



# TAUB CENTER

for Social Policy Studies in Israel

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## Press Release

**A new study by the Taub Center on the subject of merging municipalities has found that amalgamation could save hundreds of millions of shekels annually**

**A new study by the Taub Center for Social Policy Studies in Israel, conducted by Dr. Yaniv Reingewertz, found that merging small municipalities is likely to save NIS 5 million annually per amalgamation. The savings will allow municipalities to improve municipal efficiency and will lessen the need for government provided parity grants. In these times of significant budgetary cuts, the savings from amalgamating municipalities could replace cuts in welfare, education and health budgets.**

Today in Israel there are some 50 municipalities with fewer than 6,000 residents each. The Taub Center study shows that economies of scale in the provision of public service are greatest when municipality size ranges between 7,000 and 10,000 residents. In other words, fixed costs (like salaries for municipal employees) are distributed over more residents, so each resident has to pay less. Dr. Reingewertz shows that expenditure per resident for municipalities that amalgamated in 2003 were lower than in those that did not merge.

**To bring municipalities closer to the optimal size, Dr. Reingewertz suggests a plan for municipal amalgamation, showing that it is possible to save some NIS 131 million annually.**

Total municipal expenditure amounted to some NIS 43 billion in 2010 – about 16 percent of the government budget. Roughly 35 percent of the municipal budgets are received from the central government; the rest is financed through income to the municipality and loans.

Dr. Reingewertz, an economist at George Washington University in the United States, finds 25 municipalities that fulfill the criteria for optimal success in amalgamation (Table 1): they have fewer than 6,000 residents and they are adjacent to another municipality that is similar to them in social and cultural characteristics. This list includes municipalities like Rosh Pina, Pardesiya, Savyon, and Kfar Shmaryahu. The budgetary savings from such amalgamation would be substantial (Table 2). For example, a merging of Savyon and Ganei Tikva would lead to an expected savings of NIS 7.4

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The Taub Center was established in 1982 under the leadership and vision of Herbert M. Singer, Henry Taub, and the American Jewish Joint Distribution Committee. The Center is funded by a permanent endowment created by the Henry and Marilyn Taub Foundation, the Herbert M. and Nell Singer Foundation, Jane and John Colman, the Kolker-Saxon-Hallock Family Foundation, the Milton A. and Roslyn Z. Wolf Family Foundation, and the American Jewish Joint Distribution Committee.

million annually. Likewise, if Elyachin and the Emek Hefer Regional Council were to unite, the savings would be around NIS 17.7 million annually.

In 2003, Israel implemented a partial municipal amalgamation program, although 3 out of the 12 amalgamations were dissolved between 2009 and 2010 following the opposition of both residents and the local political leadership. **Dr. Reingewertz notes that to ensure the success of municipal amalgamations, they should be done in cooperation with the municipalities.** How should this be done? In Dr. Reingewertz's words: "The political and administrative levels must be involved and there must be cooperation between the central and local authorities; it is advisable to give adjustment grants to municipalities that merge to help cover one-time costs of amalgamation; and, there should be a reduction in government administered parity grants to smaller municipalities. Such a step would serve as an incentive for municipal amalgamation."

The Taub Center for Social Policy Studies in Israel, headed by Professor Dan Ben-David, is an independent, non-partisan institution for socioeconomic research based in Jerusalem. The Center provides decision makers, as well as the public in general, with a big picture perspective on economic and social areas. The Center's interdisciplinary Policy Programs – comprising leading academic and policy making experts – as well as the Center's professional staff conduct research and provides policy recommendations in the key socioeconomic issues confronting the State.

**For additional information or to arrange an interview, please be in touch with Gal Ben Dor, Director of Marketing and Communications at the Taub Center: 050-5931577.**

**Table 1. Municipalities Suited for Amalgamation**

	<b>Candidate for Amalgamation</b>	<b>Potential Receiving Municipality</b>
1.	Ma'ale Efraim	Shomron Regional Council (RC), Aravot HaYarden RC
2.	Yesod HaMa'ale	Galil Elyon RC, Mevo'ot Hermon RC, Rosh Pina
3.	Migdal	Tiberias, Emek HaYarden RC, Galil Tachton RC
4.	Metula	Mevo'ot Hermon RC, Galil Elyon RC
5.	Kfar Shmaryahu	Herzliya, Hof HaSharon RC
6.	Ein Kinyeh	Mas'ada, Majdal Shams
7.	Rosh Pina	Yesod HaMa'ale, Galil Elyon RC, Mevo'ot Hermon RC
8.	Kauchab Abu Al Hija	Kfar Manda
9.	Ma'ilya	Ma'ale Yosef RC
10.	Fasouta	Merom HaGalil RC
11.	Kfar Bara	Kafer Kassem, Drom HaSharon RC
12.	Elyachin	Emek Hefer RC, Hadera
13.	Savyon	Ganei Tikva
14.	Mas'ada	Ein Kinyeh, Majdal Shams
15.	Sajour	Rama, Merom HaGalil RC
16.	Ka'abya	Bosmat Tiv'on
17.	Pardesiya	Kfar Yona
18.	Megilot Yam HaMelach RC	Arvot HaYarden RC
19.	Tamar RC	HaArava HaTichona RC
20.	Alona RC	Megido RC, Menashe RC
21.	HaArava HaTichona RC	Tamar RC
22.	Arvot HaYarden RC	Megilot Yam HaMelach RC
23.	Gderot RC	Hevel Yavne RC, Brenner RC, Gan Rave RC
24.	Gan Rave RC	Gderot RC, Brenner RC, Hevel Yavne RC
25.	Hevel Yavne RC	Gderot RC, Brenner RC, Gan Rave RC

**Source:** Reingewertz, Yaniv (2013), *Municipal Amalgamation in Israel: Lessons and Proposals for the Future*, Taub Center for Social Policy Studies in Israel

**Table 2. Financial Savings from Municipal Amalgamation (in NIS millions annually, per 2010 data)**

	<b>Amalgamation</b>	<b>Total Expenditure</b>	<b>Expected Total Expenditures Following</b>	<b>Annual Savings</b>
1.	Ma'ale Efraim — Arvot Hayarden RC — Megilot Dead Sea RC	81.1	75.4	5.7
2.	Yesod HaMa'ale — Rosh Pina — Galil Elyon RC	166.6	155.0	11.6
3.	Migdal — Emek HaYarden RC	123.8	115.1	8.7
4.	Metula — Mevo'ot HaHermon RC	61.3	57.0	4.3
5.	Kfar Shmaryahu — Hof HaSharon RC	110.1	102.4	7.7
6.	Ein Kinyeh — Mas'ada	32.0	29.8	2.2
7.	Kaochab — Abu al Hija — Kfar Manda	81.3	75.6	5.7
8.	Ma'ilya — Ma'ale Yosef RC	99.2	92.3	6.9
9.	Fasouta — Merom HaGalil RC	96.2	89.5	6.7
10.	Kfar Bara — Kafer Kassem	97.8	91.0	6.8
11.	Elyahin — Emek Hefer RC	253.7	236.0	17.7
12.	Savyon — Ganei Tikva	105.8	98.4	7.4
13.	Sajour — Rama	53.4	49.7	3.7
14.	Ka'abiya — Tebash — Hajajra — Bosmat Tivon	44.0	40.9	3.1
15.	Pardesiya — Kfar Yona	104.6	97.3	7.3
16.	Tamar RC — HaArava HaTichona RC	125.7	116.9	8.8
17.	Alona RC — Megido RC	76.5	71.1	5.4
18.	Gan Rave RC — Brenner RC — Gderot RC — Hevel Yavne RC	167.1	155.4	11.7
	<b>Total</b>	<b>1,880.2</b>	<b>1,748.8</b>	<b>131.4</b>

**Source:** Reingewertz, Yaniv (2013), *Municipal Amalgamation in Israel: Lessons and Proposals for the Future*, Taub Center for Social Policy Studies in Israel