

**THIRD TOURISM DEVELOPMENT PROJECT
SECONDARY CITIES REVITALIZATION STUDY**

Jerash

Municipal organization, management and finance

Annex 5

JOINT VENTURE OF COTECNO WITH ABT ALCHEMIA CDG MGA

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1. Context and main issues

The decline of the historical centre, the degradation of its urban and residential fabric and the crisis of its functions of centrality are strongly related to the general weakness of the municipal institution.

Conversely, the success and the sustainability of the program of revitalization and development of the historical centre are strongly conditioned by the commitment and the capacity of the municipality, and by the improvement of its capacity to mobilize the local resources and to play its role effectively, in particular in the fields of urban planning and management, in the provision of urban services of better quality and in the social and economic development of the city.

The institutional assessment shows that the weakness of the municipal institution is manifested on several interdependent levels:

- **Urban planning and management:** the municipality has very low capacity to provide for structural and strategic planning and management, to determine in a suitable way the location of the various commercial and urban activities and to put in place and to enforce urban regulations for construction and use of public spaces. This situation has resulted in an anarchistic and uncontrolled urban development and in the degradation of the environment and urban fabric of the historical center in particular.

Thus, several problems could still be highlighted:

- **The weakness of competences and technical capacities** of the department of urban planning and management, which, at present, exists only in an embryonic state and has very few qualified and trained personnel;
- **The weakness in regulations:** Absence of regulations defining the commercial activities in the various urban zones and more particularly in the historical center; absence of regulations related to construction, modification or restoration of buildings in the historical center; weakness of the functions of control and application of regulations related to the use of public pathways and spaces, and to the construction and compliance with the rules of town planning;
- **The absence of information and essential data** starting from available and updated base cartography, concerning streets and roadway systems, urban infrastructure, commercial buildings and activities, existing constructions and their conformity with regulations, properties and their limits, existing utilities networks etc, in the historical center as well as in the other parts of the city;
- **The absence of technical tools** necessary for urban management and planning (data-processing tools, GIS, databases, etc.)
- **Weakness of the functions of management and maintenance of public spaces, and of the quality of urban services.** The sustainability of the program of urban revitalization requires the improvement of the level and the quality of urban services and the maintenance of public spaces (maintenance of storm drainage and sewerage, street lighting; better management of garbage collection and cleanliness of public spaces and places such as the road station and markets; better maintenance of the roadway system; improvement of traffic management and better control of the parking issue, control over signage and shop windows etc.)
- **Weakness of the capacities to promote and enforce the compliance with sanitary and public health rules.** At present, the municipality monitors and enforces the compliance with the sanitary regulations, in particular those related to the marketing of foodstuffs. However, the municipality does not have sufficiently qualified and trained personnel to assume this responsibility. Even though, this is an imperative to protect the health of the local population, it is still of primordial importance from the point of view of the development of

the touristic potentials of the city.

- **Absence of coordination between the municipality and the public utility companies.** This problem manifests on multiple levels and undermines the effectiveness of the majority of municipal services. It is in particular the case of the companies of Water and Electricity, which, often, carry out work without any form of dialogue or coordination with the municipal departments.
- **The great weakness of human resources and qualification.** In spite of a significant overstaffing and of the fact that an important part of the expenditure is devoted to the staff expenses, the municipality is heavily handicapped by the very low qualification and training level of its personnel and their weak engagement in the duties requested of them.
 - The scarcity of technicians and of qualified personnel, of which all municipal departments and services suffer, constitutes today an obstacle for the organizational restructuring and improvement of the institutional capacities of the municipality. The new municipal professionals (primarily engineers) who were for their majority designated or detached by the Ministry of Municipal Affairs following the fusion of the municipalities have, undoubtedly, attenuated the problem without solving it because the majority of them were new graduates without experience.
 - In addition, the skills required for the management of historic cores and heritage buildings are very specific, and require trained architects and urban planners.
 - Moreover this problem is accentuated by the difficulty of retaining qualified personnel because of the low pay and the working environment, which is little motivating.
 - The large majority of the personnel consists of employees who have a very low qualification and training level. Moreover, having been often recruited on the basis of clientelism, the majority of these employees is little motivated and continues to see employment with the municipality as a source of income, which demands little or no return in terms of work and involvement. Thus, the Mayor considers that the solution should combine the setting up of effective and adapted training schemes, the restructuring and reorganization of administration, the establishment of an equitable and transparent system of evaluation of competences and a follow-up of the work of employees including incentives, sanctions and dismissal.
- **An organizational problem.** To face the organizational weakness and the lack of coordination between the various services, the municipality started to set up plans for reorganization based on a general outline conceived by the Ministry of Municipal Affairs. However, the municipality considers that these plans remain insufficiently adapted to its needs and problems, and that it needs technical assistance based on specific analysis in order to be able to restructure and improve its services and functions.
- **Weakness of financial management and of revenues generated by the municipality.** The financial situation of the municipality improved during the last three years thanks to the increase in the revenues transferred by the State, to a better collection of revenues and local taxes, and to a better management of its expenditure. However, in spite of this effort, the financial situation remains marked by many weaknesses, particularly:
 - Weakness of financial resources in comparison to the expenditure and especially in comparison to the needs for improving the local services and for developing the municipal action, in particular in the field of management and town planning;
 - Very limited revenue autonomy. The decrease of the share of own revenues as a percentage of total revenues of the municipality (in spite of the increase of their absolute value) has strengthened the dependence of municipal financing on the governmental transfers;
 - Weak efficiency of the collection of municipal revenues: the collection of the majority of taxes and fees is still far from reaching the potential optimum level;
 - Weakness of the revenues generated by the income-generating projects;

- Irregularities and variation in the revenues from year to year;
- Low capital investment
- Salaries and wages eat up a big part of the budget;
- High payment on interests;

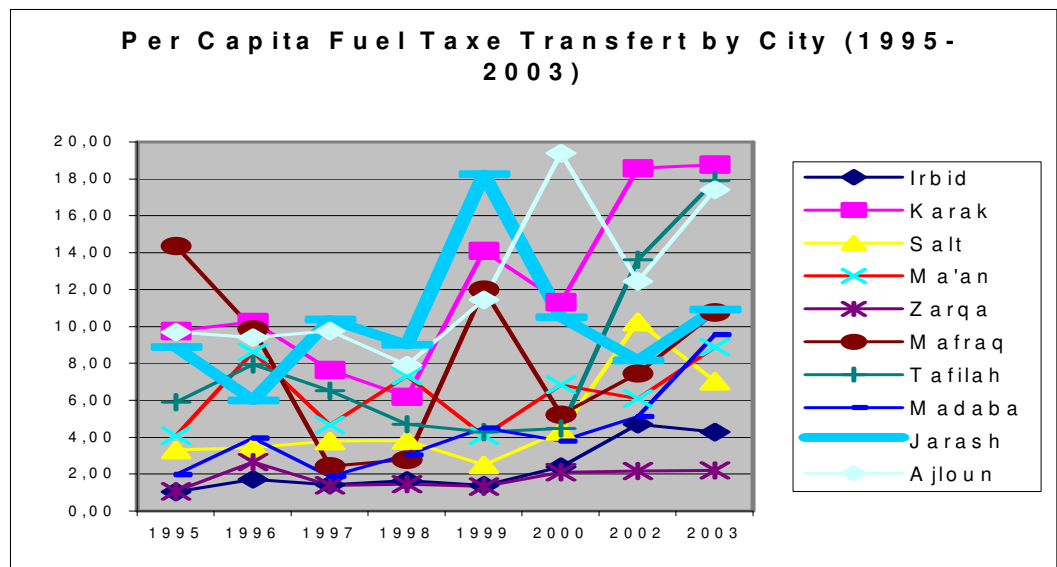
Without taking here into account the structural factors which determine municipal finances (fields of competences and definition of the rights of the municipalities as regards taxes, nature of the relationship between the municipal institution and the State, etc), and while limiting the discussion to taxes and revenues which the municipalities have currently the right to locally collect, one can underline several problems which block the optimization of the resources and the improvement of the financial management of the municipality:

- Weakness of technical expertise and competences necessary for a good financial management;
- Absence of performing means and tools of management (computer tools) which would make it possible to improve to a significant degree the collection of taxes and fees and the management of municipal finances;
- Absence of a database and an information system allowing the identification of tax-payers, the evaluation and determination of taxes, fees and infringements which must be paid, and the monitoring of payments. It is the case for example of the Job Licensing tax, the revenues from planning and development, Fruits and vegetables fees, sign and announcement boards fees, car park fees, etc.;
- Low effectiveness of the procedures of evaluation of the Land and Building Tax (Musakafat) that the State currently collects for and in the name of the municipality, but which the municipality should take care of in the coming years. It should be stressed also that the optimization of the collection of this tax could not be done in the absence of a census and of a system of addressage of streets, buildings and land, and without the installation of a performing database and of procedures of evaluation and of collection;
- Weakness or inexistence of procedures for the control and monitoring of the process of collection of taxes and revenues;
- Lack of accountability mechanisms, low transparency of the procedures of evaluation and taxation, and inequality in the treatment of taxpayers because of clientelism;
- Insufficiency of the effectiveness and of the quality of services rendered by the municipality and consequently, of its "legitimacy" to impose the application of regulations and of payment of taxes.
- **The absence of mechanisms of accountability and of forms of participation of the local population and stakeholders.** The population currently has little information on the municipal actions and decisions and tends to perceive the municipality as a simple administration on which the citizens have little influence. This lack of participation and involvement of the population weaken in multiple ways the capacity of the municipality to co-produce with the users services of quality, to make them accept its decisions and its orientations, to make them respect the regulations and the standards of use of public services and spaces, and to obtain the approval and the collaboration of the local citizens in collecting municipal taxes. It also weakens the capacity of the municipality to continue to be the framework where the interests of and the rapports between the various social groups are negotiated and, consequently, to play its part in the construction and the reinforcement of social cohesion. However, the municipality recognizes the importance of this issue, in particular mobilizing the local resources necessary for the success and the sustainability of the program of urban revitalization, and therefore plans to set up local committees for consultation.

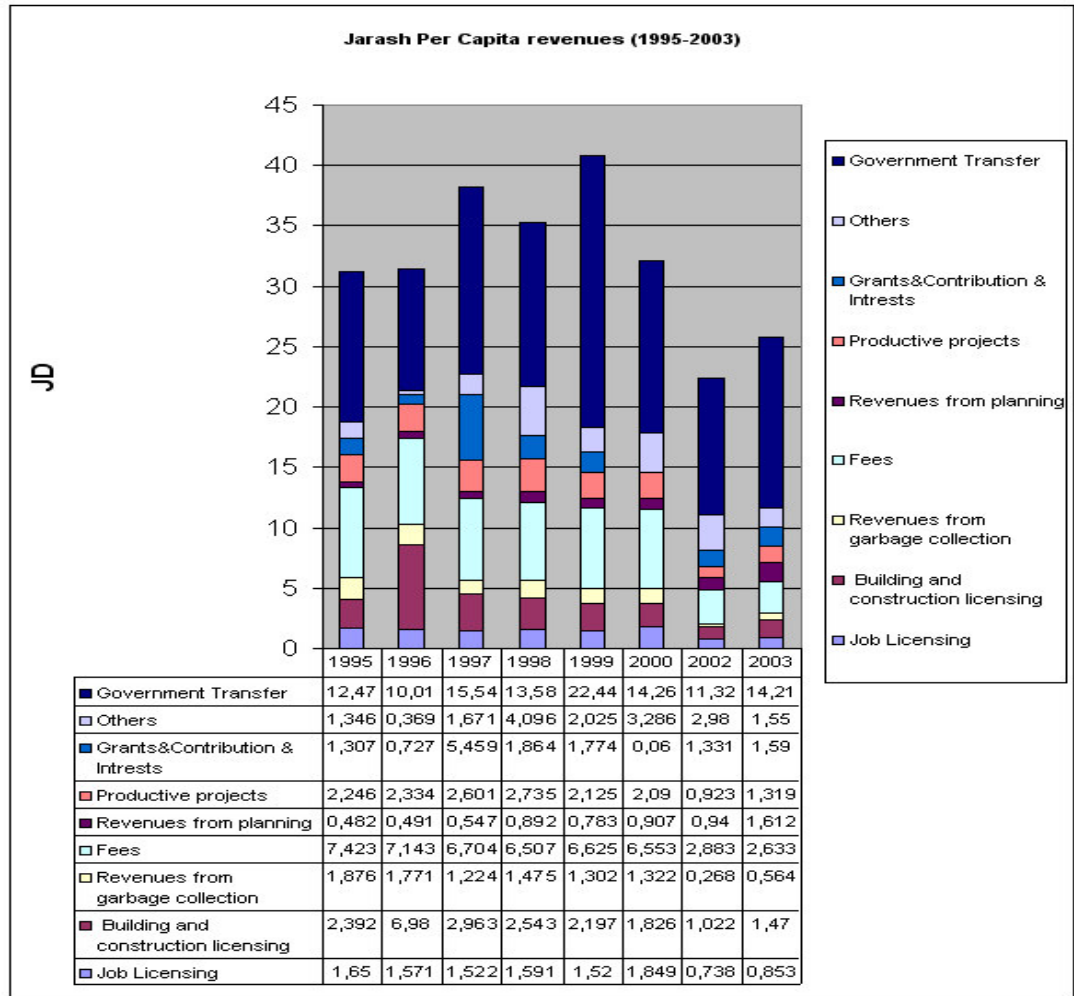
2. The revenues

Until 2000, Jerash was amongst the municipalities with a relatively high level of revenues (between 32 and 42 JD per capita), with only Karak showing a higher figure.

Moreover, Jerash has always been characterized by a strong dependence on governmental transfers, exceeding those of the greater part of the other municipalities. Another key character is the strong variability, with consequent instability, of those transfers: for instance, the amount of the fuel tax ranged from 6 JD (1996) to 18 JD (1998), then decreasing to 10 JD (2000) and 6 JD (2002).



The self revenues were, and still are, at a very high level in comparison with the other governorate cities. These revenues are essentially constituted by local taxes and fees, and namely the fruit and vegetables tax and building licensing. However, self revenues decline significantly starting in 1996, and even more after the merger in 2001. In 1995 they formed 55% of the overall amount of municipal revenues, while nowadays they scarcely cover a 26%, thus increasing the dependency on governmental transfers.



3. Expenditures

When it comes to expenditures, Karak is characterized by the highest level of labor costs after Marfaq (approximately 16.6) This is closely linked to a significant overstaffing that has nothing to do with the actual level of services delivered by the municipality, but rather to forms of clientelism. Moreover, having a significant amount of debts, the Municipality uses a significant amount of its expenditures for the payment of interests. More than half of capital services expenses are used for public works, namely asphaltting of roads. As for the other cities, the expenditure for maintenance of public space and municipal infrastructure are scarce, as the resources for the provision of services that have a particularly marginal position both in the municipal budget and in its actual mission.

