and direction of the local utility. Levin and Tadelis (2007) reported that local governments can provide services in US cities with their own employees or by contracting with private or public sector providers. Torres and Pina (2001) analyzed the different public-private partnership initiatives carried out by EU and Spanish local governments and reported that almost all EU local governments have a high degree of PPP initiatives in the delivery of local government services, and that PPP is concerned with projects which do not constitute the core activities. In addition, there is a need to develop PPP accounting standards, and regulatory bodies to prevent monopoly abuses.

Nallathiga (2007) found that in the light of the pressure of the needed service delivery in India, the PPPs in municipal public service delivery were important. Chong et al. (2006) used an original database of 5000 French local public authorities to explore the impact of choosing public-private partnerships (PPPs) on performance of water distribution in France and found that the engage in a PPP is not random, and consumer prices are significantly higher on average. Bing et al. (2005) found that public/private partnerships (PPP)/PFI project procurement is perceived as most attractive in terms of better project technology and economy, greater public benefit, public sector avoidance of regulatory and financial constraints, and public sector saving in transaction costs. Negative aspects, relating to factors such as the inexperience of the participants, the over-commercialization of projects, and high participation cost and time, make PPP/PFI procurement less attractive.

Kyvelou, and Karaiskou (2006) found that public-private financing schemes have the potential of becoming an important tool for promoting urban regeneration and recommended local authorities in Southern Europe to undertake relevant actions to promote partnerships with private institutions in this regards. Belniak (2008) discusses the issue of partnerships of public and private sectors on urban revitalization project in Polish and found that revitalization needs a close cooperation between the citizens and authorities. Mullins et al. (1999) discussed using the ABC managerial accounting technique by the City of Indianapolis for its privatization initiatives, and found that ABC was not the relevant way of providing local governments with tool necessary to comprehensively evaluate direct services and determine which candidates are for contracting out or privatization.

Pérard (2008) examined the development of private sector participation in the context of water crisis in Algeria, Egypt, Jordan, Morocco and Tunisia, and found that private sector participation, did not systematically lead to gains in efficiency of water supply, but reforming the institutional framework was more essential. Jensen, and Blanc-Brude (2006) investigated the factors influencing the number of Private Sector Participation in water projects in a sample of 60 developing countries between 1990 and 2004, and found that the protection of property rights was the most important factor. Ranasinghe (1999) analyzed the viability of private sector participation in water supply projects in Sri Lanka and found that the best option is to obtain both bulk supply and distribution projects through private sector participation using BOT arrangements. However, it should be noted that the above literature reported different opinions and positive as well as negative experiences in the various countries and municipal activities regarding this issue.

6. Methodology

This study explored the issue of the PPP in managing business activities in the Palestinian municipalities. In order to cover most of the related aspects, various research instruments and statistical measures were used, which can be summarized as follows.

6.1. Research instruments. In order to accomplish the stated purposes of this research, various research instruments were used:

- Field visits to ten selected municipalities which included either profit centers for utilities or other business activities, or are engaged in one or more forms of PPP with private sector and other related agencies.
- Interviews of about twenty directors from the selected sample of municipalities including the general managers, financial mangers and customers' services mangers, in order to estimate the existing statues of PPP and other profit centers.
- Analysis of the related cost and financial data for a sample of business and utilities enterprises owned and operated by municipalities. The analysis aims to determine the contribution margin per service unit.
- A relevant questionnaire was developed to perceive the opinion of the related stakeholders regarding applying various concepts and procedures of private-public partnership to business and utilities enterprises owned by the municipalities. The questionnaire included suggested methods and procedures to implement such transformation. Such possibilities included opening sectors to private business that used to be monopolized by the local government, transferring a local government legal entity to a non monopolistic business corporation working independently but keeping full ownership to government, transferring or leasing a function from a local government entity to a private business such as referring the collection of water and electricity invoices to a business firm. Granting a management contract of a local government entity to a private business firm or a strategic partner, transferring up to 49% of ownership to a private business firm, or selling the 100% of the ownership to the private sector gradually or at once using one of the methods of selling public projects. Another questionnaire is also articulated to get the perception of a sample of municipal citizens.
- The final questionnaires were articulated in the form of a list of statements in a Liker scale of five responds, as well as in the form of ranking scale. The personal contacts were used to fill out both questionnaires directed to municipal citizens as well as to stakeholders, in order to get the perceptions of all participated groups of the study, as well as to perceive the degree of satisfaction of citizens regarding municipal services including utilities of electricity and water supply.

6.2. Population and sample. The total population of the local government units was 121 municipalities, and 355 village councils and project committees. There are 575 mayors and 4,214 council members in the Palestinian Territory, of which 3,651 are males and 563 females (PCBS, 2008). However, a sample of 10 municipalities which includes business and/or utilities projects were selected. In addition, 20 projects, 1350 of local government stakeholders and 110 residents of the related municipalities participated in this study, the selection was done using APLA manual (APLA, 2006). The selected municipalities are:

- Ramallah;
- Al-Beirah;
- Tulkarem;
- Qalqilia;
- Azon;
- Nablus;
- Bethlehem;
- Hebron;
- Jericho;
- Beit-Omar.

The participated stakeholders included two groups: **The first group** was the top municipal officials of the ten Palestinian municipalities, **the second group** (named for the purpose of this study as the other stockholders) included top staff from the ministry of the Palestinian local governments, officials from water agencies, and electricity corporations, managers of private sectors participated in operation of some of the municipal business projects. The participated citizens included two groups of municipalities: first group includes municipalities which have their own electricity and water projects such as Qalqilia, Azon, Tulkarem, Nablus, Hebron and Beit-Omar. The second group includes municipalities which get electricity from private sector such as Bethlehem, Jericho, Ramallah and Al-Beirah.

6.3. Statistical analysis. The average of each statements listed in the two questionnaires was calculated for each of the participated groups based on Liker scale, in which strongly agree received 5 points, agree received 4 points, no opinion 3 points, disagree 2 points and strongly disagree received 1 point. In addition, the average of the ranking options for other parts of the questioners was calculated for each of the participated groups and for all groups. To accomplish one of the purposes of the study, two null hypotheses were stated as follows:

- There is no significant difference between the satisfactions of the municipal utilities services in group one of municipalities and group two of municipalities as presented in the average means of their respond to each of the mentioned statements.
- There is no significant difference between the perception of the municipal officials and other stakeholders as presented in the average means of their respond to each of the mentioned PPP concepts.

In order to test the above hypothesis, the t-test was used to indicate whether there is a significant difference in opinions towards the PPP concepts, between the two groups of stakeholders, and the two groups of citizens. In addition, the average means were calculated and reported for each of the participated groups in the study.

7. Findings of the study

The findings of this study will be organized in the following sections, in order to answer the stated purposes, which may be summarized as follows.

7.1. Forms of PPP as existed in the Palestinian municipalities. Based on interviews conducted in this study with about 20 of municipal official staff for the selected sample of the Palestinian municipalities, it may be stated that almost all forms of PPPs experiences exist, but, at a low scale level. For example, the majority of the selected sample owned many activities such as vegetable markets, gardens, parking lots, slighter houses that are operated by private sector on yearly basis. Similar activities are owned by other municipalities and operated by private sector on more than one year basis such as commercial center in Nablus which has been running by private company on return of a profit share for twenty years, gardens and halls in Al-Beirah municipality and slighter houses in other cities for three years. The operation of municipal activities for more than one year contract represents a long engagement from private sector. The traditional form of private participation also existed in all selected sample of the Palestinian municipalities, including building commercial and regular buildings and renting citizens on a monthly basis. This covers shops, business offices and housing apartments. Finally, an advanced form of PPP which is known as build, operate and transfer (BOT) also existed in three municipalities including Al-Beirah, Bethlehem and a new contract that has just been signed in 2009 between Nablus municipality and the Palestinian Investment Fund to build a special craft village. However, the majority of municipal activities is still owned and operated by municipalities such as the electricity and water projects. Finally, and up to now, there is no engagement between what is known as NGOs and the Palestinian municipal activities on the share basis as shown in Table 1.

On the other side, we may conclude that, as shown in Table 2, which summarizes the existing participation of private sector based on the municipal activities as found in this study, that the private sector up till now, has not dealt, what so ever with the water supplying, distributing or collecting the fees from customers in all Palestinian municipalities without exception. The water activity is either supplied by special departments in the municipalities as the case of the majority of the Palestinian local governments, or through independent government authorities such as the Jerusalem Water Undertaking (JWU) and Bethlehem Water Authority (BWA), which supply water to many municipalities located in the Middle and North of the West Bank.

Table 1. Forms of the existing PPPs in the municipal Palestinian activities in 2009

Forms of PPPs	Activities	Municipalities
Ownership and operation by municipality	Water, electricity, vegetables markets, zoo, gardens, slighter houses, dynamiter, library	Nablus, Qalqilia, Jericho, Beit-Omar, Azon, Bethlehem, Hebron
Ownership and operation by private sector in yearly contract	Vegetables markets, gardens, parking, slighter houses	Jericho, Nablus, Al-Beirah, Beit-Omar, Azon, Bethlehem, Tulkarem, Ramallah, Hebron
Ownership and operation by private sector in more one year contract	Commercial centers, gardens and halls, slighter houses	Nablus, Al-Beirah, Ramallah
Ownership and renting by private sector on monthly basic	Commercial and regular buildings	All municipalities
Build, operate, and transfer (BOT)	Transportation centers, craft villages	Bethlehem, Al-Beirah and Nablus
Owned and operated by Independent government agency	Water	Bethlehem, Al-Beirah, Ramallah
Owned and operated by private sector	Electricity	Jericho, Al-Beirah, Bethlehem, Ramallah
Participation with NGO	Non	Non

For electricity, the majority of Palestinian municipalities own and operate electricity services offered to their citizens, with the exception of municipalities located in the area of ***Jerusalem Electricity Corporation*** (JEC) which offers electricity to four municipalities of the study sample.

However, the Palestinian National Authority issued a law in 2009 (PNA, No. 13 of 2009) to organize the Palestinian Electricity sector, the new law encourages both foreign and local investments to work in Palestinian electricity sector as stated in article 3. In article 16, the law indicated that the electricity sector should be run by corporations (PNA, No. 13 of 2009) without articulating the process of transferring the present situation in the Palestinian municipalities. In this case, the municipalities may establish jointly or individually corporations to conduct electricity activities. Thus, we find two new electricity corporations in Northern and Southern area of the West Bank that are in process of emerging to replace the function of municipalities regarding the electricity services, but this operation is still in the initial process, and it is clear that municipal councils accept such transformation.

Table 2. Forms of PPP based on Palestinian Municipal activities

List of Municipal activities	PPP (with private sector)
Water	NO
Electricity	Some municipalities; yes
Gardens, cafeterias	Partially yes
Parking lots	Yes
Buildings-renting	Yes
Sold waste collection	NO
Slaughter houses	Some municipalities; yes
Commercial centers	Yes
Vegetable center	Most municipalities; yes
Transportation centers	Yes
Exhibition and culture center	No
Zoo	No
Dominator examiner	No
Library	No

The share of private sector also exists in some traditional functions such as renting of municipal buildings and commercial centers, running vegetable markets, running cafeterias and gardens. For the solid waste collection function, it is still a function that is exclusively run by all Palestinian municipalities without participation from the private sector; in spite of some studies conducted in this regard by the major Palestinian municipalities. However, some municipalities use private contracting in dumping the solid Waste in special locations outside municipalities' areas. Finally, some activities are still far from participating of private sector such as the cities libraries, exhibition and culture centers. In addition, a function such as Dynamometer centers is still owned and operated by the municipality in some areas.

7.2. Financial analysis of Municipal business activities. Based on the collected relevant data from the individual municipalities and after analyzing the annual budgets and financial statements of the selected municipalities for the last three years, the following findings may be revealed regarding the financial efficiency and profitability of the business projects.

7.2.1. Electricity. The majority of the electricity projects are owned and operated by the sample of the study and accomplish annual profits with the exception of Nablus and Tulkarem which produces losses between 5% to 7% annually from the total budget of the respected municipalities. While other municipalities accomplish net revenues from 54.4 NIS million in Hebron to 32.2 NIS million in Qalqilia to 3.8 NIS million in Beit-Omar to 1.6 NIS Million in Azon in the stated periods as presented in Table 3. Thus, the electricity projects for such municipalities are considered as a main source of revenues to finance other municipal activities and obligations which cover from 14% to 25%, to 28%, to 30% in the respect municipalities.

Table 3. Summary of financial analysis of electricity projects operating by the sample of Palestinian municipalities in million NIS and ratios (2006-2008)

Municipalities	Period	Expenditures	Revenues	Profit (loss)	% of budget
Nablus	2006-2008	111.700	98.000	(13.400)	(5%)
Azon	2007	1.347	2.925	1.578	28%
Qalqilia	2006-2008	45.88	78.117	32.237	%30
Hebron	2006-2007	23.1	77.5	54.400	25%
Tulkarem	2006-2007	66.936	55.5	(11.436)	(7%)
Beit-Omar	2006-2008	6.744	10.496	3.752	14%

Sources: Compiled by authors based on collected data and municipalities' budgets.

7.2.2. Water projects. As shown in Table 4, the water projects for all Palestinian municipalities accomplish annual profit that ranged from a half million to six million NIS as reported in the period from 2004 to 2008, with the exception of Bethlehem Water Authority which is not a part of Bethlehem municipality. The contribution margin per m^3 of water is positive in the municipal sample and ranged from 0.95 NIS in case of Jericho municipality to 2.15 NIS in case of Nablus municipality. In addition, this profitable factor may be improved substantially if the water lost due to linkages and other reasons was reduced. The water lost ratio from the supply ranged between 15% in Jericho and 45% in Tulkarem municipality. The total profit of water projects may be increased one third on average if the water lost reduced to 5%, for example. Another issue which reduces the efficiency of water projects is the relatively low ratio of collection which increases the accumulated debt in citizens as the case of Tulkarem municipality which is only 30% and 60% in Nablus municipality.

Table 4. Summary of financial analysis of water projects operating in the sample of the Palestinian municipalities (2004-2008)

Municipalities	Average annual profit (loss) in NIS million	Water lost ratio (average)	Collection ratio (average)	Price per m^3 in NIS	Annual supplied in million m^3	Contribution per m^3 in NIS
Nablus	6.2	30%	60%	6.34	7.7	2.15
Jericho	1.7	15%	70%	1.53	2.6	0.95
Azon	0.2	N d	N d	N d	N d	N d
Qalqilia	1.4	27%	65%	1.23	3.6	0.44
Hebron	1.1	N d	N d	N d	N d	N d
Tulkarem	3.4	45%	30%	3.68	5.3	1.91
Beit-Omar	0.5	N d	N d	N d	N d	N d
JWU (Ramallah-Al-Beirah	3.0	30%	82%	6.66	14.9	0.28
BWA	(3.2)	44%	51%	4.0	5.1	- 1.40

Sources: Compiled by authors based on: a - PWA database, b - collected data, c - municipalities' budgets.

7.2.3. Other municipal business activities. The majority of other municipal business and services activities are profitable, with exception of slighter houses in Nablus and Jericho which produced annual losses as presented in Table 5, while other projects such as vegetables markets, the Zoo, gardens are accomplishing annual profits in most of the Palestinian municipalities.

Table 5. Financial analysis of investments projects owned-operated by the sample of Palestinian municipalities in million NIS and ratios (2006-2008)

Projects	Period	Expenditures	Revenues	Profit (loss)
Nablus				
Slighter house	2006-2008	4.803	1.544	.04% (3.259)
Vegetable market	2006-2008	3.314	2.366	(0.948)
Jericho				
Slighter house	2006-2008	0.234	0.176	(0.065)
Span garden	2006-2008	0.419	2.046	1.628
Bethlehem				
Vegetables market	2007-2008	0.667	0.616	0.050
Qalqilia				
Dynamiter project	2006-2008	0.726	1.255	0.529
Vegetables market	2008	0.112	0.400	0.288
Slighter house	2008	0.100	0.130	0.03
The Zoo	2006-2008	6.600	8.133	1.533
Ramallah				
Vegetables market	2007-2008	0.002	0.004	0.002
Al- Beirah				
Slighter house	2007-2008	0.01	0.01	00.00
Beit- Omar				
Vegetables market	2007-2008	0.030	0.112	0.082

Sources: Compiled by authors based on collected data and municipalities' budgets (PNA, MoLG, 2005-2009).

7.2.4. The solid waste collection function. The solid waste collection function in the Palestinian municipalities is the most losing function operated by local governments, in which the collected fees is much lower than the allocated and actual expenditure to run such functions. For example, the losses from this service is about ten million NIS annually in Nablus in the last period, and it ranged from a half million to three million NIS in the other mentioned municipalities as indicated in Table 6, which shows that such losses form from 3% to 32% of the total allocated budget such as the case of Bethlehem municipality.

Table 6. Financial analysis of solid waste collection function operated by selected Palestinian municipalities in million NIS and ratios (2006-2008)

Municipal investments projects	Period	Expenditures	Revenues	Profit (loss)	% of budget
Nablus	2007-2008	23.989	4.091	(19.890)	(4%)
Jericho	2006-2008	5.207	1.624	(3.583)	(6)
Bethlehem	2007-2008	8.859	1.449	(7.397)	(32%)
Ramallah	2007-2008	12.730	4.144	(8.586)	(13%)
Beit- Omar	2006-2008	0.775	0.060	(0.715)	(3%)

Sources: Compiled by authors based on collected data and municipalities' budgets.

7.3. Perceptions of municipal citizens towards PPP in the Palestinian municipalities. In order to accomplish one of the purposes of this study, sample of citizens from ten Palestinian municipalities were asked about their opinions towards major issues of the concept of applying PPP on municipal activities; the summary of their perceptions is presented in Table 7.

Table 7. Perceptions of municipal citizens towards PPP in the Palestinian municipalities

	Mean
I'm satisfied with the quality of the water service	3.05
I'm satisfied with the quality of the electricity service, and that it reaches all area	3.89
The price I pay for electricity is acceptable	2.72
The price I pay for water is acceptable	3.27
I'm satisfied with the quality and low cost of services and other activities that are offered through municipalities (profitable activities)	2.92
I prefer that the municipalities own and operate the activities and projects	3.74
I prefer that the municipalities own the activities and projects, but that the private sector operates and manages them	3.20
Transferring the ownership and management of the projects to the private sector will lower the prices on the citizens	2.72
Transferring the ownership and management of the projects to the private sector will increase the quality of service	3.35
I prefer that the private sector participates in the projects offered but that they don't monopolize the service	3.65
I prefer that the private sector participates in the projects offered with the condition of lowering the prices	3.87
I prefer privatizing the solid waste collection even if this increases the fees on citizens	2.64
I accept the idea of paying extra fees for the establishment of new roads that lead to shorter driving time (by the private sector)	2.99

The table indicates that the citizens didn't really agree with the idea that the private sector manages and operates the services of the municipalities, and they strongly believe that if the services were transferred to the private sector, then the prices would increase. Respondents didn't have a clear opinion that transferring the ownership and management of the projects to the private sector would increase the quality of service. When asked if they prefer that the private sector participate in the projects offered with the condition of lowering the prices, the responses were more encouraging, where the mean was 3.87, i.e. they agree to a certain extent. Moreover, local citizens don't agree with the idea of privatizing the solid waste collection if this increases the fees on citizens, and they don't also agree with the idea of paying extra fees for the establishment of new roads that lead to shorter driving time. In addition, the table shows that the citizens are not very satisfied with the services offered by the municipality, and at the same time they are enthusiastic about transferring such services to private sector. The citizens don't have a clear opinion about the quality of water service, as the mean was 3 points (no opinion). Moreover, they are satisfied to a certain extent about the quality of the electricity. However, local citizens are not satisfied with the prices of both water and electricity and seem that they expect that the prices will be higher if such services were transferred to the private sector. This is also applied on other municipal activities such as the privatizing of the solid waste collection which was not acceptable option perceived by all municipal citizens.

7.4. Satisfactions of municipal citizens towards utilities services. The Palestinian municipalities either operate water and electricity projects (**group 1** which includes six municipalities of the sample) or such activities are supplied from private sector or independent government agencies to municipal citizens without interfere from municipalities' councils (**group 2** which includes four municipalities). Therefore, there was a need to explore the degree of stratification of citizens between the two groups using the t-test to indicate whether there is a significant difference of costumers' satisfaction for utilities services, in other words to accept the hypothesis that there are differences in the perceptions between the two groups of citizens. Summary of the findings is presented in Table 8. It shows that local citizens in **group 1,** where municipalities own the main services, don't have a clear opinion about their satisfaction level regarding the water services, but were satisfied with the quality of electricity, as the mean was around 4.0, which means that they agree that the quality of electricity service is good. However, they don't really think that the prices for water and electricity are acceptable. Respondents also believe that municipalities should own these projects, but they don't have a clear opinion on whether the private sector should interfere in operating or managing these activities, as they don't believe that transferring the services to the private sector will lower the prices, or that it will increase the quality of services.

Respondents from **group 2,** where the municipality doesn't own the essential services are not satisfied with the water service although it's not owned by the municipality, and their opinion is unclear about the electricity service. Moreover, respondents believe that the prices of water and electricity are not really acceptable. However, their opinion is unclear whether the municipalities should own and operate the activities and projects, and they were not sure if the operations and management should be transferred to the private sector, as the means were around 3, i.e. that respondents don't have a clear opinion about this issue. Most respondents agreed to the fact that the private sector might participate in the projects offered but that they don't monopolize the service, and try to lower the price.

Table 8. The existed differences between satisfaction of citizens living in both groups of municipalities

Sentences	Mean group 1	Mean group 2	t-test value	Significant. (2-tailed)	Decision at .05
I'm satisfied with the quality of the water service	3.50	2.38	4.152	.000	Yes
I'm satisfied with the quality of the electricity service, and that it reaches all area	4.10	3.58	2.458	.016	Yes
The price I pay for electricity is acceptable	2.84	2.53	1.320	.190	No
The price I pay for water is acceptable	3.24	3.33	-.425	.685	No
I prefer that the municipalities own and operate the activities and projects	4.06	3.27	3.392	.001	Yes
I prefer that the municipalities own the activities and projects, but that the private sector operates them	3.09	3.38	-1.177	.242	No
Transferring the ownership and management of the projects to the private sector will lower the prices on the citizens	2.65	2.82	-.741	.460	No
Transferring the ownership and management of the projects to the private sector will increase the quality of utilities	3.13	3.69	-2.479	.015	Yes

Finally, there is a clear significance in the responses of both groups regarding their satisfaction level on the water and electricity services. The t-test result was 4.152 for the satisfaction level on the water service and 2.458 on the satisfaction of the electricity service. Both groups agreed that the prices of water and electricity are high, and thus, there was no significant difference in the responses and the t-test result was 1.320 for the electricity, however, both groups are more dissatisfied with the prices of electricity than with the prices of water. When asked about if they preferred that the private sector participated in the projects offered but that they didn't monopolize the service, there was a clear significance in the responses where group 1 didn't have a clear opinion, but group 2 agreed about the interference of the private sector, the t-test result was 3.061. Both groups again agreed that the private sector participated in the projects offered with the condition of lowering the prices, there was no significant difference in the responses.

7.5. Perceptions of stakeholders towards the PPP concept in the Palestinian municipalities. *7.5.1. The perception of the municipal officials.* The municipal officials from ten municipalities were asked to present their opinion on a scale from 1-5, where 5 means that they strongly agree with the statements listed in the table which presents possible options of PPP as presented in Table 9. The table indicates that the majority of respondents partially agree to the concept of the PPP, and the viewpoint is that this partnership should be applied to both current and new projects, municipality officials fear that although the partnership is a good option with the private sector, and the quality of service will increase, but still the prices of the service might increase. Most respondents assured that there was a clear need for legal legislations that permit the utilization of the private sector by municipalities. Respondents also didn't have a clear opinion about whether shifting the collection of fees to the private sector will decrease the level of debt on the local citizens.

Table 9. Perception of the municipal officials towards the concepts of PPP

	Mean
I agree with the idea of the private sector participation in administering the current and new projects	3.67
I agree with the idea of the private sector participation in administering new projects only	3.20
I agree to pay certain fees for the private sector for establishing special new roads that save time	2.89
There is a lack of legislations that permit the utilization of the private sector	3.97
There is a need to establish new legislations that organize the utilization of the private sector in the projects offered currently by municipalities	3.92
Transferring some of the projects to the private sector will increase the quality of service to the public	3.82
Transferring some of the projects to the private sector will increase the quality of service to the public but will increase its price/fees	3.91
There are some technical problems like the unavailability of a detailed bidding system that allows the transformation of ownership to the private sector	3.40
The municipalities don't have qualified departments that can control and monitor the work of the private sector	3.39
It's better to shift collection of fees to private sector to decrease debt on the local citizens	3.56
Municipalities have a good option to participate with the private sector other than the current projects	3.46
I prefer investing the land owned by municipalities by the private sector	3.18

7.5.2. The perception of other stakeholders. As presented in Table 10, we can see that the other stakeholders have a precise opinion about the partnership, i.e. that most of them agree or strongly agree to the idea of the private sector participation in administering the current and new projects. They also agree to the fact that there is a lack of legal legislations that permit the utilization of the private sector by municipalities, and that there is a strong need to establish new legislations that organize the utilization of the private sector in the projects offered currently by municipalities. They also clearly agree that transferring some of the projects to the private sector will increase the quality of service to the public, and that the prices might increase. Their fear is that they are quite sure that the municipalities don't have qualified departments that can control and monitor the work of the private sector, which is considered a main concern.

Table 10. Perception of the other stockholders towards the concepts of PPP in Palestinian municipalities

	Mean
I agree with the idea of the private sector participation in administering the current and new projects	4.37
I agree with the idea of the private sector participation in administering new projects only	3.23
I agree to pay certain fees for the private sector for establishing special new roads that save time	3.06
There is a lack of legal legislations that permit the utilization of the private sector by municipalities	4.26
There is a need to establish new legislations that organize the utilization of the private sector in the projects offered currently by municipalities	4.03
Transferring some of the projects to the private sector will increase the quality of service to the public	4.11
Transferring some of the projects to the private sector will increase the quality of service to the public but will increase its price/fees	3.91
There are some technical problems like the unavailability of a detailed bidding system that allows the transformation of ownership to the private sector	3.71
The municipalities don't have qualified departments that can control and monitor the work of the private sector	4.03
It's better to shift the collection of fees to the private sector to decrease the level of debt on the local citizens	3.86
Municipalities have a good option to participate with the private sector other than the current projects	3.83
I prefer investing the land owned by municipalities by the private sector	3.77

7.5.3. The existed differences between municipal officials and other stakeholders. To present the existed differences between municipal officials and other stakeholders regarding the PPP issues in the Palestinian local governments, a t-test was done for each possible option between the two groups which are presented in Table 11. This table shows that there is a significant difference regarding the partnership agreement in both opinions between municipal staff and the other stakeholders, as when asked if they agree with the idea of having the private sector participate in administering the current and new projects, the t-test value was 4.217, and the mean for the first group municipal staff was 3.20 whereas it was 4.37 for the other stakeholders, it's obvious that the other stakeholders are in favor of the idea of the partnership. However, there was no significant difference between the two groups when asked if they agree with the idea of the private sector participation in administering new projects only, as the t-test was .211.

Table 11. The existed differences between municipal officials and other stakeholders regarding the PPP issues

Sentences	Mean group 1	Mean group 2	t-test value	Significant. (2-tailed)	Decision at .05
I agree with the private sector participation in administering the current and new projects	3.20	4.37	4.217	.000	Yes
I agree with the private sector participation in administering new projects only	3.20	3.14	.211	.833	No
I agree to pay certain fees for the private sector for establishing special new roads that save time	2.91	3.03	.459	.647	No
There is a lack of legal legislations that permit the utilization of the private sector by municipalities	3.98	4.26	1.707	.090	No
There is a need to establish new legislations that organize the utilization of the private sector	3.91	4.09	.911	.364	No
Transferring some of the projects to the private sector will increase the quality of service to the public	3.82	4.17	1.705	.091	No
Transferring some of the projects to the private sector will increase the quality of service to the public but will increase its price/fees	3.91	3.83	.030	.976	No
There are some technical problems like having a bidding system that allows the transformation of ownership to the private sector	3.40	3.71	1.755	.083	No
The municipalities don't have qualified departments that can control and monitor the work of the private sector	3.38	4.11	3.735	.000	Yes
Its better to shift the collection of fees to the private sector to decrease the level of debt on the local citizens	3.59	3.86	1.182	.240	No
Municipalities have a good option to participate with the private sector other than the current projects	3.44	3.86	2.870	.020	Yes
I prefer investing the land owned by municipalities by private sector	3.67	3.91	2.379	.005	Yes

Both groups didn't have a significant difference in their opinion regarding paying certain fees for the private sector for establishing special new roads that save time, where both groups didn't favor the idea, as the means were 2.91 and 3.03. Moreover, both groups agreed to the fact that there was a lack of legal legislations that permit the utilization of the private sector by municipalities, as the t-test value was 1.707. It's worth noting that there was a significant difference in the opinion if both groups when asked about whether municipalities have qualified departments that can control and monitor the work of the private sector. The municipal staff didn't have a clear opinion as the mean was 3.38, where the stakeholders agreed that municipalities didn't have the qualified staff to monitor the work of the private sector, where the mean was 4.11, the t-test was 3.735, and the significance was less than .05. When asked about whether municipalities have a good option to participate with the private sector other than the current projects, and if they preferred investing the land owned by municipalities by the private sector, both groups varied in their level of agreeableness, the municipal staff didn't have a clear opinion, as their mean was around 3.5, whereas the stakeholders favored the choice of having the private sectors investing the land owned by municipalities. The t-test was 2.870 and 2.379 successively. We conclude that the stakeholders are more precise in their opinions regarding the partnership with the private sector, and are in more favor to it than the municipal staff, the municipal staff, on the one hand, didn't reject the idea, but was very conservative in expressing their opinions.

7.5.4. The most favorite options of PPP practices. Table 12 represents the options of all respondents of this study including the municipality officials and the other stakeholders from ministry of Palestinian local government, water and electricity institutions, private sectors engaged in participation with municipalities. They were asked to rank the partnership options for the essential services offered by the municipality to include water and electricity described above, where the lowest mean represented the first option and the highest mean represented the last option for the partnership. The most favorite options of PPP practices for essential projects were selected as follows. The first option for the partnership was that the municipality fully owns, but the private sector operates the projects through a clear bidding system. The second option was that the municipality fully owns, but the private sector operates the projects through a clear bidding system that lasts for a long period of time, i.e., 10 years. These two options were the first two priorities to both groups. The third option for the other stakeholders was full privatization (operation and management by the private sector), with full control over the services and prices offered, whereas the third option for the municipal staff was that the municipality fully owns and manages the projects without the interference of the private sector. The fourth option for both groups was full privatization (operation and management by the private sector), with full control over the services and prices offered. The least preferred option by both groups was full privatization (operation and management by the private sector), without any control.

Table 12. The most favorite options of PPP practices regarding essential projects; water and electricity as perceived by Municipal staff and other stakeholders

	Rank municipal staff	Rank others	Total rank (average)
The municipality fully owns and manages the projects without the interference of the private sector	3	5	4
The municipality fully owns, but the private sector operates the projects through a clear bidding system	1	1	1
The municipality fully owns, but the private sector operates the projects through a clear bidding system that lasts for a long period of time, i.e., 10 years	2	2	2
Full privatization (operation and management by the private sector), with full control over the services and prices offerede	4	4	3
Full privatization (operation and management by the private sector) for a certain period of time, then the project returns to the municipality	5	3	5
Full privatization (operation and management by the private sector), without control (leave the project to the market and the level of demand)	6	6	6

It's clear that there is still a fear from the partnership (from the private sector), as still municipality officials and the other stakeholders don't see the private sector as capable of managing the services well enough to guarantee the welfare of the citizens, but on the other hand, they want the interference of the private sector, this is clear as they ranked the option of not having the private sector interfering as the fourth option. Both agree that the quality of service will be better, but that prices might increase, and at the end, the welfare of the society and the local citizens might be harmed. They both prefer that ownership should stay with the municipality, or if full privatization was to take place, then the municipality should keep full control over the services and prices offered. For the partnership of the other business projects that are owned by the municipality such as the parks, the garages, the zoo, denominators, commercial centers, and others. Here both groups preferred that the municipality fully owned, but the private sector might operate the projects through a clear bidding system, their second option also was similar in that the municipality fully owned, but the private sector operated the projects through a clear bidding system that lasted for a long period of time, i.e., 10 years. It's worth noting that the municipal staff always preferred the municipality to keep control, where their third option was that the municipality fully owned and managed the projects without the interference of the private sector, while other stakeholders preferred privatization municipal activities and favor of partnership as shown in Table 13.

Table 13. Most favorite options of PPP practices regarding other business projects as perceived by Municipal staff and other stakeholders

	Rank municipal staff	Rank others	Total rank (average)
The municipality fully owns and manages the projects without the interference of the private sector	3	5	5
The municipality fully owns, but the private sector operates the projects through a clear bidding system	1	1	1
The municipality fully owns, but the private sector operates the projects through a clear bidding system that lasts for a long period of time, i.e., 10 years	2	2	2
Full privatization (operation and management by the private sector), with full control over the services and prices offered.	4	3	3
Full privatization (operation and management by the private sector) for a certain period of time, then the project returns to the municipality	5	4	4
Full privatization (operation and management by the private sector), without control (leave the project to the market and the level of demand)	6	6	6

7.6. Urgent need for PPP in the Palestinian municipalities. When all respondents (municipal officials and other stakeholders and local citizens) were asked to rank the services that should be first to be transferred to the private sector, citizens in group 1 (see Table 14) thought that parks were their first choice. Citizens in group 2 though that solid waste collection was their first choice. Municipal staff and other stakeholders also chose solid waste collection as first to be transferred to the private. However, all participants together perceived the solid waste collection as number one activity to be transferred as presented in Table 14.

Table 14. The first Municipal project to be transferred for private sector as perceived by the participated groups

Participated groups of the survey	First project
Citizens group 1 (utilities projects owned by municipality)	Parks
Citizens group 2 (utilities projects owned by municipality)	Solid waste collection
Municipal official staff	Solid waste collection
Other stakeholders (officials of ministry and other related org.)	Solid waste collection
All citizens	Parks
All participants	Solid waste collection

When all respondents (municipal officials, other stakeholders and local citizens in the ten municipalities) were asked to rank the services that **should not** be transferred to the private sector, citizens from group 1 believed that electricity and water should stay with the municipality. Group 2 thought that electricity should be under the control of the municipality. The Municipal staff chose water. Other stockholders also chose water, it's worth noting that most of the respondents believed that the essential services, either water or electricity, should stay with the municipality and should not be transferred to the private sector. Finally, the majority of all participants together selected water as not to be transferred to private sector as shown in Table 15.

Table 15. The first Municipal project not to be transferred to private sector as perceived by the participated groups

Participated group of the survey	First project
Citizens group 1 (utilities projects owned by municipality)	Electricity
Citizens group 2 (utilities projects owned by municipality)	Electricity
Municipal staff	Water
Other stockholders	Water
All citizens	Electricity
All participants	Water

Conclusion and recommendations

This research intended to search applying the concept of private participation in managing the municipal business activities including utilities services, in the Palestinian local government units. In order to fulfill the stated purposes of this study, two special questionnaires were articulated and directed to one hundred municipal citizens and 140 municipal stakeholders from local governments and other related agencies. In addition, the relevant financial data for ten major Palestinian municipalities were analyzed to examine the profitability of selected municipal profit and business centers. Other needed data regarding the existing forms of PPP in the Palestinian local government were collected through interviews with high official municipal staff. The study found the following:

- It may be stated that almost all forms of PPPs experiences existed, but, at low scale level. This includes ownership and operation by private sector in yearly contract, ownership and operation by private sector in more one year contract, ownership and renting by private sector on monthly basic, build, operate, and transfer (BOT), owned and operated by Independent government agency, and owned and operated by private sector.
- The municipal electricity projects owned and operated by the sample of the study produced mixed results, some municipalities produce annual profit which covers substantial part of the total municipal budget such as Hebron, Qalqilia, Beit-Omar and Azon accomplish, while it produces annual losses in the case of Nablus and Tulkarem annually which forms a burden and increase budget shortages.
- Even though all municipal water projects produce annual net profits, still their revenues may be improved if the water lost ratio was reduced and the collection ratio from municipal citizens was increased.
- The solid waste collection function in the Palestinian municipalities is the most losing function operated by local governments, in which the collected fees is much lower than the allocated and actual expenditure to run such a function.
- Other municipal business projects have different financial performance in the individual municipalities. For example, vegetables markets or slaughter houses produce profit in some municipalities while produce losses in others.
- The majority of citizens still prefer that the municipalities own and operate the majority of municipal activities and projects.
- This study concluded that majority of stakeholders believe that the most relevant form of private municipal partnership is that municipality keeps full ownership, but the private sector operates such projects and activities through a clear bidding system and under published regulations, either for annual basis or for a long time.
- The study concludes that the null hypothesis *"There is no significant difference between the satisfactions of the municipal utilities services in group 1 of municipalities and group 2 of municipalities as presented in the average means of their respond to each of the mentioned statements"* has been rejected regarding the following issues: I'm satisfied with the quality of the water service; I'm satisfied with the quality of the electricity service, and that it reaches all area; I prefer that the municipalities own and operate the activities and projects, and transferring the ownership and management of the projects to the private sector will increase the quality of utilities. On the other hand, the hypothesis has been accepted in which there was no significant difference between the two groups and it was agreement regarding the following issues: the price I pay for electricity is acceptable; the price I pay for water is acceptable; I prefer that the municipalities own the activities and projects and that the private sector operate them; and transferring the ownership and management of the projects to the private sector will lower the prices on the citizens.
- In addition, the study concluded that the null hypothesis *"There is no significant difference between the perception of the municipal officials and other stakeholders as presented in the average means of their respond to each of the mentioned PPP concepts"* has been rejected which shows significant differences between municipal officials and other stakeholders regarding the four listed statements including: I agree of having the private sector to participate in administering the current and new projects; the municipalities don't have qualified departments that can control and monitor the work of the private sector; municipalities have a good option to participate with the private sector other than the current projects; and I prefer investing the land owned by municipalities by private sector. At the same time the null hypothesis has been retained regarding all other PPP concepts, in which there is no significant differences between the perceptions of the two groups.
- The municipal officials are less enthusiastic compared to other stakeholders regarding the partnership with the private sector for both operating the essential services as well as other business projects.
- Solid waste collection function is considered as the first municipal activity to be transferred to the private sector as perceived by all participants together, while the majority of the participants prefer to have water and electricity under the control and operation by the Palestinian municipalities.

Based on the findings of the study as reported by interviews of municipal local staff, the perceptions of municipal citizens and stockholders as well as reported through the financial analysis of the relevant data of the related municipal business projects, the following recommendations may be drawn out:

1. The Palestinian local government units should adopt advanced cost and managerial accounting

systems in order to offer the available data to build the municipal councils regarding the efficiency and profitability of each business center including utilities projects. Thus, relevant decisions regarding participation of private sector or privatization of some services may be taken.

2. The collection of solid waste is the most municipal activity to be considered for private participation or to handling completely to the private sector, if such special private companies became available under specific regulations. However, further research should be carried out to explore this issue and to include more municipalities in the selected sample.
3. To consider the participation of private sector in one of the processes of water supply such as distribution and collection of fees and keeping the function of supply water by the municipalities or by the special Palestinian national agencies.
4. Transferring of electricity projects from some municipalities to the new emerged public electricity corporations should be considered carefully, especially in municipalities which produce annual profits and this profit is considered the main source of covering substantial part of their expenditures.
5. Various laws, regulations and bylaws should be adopted to cover various aspects of the private participation with local government units including long contract arrangements and controlling of prices for services transferred to private sector, bids procedures, and BOT contracts.
6. Awareness campaign for customers. This study reports the need for awareness campaign which should be directed to municipal residents, to indicate the benefit of private participation of municipal activities through increasing efficiency and reducing the cost of offering such services. And to remove any fears from monopoly disadvantages which may appear from private sector especially in case of participating in water and electricity services.

Awareness campaigns regarding private participation of municipal activities, projects and businesses should be directed to local government staff in order to clear issues of employments and job security status in case of transferring some of municipal activities, departments and projects to private sector.

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