



Palestine

Population ¹	N/A
Area (km ²) ¹	N/A
GDP per capita (USD) ¹	N/A
TPES (Mtoe) ²	N/A
Energy intensity (toe/10 ³ 2010 USD) ²	N/A
CO ₂ emissions - energy (MtCO ₂) ²	N/A

Sources:

1. The World Bank 2017

2. ©IEA 2018, www.iea.org/statistics

Palestine's overall risk level against the assessed areas is **moderate**.

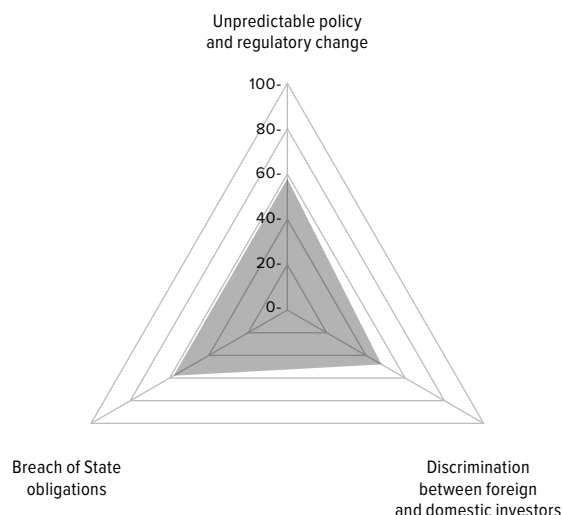
Among the three EIRA risk areas, *discrimination between foreign and domestic investors* is lower than *unpredictable policy and regulatory change* and *breach of State obligations*.

Palestine's performance is moderate on three of the EIRA indicators, and it is low on one indicator. It has received 57 points on the indicator *regulatory environment and investment conditions* and 55 on *management of decision-making processes*. On *rule of law* the score stands at 43 while *foresight of policy and regulatory change* is at 28 points.

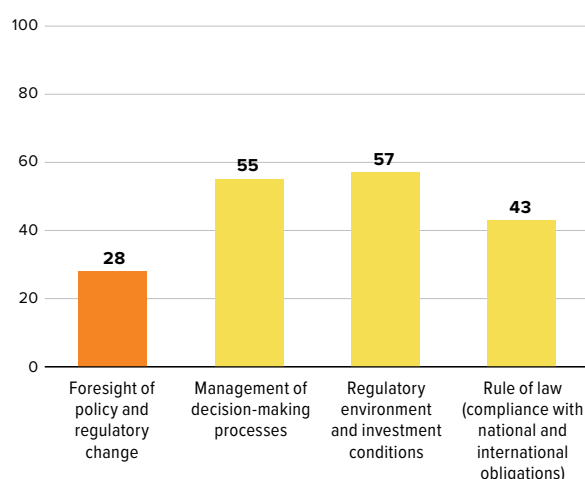
On a more detailed level, Palestine's overall sub-indicator performance is moderate. The highest-scoring sub-indicator is *restrictions on FDI* with a good score of 70. It is followed by *institutional governance* at 69. Next is *management and settlement of investor-State disputes* with a score of 60 points. Palestine has obtained a moderate score of 44 on the sub-indicator *regulatory effectiveness*. *Transparency and communication of vision and policies* are at 41 and 31 respectively. On the sub-indicators *robustness of policy goals and commitments* and *respect for property rights*, it has received 25 points each.

While there are some policies and measures in place, more concrete steps must be taken to strengthen Palestine's performance across all indicators and underlying sub-indicators. Particular attention should be given to enhancing the robustness of its policy goals and commitments and respect for property rights.

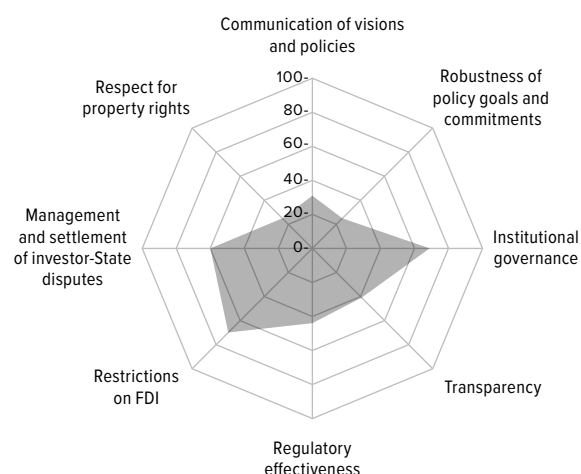
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The 2017-22 National Policy Agenda: Putting Citizens First constitutes Palestine's fourth National Plan since 2008.

The Comprehensive National Strategy for the Energy Sector in Palestine (2017-2022) sets the priorities for the energy sector.

Palestine ratified the Paris Agreement in 2016 and submitted its first NDC.

STRENGTHS

The main priorities of Palestine are ensuring greater energy security, implementing higher efficiency standards and strengthening its institutional framework. To achieve these strategic objectives, the Comprehensive National Strategy for the Energy Sector in Palestine (2017-2022) proposes a set of measures to be undertaken by 2020. Projects to ensure reliable electricity connection systems are underway. Attempts are also being made to diversify the energy mix, establish strategic oil and gas storage reserves and develop the power transmission and distribution infrastructure.

The Palestinian Energy and Natural Resources Authority (PENRA) is in charge of monitoring activities in the energy sector. The Palestinian Central Bureau of Statistics, established under Law no. 4 of 2000 on General Statistics, collects and integrates the data used for monitoring different sectors, including energy. It gathers statistics on energy balance, energy use in households, consumption by industry, pollution and emissions. It also compiles data on the balance of international investment in various economic sectors.

AREAS FOR IMPROVEMENT

While commendable efforts have been made to streamline growth in the energy sector, further work is needed to produce the intended results. As a starting point, energy priorities must be linked to performance-oriented targets. At present, the strategy documents describe Palestine's objectives but do not envisage a mechanism for assessing their achievement. Clear targets allow policy makers to identify the right implementation measures, facilitate better planning and assist in effectively monitoring the progress made.

Robust monitoring mechanisms should evaluate the impact of policy instruments and the real progress made on their intended outcomes. Defined and independent monitoring bodies are necessary from an answerability perspective since public institutions can be held accountable for the delivery or non-delivery of their targets. In light of this, it is suggested that the roles and tasks of the implementing agencies and the monitoring authorities be stipulated in the primary strategy documents. It is equally important to set out the monitoring procedure, the reporting lines and the timeframe for undertaking the evaluation.

Management of decision-making processes

QUICK FACTS

Palestine has a unicameral Parliament.

Law no. 4 of 1995 on the Procedures for the Preparation of Legislation sets out the process of legislative drafting.

PENRA is the main policy-making body in the energy sector.

The Ministry of National Economy is the central authority responsible for developing energy policies. It is assisted by the Palestinian Investment Promotion Agency, which also supervises the evaluation of investment policies.

STRENGTHS

The competent Ministry prepares laws in conjunction with the Office of the Advisory and Legislation Bureau of Palestine (ALB). The ALB is a specialised institution that is responsible for formulating, studying, drafting and amending legislation. It has to consult and coordinate with the relevant ministries and other public authorities while formulating the drafts. The Council of Ministers and the President of the National Authority approve the issuance of all laws. Publishing enacted laws in the Official Gazette is mandatory.

Legal information is easily accessible online. Enacted laws and regulations in force are available on the websites of the relevant ministries and public authorities. The online version of the Official Gazette is published by the ALB. The Palestinian Electricity Regulatory Council (PERC) uploads relevant decisions online. For instance, the electricity tariffs and the connection fees for 2018 are listed on its website.

AREAS FOR IMPROVEMENT

A legal framework should be developed to integrate transparency in the decision-making process. For this purpose, the draft law on access to information should be finalised and enacted as soon as possible. The law should include a defined scope of application, a narrow list of exceptions to the rule of access, the procedure for obtaining information and the obligation of public authorities to facilitate the flow of information.

Provisions mandating public consultation on draft legislation and regulations should be incorporated in the existing laws. Definitive timelines should also be prescribed for receiving comments and feedback from the public. The duration of the consultations should be fixed based on the nature of the document, the issues raised and the number of people likely to be affected. Institutionalised stakeholder engagement mechanisms will give equal opportunity to the public for providing input on the draft laws and regulations.

A translation unit within the ALB should be established. Official translations of laws and policy documents in foreign languages will help provide accurate information to foreign investors about the legal and regulatory framework as well as guidance on how to conduct business locally.

Regulatory environment and investment conditions

QUICK FACTS

The regulator for the energy sector is the PERC.

Law no. 1 of 1998 on the Encouragement of Investment in Palestine, as amended, provides the legal framework for investment activities.

STRENGTHS

The PERC is established under the law and has legal personality. Decree-Law no. 13 of 2009 on General Electricity Law stipulates that it shall have financial and administrative independence. The State Audit and Administrative Control Bureau is responsible for auditing the accounts and expenditures of the PERC. Its Board of Directors comprises representatives from the public and private sectors. They are appointed for a term of four years renewable only once.

Over the past years, progressive changes have been introduced to the Law on the Encouragement of Investment in Palestine. Restrictions imposed on some sectors, such as electricity generation and distribution, have been removed and replaced with attractive incentive schemes. To promote the utilisation of local products and workforce, new benefits were introduced for investors in 2016. Moreover, in 2017, a new incentive package was launched for renewable energy projects.

AREAS FOR IMPROVEMENT

Palestine has undertaken commendable work towards updating and harmonising its laws, including the Law on the Encouragement of Investment in Palestine. Now is a proper moment to modernise other legal instruments that affect the investment climate and its attractiveness. In particular, the efforts to unify and update the legal framework regulating the establishment and registration of companies and intellectual property rights should be expedited. Gaps in the implementation of the existing laws should also be identified and rectified.

Rule of law

QUICK FACTS

Arbitration provisions are established in the Law no. 3 of 2000 on Arbitration.

Palestine acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 2015.

The Basic Law of 2005 amending certain provisions of the amended Basic Law for the year 2003 grants protection to private property against expropriation.

Conditions for the expropriation of land are envisaged in Law no. 2 of 1953 on Acquisition, as amended.

STRENGTHS

There is no requirement to exhaust local judicial remedies unless the parties expressly agree to do so in their contractual arrangements. The Code of Civil and Commercial Procedure Promulgated by Law no. 2 of 2001 prescribes time limits for specific stages of the judicial proceedings, such as for filing an appeal before the local courts. It also stipulates the international jurisdiction of the domestic courts. Mediation and conciliation are encouraged and specified in the law.

The Law on the Encouragement of Investment in Palestine, as amended, prohibits the nationalisation or expropriation of any investment in Palestine except by the operation of the law. It also states that an investor should be compensated at fair market value for the losses suffered because of the expropriation. At present, there are no restrictions on the transfer of technology in the energy sector. Palestine has two BITs in force that define "investment" to include intellectual property.

AREAS FOR IMPROVEMENT

Steps can be taken to enhance the effectiveness of domestic judicial processes. For instance, the establishment of specialised commercial courts will give investors more confidence, foster trust and increase the efficiency of the legal system. Additionally, an ombudsman may be created to deal with issues arising in the course of investment activities. The ombudsman could deal with deadlocks on matters of taxation, customs, labour, construction, licensing and land. It may also be given mediation functions to facilitate time- and cost-effective settlement of disputes.

The Acquisition Law needs to be updated to reflect best practices and grant investors more protection. Though the Law states the process for evaluating compensation in the case of expropriation, there is scope for further explanation. Criteria must be set for determining the activities which constitute "public interest". Moreover, it should stipulate the authorities that will decide whether a case for expropriation exists. Finally, a timeline for paying compensation to the affected investor and an explanation of the intended use of the acquired property can also be included.