

## Executive Summary

- In 2014, there was improvement in the National Integrity System (NIS) in some government institutions and NGOs (media and the private sector) due to anti-corruption efforts, hence people's trust in the procedures improved as well. This was especially obvious in terms of raising public awareness in regard to causes and forms of corruption and ways to combat it, in addition to spreading values of integrity at the local government level following local elections in the West Bank. Furthermore, the Anti-Corruption Commission (ACC) was clearly active in pursuing fugitives facing corruption charges. Requests for assets and stolen funds recovery were made in accordance with provisions of the Palestinian judiciary.
- The overall trend apparent from studies conducted by AMAN along with local and international public opinion polls confirmed that corruption is still one of the most significant problems, concerns, and challenges in Palestine. Alongside this is the deterioration of economic conditions and problems related to governance issues.
- The Israeli occupation, the political division and internal differences continued to negatively impact the (NIS) and anti-corruption efforts. The most prominent of these problems is Israel's continued refusal to present transparent financial data on the money it collects on behalf of the PNA (taxes and customs). Furthermore, in 2014 the role of the occupation became apparent in protecting certain people charged with corruption. In addition, the negative effects of the internal division continued whereby some official decisions were made in the West Bank and Gaza Strip for factional purposes, which had a financial impact on public funds.
- The absence of any role for the Palestinian Legislative Council (PLC) and the failure to hold elections weakened monitoring over the management of public affairs. The national consensus government was operating in the absence of a legislative monitoring authority. Moreover, the breakdown of the legislative process resulted in non-compliance of Palestinian legislations with United Nations Convention against Corruption (UNCAC), which was signed by the Palestinian National Authority (PNA).

Political will improved as a result of signing the UNCAC. Tangible improvement was noticed in the application of the Civil Service Law, improvement in terms of developing declared criteria for appointments and their procedures; in disseminating information by a number of high official offices and their willingness to face social accountability. However, efforts remained haphazard because no binding comprehensive and participatory national plan was adopted to combat corruption. Index results indicated that Palestinian legislations still come up short in providing immunity for the Palestinian (NIS) such as those governing cases of conflict of interest as illustrated by the integrity index for 2014, which was 538; a 16-point drop compared to 554 in 2013. This shows that the integrity system in Palestine is still not an inhibitor of corruption and is still oscillating in the same place.

- 2014 saw some relatively slow steps towards an electronic government (e-government), with the Monetary Fund's launching of the "Perago Clear" system for automating interbank clearing operations (checks) and tools for retail payments, through providing direct links to its members.

A memo of understanding was also signed between the Higher Judicial Council and the Monetary Authority to develop and set up automated systems in the Judicial Council and for employment applications in public service to be done electronically through the electronic gateway of the General Personnel Council. The government began to implement the 'electronic link system' between several ministries.

- The ACC issued its annual report and published it on its website.
- At the level of the private sector, public shareholder companies began to implement some provisions of the code of corporate governance in Palestine. The annual reports of some companies included their annual bonuses and the expenditures of their Board of Directors. Furthermore, the Palestinian Capital and Stock Market disclosed **relevant information** that could impact the activities of public shareholder companies or the rights of shareholders. This was published on the Commission's ACC and the Market's websites.
- There was an improvement in the monitoring role of the media through the increased level of media outlets publishing investigative reports on corruption.
- In coordination with government institutions and NGOs that participated in drafting the code, the General Personnel Council held training workshops for civil servants on the code of conduct for public posts at its headquarters and in some government institutions. The judicial authority also initiated inspection of the judiciary including monitoring over the extent of commitment to the provisions of the code of conduct for judges. Furthermore, the Palestinian police continued its preparation of the code of conduct.
- At the level of civil society there was a clear development in terms of the expanded role of universities, media institutions and NGOs in efforts to raise awareness and spread the concepts of transparency and accountability. In particular, AMAN carried out several interventions in various fields regarding the promotion of the concepts of integrity and transparency in a number of official institutions such as the security sector and local commissions. It also carried out several activities pertaining to social accountability and to motivating citizens to combat and blow the whistle on corruption.
- The anti-corruption prosecutor turned over several officials suspected of corruption to the corruption crimes court, which issued convictions last year against three of them. Among these were certain director generals (high positions) in addition to ordinary employees in ministries and municipal councils or in commissions and NGOs. The crimes involved conventional forms of corruption such as: *wasta*, nepotism, misuse of authority, impingement on public funds, misuse of position for self-interest, illicit gain, embezzlement, bribe and laxity in performing the general national duties. A 2014 poll conducted by Transparency International via a Palestinian research institution showed that 6% of citizens in the West Bank paid bribes to obtain a public service, while in the Gaza Strip 19% of those polled said they paid bribes for the same purpose.
- Data indicates that the Anti-Corruption Court issued rulings in three cases and responded to them in 2014. It should be noted that 50 cases were retained in 2014, 20 of which were dismissed.
- **Economic crimes continue and are on the rise:** 34 cases in violation of the Consumer Protection Law were turned over to the economic crimes prosecution in 2014. Still, this does not reflect the

reality on the ground in terms of the proliferation of this crime. Thus, to guarantee the effectiveness of the deterrence policy, AMAN is demanding the publication of the names of people or companies who carried out these crimes, the type of crimes and the product once it is turned over to a specialized court. As for tax evasion, in 2013 and 2014, the prosecution registered a total of 97 cases in all districts.

- The continued absence of a legislative authority given the disrupted work of a unified PLC was the most apparent manifestation of dysfunction in 2014. This resulted in the centrality of authorities in the hands of the President of the Executive Authority, which weakened the concept of reciprocal monitoring. This was further reinforced this year after the President completely assumed the role of the PLC in addition to his appointment of a president for the Higher Judicial Council without recommendation from the Council itself. He also retired the head of the State Audit and Administrative Bureau (**SAAB**) and suspended and transferred some senior officials without justifications. This affected the balance of the political system overall and led to the single domination of the Executive Authority over the other authorities. In turn, this weakened the development of an effective NIS. Likewise, the absence of the PLC resulted in a lack of monitoring over the level of commitment to the UNCAC. Furthermore, it resulted in the failure to issue a Competition and Prevention of Monopolies Law or a Franchising Law to sectors that relinquished or share administrative authority with the private sector.
- Spending from the public treasury continued outside the framework of parliamentary monitoring. That is, the final draft budget was never presented to the PLC. Neither did the PLC look into these expenditures throughout 2014, which allowed the PNA to remain in control over spending priorities without any review of the soundness of these priorities.
- In spite of the positive developments in terms of appointments in public positions, the General Personnel Council did not complete the job description card for higher PNA positions. This absented any transparent criteria in appointing some senior employees or “the exclusive higher ranks” given the absence of the principle of competition. No vacancies were announced for these positions. This, therefore, weakened monitoring over these appointments due to the absence of a commission or committee to guarantee the quality of the appointment decisions; such a commission is authorized to review appointments for higher positions (both civil and security) in the public sector, before the President issues a decree on this.
- In 2014, official extraordinary procedures were taken; a number of the “higher ranking” employees were moved to the General Personnel Council or to other ministries; some were sent into early retirement. These procedures pertained to important positions and departments, such as the presidential office, the finance and justice ministries, SAAB, and the PLC, without any announcements or declared reasons for these extraordinary procedures.
- It became apparent that some governmental non-ministerial institutions are still practically excluded from official accountability. This means there is a risk that these institutions could turn into private ‘kingdoms’ where decisions are controlled by specific people. It became clear that in some of these institutions, salaries and privileges which are not consistent with the financial reality of the PNA, were allocated to officials there. Some officials in these institutions were receiving a monthly salary of over \$10,000 in addition to special privileges and bonuses. This

explains why some senior employees in PA ministries were unprofessionally racing to transfer to these posts, thereby encouraging *wasta* and nepotism in departments surrounding the decision-makers on these appointments.

- **The Energy Sector...a drain of public funds:** the item on net lending in the general budget showed an increase in actual expenditures by half more than what was estimated in the budget (from \$600 million to \$956 million). This constituted a drain on the general budget because public funds were used instead of meeting the financial needs of some municipalities in paying electricity and other service bills from the clearance tax money (**maqassa**) even though most municipalities collected fees beforehand from citizens, particularly electricity fees.
- **The politicization of public positions threatens the sound management of public money:** The policy of appointments on political bases has led to random and unnecessary appointments. The number of employees in civil and security institutions grew , which burdened the general budget by paying their salaries. At present, this takes up approximately 60% of the overall operational budget of the PNA each year. In a number of ministries, it reaches 85% of the overall operational expenditures. This is without calculating in Gaza Strip employees who received their salaries from the Hamas-led government. This resulted in the PNA's inability to meet its obligations towards basic public services such as health, education and welfare.
- **Transparency of the budget:** The Ministry of Finance did not issue the Citizens' Budget in 2014; neither did the Finance Minister respond to a call from NGO Team for Transparency of the Public Budget and other civil society representatives to attend a special meeting on the budgetary goals, plan and justifications for 2014 and to listen to the viewpoint of civil society in this regard. A survey gauging the transparency of the Palestinian general budget showed that transparency was weak. Within 10 months from the time the survey and monthly inspection were conducted it became apparent that in 2014 only three of eight required financial documents were provided to the public.
- AMAN calls on the Palestinian government, the Ministry of Planning and the Anti-Corruption Commission to formulate a comprehensive national plan to combat corruption, in which various sectors would participate, according to an approved timetable. All government, civil and private sectors will be part of its implementation and it will be led by a professional and representative commission. The commission will present its action reports on a periodical basis for discussion with all parties in attendance. A special budget will be allocated for it in the general treasury.