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# STUDIES ON REGULATION

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## Abstracts

Nir Barak, Nir Mualam, *Municipal Autonomy: Inquiry into Changes in City-State Relationships in Israel*

This article examines recent changes in the relationship between local and the central government in Israel, and the rise of municipal autonomy. The article addresses two interrelated yet empirically and conceptually distinct types of municipal autonomy. The first is the ordinary exercise of cities' administrative and planning powers independent of higher governmental level intervention. The second type of municipal autonomy is the extraordinary exercise of cities' political power in relation to higher-level government authorities.

While cities are typically characterized as a sub-unit of the state, cities are increasingly becoming semi-independent political actors. With this 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 advancing policies in fields that are neglected or insufficiently addressed by the state (e.g., climate policy) or by designing municipal policies that challenge national legislation (e.g., issues relating to the Sabbath in Israel), cities are claiming 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 local and central governments and engaged citizens in civil society? What conditions enable the growth of municipal autonomy in Israel? Furthermore, what tensions and conflicts arise between cities and the central government in light of efforts 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 on 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, reservations arise about dualistic 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 the needed changes in the governmental structure and an essential element for maintaining the common urban and national goods.

Erella Hamilton, Nurit Alfasi, Henriette Dahan Kalev, *Urban Renewal from a Local Perspective: A Comparison between Five Cities in Israel*

The goal of this research is to examine the reasons why local authorities choose to promote urban renewal processes. The article reviews the research literature regarding how local authority officials perceive processes of urban renewal in their area. The study examined five cities throughout the country, 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 municipal Urban Renewal Authority. Focusing on “official” stakeholders in the process, the article does 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 findings indicate that although urban renewal processes take place as part of the Israel government’s overall 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 actual processes are not always consistent with the goals of urban renewal as determined by central government.

Sharon Eshel, Oren Yiftachel, Talia Margalit, *The New Gaps:  
Umbrella Agreements as a Mechanism of Spatial Inequality*

The mechanism of the “umbrella agreements,” which was part of the response to the housing crisis of 2011, was intended to significantly increase the supply of housing by mitigating the opposition of local authorities to residential construction in their territory. An umbrella 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 which are motivated by considerations of entrepreneurial and budgetary profit, have characterized the neoliberal city in recent decades, but they were “rescaled” to the state level following the 2011 housing crisis. This study shows that, like the planning transactions that are common in Israeli urban planning, and which deepen inequality, the umbrella agreements widen the gaps that exist between weak and strong authorities. In this context, weak authorities sign agreements that prove harmful to the city and its residents, while the powerful sign agreements that prove beneficial. This phenomenon results 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.

Eran Razin, with Lihi Luzon-Beranan , *The Corona and the Arnona:  
COVID-19 as an Impetus for Local Government Finance Reform in  
Israel*

Non-residential property tax revenues in Israel (arnona) are the basis of fiscal strength among the country’s local authorities. However, the combination of high demand for housing and lower demand for office and retail space raise doubts about 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 the model's vulnerability to the rise of online shopping and remote work. This paper examines the need for change in local government finance; particularly, shifting some of the property tax burden from business to residential properties. Based on interviews with stakeholders and experts, it also explores reform alternatives and barriers to their implementation.

Financial data reveal that a diminishing ability to rely on non-residential property taxes has a differential impact: the cities that are the most negatively affected have medium levels of fiscal strength and peripherality. Rather than advancing new ideas for reform, interviewees emphasized barriers to 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, causing decision makers to pay a political price.

Overdependence of local authorities on property taxes paid by businesses is particularly challenging in Israel because these taxes are non-ad valorem and are usually 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 to implementation. In fact, the first two compete with central state tax bases. Promoting revenue-generating municipal enterprises and establishing value-capture bases for funding municipal services also have a limited potential, as do redistribution mechanisms, such as increased central state grants, redistribution of local government tax revenues, or the establishment of upper-tier regional governments. Hence, the feasible alternatives involve a more conservative approach of modifying the existing property tax system. Such modifications include addressing 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 poses serious challenges for implementing far-reaching comprehensive reforms. Hence, it is recommended to focus on small, incremental, politically feasible steps. The alternative to making incremental changes in a fundamentally flawed system involves striving for a broad reform; this is contingent on seizing rare political "windows of opportunity." These may consist of an emergency crisis context coupled with a stable government. This combination can facilitate a fundamental reduction in local government's over-dependence on business taxes and making housing more attractive from the point of view of local finance.



Shlomo Bekhor, David Sivan-Seroussi, *Designing a Resource Allocation Policy for Public Transportation at Localities in Israel*

The resource allocation policy for complex public service systems requires transparency and often, a balance between the central and local governments. A clear and agreed-upon policy reduces tensions, minimizes effectiveness gaps, and enables targeting resource allocation to achieve continuous improvement of the public services. Tools for systematic resource allocation aimed at achieving overall effectiveness have not been sufficiently developed. This article demonstrates methods to address this challenge in the context of a complex public service, public transportation (PT) in Israel.

Israel's government decided decades ago to transfer PT authorities to the local government. However, for a number of reasons, this decision has yet to be implemented and the central government continues to allocate PT resources.

PT service brings people closer to metropolitan areas and improves access to employment, cultural and consumption opportunities. It thereby affects economic well-being while serving purposes such as mobility, environment, real estate value, urban design and more. The value attributed to these goals is contingent on the point of view of the actor involved, be it a user, PT operator, locality, or the general public. At times, these goals can compete or even contradict each other. Decision-makers and experts face an immense challenge in balancing different perspectives as well as national versus local considerations when they allocate resources. This difficulty constitutes a barrier to creating the discourse and transparency essential when public resources are involved.

This article presents a new method that combines the well-known and accepted methods of Data Envelopment Analysis (DEA) and Analytical Hierarchy Process (AHP) - DEAHP - to formulate and analyze the effectiveness of resource allocation policy. DEAHP uses the characteristics of the locality and characteristics of the service available to its residents to measure effectiveness applying DEA. Then a resource allocation policy is formulated using AHP. A resource allocation indicator is calculated for each locality, showing whether the PT services available can adequately meet the level of the services needed according to the formulated policy. Using this measure, decision-makers can assess the policy and the degree to which it improves overall effectiveness.

DEAHP is innovative in that the policy is formulated in conjunction with effectiveness measurement. It enables a balanced and transparent allocation of PT resources while also supporting the creation of competition to achieve effectiveness among the service operators that currently function as regional monopolies.

The process of designing policy using DEAHP was demonstrated in a workshop attended by stakeholders from the central and local governments, representatives of PT operators, and experts. The positive feedback received from the participants indicates the method's potential to effectively allocate PT resources using flexible management tools.

Yoram Ida and Gal Talit, *Integrating Regional Clusters and Metropolitan Authorities in the Provision of Public Transportation Services on Buses*

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 essential services 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. However, the service currently provided is not optimal due to the gaps in distance and knowledge between the centralized Transport Authority and public transportation users across the country.

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 integrating the clusters into the system could contribute to improving the existing situation, especially in the geographical periphery. However, there are also obstacles and limitations that must be addressed in order to implement any successful reform.

Yossi Daskal, *Public Policy Design in Rail Transportation in Israel*

Rail transport has been used throughout the world in one form or another for one hundred and sixty years. After the introduction of the steam engine and iron rails, rail transport was adapted for country-wide and international use. Since then, governments have been involved in the operation of trains for the benefit of the public. Today, rail transportation is integrated into the world's most efficient public transportation systems on a large scale as an essential and efficient public product. Countries that turn to intensive use of rail transportation in public spaces enjoy numerous benefits to the individual and the general public's quality of life, the economy, and society as well as a significant reduction in road accidents and more.

Contrary to global trends, following the establishment of the state in 1948, Israeli governments almost completely froze any development in rail transportation in the country for about forty-four years. This article will focus on decisions regarding institutional changes and policy design that took place in Israel's rail transportation in response to Globalization, Neoliberalism, and New Management Theories, which influenced public administration from the mid-1980s and led to structural reforms in infrastructure sectors, including transportation

Public policy decisions were made regarding institutional changes in the field of railways, including 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 has the potential to provide the public with its needs for accessible and useful public transportation, functions only in a very partial way. This article will also examine why the results of the decision-making do not satisfy the public need.

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

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 public bodies. 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 convey these insights to public bodies. The first section of the article discusses the economic theory of utility-indifference curves of the public bodies and the bidders in the tender and explores how the use of

absolute scoring formulas enables bidders to locate the optimal meeting point between the curves. The article's second section presents the ranking paradox to which relative scoring formulas are exposed and discusses the concern that relative scoring formulas may enable collusion between bidders. The third section shows how the relative weight determined by the public body for the price and quality components may not reflect their true relative weight. The fourth section draws attention to the problem of determining unrealistic weights in the tender and offers guidelines for determining them correctly. This section also 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 section, the legal consequences arising from the economic insights are discussed.

Oded Steklov and Anat Gofen, *Women's Representation in Local Government: Implications for Education and Welfare Budgets*

Drawing on Representative Bureaucracy Theory, our study focuses on local government in Israel to examine the correlation between *Passive Representation* – that is, the number of women in key positions – and *Active Representation* – that is, promoting policy preferences of women voters. We use OLS regression models, with panel data concluding nine years of municipalities and local councils' data (excluding ultra orthodox and Arab local authorities). Passive representation (explaining variables) is measured by four key local government positions, two of which are political positions: members of the municipal council board and the mayor. Two additional key positions are bureaucratic ones at the head of local government bureaucracy: the CEO (Chief Executive Officer) and the Treasurer. Based on accumulated evidence, from the literature, women express a preference for investment in education and welfare. Therefore, active representation (explained variable) is measured as the municipality's expenditure on education and welfare. No correlation was found between women's representation and the welfare budget. Correlation was found between women's representation in key positions (mayor, CEO and treasurer) and municipal 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 may be more effective in advancing the policy preferences of women in local government decisions.