



Study on:

the Integrity, Transparency and Accountability in the Management of Investments in Local Authorities

Report No. 307



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Executive summary

This study examines the reality of investment management in Palestinian local authorities as an additional pillar for local development, especially given the limited financial resources allocated to them. With the increasing contribution of the private sector to local development, the need arises to entrench the values of integrity, principles of transparency, and accountability systems to prevent corruption, ensure the achievement of developmental goals, and enhance citizen trust.

Methodology

The study adopted the analytical descriptive approach by reviewing relevant legislation and policies, analyzing literature, and using indicators for integrity, transparency, accountability, and corruption prevention. Interviews were conducted with official and non-official stakeholders, and a questionnaire was used with a purposive sample of local authorities (A and B) in the West Bank for the purposes of this study.

Key Findings

1. Legal and institutional framework: There is a clear legislative shortcoming in regulating investments within local authorities. The Local Councils Law for (1997) lacks an explicit definition of the concept of investment and only provides general powers to local authorities. The same applies to the Partnership Regulation between Local Authorities and the Private Sector for the year (2022), which provided an initial framework for regulating partnerships but remains weak in some aspects of governing this process, such as transparency and disclosure. To facilitate the application of the principles of the Partnership Regulation, the Ministry of Local Government (MOLG) issued some instructions for implementing certain projects, as well as a standard contract for contracting the private sector. However, the absence of guidance manuals for the investment process hinders the necessary steps.
2. Integrity based on the results of examining compliance with the specific provisions in the indicators related to integrity values: The average compliance with integrity values in investment management amounted to (50%). Moreover, there are discrepancies among local authorities in applying controls, with weak mechanisms for disclosing conflicts of interest and protecting investment committees from external pressures.
3. Transparency: The average compliance with transparency principles reached (43.3%), which is below average. Disclosure is often restricted to the initial stages, while full publication of information, contracts, and financial reports is subsequently absent.
4. Accountability: There was relative compliance with legal requirements. However, there was weak periodic reporting and interacting with central authorities. As for community accountability: community participation was weak, as the indicators revealed a low level of citizen involvement in planning or oversight.
5. Corruption prevention: Indicators of corruption prevention recorded a low rate (22.2%), because of the ineffectiveness of internal control units in local authorities, the absence of specialized units or confidential reporting channels, in addition to weak coordination with the Anti-Corruption commission (ACC).

Recommendations:

- At the legal level: Develop the legal framework to include an explicit definition of investment, incorporate the Partnership Regulation as a requirement to enhance transparency, ensure citizens (taxpayers) have access to relevant information, develop guidance manuals that streamline investment management procedures in local authorities, and seek to develop corruption risk management in investment operations.
- At the institutional level: MOLG should issue guidance manuals and enhance the capacities of local authorities to manage investments.
- At the governance level: Obligate investment committees to document cases of conflict of interest by applying clear mechanisms to neutralize relevant parties, and put in place preventive measures that guarantee the protection and independence of the committee from any external influences. It is also necessary to obligate authorities to publish contracts and reports, activate disclosure policies and the right to access information, and enforce formal accountability through periodic reports to the Council and to MOLG.
- At the community level: Institutionalize mechanisms for community accountability that ensure citizen engagement in all project stages.
- At the preventive level: Activate earlier measures to manage corruption risks in the investment process, activate confidential and secure channels for reporting corruption, establish specialized anti-corruption units within local authorities, and enhance cooperation with the ACC.

Introduction

Local authorities in Palestine constitute a fundamental pillar of the development process, as they play a central role in providing basic services to citizens. The number of local authorities is 430 municipalities and village councils in the West Bank¹, and 25 local authorities in the Gaza Strip. Although the applicable Local Authorities Law since 1997 granted these authorities wide tasks and powers, however it kept the tasks of collecting taxes and many fees in the hands of the central government. This adversely impacted the revenues of local authorities, and caused problematic financial relations with the Ministry of Finance (MOF, because of lack of transparency and accumulated disputes over final accounts.

Amid the financial and economic challenges facing the Palestinian Authority and local authorities, the need has emerged to diversify revenue sources through investments and enhance partnerships with the private sector as a key driver of development. Studies and reports show that local investments contribute to increasing local capital, developing revenues, and maximizing municipal profits. They also diversify income sources to achieve sustainable local development and improve the financial performance of municipalities².

The importance of investments in local authorities stems from the fact that they constitute a development process or a regulated and systematic way to follow the economic plans and visions adopted by municipalities. They also express the municipality's will, as it enjoys the legal personality that enables it to exercise all actions, transactions, rights, obligations and other investment activities³.

At the Palestinian level, the need to activate partnerships between local authorities and the private sector has emerged amid declining foreign funding and official government support, and the evolution of the role of local authorities under their law from a traditional role to an actual developmental one. The transition phase towards establishing these partnerships started despite existing challenges, mostly the policies of the occupation, absence of enabling legislative environment, weak funding and institutional capacities of many local authorities, and limited investment diversity⁴.

Despite those challenges, investment processes in partnership with the private sector have been successful in some areas, which is an indicator of their importance. Examples include service complexes in Bethlehem, Al-Bireh, and Nablus, which constitute success indicators due to their continuity for several decades; the management of parking meters in the streets of many municipalities, and the management of public parks and halls⁵.

With the growing importance of these investments, it is necessary to ensure applying sound governance principles in their management and alleviating corruption, particularly by adhering to integrity values, transparency principles, and accountability systems in their management, to ensure the realization of the desired developmental goals and enhance citizen trust in local authorities. Hence, and in the context of its Strategic Plan 2023-2025, AMAN has moved to promote integrity values, transparency principles, and accountability systems in local authorities and embarked on

1 Ministry of Local Government, the General Administration of Formations and Elections, 2025.

2 Mohammad Nazeer Sabbagh, The impact of local investments on municipalities and the available methods of investments in partnership with the private sector, (أثر الاستثمار المحلية على البلديات وأساليب الاستثمار المتاحة بالشراكة مع القطاع الخاص), Humanities and Natural Science Journal, 1/3/2023, https://www.hnjournal.net/ar/4-3-2/?utm_source=chatgpt.com

3 Sabbagh, previous source.

4 Muhiddin Al-Ardah, The General Administration for Investment and Development , MOLG, interview on 18/8/2025.

5 A written response from the Federation of Palestinian Chambers of Commerce, Industry and Agriculture on the role of the private sector in the investments of local authorities on 7/9/2025.

a study that investigates the reality of integrity, transparency, accountability, and corruption risk mitigation in the management of investments in local authorities. It also came out with applicable recommendations for enforcing the integrity and governance system in their management, and activating official and community accountability for their officials.

Study objective

Examine and investigate the reality of integrity, transparency, and accountability in the management of investments within local authorities and their compliance with the regulatory legal framework; produce applicable recommendations to enforce the governance system, strengthen integrity values, enhance transparency principles, and activate formal and community accountability mechanisms in their management.

Methodology

This study adopted an analytical descriptive approach, through the following steps:

- 1- Reviewing and analyzing legislation relevant to investments in local authorities.
- 2- Conducting a desk review of relevant sources and literature, including reports, studies and research papers, and AMAN reports.
- 3- Developing a set of indicators on the integrity values of officials and employees, as well as a sufficient number of indicators on the principles and foundations of transparency in procedures and access to information, in addition to tenders and procurement. Developing a set of indicators on having an effective accountability system, including the preparation and submission of periodic reports, and mechanisms for objections, complaints, and responding to inquiries. Finally, a set of indicators for achieving corruption prevention.
- 4- Conducting interviews with relevant official and non-official stakeholders to discuss the reality of integrity, transparency, and accountability in the management of investments within local authorities.
- 5- Preparing the first draft of the study.
- 6- Holding a focus group discussion with stakeholders.
- 7- Preparing the second draft of the study.

Themes

- Introduction.
- The legal and institutional framework for managing investments in local authorities.
- Diagnosis of the reality of integrity, transparency, accountability, and corruption prevention in the management of investments within local authorities, based on the indicators developed for the purposes of this study, by adopting a "case study" approach.
- Conclusions and recommendations.

The legal framework governing investment processes in local authorities

The Palestinian legislations on local authorities lack an explicit and direct definition of the term "investment" within these authorities. However, the concept of investments in local authorities can be understood by analyzing the relevant legal and regulatory frameworks, especially those regulating partnerships between local authorities and the private sector. It is worth noting that the MOLG, in this regard, relies on the definition of investment provided in the Palestinian Investment Promotion Law No. (1) of 1998 and its Amendments.

1- Local Authorities Law No. (1) of 1997 and its Amendments and the subsequent Regulations

This Basic law regulates the work of local authorities in Palestine. Although it does not provide a direct definition of investment, it grants local authorities broad powers to manage their resources to achieve local development. Specifically, Article (15) stipulates the basic rules for investments in local authorities. The Law grants the local authority the right to manage its facilities, properties, and investments to serve the interests of citizens within its jurisdiction, through its employees and personnel. It also allowed the local authority to entrust the management of these tasks, or some of them, to contractors, or to grant concessions for these tasks, or parts of them, to individuals or companies for a maximum period of three years, or for more than three years subject to the Minister's approval. The Law also granted local authorities the power to implement developmental and economic projects within their municipal boundaries, and the right to conclude agreements related to projects, including investment, while adhering to the applicable regulations. Finally, the Law granted the local authority the responsibility for providing infrastructure services and promoting economic development within its area. Furthermore, Article (20) of the Law stipulates that the immovable properties of the local authority are registered in its name and may not be sold, exchanged, donated, mortgaged, or leased for a period exceeding three years except by a decision of the Council and the approval of the Minister. Article (21) authorized the local council to borrow funds from any party after obtaining the Minister's approval, and if the loan transaction required a guarantee from the executive authority, the approval of the Council of Ministers must be obtained.

These articles indicate that the local authorities are entitled to undertake developmental and investment projects within their powers, provided they adhere to the necessary legal procedures.

2- The Partnership Regulation between Local Authorities and the Private Sector No. (27) of 2022

This Regulation is the major regulatory framework for implementing investment enterprises through partnership between local authorities and the private sector. It aims to:

- 1- Enhance and encourage partnership between the local authority and the private sector.
- 2- Develop, build, and rehabilitate infrastructure and public utilities within the boundaries of the local authority to provide high-quality services, through implementing effective partnership projects with the private sector.

Main provisions of the Regulation

- **Aspects of work:** The Regulation applies to partnerships carried out by local authorities with the private sector within the framework of their legal mandate. This includes projects in areas such as water, wastewater, waste management, energy, transportation, and other public services stipulated in the Local Authorities Law of 1997.
- **Partnership Duration:** The Regulation regulates the duration of the partnership between the local authority and the private sector, setting a maximum of three years, requiring the approval of the Minister of Local Government if it exceeds this period. It also subjects contracting procedures to the public tender procedures outlined in the Public Procurement Decision By Law to ensure fair competition.
- **Partnership scope and contract type:** The Regulation defines the scope of partnership between the local authority and the private sector as being total or partial in terms of time, place, or type. It assigns to the local authority the responsibility of determining the type of contract with the private sector, suitable for the nature of the project, according to the following forms:
 - a) Concession Contract.
 - b) Build, Operate, and Transfer (BOT) Contract.
 - c) Build, Own, Operate, and Transfer (BOOT) Contract.
 - d) Any other agreed contract.
- **Committee responsible for project management:** The Regulation regulated the management of partnership projects by obligating local authorities to form a committee called the "Private Sector Partnership Committee," chaired by the head of the local authority or his delegate, with the membership of two council members, the executive director or a senior employee of the local authority, and the director of the economic development department (if it exists), or a specialized employee in economic development.
- **Project phases and contracting mechanism:** The Regulation clearly outlined the stages of partnership in detail and subjected the contracting process to the provisions of the Public Procurement Decision By Law. It incorporated many best practices related to the integrity of managing the investment process, to be clarified later in this study.

It is worth noting that the legal review presented in this section did not cover in detail all aspects of the legal and regulatory framework of investment management in local authorities. This was an intentional, since the legal aspects pertaining to legislative gaps or shortcomings have been distributed across the relevant analytical themes of this study (integrity, transparency, accountability, and corruption prevention). The aim is to highlight the direct impact of each legal deficiency on the practical implementation. This approach is based on one of the study's guiding principles, which is to link the legal text, on one hand, with the institutional and procedural problems resulting from its absence, on the other. This deepens the analysis and makes it more complementary, enhances the clarity of conclusions, and makes the recommendations more realistic and specific.

3- Official public policies

The subject of economic development of local authorities has garnered attention from the Ministry of Local Government. Such approaches are evident in relevant public policies and strategies, as follows:

- Policy Paper for Supporting Local Economic Development through Local Authorities issued by MOLG (2018): This paper aimed to establish a national framework for harmonizing concepts and visions on local economic development (LED) and enhancing the role of local authorities to lead development within their jurisdictions, in cooperation with the private sector and civil society⁶.

⁶ MOLG, Policy paper on supporting local economic development through local authorities (2018), (ورقة السياسات لدعم التنمية الاقتصادية المحلية من خلال الهيئات المحلية).

- The National Integrated Framework for Local Economic Development (LED), also issued by MOLG in 2018, provided a national framework for Palestinian economic development as a comprehensive reference that guides development policies and plans at the national and local levels, with a focus on institutional empowerment and investment promotion⁷.

- In 2018, the seventeenth government under Prime Minister Dr. Rami Hamdallah declared the fifteenth of March of each year a National Day for Local Economic Development, affirming the Palestinian government's commitment to advancing sustainable development at the local level, in line with national goals⁸.

-The Local Government Sector Strategy 2021–2023 stipulated linking the local government sector to the national policy agenda through a set of clear objectives and policies, including encouraging and enhancing public-private partnerships and effective civil society partnerships, leveraging experiences gained from partnerships and their resource mobilization strategy⁹.

-A specific policy paper on partnerships between local authorities and the private sector was completed in partnership between MOLG, the Municipal Development and Lending Fund (MDLF), the Association of Palestinian Local Authorities (APLA), and Palestine Economic Policy Research Institute MAS. This policy paper was subsequently developed into the Partnership Regulation between Local Authorities and the Private Sector.

-According to the Strategic Plan for Local Government (2025-2027), three objectives representing the pillars of good governance, financial sustainability and local economic development, and public services were approved. Strategic Objective No. (1) focuses on developing financial resources and stimulating the economic development of local authorities by achieving the following: improved financial management in local authorities and joint councils, reduced debt of local authorities and joint councils, and an enabling environment that promotes investments in the local government sector¹⁰.

7 MOLG, The integrated national framework for local economic development (. 2018 , الإطار الوطني المتكامل للتنمية الاقتصادية المحلية) ,

8 Al-Hayat Al-Jadida daily newspaper, commemorating the National Day for Local Economic Development, 15 March 2018.

9 Prime Minister's Office, the National Development Plan 2021-2023, Local Government Sector Strategy 2021-2023.

10 Ministry of Local Government, Local Government Sector Strategy 2025-2027, approved by COM during the preparation of this study.

The institutional framework for managing investments in local authorities

The institutional framework for managing investments in Palestinian local authorities is based on a set of official institutions whose roles are supposed to be integrated to ensure regulating and promoting investment in these authorities, govern the relationship between the public and private sectors, and guarantee integrity, transparency, and accountability in investment operations within the scope of local authorities.

The following is an overview of the main relevant institutions and their roles:

1- Ministry of Local Government

The Ministry of Local Government is the supervisory institutional body for local authorities in Palestine. It is mandated with preparing public policies and strategies related to the development of local authorities' work, including investment*. While the Palestinian legislator did not regulate the mechanisms for managing investment in local authorities in Law No. (1) of 1997, allowing them to continue managing their own investments for a period not exceeding three years, MOLG issued the Regulation of Partnership between Local Authorities and the Private Sector. However, this Regulation also did not address methods for managing own investments within local authorities, although it contributed to harmonizing several related legislations. Private sector representatives believe the most prominent challenge in the institutional regulation of this process is the absence of overarching legislation regulating public-private partnerships in general¹¹.

* See the section on public policies in this study, which reflects MOLG directions and policies on LED.

After issuing the Partnership Regulation, MOLG also issued a set of specific instructions for certain investment sectors, namely: general principles to be observed and implemented for investment in the energy sector, instructions for investment in fiber optic connection projects, and standards for investment in the transportation sector¹². To date, the Ministry has not issued any specific guidance manuals.

On the other hand, the Ministry plays a supervisory role in this area. It requires the operational plan for projects and adopts the investment plans and projects proposed by local authorities according to specific conditions stipulated by the Law and the Regulation.

Muhiddin Al-Ardah, from the General Administration for Development and Investment pointed out that MOLG is inclined towards making amendments to the Partnership Regulation between Local Authorities and the Private Sector after its implementation, since it became evident that it did not respond to all partnership cases encountered in the local government sector¹³.

2- Local authorities (municipalities and village councils)

Local authorities are the primary initiators of investment enterprises, playing a central role in promoting local economic development by developing investment enterprises within their jurisdiction. Project priorities are determined based on local development plans. Their role involves proposing projects for investment under their own management or in cooperation with the private sector based on the partnership regulation. They are also responsible for signing contracts with investors and supervising their implementation.

11 Written response from the Federation of Palestinian Chambers of Commerce, previous source.

12 General Administration for Economic Development, MOLG, internal unpublished instructions.

13 Al-Ardah, previous source.

The Local Authorities Law confines the investment activities of local authorities within their jurisdictions and within the framework of their legally mandated tasks and services. The Partnership Regulation between Local Authorities and the Private Sector No. (27) of 2022 confirms this restriction by explicitly stating that the scope of partnership must be limited to the competencies outlined in the law. Although the intended purpose of this limitation, as explained in discussions with stakeholders during the preparation of this study, is to avoid conflict or competition between local authorities and the private sector, however from an economic and developmental perspective, this restriction may reduce the ability of local authorities to contribute effectively to stimulating local economic growth and diversifying their income sources. This is particularly critical given the precarious financial situation these authorities face.

An analytical study entitled, "Revenues and Expenditures of Palestinian Local Authorities", prepared by MAS Institute for APLA, pointed out a clear issue with the Partnership Regulation. It noted that the system restricts the regulation of partnerships between local authorities and the private sector to the 27 tasks required of local authorities, without providing a way for these authorities to codify entry into other income-generating investment enterprises. This constitutes an additional constraint within the Regulation. Furthermore, the Regulation does not regulate processes such as the establishment of private companies affiliated with the local authority to launch and implement investment enterprises¹⁴ although the Companies Law does not prevent local authorities from registering such companies.

3- Municipal Development and Lending and Fund

Hazem Al-Qawasmi, Operations Director at the Municipal Development and Lending Fund (MDLF), clarified that MDLF provides financing and technical support to local authorities in the areas of infrastructure projects and development in general. Regarding the Fund's institutional role in supporting investments within local authorities, Al-Qawasmi indicated that the Fund's contribution remains limited, as this field is linked to the vision and policies of the Palestinian government, which he described as also still limited in this regard¹⁵. He confirmed that investment is not currently among the Fund's priorities or its operational plans.

In the same context, Nancy Al-Masry explained that the Fund, through the Local Economic Development project funded by the Dutch government, implemented a series of activities aimed at enhancing the capacities of local authorities in the field of economic development. These activities included training around 95 staff members from the targeted local authorities on concepts of partnership with the private sector, managing enterprises, preparing local economic development plans, and establishing local economic development units within the local authorities whose task is to manage economic development projects. Furthermore, it also funded and participated in the preparation of the Local Economic Development policy paper for MOLG¹⁶.

4- The Association of Palestinian Local Authorities

Abdul Momen Afana, Director of the Technical and Legal Support Unit at the Association of Palestinian Local Authorities (APLA), indicated that APLA's role is to advocate the interests of local authorities before MOLG and MDLF. In principle, the Association has no supervisory role over the local authorities. It rather represents the local authorities before official and international bodies

14 MAS, Analytical study entitled, "Revenues and Expenditures of Local Authorities" (دراسة تحليلية بعنوان "إيرادات هيئات الحكم المحلي الفلسطينية ونفقاتها") October 2023.

15 Hazem Al-Qawasmi, Operations Director at the Municipal Development and Lending Fund, personal interview on 17/6/2025.

16 Nancy Al-Masri, expert on social issues at MDLF, personal interview on 17/6/2025.

and conveys their voice on national and reform policies, including local investment policies. Afana added that the Association submitted a proposal to the government to develop and reform the local government sector, which included items related to enhancing economic development and partnership with the private sector. These items include creating an enabling environment through a comprehensive legislative and regulatory framework, and providing financial or tax incentives to local authorities to encourage them to engage in partnerships with the private sector. Regarding the Regulation for partnership between local authorities and the private sector, Afana indicated that this regulation must be reviewed and developed in several aspects, such as not restricting local authority investments only to the services within their mandate in the Local Authorities Law, as well as aspects of contracting procedures¹⁷.

5-The State Audit and Administrative Control Bureau

The State Audit and Administrative Control Bureau (SAACB) undertakes the control and audit of administrative and financial operations in local authorities, including investment enterprises. It ensures compliance with laws and regulations, uncovers any financial and administrative violations or deviations, and issues control reports that help improve governance within them. In this context, Ashraf Abu Zubaida from the General Administration for Local Government at SAACB pointed out that all municipal work is subject to the Bureau's control, whether they are investment or development projects¹⁸.

6- The Private Sector (Companies and Investors)

The private sector provides funding and technical expertise for the implementation of enterprises, submitting investment proposals through the competitive mechanisms announced by local authorities.

Representatives of the private sector involved in developing these partnerships believe that it is necessary to address the following challenges and obstacles¹⁹:

- The absence of a governing law for the public-private partnership relationship, specifically with local authorities.
- The lack of expertise among representatives of local authorities in the fields of establishing and managing for-profit projects and the private sector.
- Confidence in the ability of local authorities to fulfill their financial obligations.
- Changes in the representatives of local government institutions on the boards of joint companies due to the end of their terms in local councils.
- Sometimes, conflicts of interest among members of local councils.

In this context, private sector representatives have several proposals to overcome these obstacles, such as preparing a modern law for public-private partnership that takes into account previous local and international experiences, involving the investment promotion system in designing and implementing partnerships, and ensuring this law complements the existing legal framework, especially the Investment Promotion Law, to provide more comprehensive incentives for these investments. Furthermore, digital transformation is one of the most important sectors for investment and partnership between the private sector and local authorities.

¹⁷ Abdul Momen Afaneh, Director of the Technical and Legal Support Unit at the Association of Palestinian Local Authorities (APLA). Interview on 20/5/2025.

¹⁸ Ashraf Abu Zubaida, General Administration for Local Government, SAACB, written responses on 21/5/2025.

¹⁹ Written response from the Federation of Chambers of Commerce, previous source.

Integrity, transparency, and accountability in the management of investments in local authorities

For the purpose of completing this study, a purposive sample of local authorities in the West Bank was selected as case studies, taking into consideration geographical distribution (north, center, and south of the West Bank) and the classifications of local authorities (A) and (B). Although the current selection of municipalities was limited to (A) and (B) municipalities as they are major municipalities with higher investment opportunities than rural areas (C municipalities and village councils), it should be noted that investment opportunities are available in the Palestinian rural areas and may be higher than in cities, considering diverse investment rather than service investment, such as agricultural investment.

Study Sample:

Local Authority	Classification	Geographical Area
Qalqilya	A	North
Salfit	B	North
Ramallah	A	Center
Beitunia	B	Center
Bethlehem	A	South
Dura	B	South

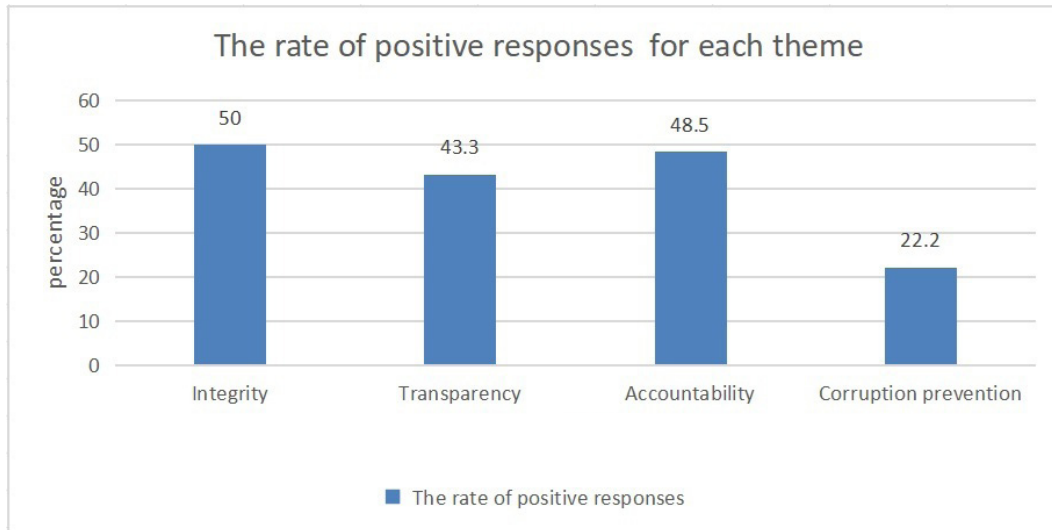
To collect the necessary data for the study, a form was designed based on a set of indicators developed specifically for preparing the study. It included a set of indicators examining compliance with integrity and transparency in the management of investments in local authorities, as well as assessing the level of official and community accountability, and corruption prevention measures during the stages of the investment process in local authorities (A form is attached).

A sample of representatives from the local community who are directly related to community accountability was also selected, whether through their membership in accountability committees, their participation in public municipal meetings, or as experts. The sample included the following:

- Dura Municipal Youth Council,
- A community and women's activist from Salfit city, and
- An expert in issues of community accountability.

The results of the form distributed to the sample of selected local authorities to evaluate the system of integrity, transparency, and accountability in managing investments in local authorities are presented in the following chart:

Chart No. (1)
Rate of full implementation of requirements for integrity, transparency, accountability,
and corruption prevention in investment management



The chart above reflects an average rate of 50% of local authorities and relevant parties taking their own measures to ensure the integrity of investment management within local authorities. However, the transparency of this process falls below average, reaching 43.3%. Similarly, the oversight and accountability occurring during this process reached 48.5%. Measures to prevent corruption risks are low, scoring 22.2%.

The implications of these figures and percentages become clear when discussing each theme of the study separately, as follows:

Integrity in investment management

Integrity is the cornerstone of investment management within local authorities, as it ensures public resources are directed towards the public interest without bias or exploitation. Adopting integrity standards enhances the confidence of investors and the local community in the officials and employees of the authority, reduces opportunities for corruption and conflicts of interest, and ensures fair decisions based on objective criteria rather than for personal or factional interests.

Although the Local Authorities Law No. (1) of 1997 and its Amendments lack any controls that promote the values of integrity in managing investments within local authorities, the Council of Ministers issued the Code of Conduct and Ethics for Employees of Local Authorities and Joint Councils in 2023. This code included a clear definition of conflict of interest, stipulated the need to refrain from any unprofessional conduct, and warned against offering or accepting gifts aimed at influencing decisions.

On the other hand, the Regulation on Partnership between Local Authorities and the Private Sector No. (27) of 2022 included direct clauses to enhance integrity in managing the investment process between local authorities and the private sector. Article (8) obligated the local authority to form a committee called the "Partnership Committee with the Private Sector", headed by the chair of the local authority or his delegate, with the membership of two council members, the executive director

or a senior employee from the local authority, the director of the economic development department (if it exists), or an employee specialized in economic development. The same article obligated committee members or any external specialists or experts participating in the investment committee to disclose any conflicts of interest when studying any partnership project²⁰.

Moreover, Article (15) of the Regulation prohibited the local authority from entering into any partnerships that violate laws, regulations, and public morals. It also prohibited the contractor with the local authority from entering, directly or indirectly, into any partnerships similar to the project within the jurisdiction of the local authority, and obligated them to disclose any conflict of interest before entering into a partnership with the local authority.

The Regulation also mentioned in several places the need to prepare feasibility studies for enterprises before starting them, and granted MOLG, in Article (4), the authority to evaluate and follow up on feasibility studies and periodic reports for partnership enterprises and provide relevant recommendations to the local authority. The importance of conducting feasibility studies stems from their focus on the economic, technical, and environmental data specific to the investment enterprise, restricting opportunities for making investment decisions in favor of specific parties without objective justification, thus protecting the public interest and ensuring impartial investment decisions based on facts, away from favoritism or personal interests.

Despite stipulating the disclosure of conflicts of interest, the Regulation did not address disclosure mechanisms, such as obligating the committee to document this disclosure or ensure that the concerned person is recused from the committee. The Regulation did not provide for many best practices that enhance the integrity of the investment process, such as ensuring the impartiality of committee members, verifying that no gifts are received, and ensuring committee members are familiar with the codes of conduct for employees in local authorities and others. Despite the existence of Council of Ministers regulations for disclosing conflicts of interest and for receiving gifts, the Regulation did not link the investment process to them, which could have been addressed in the guidance manuals which the Regulation tasked MOLG with issuing.

A survey of the sample local authorities that examined their compliance with a set of integrity requirements expected to be applied during investment management, such as having clear procedures for managing investments, a code of conduct for managing partnerships and investments, a specific policy for preventing conflicts of interest in investment enterprises, specific procedures for submitting financial disclosure statements, the availability of integrity measures in tenders, and the independence of investment management and evaluation committees, yielded the following results:

20 The Partnership Regulation between Local Authorities and the Private Sector No. (27) Of 2022.

Chart No. 2: Integrity requirements

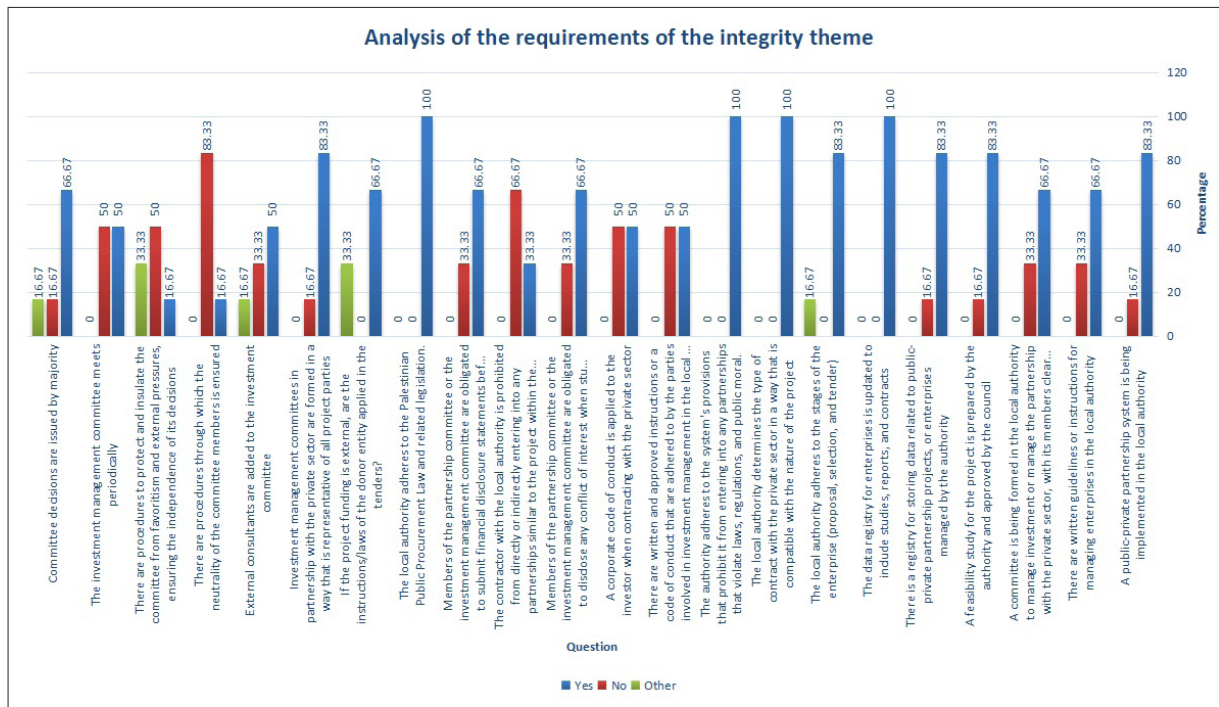


Chart No. (2) shows significant variation in the extent to which integrity requirements are applied or available, with compliance rates ranging from a minimum of 33.33% to a maximum of 100%. This indicates that some basic controls are almost absent for certain requirements, while other standards are fully complied with. The rates are gathered in groups and their implications analyzed as follows:

Requirements with 100% compliance

1. The data registry of investment enterprises, including studies, reports, and contracts is updated.
2. The local authority specifies the type of contract with the private sector to suit the nature of the enterprise (concession agreement, (BOT) contract, (BOOT) contract, or any agreed-upon contract).
3. The authority complies with the provisions of the Regulation that prohibit it from entering into any partnerships that violate laws, regulations and public morals.
4. The local authority applies the Palestinian Public Procurement Law and related legislations.

Implications of the figures

These indicators reflect a high level of compliance with legal rules and official controls, especially in the application of the Public Procurement Law, updating data, and determining contracts based on the project's nature. This enhances integrity from the perspective of legal compliance and prevents manipulation of contracts or violations in partnerships. However, this does not necessarily mean that integrity values are fully embedded in practice if not coupled with clear commitments, practices, and accountability for conflicts of interest and control over them.

Requirements with 66.67% to 83.33% compliance, such as:

1. Implementation of the Partnership Regulation between Local Authorities and the Private Sector within the local authority: 83.33%.
2. A feasibility study for the project is prepared by the authority and approved by the council: 83.33%.
3. Existence of written guides or instructions for managing investment enterprises within the local authority: 66.67%.

4. Formation of a committee within the local authority for managing investment or managing the company with the private sector, with clear specification of its members: 66.67%.
5. Members of the partnership committee or investment management committee are obligated to disclose any conflicts of interest when studying partnership projects: 66.67%.
6. Members of the partnership committee or investment management committee are obligated to submit financial disclosure statements before the project begins: 66.67%.
7. Committee decisions are made by majority vote: 66.67%.

Implications of the figures:

These results show that there is a good, yet incomplete, integrity framework in the investment process in local authorities. The rates indicate that procedures are not applied comprehensively, but some practices are applied only in certain authorities or are only partially applied, reflecting varying levels of system maturity among authorities. The results also show that mechanisms for preventing conflicts of interest need strengthening.

In this context, Mr. Afana, Director of the Technical and Legal Support Unit at the APLA, indicated that some municipalities form investment committees that are a formality, as a single person from the municipality is delegated to manage and follow up on investments. This opens the door for developing special relationships between the delegate and the investor, away from the oversight of the local authority, which in some cases has led to suspected corruption such as bribery. He confirmed that the absence of relevant guiding manuals issued by MOLG contributes to the lack of control over this process²¹.

Regarding conflicts of interest, Ghadeer Al-Ahmad from the Development and Investment Department at MOLG indicated that the Ministry developed a standard contract template and circulated it to local authorities to use for drafting their contracts. She added that this template does not contain binding mechanisms or controls for disclosing conflicts of interest or receiving gifts that should be disclosed prior to the contracting process, noting that the Ministry has indeed dealt with a case of conflict of interest in one of the investments in local authorities²². Private sector representatives added that one of the obstacles to investing with local authorities is the occasional conflict of interest among local council members²³. Regarding financial disclosure statements, many surveyed local authorities indicated that they suffice with the statements that each committee member had previously submitted within the framework of their designated positions.

Requirements with compliance rates of 50% or less – indicating structural weakness and low awareness of procedures:

1. Have written and approved instructions or a code of conduct to which stakeholders in investment management within the local authority adhere: 50%.
2. External advisors are added to the investment committee: 50%.
3. The contractor with the local authority is prohibited from entering, directly or indirectly, into any partnerships similar to the enterprise within the jurisdiction of the local authority: 33.33%.
4. Have procedures to ensure that committee members maintain impartiality: 16.67%.
5. Have procedures to protect and fortify the committee against favoritism and external pressures, ensuring independent decision-making: 16.67%.

²¹ Afana, previous source.

²² Al-Ahmad, previous source.

²³ Written response from the Federation of Chambers of Commerce, previous source.

Implications of the figures:

1. The low number of procedures aimed at protecting decisions from external influence (favoritism, personal interests, patronage) constitutes a major flaw in the institutional safeguards strategy and represents a serious gap. Even with compliance with the law, weak safeguards against external influence makes decisions susceptible to influence of powerful parties inside or outside the local authority.

2. Regarding the result of the second item, adding external advisors to the investment committee, which is only 50%, this aligns with the statement of the Director of the Technical and Legal Support Unit at APLA, as he clarified that local authorities suffer from weakness in the technical staff working in the field of investment and the institutional aspects regulating this process, in addition to a lack of accumulated expertise in managing investments. In most cases, they do not contract external advisors, although the Regulation allows including experts in the investment committee. This gives the private sector an upper hand in imposing its terms when concluding contracts and reaping benefits from investments²⁴.

Transparency in investment management

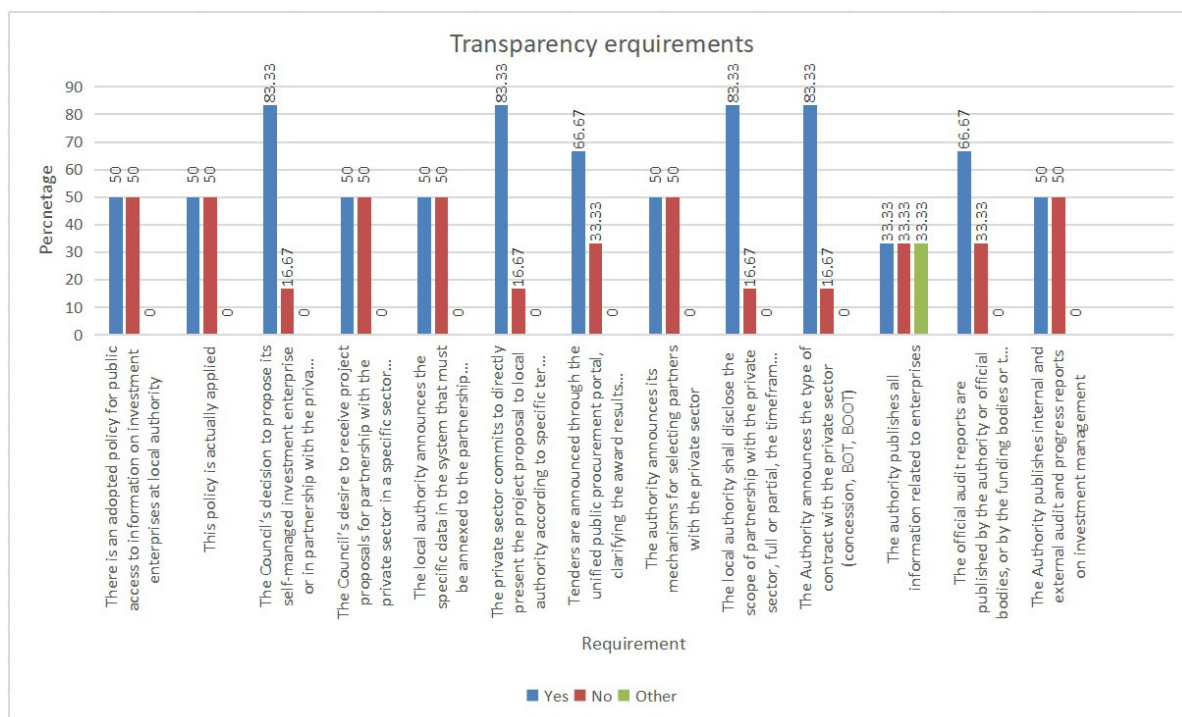
Transparency is the cornerstone for ensuring sound and honest management of investments in local authorities. It enables citizens and oversight bodies to access information related to all stages of enterprises, from planning through implementation and evaluation. Regular disclosure of contracts, award mechanisms, partners, and control reports enhances public trust, promotes equal opportunities, and reduces monopolistic practices and favoritism. Transparency also allows the local community to effectively exercise community oversight, which improves the quality of investment decisions and mitigates the risks of corruption and mismanagement.

Article (6) of the Partnership Regulation obligates local authorities to define, fully or partially, the scope of the partnership with the private sector in terms of time, location, or type, and to identify the type of contract in line with the nature of the enterprise. Article (10) permits the private sector to directly submit a partnership project proposal to the local authority according to specific and clear terms outlined in the Regulation. Furthermore, Article (12), Item 2, provides that the Council must put the partnership enterprise out for competition in accordance with the provisions of the effective Public Procurement Law and its related legislation, while respecting the intellectual property rights of the direct partnership project proposal. Article (13) emphasizes that the contract must comply with the requirements specified in the effective Public Procurement Law and its related legislation, mandating that the contract as a minimum must include a set of requirements listed in the Article aimed at enhancing contract transparency.

Upon surveying the sample of local authorities to examine their compliance with a set of transparency principles based on relevant provisions of the Local Authorities Law on transparency, the Partnership Regulation between Local Authorities and the Private Sector, and best practices expected to be applied during investment management, the application of the following requirements was verified: having a general publication policy within the system or the local authority, pre- and post-publication of the partnership enterprise and its tenders, disclosure of criteria for selecting private sector partners, disclosure of enterprise details, and publication of performance and official audit reports. The survey results were as follows:

²⁴ Afana, previous source.

Chart No. 3: Transparency requirements



The results from Chart No. (3) on transparency reveal varying levels of compliance of local authorities with transparency standards in managing investments, whether implemented independently or through partnerships with the private sector. While notable adherence to some elements of transparency was observed in the planning and initial announcement stages, the overall state of transparency fell below the required level.

The following four requirements recorded a compliance rate of 83.33%:

- Making a public announcement of the council's decision to propose an investment enterprise, whether managed by the authority itself or in partnership with the private sector.
- The private sector is committed to directly submitting partnership project proposals to the local authority according to the terms specified in the Regulation.
- The local authority's disclosure of the partnership scope with the private sector (whether full or partial), duration, location, and type.
- The authority's disclosure of the contract type with the private sector (concession agreement, BOT contract, BOOT contract).

These results reflect a relative emphasis on openness in the initial enterprise stages.

On the other hand, compliance rates for indicators related to disclosure during the award stages, publishing control reports, and implementation of policies on access to information ranged between 50% and 66.67%. This indicates limited commitment to publishing data of a procedural or executive nature, with some authorities having irregular or inactive practices.

The most critical indicator was the question concerning the publication of all information related to investment enterprises (project financing, contracts, implementing entities, implementation schedules, budgets and revenues, completion rates, minutes, and decisions of the investment committee), which recorded a low rate of only 33.33%. This reveals a fundamental weakness in comprehensive transparency and undermines the ability of community stakeholders for monitoring and accountability.

These results reveal that weak commitment to making information accessible and publishing it for citizens, and the lack of a mandatory institutional framework for comprehensive and detailed publication, is one of the largest flaws in work in this field.

Third: Official and community accountability in investment management

1- Official accountability

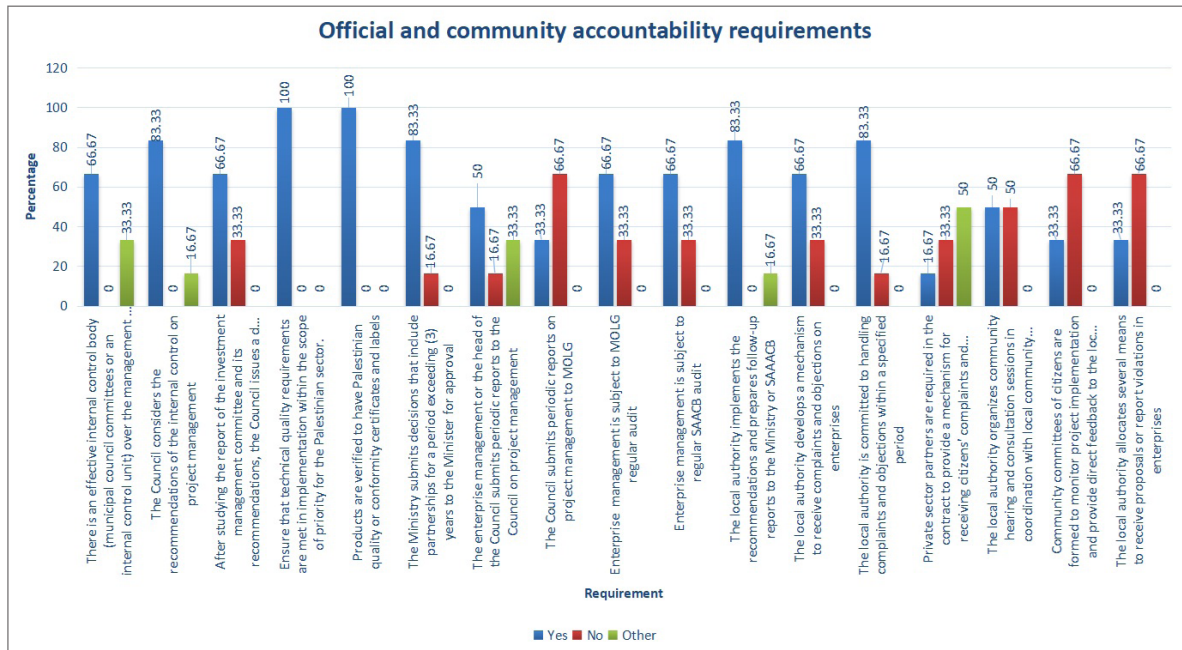
Official accountability is a fundamental pillar for ensuring integrity and efficiency in investment management within local authorities. It involves monitoring the performance of administrative bodies through an institutional control system that includes local councils, internal audit units, and supervisory entities such as MOLG and SAACB. It is of utmost importance since it verifies compliance with relevant laws and regulations, prevents violations, and ensures achieving the expected developmental return from investment enterprises. Official accountability also helps build trust in institutions, ensures efficient and transparent use of public resources, enhances the local investment climate, improves the quality of services provided to citizens, and reduces opportunities for abuse of power for private gains.

Articles (4, 8, 9, and 11) of the Partnership Regulation between Local Authorities and the Private Sector provide clear mechanisms for pre and post oversight, both internally and centrally. However, this oversight was limited to the official level only, while the Regulation and the Local Authorities Law are void of any institutionalized community oversight over the management and implementation of investments.

When surveying the sample of local authorities to examine their compliance with a set of official accountability requirements based on the provisions of the Local Authorities Law, the Partnership Regulation between Local Authorities and the Private Sector, and the best practices expected to be applied during investment management, the application of the following requirements was examined: Having a clear system for administrative accountability and internal control for the management of the investment enterprise and its related decisions; submitting periodic reports to the municipal council and MOLG; subjecting projects to official auditing and monitoring; monitoring the implementation of audit and oversight recommendations, and mechanisms for complaints and objections within the municipality in their various forms, including holding special sessions with citizens and civil society organizations to inform them about the investment enterprise and evaluate its implementation stages.

The survey results were as follows:

Chart No. 4: Official and community accountability requirements



Regarding official Accountability:

Highest Compliance Rate: 100%

The local authorities have shown full compliance at 100% in the following two indicators:

- Verifying compliance with the technical quality requirements during implementation regarding giving priority to Palestinian products.
- Verifying that the products have Palestinian quality labels or conformity certificates.

Implications of this rate:

These results reflect a clear institutional commitment to technical standards and quality in the implementation of investment enterprises, indicating a genuine will to apply national policies related to promoting the Palestinian products and quality assurance, in line with the requirements of the Public Procurement Law No. (8) of 2014 and the Partnership Regulation No. (27) of 2022.

Distribution of other indicators:

• High rates: 80-90%

Four indicators had high rates, most notably: the council adopts internal audit recommendations (83.33%); the local authority implements audit recommendations (83.33%). These results reflect a relative activation of and responsiveness to the role of internal control, which is a positive indicator of instilling a culture of accountability within local councils.

• Medium rates: 50-79%

Six indicators had medium rates, including having an effective internal control body (66.67%) and submitting periodic reports by the investment management to the council (50%). These rates indicate control structures and processes exist, but they are not regular, and there is not full commitment across all authorities.

• Low rates: Less than 50%

Three indicators had low rates, most notably weak commitment of the council to submitting periodic reports to the Ministry (33.33%), which indicates a flaw in institutional communication channels between local authorities and supervisory entities, and limits the Ministry's ability for effective oversight.

Ashraf Abu Zubaida pointed out that SAACB receives complaints as part of a comprehensive complaint against the local authority, mostly related to non-compliance with agreements made between the local authority and the private sector, or related to profit distribution, debt distribution, or poor management of these enterprises. Regarding the compliance of local authorities with audit report recommendations, Abu Zubaida indicated that the compliance rate varies from one local authority to another. After issuing the final report, the Bureau follows up on the authorities' compliance with implementing its recommendations and addresses the local authority regarding the recommendations that have not been implemented, so as to work on their implementation. The Bureau also addresses MOLG, the competent ministry supervising the work of local authorities, to monitor the implementation of these recommendations. Abu Zubaida summarized the main problems facing the investment process according to SAACB audits as follows:

The absence of a dedicated investment file within local authorities documenting all investments and their related documents, and which prove the municipality's right to the investment; the absence of a role for the development and investment unit in monitoring and managing the local authority's investments and achieving their desired goals; The balance of profits of the local authority accounts declared in its financial statements for the investments is incorrect; the lack of documents proving that the local authority invested amounts in some other councils and bodies; and weak follow-up by the local authority of its investments in companies through the investment unit and the Municipal Council²⁵.

Lowest compliance rate: 16.67%

The indicator on obligating private sector partners in the contract to provide a mechanism for receiving citizen complaints and objections had a low rate.

Implications of this rate:

This rate reveals an obvious weakness in incorporating accountability tools within the contractual framework with the private sector, which limits citizens' ability to effectively participate in the control over project implementation and weakens the level of transparency and openness in the contractual relationship between the two parties.

2- Community accountability

Community accountability is a central tool for promoting good governance in managing investments within local authorities. It enables citizens and civil society organizations (CSOs) to monitor performance, evaluate compliance with legal and developmental standards, and influence local decision-making. It also contributes to exposing violations and enhancing transparency, increasing trust between the community and local authorities and ensuring that investments are implemented in a manner that meets local community priorities and needs. Community accountability also constitutes means for correcting course and ensuring optimal use of public resources by engaging affected parties and potential beneficiaries in monitoring and evaluation.

Upon surveying the sample of local authorities to check the level of compliance to a set of community accountability requirements, based on best practices expected to be applied during investment management, because neither the Local Authorities Law nor the Partnership Regulation stipulate such requirements, the following requirements were verified: engaging citizens in setting project priorities, providing community mechanisms for oversight, and receiving comments and suggestions from citizens. The survey results were as follows:

²⁵ Abu Zubaida, previous source.

Only one indicator had a medium rate (50%), while two indicators had low rates (33.33%), reflecting a shortcoming in engaging the local community in the accountability framework. The rates were distributed as follows:

One indicator had the highest compliance rate (50%): Holding hearing and community consultation sessions in coordination with local community institutions before launching investment enterprises. Although the recorded rate does not exceed 50%, it represents the highest indicator within this theme, reflecting the absence of true institutionalization of community participation and showing that most projects are launched without effective involvement of relevant community stakeholders in the planning or evaluation stages.

The lowest compliance rate was (33.33%), for the requirements of forming community committees to monitor project implementation and provide feedback to the local council, and dedicating multiple channels for receiving suggestions or reporting violations in investment enterprises.

These low rates reflect the limited channels available for the local community to exercise effective oversight and the absence of sustainable mechanisms for interaction between citizens and the local authority. They also indicate a weak institutional infrastructure for community accountability, both in terms of establishing oversight committees or channels of communication and reporting.

In this context, Dr. Ahmed Hijjawi, advisor at APLA and an expert on community accountability issues, explained that the community's role in investment enterprises of local authorities remains limited compared to its active role in developmental projects. The reason for this disparity is that donors often impose community participation in developmental projects as a condition, whereas investment enterprises are designed and implemented in partnership with the private sector, and away from the local community. The reason is that officials in local authorities do not feel accountable to the citizens, in addition to the dominant private sector culture, the stronger party in this relationship, because of the financial weakness of local authorities. Consequently, the local community is not considered a partner in these enterprises, neither by the private sector nor the local authorities, reflecting the absence of an institutional culture that recognizes the community's right to participate, hold accountable, and monitor implementation²⁶.

Dr. Hijjawi also confirmed that the local community is capable of influencing the course of investment enterprises and contributing to adjusting them if given the opportunity for genuine participation. He explained that a practical experiment was conducted by organizing public hearings for a joint project with APLA, involving two enterprises. Coordination was made with the concerned local authorities to hold these sessions with the attendance of citizens and investors. Participants were able to present practical suggestions that neither the investors nor the local authorities had considered, some of which were adopted, and enterprises were adjusted accordingly after the hearings²⁷.

Despite the low rates related to community accountability, some local authorities were successful in this area. For example, Ahmad Al-Amair, head of the Dura Municipal Youth Council, indicated that the municipality organizes community dialogues about investment enterprises before launching them. It also forms a community committee to monitor the projects, and enables citizens, represented on this committee, to provide their feedback by dedicating an electronic platform for complaints and

²⁶ Ahmad Hijjawi, Advisor at APLA, expert on community accountability issues, telephone interview on 16/6/2025.

²⁷ Hijjawi, previous source.

observations, and listens to objections. While the municipality discloses the names of shareholders and the size of their equity in the enterprises, Al-Amair noted that the municipality does not publish the agreements for the public²⁸.

On the other hand, Valentina Afana, a women activist in Salfit governorate, pointed out that the municipality formed an advisory council to enhance community accountability. Investment enterprises are presented to the advisory council for opinion and follow-up. She pointed out that the municipality implemented enterprises based on proposals submitted by citizens, such as a compost production plant and a solar energy plant, and a local community committee was formed to monitor implementation²⁹.

Fourth: Corruption Prevention

Corruption prevention constitutes a major pillar in enhancing integrity and preserving public resources in investment enterprises of the local authorities. Preventive measures reduce opportunities for deviation, enhance confidence in the investment environment, and provide a climate of fair competition among partners. Mechanisms such as disclosure, reporting violations, and early detection of conflicts of interest help establish principles of transparency and accountability before violations occur, which has a positive impact on management efficiency and effectiveness of developmental project implementation.

Legal framework for corruption prevention in managing investments

Corruption prevention in managing investments in local authorities is based on a set of legal provisions stipulated in the Anti-Corruption Law No. (1) of 2005 and its Amendments, the Partnership Regulation between Local Authorities and the Private Sector No. (27) of 2022, and the Local Authorities Law No. (1) of 1997.

In the Anti-Corruption Law, although the Palestinian law did not define corruption, it identified corruption crimes. Articles (6 bis 1) and (24) constitute the cornerstone of general institutional prevention, as they prohibit mixing public and private interests and obligate public entities to establish internal procedures for combating corruption, including appointing specialized staff and activating early detection systems. Article (18) stipulates the protection of whistleblowers and the confidentiality of information, while Article (22) requires all official bodies to cooperate with the Anti-Corruption Commission (ACC) throughout all stages of work.

The Partnership Regulation between Local Authorities and the Private Sector includes important preventive articles, most notably Article (8), which provides that partnership management committees must disclose conflicts of interest, and Article (9), which requires subjecting all contracts to the provisions of the Public Procurement Law to ensure transparency and fair competition. Article (4) emphasizes that partnerships exceeding three years in duration must obtain the Minister's approval, which constitutes an effective central oversight tool.

Regarding the Local Authorities Law, Article (15) stipulates that granting concessions is subject to clear regulatory and oversight conditions, while Article (20) emphasizes the authority's responsibility to preserve public funds and prevent their use for illicit purposes.

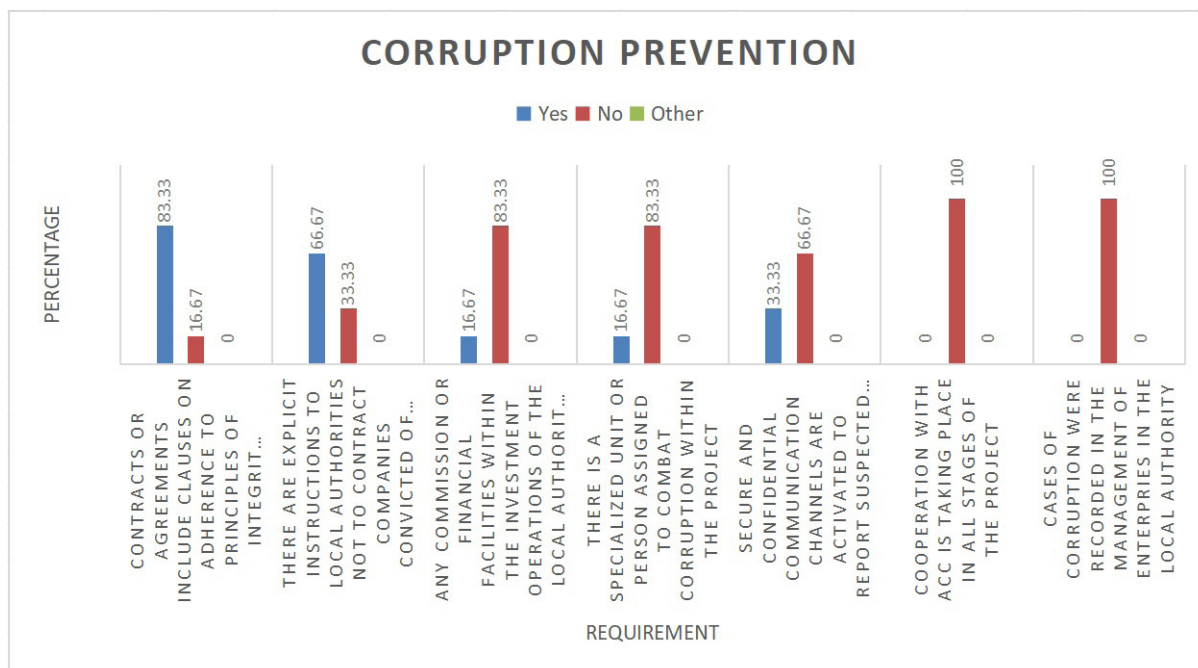
Together, these articles form the foundational legal framework, used to activate corruption prevention and alleviation in investment enterprises, by incorporating integrity requirements into contracts, enhancing financial disclosure, empowering internal audit/anti-corruption units within the authorities, and activating cooperation with the competent control bodies.

²⁸ Ahmad, Al-Amair, head of the Dura Municipal Youth Council, telephone interview on 29/5/2025.

²⁹ Valentina Afana, a women and community activist in Salfit governorate, telephone interview on 29/5/2025.

Upon surveying the sampled local authorities for this study to examine their compliance with a set of corruption prevention requirements outlined in the aforementioned laws and regulations, or based on best practices expected to be applied during investment management, the following requirements were verified: corruption prevention in contracts and agreements, financing, implementation, institutional cooperation, and the establishment of confidential reporting channels. The survey results were as follows:

Chart No. (5) Corruption prevention requirements



The requirement to include clauses in contracts or agreements specifically mandating adherence to integrity principles, disclosure of any conflicts of interest, and reporting corruption suspicions had the highest compliance rate (83.33%). This reflects an advanced institutional awareness of the importance of the integrity requirements in the contractual framework of enterprises, thus constituting the first defense line against corruption and establishing the legal basis for accountability in case these clauses are violated. It also reflects partial alignment with the provisions of the Partnership Regulation, which emphasizes preventing conflicts of interest and enhancing transparency.

The requirement for local authorities to have explicit instructions prohibiting contracts with companies convicted of corruption offenses had a medium rate (66.67%). This means that such instructions exist, which constitutes a preventive tool. However, the medium compliance rate indicates a gap in practical application or in the clarity of these instructions within contracting procedures, which may lead to local authorities to unintentionally deal with companies with a corrupt record.

The indicators with low rates (33.33% and below) show weakness in the implementation of core preventive measures within local authorities, which may also indicate that those local authorities are not familiar with these procedures. Several indicators had very low rates, most notably:

- Activating secure and confidential communication channels for reporting corruption suspicions (33.33%), indicating limited tools available for citizens and employees to report violations in a safe manner that ensures their protection.

- Disclosure of any commissions or financial facilities within investment operations (16.67%), indicating the absence of financial transparency within contractual processes, which weakens the ability of oversight bodies to monitor deviations or conflicts of interests.
- Assigning a specialized unit or person to combat corruption within the project (16.67%), mostly indicating an absence of an internal organizational structure dedicated to monitoring and preventing corruption in enterprises.
- Cooperation with ACC during project stages (0%), one of the most serious indicators, as it reveals a complete disconnect in coordination with the official body mandated to combat corruption at the national level.
- The failure to record any corruption cases in project management (0%) is not necessarily a positive indicator; it may indicate the absence of effective detection and monitoring mechanisms, or a weak reporting culture within the institution.

Together, these indicators reflect a structural and cognitive weakness in the prevention system within many local authorities and the need to institutionalize tools of protection, disclosure, and institutional coordination with ACC. The absence of specialized staff or units to combat corruption within enterprises, despite the existence of internal audit units in local authorities, indicates that the institutional structure still lacks a clear division of responsibilities. Furthermore, the lack of coordination with ACC may lead to weakness in developing relevant procedures by the competent parties, or poor awareness of local authorities of the importance of preventing corruption risks in investment management.

The Training Department at the ACC stated in a written response that it had implemented a number of training and awareness programs in the field of corruption prevention and promoting integrity in local authorities, the last of which was during May 2025 in the municipalities of Jenin and Bethlehem. These programs aimed to inform participants of the forms of corruption and methods of reporting it, in addition to training youth groups to enable them to conduct community accountability sessions. However, the department explained that no specialized training programs or awareness campaigns on the governance of investment management have been implemented so far, neither for local authorities nor the local community³⁰.

Issam Abdul Haleem, Director General of Complaints at ACC, confirmed that the Commission pays great attention to issues related to the local government sector, because of its role in providing services to citizens and managing public funds. Despite the increasing importance of the topic of investments in this sector, Abdul Haleem indicated that the Commission has not yet adopted specific instructions regulating this particular aspect. The Commission has not made any prior preventive coordination with local authorities regarding their investment management procedures neither for enterprises managed by local authorities alone, nor for those managed in partnership with the private sector.

Abdul Haleem stressed the need to enhance the governance of these enterprises to ensure transparency and accountability, revealing that the Commission had received two complaints related to investment enterprises in some local authorities, which have been classified as suspected corruption and are still under follow-up and procedures of the Commission³¹.

³⁰ Anti-Corruption Commission, written response from the training department on 18/6/2025.

³¹ Issam Abdul Haleem, Director General of Complaints at ACC, telephone interview on 29/6/2025.

Alaa Al-Samoudi, head of the preservation, archiving, and reports section at the Financial Disclosure Unit at ACC, clarified that the Commission has not yet issued specific instructions related to persons associated with managing investments in local authorities. He indicated that submitting financial disclosure statements takes place within a general framework that includes all those subject to the provisions of the Anti-Corruption Law within local authorities, without specifying a particular category related to investment management³².

The nature of the work of investments in partnership with the private sector may require ACC to issue instructions that regulate the partnership of the private sector with the local authority in the management of enterprises of a public service nature, which fall within the jurisdiction of local authorities in accordance with the law.

³² Alaa Al-Samoudi, head of the preservation, archiving, and reports section at the Financial Disclosure Unit at ACC, telephone interview on 23`/6/2025.

Conclusions

Part of these conclusions are based on the results of the questionnaire distributed to the sampled local authorities in preparation for this study. Although the study's results may not be generalized to the entire local authorities' sector, the conclusions constitute significant indications to be used to bolster investment management in local authorities, especially that attempts to regulate this process are relatively recent.

The legal framework governing investment management

A review of the legislative and regulatory provisions related to the work of local authorities in Palestine reveals that the concept of "investment" is not explicitly or independently defined in any of the applicable laws, but rather inferred implicitly through the powers granted to local authorities to manage their facilities and implement developmental and economic projects, which leaves wide room for individual interpretations and different opinions. The Local Authorities Law No. (1) of 1997 constitutes the general framework that grants local authorities relatively flexible powers to manage their resources and properties, and permits them to conclude investment agreements according to specific ministerial conditions and approvals, but without stipulating the institutionalization of the investment process or providing special procedures and mechanisms if the authority wishes to manage its own investments.

Furthermore, the newer Partnership Regulation between Local Authorities and the Private Sector No. (27) of 2022, was the first attempt to frame the investment process through the partnership model with the private sector, providing details on procedures, contractual models, and implementation stages. While this Regulation addressed some aspects of governance in investment management within local authorities, it did not include detailed and integrated provisions regulating this process, especially on transparency and disclosure. It neither obligates publishing contract details or performance reports, nor includes sufficient guarantees for external or community oversight. Moreover, restricting investments to the local authorities' tasks identified by the Law, rather than adopting a broader developmental interpretation, deprives local authorities from expanding investment opportunities and adapting to their changing developmental priorities.

On the other hand, the Local Authorities Law lacks any details that would assist local authorities in managing their own investments or even partnership investments. To date, local authorities do not have a clear guiding manual for managing their own investments. Moreover, MOLG has not issued the manuals stipulated in the Partnership Regulation between Local Authorities and the Private Sector to date, but has only issued some instructions for specific aspects.

Integrity in investment management

Although the integrity requirement recorded the highest implementation rate among other requirements, it remained average, i.e. 50% of local authorities and relevant entities take specific measures to ensure the integrity of investment management in local authorities. This indicates that the direct legal frame of reference that regulates integrity requirements is incomplete, best practices in this aspect are not applied, as local authorities partially adhere to formalities, with significant variation in the application of integrity controls among local authorities, reflecting the absence of harmonized institutional procedures related to integrity.

Despite the clear provisions against conflict of interest, however protection mechanisms and the neutralization of parties that have conflicts of interests have not been duly activated. No procedures are put in place to verify the absence of conflict of interest or the impartiality of investment committee members. Moreover, local authorities lack procedural and organizational manuals that guide the conduct of investment committees, such as manuals for disclosure of conflicts of interest and receiving gifts. The ability to ensure the independence of these committees and to protect them from favoritism and pressures is also evidently weak. The findings indicate a weakness in adopting preventive measures at the institutional level.

Transparency in investment management

The indicator for transparency requirements in investment management fell below average to 43.3%, a weak rate that reflects the reality of publishing and disclosure in the investment process. The study revealed a legal and regulatory gap in obligating local authorities to publish information related to the different stages of the enterprise. Disclosure is often limited to the initial stages, without a subsequent commitment to publishing updates, contracts, or financial statements. Furthermore, the level of publishing control and financial performance reports remains weak. The absence of a clear and active policy guaranteeing access to information for citizens or oversight bodies, because of the lack of a legal framework for access to information, is also evident.

Official and community accountability

The findings indicate relative compliance with official accountability according to existing legal frameworks. However, this compliance lacks sufficient institutional organization, particularly in reporting and interacting with central control bodies. Community accountability remains absent from the legal and institutional framework, with no practical tools for engaging citizens in monitoring, controlling or providing feedback, which limits the effectiveness of community participation.

Corruption prevention

The findings of the study reveal poor adoption of corruption prevention measures within local authorities, as most of them lack specialized units or staff for combating corruption within investment enterprises. Moreover, safe and confidential channels for reporting suspected corruption are not activated within local authorities, limiting the ability of employees and citizens to report without fear of repercussions. Moreover, there is an almost complete absence of institutional coordination with ACC, which weakens prevention efforts. It is worth noting that reporting no corruption cases in several local authorities does not necessarily reflect integrity, but may rather indicate the absence of effective detection and monitoring mechanisms.

On the other hand, ACC has not adopted any specialized awareness programs addressing this vital aspect in local authorities, despite implementing general programs in the fields of corruption prevention, especially amid the lack of provisions on controls or procedures regulating private sector representatives who manage enterprises that provide public services within the jurisdictions of local authorities.

Recommendations

Priority should be given to enhancing the capacities of employees in investment management within local authorities. Priority should also be given to exchanging experiences among local authorities and between local authorities and the private sector, especially for investments conducted in partnership with the private sector.

Furthermore, APLA and MDLF should take the initiative to prepare work manuals and implement empowerment programs for the technical staff of local authorities, to enable them to carry out their new role and improve their knowledge of the core governance elements for managing these investments, since local authorities lack such experience and the expertise.

Strengthening the governance of investment management requires its development in several areas as follows:

Developing the legal framework

- Amend the legal framework for local government to include an explicit and comprehensive definition of the concept of investment in local authorities, clarifying its economic, developmental, and administrative dimensions.
- Review and develop applicable legislations and study international experiences to expand the powers of local authorities, allowing them to develop investment enterprises that go beyond traditional service activities. Enable them to align the development of their projects with their strategic plans and local development plans without restricting them to the activities and services provided in the Local Authorities Law, on condition they comply with the applicable controls.
- Incorporate requirements of enhancing transparency into the Partnership Regulation between Local Authorities and the Private Sector No. (27) of 2022, explicitly stipulating that local authorities must publish contracts and periodic reports, and ensure that citizens (taxpayers) have access to relevant information.
- Develop guidance manuals that harmonize investment management procedures in local authorities, covering both the investments managed by local authorities and investments in partnership with the private sector.
- Work on developing corruption risk management in investment operations.

Promoting and developing integrity values

- MOLG should formulate and circulate standard forms and procedures, including codes of conduct, forms for disclosure of conflicts of interest and receiving gifts, and monitoring mechanisms, to ensure the harmonization of the institutional practices in investment management.
- Local authorities must form specialized committees for managing investments (own investments and those in partnership with the private sector), committing to activating this committee, and working through it effectively in project management, rather than delegating the task to a single individual, to ensure the governance and institutionalization of investment management.
- Obligate investment committees to document cases of conflict of interest and deal with them officially and transparently, by applying clear mechanisms to neutralize relevant parties, and building preventive procedures that guarantee the protection and independence of the committee from any external influences.
- Emphasize to local authorities, during contracting, the need to obligate the contractor with the local authority to refrain from entering, directly or indirectly, into any partnerships similar to the enterprise within the jurisdiction of the local authority for the entire duration of the contract.

Developing transparency principles

- Approve internal procedures and instructions in local authorities that allow access to information, enabling citizens and local governance institutions to participate more effectively in setting priorities and overseeing investment enterprises, in line with best practices in the governance of local government.
- Include a mandatory publishing policy in the Partnership Regulation or the executive bylaws for all project stages, explicitly specifying the documents that must be published, especially contracts and agreements, budgets, and technical and financial reports.
- Develop an updated national unified electronic platform for local authorities, which provides the public and oversight institutions with easy and regular access to information.
- Publish periodic oversight and audit reports by local authorities and control bodies as public documents to enhance institutional transparency.

Official and community accountability systems

- The enterprise committees must submit periodic reports to the local council, which is responsible for holding hearing sessions with citizens on investment enterprises.
- Strengthen the compliance of local authorities with submitting periodic reports to MOLG, as this strengthens ministerial oversight and ensures the documentation of procedures.
- Enhance the control of official institutions (MOLG, SAACB) over investment management in local authorities.
- Issue official instructions obligating local authorities to integrate community accountability tools into project stages.
- Urge civil society organizations to raise citizen awareness about the importance of oversight over enterprises in local authorities, and establish community oversight committees representing the citizens and the civil society.
- Provide effective means for receiving comments and complaints on investment management and following them up through the local authority.
- Compel private sector partners, through partnership contract clauses, to provide a clear and effective mechanism for receiving citizen complaints and objections, enhancing the project's responsiveness to the needs of the local community.

Corruption Prevention Procedures

- Assign specialized employees in each local authority to follow up all matters related to corruption prevention within investment enterprises in local authorities, and disseminate the Code of Conduct and raise awareness of its provisions among officials and staff involved in investment.
- Include in every investment agreement or contract clauses requiring knowledge of and compliance with the system on disclosure of conflicts of interests and the system on receiving gifts, and the pledge to refrain from offering or receiving any unlawful privileges, ensuring compliance in every agreement or investment contract.
- Develop mechanisms for systematic and sustainable cooperation between local authorities and ACC, including the exchange of data related to investment enterprises for joint supervision on aspects related to corruption prevention. Involve relevant civil society organizations to raise awareness among officials and employees about corruption prevention strategies, the provisions of the Anti-Corruption Law, the values of integrity, transparency principles, and accountability systems. Include performance evaluation indicators for enterprises that include the ability for early detection and effective handling of corruption suspicions.
- MOLG must develop regulatory instructions for investment management, including preventive procedural controls to ensure integrity. Those should be applicable to both local authorities and the private sector partners in investments, in addition to the system on disclosure of conflicts of interests, the system on receiving gifts, and corruption reporting.

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List of charts

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AMAN was established in 2000 as a civil society organization that seeks to combat corruption and promote integrity, transparency and accountability in the Palestinian society. The Coalition was first formed by an initiative from a number of civil society organizations working in the field of democracy, human rights and good governance. In 2006, the Coalition was accredited as a national chapter for Transparency International.

AMAN is a Palestinian think tank and a specialized body providing knowledge on corruption at the local and regional level through producing specialized reports and studies. The periodic publications include: The annual Integrity and Anti-Corruption Report, the annual Palestinian Integrity Index and the National Integrity System studies and reports, in addition to the Coalition's continued contributions to produce reports and studies on the status of corruption in the Arab region.

As part of the global anti-corruption movement - and of international alliances and partnerships with relevant specialized coalitions and organizations - AMAN plays a key role in the transfer and contextualization of necessary international knowledge and tools to combat corruption in all sectors.

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