

FISCAL DECENTRALIZATION IN JORDAN

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Abstract

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This paper aims to measure the degree of fiscal decentralization in Jordan by estimating the indicators used by the World Bank and the International Monetary Fund. These are the share of local units in public revenues, the share of public spending, and the share of compensation for workers in local units from the total compensation of workers in the public sector. The study uses set of data about public revenues and expenditures of the central government, independent government units, as well as the municipalities' budgets figures. These data are for the period 2016-2018 and published electronically by the Ministry of Finance and the Ministry of Local Administration in Jordan. The study revealed progress in the field of political and administrative decentralization represented in the establishment of elected councils at the national, regional, and municipal levels and the transfer of a number of powers from central authorities to regional or local bodies. The issuance of a new decentralization law and the amendment of the Municipalities Law in 2015. The results showed that the degree of fiscal decentralization is very low in Jordan, especially when compared to other countries that had implemented decentralization reforms.

Keywords: Fiscal Decentralization, Public Finance, Public Governance and Regulation, Development Economic, Local Government

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1. INTRODUCTION

Jordan, like other countries in the world, began to adopt the decentralization approach in managing state affairs. This approach was represented in the supreme political desire of the king and a directive for governments to develop a model that fits the nature of the political and administrative system in the centralized state. Successive governments have adopted a number of programs and policies and amended laws and regulations that would gradually shift from the central system to decentralization, especially in the political and administrative dimension. We mention, for example, the democratization process, which was represented by the direct election of councils in the regions and in the municipalities and in ensuring women's representation in them. Reconsidering the tasks at the regional and local levels and delegating these powers to regional and local bodies. Among the most important of these tasks, for example, is the task of planning and development in regional and local

bodies. The Decentralization Law was issued in 2015 and amended the Municipalities Law in the same year to institutionalize basic and administrative decentralization.

However, the government did not take any important steps that would grant the regional authority's personal financial resources or a percentage of the proceeds of taxes and fees that the central government collects. What the central government has done is to grant councils the choice of development projects within a higher ceiling for each governorate from its capital spending. That is, determining the size of capital expenditures and implementing the selected development projects is still a central government's duties (regional distribution of capital spending of the central government).

There has been no significant change in the share of local authorities from the state's financial resources, which enables them to carry out their tasks efficiently and effectively. Accordingly, the researcher believes that the degree of financial

centralization is still very high, and therefore the success of decentralization in the political and administrative dimensions requires that the state delegate sufficient financial powers to the regional and local bodies (increasing their share in joint taxes and their ability to impose local fees and impose fees) to carry out their tasks.

An applied study to measure the degree of decentralization was conducted by the World Bank research teams in 2007 in a number of Middle Eastern countries (Jordan is one of them). Another study was conducted by the International Monetary Fund in 2011 to determine indicators for measuring financial decentralization and estimating them for a number of countries in the world.

With the exception of these two studies from international financial institutions, the previous field studies, according to the researcher's knowledge, did not deal with identifying indicators to measure financial decentralization, as well as to define statistical methods for estimating these indicators. For example, Kaneva and Drepin (2020) studied the relationships between budgets in terms of the decentralization of power in Ukraine. Pasichnyi, Kaneva, and Ruban (2019) studied the impact of fiscal decentralization on economic growth. Aslim and Neyapti (2017) determine the optimal size of fiscal decentralization, which achieves maximizing prosperity and optimal redistribution. Baekgaard and Kjaergaard (2015) studied the relationship between fiscal transfers between levels of government and public spending. Kyriacou, Muinelo-Gallo, and Roca-Sagalés (2016) studied fiscal decentralization and its relationship to regional disparities and government quality. Others have studied defining the concepts of fiscal decentralization and its applications in developing countries such as Bahl and Bird (2018), Chulu (2016), Fjeldstad (2014), Brun et al. (2006).

This study is original in that it will assess the degree of fiscal decentralization in Jordan, especially after the issuance of the Decentralization Law for the year 2015 and the amendment of the Municipalities Law in 2015. Measuring the extent of change in the degree of financial decentralization compared to the values reported in previous studies.

The study adopted the World Bank indicators to measure the degree of financial decentralization. The values of these indicators are estimated in light of the financial data on public revenues and expenditures of the central government and independent governmental bodies in the center, in addition to the budgets of the municipalities in Jordan. These financial data are published by the Ministry of Finance and the Ministry of Local Administration in Jordan during the period 2018-2019.

In addition to the introduction, this study consists of seven parts, clarifying the concept of decentralization in theory and the applied studies in the second part, methodology and official financial data required in the third part, explaining the system of governance and public administration in Jordan in the fourth part, a description of the Jordanian experience in the field of decentralization in the fifth part, the distribution of public revenues and expenditures between levels of public administration in Jordan, in the sixth part, result in the seventh part. The last section provides a conclusion and recommendation.

2. LITERATURE REVIEW

Most of the recent studies dealt with the concept of financial decentralization and its applications in developed and developing countries, studied the effect of government transfers on fiscal decentralization, the effect of fiscal decentralization on economic growth, regional development, and income redistribution, and determine the optimal size of fiscal decentralization. Bahl and Bird (2018) explained in their book titled "*Fiscal decentralization and local financing in developing countries*" the concept of decentralization, the importance of its application in developing countries, the components of decentralization from revenues and expenditures, and the mechanism for financing local and regional agencies. Kaneva and Drepin (2020) analyzed trends in developing relationships between the budgets in conditions of decentralization, proofed provisions related to increasing the financial significance of local taxes, especially property tax, and determined the performance peculiarities of the system of international government transfers in Ukraine.

Aslim and Neyapti (2017) determined the optimal size of fiscal decentralization by constructing a mathematical model to measure the relationship between fiscal decentralization and the rate of economic growth and income redistribution. They formulated this relationship with what is known as the decentralization-laver curve. With increasing regional spillovers, fiscal decentralization is less attractive because it degrades welfare and income distribution. This finding provides new support for the theory of decentralization and contributes to the debate on fiscal policy. Baekgaard and Kjaergaard (2015) studied whether the impact of unconditional grants is fundamentally different from the effect of other municipal income sources, by means of a large-scale randomized survey among Danish local politicians, which allows comparing the impact of changes in the different municipal revenue sources. The researchers' findings challenge the traditional notion in the public finance literature that money works differently depending on the sector in which it is produced. Instead, ideology plays an important role in explaining how local politicians wish to allocate resources when they encounter changes in local government revenues.

Kyriacou et al. (2016) demonstrated the incorrectness of the opinion that the regional disparity in income and the degree of financial decentralization, and also the quality of government is determined at one time. They demonstrated this by applying the simultaneous equation model, which explains the joint identification of these three variables, to a group of 23 OECD countries. Empirical evidence emerging from the analysis indicates that the fiscal decentralization process, combined with measures to improve government quality, will be an effective strategy for reducing regional disparities.

The concept of decentralization consists of three dimensions, which are the financial, political, and administrative dimensions. Each of them has unique characteristics, objectives and conditions for success. E.g., political decentralization refers to the transfer of authority from central to local

authorities, administrative decentralization speaks to the transfer of functional responsibilities from central to local authorities, and the fiscal decentralization addresses the financial relationship between all levels of government (World Bank, 2001a).

Despite the difference in the three dimensions of decentralization, it is necessary to emphasize the importance of the interconnectedness between them when taken by governments. Because not adopting fiscal decentralization, meaning not granting local government bodies the necessary financial powers, it is meaningless and useless to implement political and administrative decentralization. That means the full potential of decentralization cannot be realized (Oates, 2005; Feruglio, 2008).

In practice, we find that some countries do not take the three dimensions simultaneously in their decentralization experience. Rather, we often find that they focus on the political and administrative dimensions only, such as Jordan.

Fiscal decentralization as a comprehensive concept consists of the following components: assignment of expenditure responsibility, allocating revenue resources, designing intergovernmental transfer, and structuring sub-national borrowing.

The positive effects of embarking on a fiscal decentralization reform can be summarized as follows: improved efficiency (or economic benefits), improved political and financial accountability, and improved effectiveness. But if fiscal decentralization is inappropriately designed and implemented, negative results can be happened such as macro-economic instability, declined investment in social infrastructures, increased horizontal inequities and conflicts, the collapse of the safety net (poverty), and increased corruption (Feruglio, 2008).

The measure of the degree of financial decentralization can be estimated through the following financial indicators: the ratio of local authorities' revenues to total public revenues, the ratio of local authorities' spending to total public spending, and the ratio of spending on salaries and wages for workers in local institutions to spending on workers in central government institutions and independent public units (World Bank, 2001b; Dziobek, Gutierrez Mangas, & Kufa, 2010). Some researchers used other indicators to measure the degree of financial decentralization, such as the ratio of the components of local revenues to the state's public revenues, as well as the ratio of components of local public spending to the state's public spending (Ebel & Yilmaz, 2002). Likewise, the World Bank (2001b) used the index of the ratio of domestic revenues to gross domestic product (GDP) and the ratio of domestic spending to GDP.

The field studies related to measuring the degree of financial decentralization are very few, and with regard to Jordan, there is only one, which is the study of the World Bank in 2007 to analyze the relationship between decentralization and the local authorities of eight (8) Arab countries in the Middle East and North Africa.

Therefore, this study is considered original because it will measure the degree of financial decentralization before and after the Jordanian government implemented decentralization programs from 2001 until now. It will answer the question of whether there has been progress on further fiscal decentralization or not.

3. METHODOLOGY AND DATA

To measure the degree of fiscal decentralization, the researcher will rely on the indicators adopted in the World Bank study (Dziobek et al., 2011). These indicators consist of the following:

1. Revenue index. Which expresses the share of local authorities from the total public revenues in the state (as a percentage).

2. The expenditure index, which expresses the share of local authorities in the total public spending in the country (as a percentage).

3. The share of compensation of workers in local authorities out of the total compensation of workers in the public sector in the state (as a percentage).

If the assessment results indicate a decrease in these percentages of these indicators, this indicates a low degree of fiscal decentralization and vice versa. If these ratios have decreased over time, this means a decrease in the degree of financial decentralization (in other words, the state is striving for more fiscal decentralization).

To measure these indicators, the study relied on the published financial data of the general budget of the central government and the budgets of independent government units by the Ministry of Finance for the years 2016-2018 (www.mof.gov.jo). It also relied on the financial data of local authorities (municipalities) published by the Ministry of Local Administration and the Cities and Villages Development Bank in Jordan for the years 2018-2019 (www.mma.gov.jo). As for the Greater Amman Municipality (the capital of Jordan), which is not affiliated with the Ministry of Local Administration, the financial data published by the Greater Amman Municipality was approved for the same period of time (www.ammancity.gov.jo).

There is another way to measure the extent of financial decentralization in Jordan and the extent of its acceptance by stakeholders in Jordanian regional and local institutions. This method is to conduct a sample field survey for the heads and members of regional and local councils, in order to investigate their opinion on the extent of financial decentralization in Jordan and their suggestions for developing the model applied in Jordan, especially after 2015.

However, this method is not currently applicable to the researcher due to its financial cost and it requires a research team and assistants to conduct it. It also requires a long period of time to conduct the survey, analyze and extract the results.

In the future, this methodology can be carried out by supervising the university thesis of a graduate student and obtaining financial support from the Deanship of Scientific Research at the university. Another alternative is to convince government agencies that have a duty to evaluate the Jordanian decentralization experience under the mandate of His Majesty the King to the current Prime Minister.

4. THE SYSTEM OF GOVERNMENT AND PUBLIC ADMINISTRATION IN JORDAN

According to the Jordanian constitution, the system of government is a hereditary monarchy and affirms the independence of the three constitutional authorities (executive, legislative, and judicial).

The public administration system in Jordan is considered one of the central systems and consists of three levels:

1. *The central level*, which consists of the central government (the cabinet and ministries and their branches at the regional and local levels) and independent government units and their branches at the lower levels.

2. *The regional level* consists of (12) governorates (regions), (20) provinces (Liwa), (36) districts (Qada), and (52) sub-districts (Nahiyah). All employees of these regional institutions are affiliated with the Ministry of Interior. As for the rest of the workers in the various branches of ministries and independent public bodies, each of them is affiliated with his ministry or the independent public authority. Each governorate is administered by:

- the Governor, who is appointed by royal will and upon the appointment of the Council of Ministers;
- the Executive Council, which is chaired by the governor and consists of the membership of directors of government departments in the governorate;
- the governorate council elected under the 2015 Decentralization Law, which includes women's representation through granting women a specific number of council seats (the quota system). Prior to the issuance of this law, the nature of this council was consultative, whose members were appointed by the Ministry of Interior under the recommendation of the Governor.

3. *The local level* consists of (99) municipalities in addition to the Greater Amman Municipality, which is the capital of the Kingdom.

Municipalities are divided into three categories: the first category, which is (12) municipalities, which are the centers of the provinces and any other municipality with a population of more than 100,000 people, the second category and its number (53) are the district centers and any municipality whose population exceeds 15,000 and less than 100,000 people; and the third category is any other municipality outside the first and second classification (the rest of the municipalities) and its number is (34) municipalities. This classification came after the government undertook the merger process, which aimed to reduce the number of municipalities from (328) and the number of villages (38) before merging to (100) major local units that would be able to carry out its tasks for local communities and increase their own financial capabilities. Prior to that, local bodies before the demolition were suffering from their small size, weak financial and technical capabilities, and thus their inability to carry out their responsibilities in local development (Ministry of Local Administration, 2016).

5. THE DECENTRALIZATION PROCESS IN JORDAN

5.1. The decentralization before 2015

Jordan started taking steps towards decentralization in the 1970s, which were exemplified by the following:

1. Establishing independent government units, one of which is subordinate to the Prime Minister

and the other to the concerned minister, whose task is to carry out public and specific functions delegated by the government (deconcentrating). Its number has now reached (66) units and has become a burden on the Jordanian economy in terms of its depletion of 20% of public funds, the chronic deficit in its budgets, and the low quality of public services provided through them. This led to a decrease in the citizen's confidence in it and the extent of its usefulness. Currently, work is underway to merge or delete some of them. From a financial point of view, the budgets of these units were not subject to legislative oversight except for about ten years.

2. In 1986, a higher development council was established in each governorate, with an advisory mission to participate in preparing development plans and programs for the central government.

3. Relying on friendly foreign countries and international organizations to prepare a model of decentralization that suits the needs and aspirations of the Jordanian society, and to benefit from the experiences of these countries such as the United States, France, Denmark, and the United Nations Development Program. In light of this, a decentralization model based on the regional and local tracks was adopted, which resulted in the amendment of the Municipalities Law in 2015 and the issuance of a new law called the Decentralization Law for the year 2015, about which we will discuss their most important outcomes in item (5-2). Consideration since 2007 and based on the recommendations of the Regional Committee, the Governor has given, in addition to his security duties in his governorate new tasks in the field of regional development planning, which are:

- work to provide the best services to citizens;
- work to provide the appropriate climate to encourage investment in the region and provide the requirements for economic and social development, and take the necessary measures to achieve this in coordination with the relevant authorities;
- supervising the local councils of municipalities in his governorate to ensure that they play their local development role. In order to enable each governor to play a developmental role in his governorate, a development unit was established in each governorate. This unit coordinates with the central development units in the ministries to prepare development plans and programs in the governorate.

At the local level, the government did the following:

1. The merging of municipalities in the year 2001 with the aim of creating local units of larger size that are financially, administratively and technically capable of carrying out their local functions stipulated in the Municipalities Law.

2. Amending the Municipalities Law in 2007 to ensure the direct election of the President and members of municipal councils, allocating a specific number to women and reducing the voting age to 18 years in the elected municipal council. Delegating the municipality to the tasks of local development in preparing local development plans, designing and implementing development programs, and encouraging local investment in partnership with the private sector.

3. Building the financial, technical, and administrative institutional capacities of the municipalities through training and education

programs under the supervision of the Ministry of Municipalities and the Cities and Villages Development Bank in cooperation with friendly foreign countries and international organizations.

5.2. The decentralization after 2015

The government issued a decentralization law in 2015 that clarifies the model adopted by the government and approved by the legislative authority. We explain this model as follows.

Establishing an elected council in each governorate to replace the appointed advisory council, and allocating 15% of its members to the women's sector in the governorate. This council performs the following tasks:

1. Approving the projects of strategic and development plans for the governorate referred to it by the executive council and following up on their implementation.

2. Approval of the guide for the governorate's needs in terms of development and service projects and referred to it by the executive, and identification of development priorities

3. Approval of investment projects and service projects referred to him by the Executive Council after completing the necessary legal procedures.

4. Approval of development projects that have the public benefit in the governorate, and the development projects proposed by municipal councils and by public institutions in the governorate, and submitted to the governor to take the necessary measures in their regard.

5. Discussing reports on the progress of the implementation of programs and projects that government departments in the governorate are responsible for implementing them in a manner that does not conflict with the work of other official control bodies.

Regarding financial decentralization at the governorate level, the central government did not allocate any of the financial resources to the governorate or allow it to participate in the financial resources of taxes and fees. What the central government did is to distribute part of the capital expenditures included in the general budget to the governorates in order to implement the capital projects that the council participated in selecting them. The elected provincial council determines them according to priority development needs as mentioned above. Financial spending ceilings are set for each of the Kingdom's governorates according to the criteria set by the Ministry of Finance, which are:

1. 30% of the total ceiling is distributed equally across all governorates.

2. 70% of the total ceiling is distributed according to the following standards and percentages (Ministry of Finance, 2018):

- population with a relative weight of 35%;
- poverty rate with a relative weight of 25%;
- the unemployment rate with a relative weight of 25%;
- the area has a relative weight of 5%;
- number of economic establishments with a relative weight of 10%.

Therefore, we conclude that it is not possible to talk about any form of financial decentralization that can be granted to regional authorities.

This allocation of the central government's capital spending on the provinces can be called "regionalizing the central investment expenditures". This money spent is reflected in the allocation of capital expenditures in the general budget. The central official bodies in the provinces are responsible for spending and implementing projects in the region, while the elected provincial council does not have any powers in this regard. Last year the Prime Minister announced that the government does not intend to commit to spending what has been allocated to the provinces and thus stop the implementation of a number of development projects

At the local level, in 2015, the central government amended the municipal law to give local authorities more powers in the political and administrative dimensions. In the financial dimension, there has been no change in terms of the sources of self-revenue for municipalities as well as the sources of revenue shared with the central government (Municipal Law No. 41 of 2015, which is the law in force until now).

These amendments were:

1. Authorize the formation of local councils in the town instead of the local committees contained in the municipal law of 2011, as the Minister of Local Administration may divide the municipality into local councils and determine the number of its members who are directly elected, provided that there are no less than five members and the president of the local council shall be the member with the highest votes in elections to municipal councils and local councils. The local council may also exercise the powers of the municipal council in its local area.

2. Change in the composition of the elected municipal council, as the municipal council is made up of the president, the heads of local councils, and a number of members of these local councils who received the highest electoral votes. The number of members of the council shall be determined by a decision of the Minister of Local Administration, provided that the number of members of the council is not less than seven, including the elected president.

3. Increasing popular participation in the Council to the Greater Amman Secretariat so that the council is divided into a number of local councils. This is decided by the Council of Ministers, which determines the number of members of each local council, provided that the number of members in each local council is not less than five, including the president with the highest votes in the electoral process. The change has increased the number of elected members of the Amman Council from two-thirds (66%) to three-quarters (75%) of the total number of members of the Greater Amman Secretariat Council. The remaining members of the Council (25%) are appointed by the Council of Ministers.

4. Increase popular participation in local planning and development through public municipal council meetings.

5. Appoint an executive director for each municipality. This step works to separate the legislature from the executive branch at the municipal level. The elected municipal council (the mayor and the members of the municipal council) is the body that represents different groups

of the local community and is able to determine the development and service goals and to determine the development and local needs. It is inconceivable that the mayor is the supervisory body and at the same time he is the head of the municipal executive. This weakens the municipality's ability to achieve its tasks efficiently in the past. Therefore, the appointment of a municipal director means that he is the head of the executive branch of the municipality is responsible for implementing all the important and implementation of local development plans, programs, and projects, and is responsible to the municipal council for his good performance of his duties.

6. Giving the municipal council new local functions and transferring local functions that were carried out by municipalities to the central government bodies. These local tasks are:

- Preparing strategic and development plans and preparing a guide to the needs and priorities of the municipal area and submitting it to the Executive Council in the province.
- Preparing programs and monitoring their implementation to achieve sustainable development with the participation of local communities
- To manage all local services, facilities, and projects by himself or in partnership with other municipal councils, or through the establishment of companies owned solely by the municipality or in partnership with the private sector and civil society institutions, in which case the prior approval of the Minister of Local Administration is required.
- Preparing and constructing development projects that benefit the residents of the municipality area and submitting them to the Executive Council. The law did not specify whether these development projects would be submitted to the Executive Council for approval or only for information on the one hand. The author believes that these development projects should be submitted to the elected provincial council instead of the Executive Council because the elected provincial council approves the plans, programs, and development projects at the provincial level, on the other hand.
- Coordination with all the central official authorities and their departments in the province in achieving their services and implementing their development projects in the municipal area. Examples include the Ministry of Education, the Ministry of Public Works, the Ministry of Health, and the Water Authority. The law did not specify

the coordination mechanisms and how they were conducted, nor did it mention the need to issue regulations or regulations governing it.

5.3. Fiscal decentralization

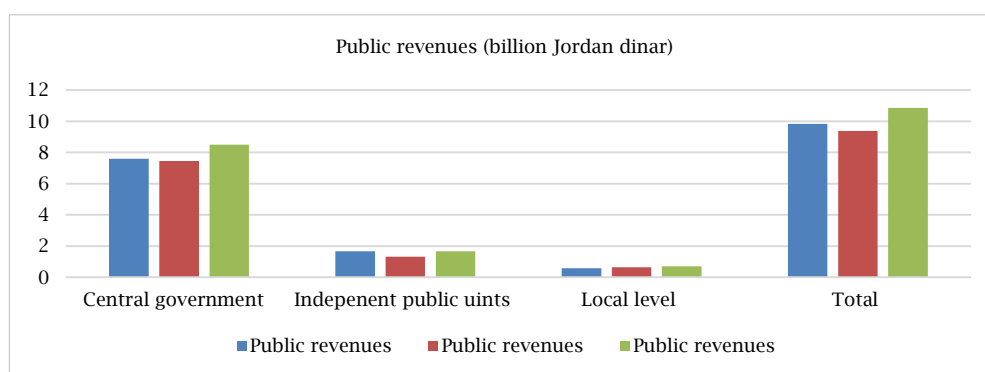
Regarding the financial decentralization dimension, the central government did not transfer any financial tasks to municipal councils with the aim of increasing their revenues, which would enable them to finance their expenditures on local development. It did not impose new local taxes and fees or change the principles thereof. Also, the municipalities' share of taxes and common fees, such as oil tax, vehicle licensing fees, and fines, has not increased. What is new in the amendment of the Municipalities Law, is the development of a new formula for distributing the proceeds of joint taxes and fees between municipalities by the Ministry of Local Administration, in light of the following criteria (Municipality Law 2015): 1) municipal category; 2) its area and population; 3) the percentage of its contribution to the revenue collection; 4) its location and geographical nature; 5) the extent of its needs for development projects; 6) limited resources; 7) the responsibilities it entails without a local character, and 8) excellence in performing the tasks and duties entrusted to it.

The extent of the high degree of financial centralization becomes evident when taking into account the central government has absolute authority in the following areas: approval of municipality budget; approval of individual expenditure items; setting rates and the basis for local fees and taxes, collection/administration of local fees and taxes (oil tax, vehicle fees, and fines), and approval of municipality borrowing.

6. THE DISTRIBUTION OF PUBLIC REVENUES AND PUBLIC EXPENDITURE BETWEEN GOVERNMENTAL ENTITIES IN JORDAN (2016-2018)

Figure 1 shows the distribution of public revenues between the central government and municipalities in Jordan during the period 2016-2018. It is clearly evident that the municipalities' share of public revenues is very small. The local revenue was estimated at 0.586 billion JD in 2016 and 0.69 billion JD in 2018, while the general revenues of central institutions were estimated at 9.231 billion JD in 2016 and 10.16 billion JD in 2018.

Figure 1. Public revenues distribution between government levels in Jordan

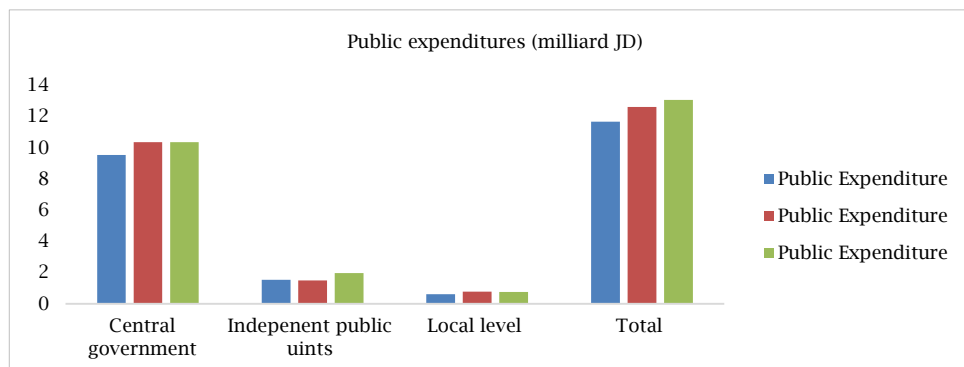


Source: Ministry of Finance (2020b, 2020c), Ministry of Local Administration (2020b).

Figure 2 shows the distribution of public expenditures between the central government and municipalities in Jordan during the period 2016-2018. It is clearly evident that the municipalities' share of public expenditures is very small. The local

expenditures were estimated at 0.601 billion JD in 2016 and 9.524 billion JD in 2018, while the general revenues of central institutions were estimated at 9.231 billion JD in 2016 and 10.363 billion JD in 2018.

Figure 2. Public expenditures distribution between government levels in Jordan



Source: Ministry of Finance (2020b, 2020c), Ministry of Local Administration (2020b).

The picture becomes clear about the decrease in the share of municipalities in the state's public revenues, and thus the decrease in the degree of fiscal decentralization if we take into account that the central government contributes to supporting municipalities with 11.2% of their revenues. In addition to the high rate of 42.7%, the central government transfers the municipalities' share of taxes and common fees and distributes them according to the previously mentioned criteria (see Table 1). It also shows that the share of investment returns in private investment projects in municipalities alone or in partnership with the private sector is very low, it is estimated at 0.2% of total municipal revenues. This means that the municipalities are not yet able to fulfill the task of local investment that was given to them by

the central government. Table 1 also shows that the share of investment returns in private investment projects without or with the private sector is very low, as it is estimated at 0.2% of total municipal revenues. This means that the municipalities are not yet able to fulfill the task of local investment that was given to them by the central government. As we find that the proportion of spending on investment projects out of the total local spending is very small, it is estimated at 0.3% (see Table 2). The rest of the capital spending, it is spending on local road projects and their maintenance, and purchase of machinery, devices, and equipment, which are necessary for municipal administration. By 78.8% current spending constitutes the largest percentage of spending by local institutions.

Table 1. Municipal revenue components in Jordan in 2018

No.	Revenue types	Percent (%)	
1	External revenues	54.1	
1.1	Governmental transfer (share of local units on oil tax, vehicle fees, and fine)		42.7
1.2	Governmental aid and donations		11.2
1.3	Aid and donations from the private sector		0.2
2	Internal revenues	45.9	
2.1	Building and land tax		9.7
2.2	Fees		21.2
2.7	Rentals and interest		2.7
2.9	Income from financial investments		0.6
2.10	Others		11.7

Source: Ministry of Local Administration (2020b).

Table 2. Components of municipal spending in Jordan in 2018

No.	Expenditure types	Percent (%)	
1	Current expenditures	78.7	
1.1	Salaries, wages, and bonuses		55.4
1.2	Others		23.3
2	Capital expenditures	21.3	
2.1	Administrative and service capital expenditures		20.0
2.2	Capital investment expenses		1.0
2.3	Financial investments		0.3

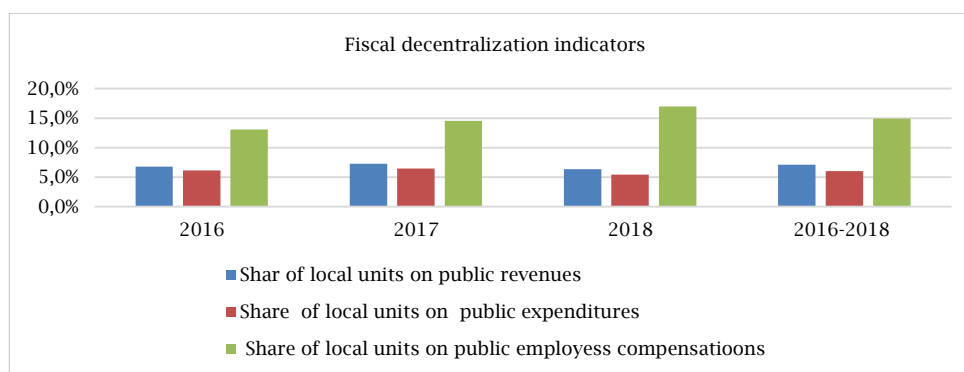
Source: Ministry of Local Administration (2020b).

7. RESULTS

Figure 3 shows the estimates of the three indicators to measure the degree of financial decentralization in Jordan in the period 2016-2018. The average public revenue index during the aforementioned period was 7.1% and the average spending index

of 6.0%. We conclude from this that the degree of decentralization in Jordan is very low when compared to other countries such as Egypt, Morocco, Lebanon, and the countries of the European Union, according to 2007 World Bank estimates (Dziobek et al., 2010)

Figure 3. The share of local units on public financing of the Jordanian Government (2016-2018)



Source: The author's elaboration.

When comparing the estimated values of these indicators in this study with the estimates of Aljaloudi (2008), which indicate that the value of the revenue index was 14.7% and the value of the spending index was 6.4% in the year 1975, it becomes clear to us that there is a decrease in the degree of financial decentralization with the passage of time in Jordan.

With regard to the compensation index for workers in the local public sector, its value was on average 14.9% during the same period (Figure 3), which is higher than the value of the previously mentioned indicators. This increase can be explained by the increasing pressure on municipalities to employ large numbers of employees, especially with the deterioration of the national economic conditions in the past ten years. We notice here an inflation of jobs in municipalities that is not commensurate with the volume of services provided to citizens and is not commensurate with the economic and administrative competence in municipal work. Accordingly, what is allocated from municipal public spending to compensation of workers is an unprecedented increase. However, this ratio is considered low, which reinforces that the degree of decentralization is very low.

8. CONCLUSION

This study used three financial indicators developed by the World Bank to measure the degree of financial decentralization in Jordan. These are: public revenue index, public expenditures index, and workers compensation index. Due to the lack of published data, especially on the budgets of municipalities in Jordan before 2015 and after 2018, the measurement of these indicators was limited to the published financial data for the years 2016, 2017, and 2018. This period is believed to be sufficient to judge the degree of fiscal decentralization, especially after the practical application of the decentralization model after 2015 in accordance with the Decentralization Law 2015, and the amendment of the Municipalities Law 2015.

The results of the World Bank study and previous research, related to the values of these indicators, were adopted to compare them with the values calculated by the researcher, in order to know the change in the degree of financial decentralization in the past period.

There is another way to evaluate the Jordanian experience in the field of decentralization with its three dimensions (financial, administrative, and political), as a field sample survey. However, this method requires a long time and a high financial cost, and a research team helps the researcher in conducting it. Therefore, the researcher believes that it should be conducted in the future by supervising a graduate student and collecting financial and technical support from the university. It could be conducted by the government, which the royal directives required to assess the experience of decentralization after 2015.

The calculated values of the three financial indicators showed that the degree of decentralization in Jordan is very low. Where the average value of the revenue index during the period: 2016-2018 is 6.4%, the average value of the expenditure index is 5.7%, and the average value of the employee compensation index is 14.9%. This value decreased over time, especially when compared to the values computed in the World Bank study in 2010 and in the unpublished research by Aljaloudi in 2008. Which means a decrease in the degree of financial decentralization in Jordan over time. This result shows that the central government does not have any tendencies to reconsider the distribution of financial powers between levels of government and administration in the state before and after the implementation of the decentralization model. The success of this model, especially in its administrative and political dimension, requires taking a number of steps in the financial field.

The government did not reconsider the financial resources of local authorities, such as amending their share in common taxes, changing local tax rates, or granting them new financial resources when amending the Municipalities Law

in 2015. The governorates were not granted any financial powers in the field of taxation or tax participation when they issued the 2015 decentralization law that would enable them to carry out their new tasks that were granted by that new law.

In the field of political decentralization, there has been tangible progress in the Jordanian model, represented by the election of governorate councils for the first time in 2017 on the one hand. And granting women the right to representation in elected municipal councils by granting them a fixed number of seats (10% of the council numbers), on the other hand. Female representation was also included in the governorate councils, which were elected at a rate of 25%.

In the field of administrative decentralization, a number of powers and tasks have been transferred from the center to the authorities and departments in the governorate. The type and number of tasks and responsibilities that the municipalities should perform have been reviewed.

The results of the research show that the success of the decentralization model requires the necessity of reconsidering the distribution of public financial resources between the three levels of government and administration in order to ensure the strengthening of the political and administrative independence of the regional and local bodies. Thus, enhancing its ability to achieve regional and local development, enhancing the participation of stakeholders in the regions and municipalities, and enhancing the role of accountability and transparency.

Ensuring the success of government measures taken in the political and administrative dimension

of decentralization requires the promotion of more financial decentralization, which guarantees an increase in the municipalities' share of public revenues and which enables them to carry out their local tasks efficiently and effectively. The researcher in this field suggests the following:

1. Granting elected local councils the powers to impose additional fees or adjust fees, and that this matter is not restricted to the Council of Ministers (the central government), as is currently the case.

2. Reconsidering the tax base and tax rates for local taxes to ensure that local self-revenue increases and at the same time that it does not negatively affect the encouragement of local investments.

3. Increase the municipalities' share of joint taxes, such as oil tax, vehicle fees, and fines. Fiscal transparency must be ensured regarding the proceeds of the oil tax. As its value does not appear like other taxes in the general budget of the government. What is distributed to the municipalities, the researcher believes that it does not correspond to the estimates of the outcome of this tax.

4. The participation of local authorities in income tax and sales of financial abundance. This is consistent with achieving the principle of tax justice. It is the right of the taxpayer to see quantitative and qualitative improvement in local public services in the region in which he resides, in addition to the public benefit achieved at the national level. On the practical level, many countries in the world allow local authorities to participate in the proceeds of these taxes.

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