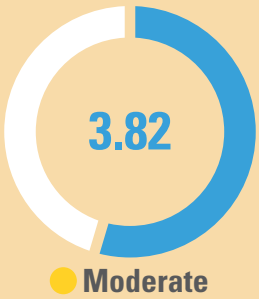
UNITED NATIONS
الاسكوا
ESCWA

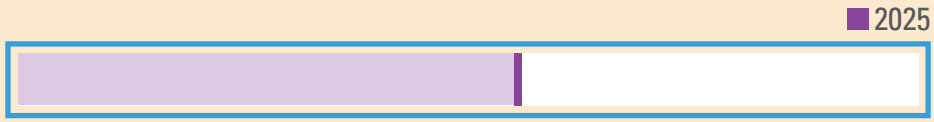
Shared Prosperity Dignified Life

Country profile
STATE OF PALESTINE

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



FOREIGN DIRECT INVESTMENT

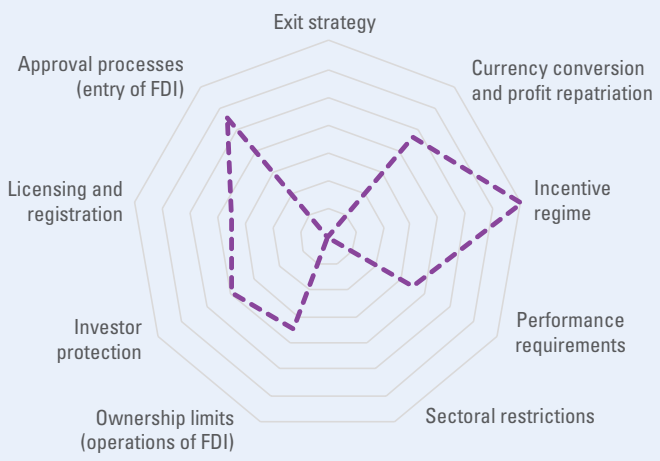


Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

COMPONENTS	2025
Approval processes (entry of FDI)	5.60
Licensing and registration	3.50
Investor protection	4.00
Ownership limits (operations of FDI)	3.50
Sectoral restrictions	0.00
Performance requirements	3.50
Incentive regime	7.00
Currency conversion and profit repatriation	4.67
Exit strategy	0.00

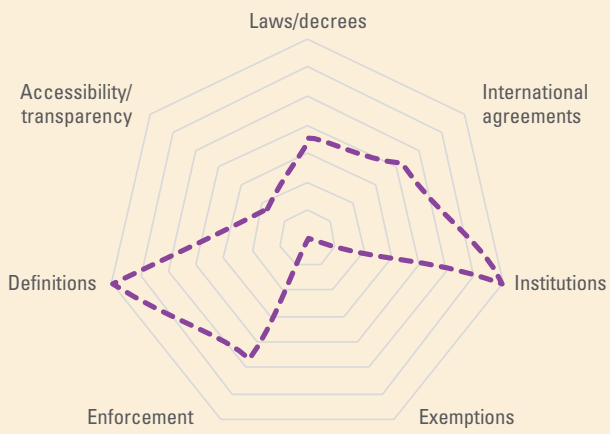
COMPONENTS

2025



ELEMENTS

2025



Note on methodology: The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

2020 EDITION

Moderate

Foreign direct investment framework assessment

Macroeconomic enabling environment lens

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



Macroeconomic policies



Investment regulatory framework



Incentivization schemes



Bilateral treaties



Banking regulations

This country profile is prepared based on the legal and regulatory framework in force as at April 2025.

This country profile assesses the foreign direct investment (FDI) framework of the State of Palestine based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

The State of Palestine regulates foreign investment through Investment Promotion Law No. 1 of 1998, amended by Decree-Law No. 2 of 2011, Decree-Law No. 7 of 2014, Decree-Law No. 20 of 2016, and Decree-Law No. 33 of 2020, as well as Cabinet Decision No. 4 of 2015 concerning the Investment Promotion Regulation.

The Investment Promotion Law and its subsequent amendments aim to promote investment by providing investors with targeted incentives, ensuring adequate legal safeguards, and creating a favorable and attractive environment conducive to foreign investment.



Approval processes

This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.

Regulatory oversight of investment in Palestine is exercised by the Palestinian Investment Promotion Agency, established as an independent legal entity under article 12 of Investment Promotion Law No. 1 of 1998. Articles 14 and 15 assign the Board of Directors of the Palestinian Investment Promotion Agency supervisory and regulatory functions, including oversight of investment policies and issuance of investment confirmations, establishing it as the competent authority for regulating and monitoring investors. The Investment Promotion Law does not impose registration or establishment fees specific to foreign investors.

The State of Palestine is party to several bilateral and multilateral investment agreements, including bilateral investment treaties with Turkey and Germany.



Licensing and registration

This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Palestine, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.

Article 15 of the Palestinian Investment Promotion Law and its amendments stipulates the establishment of a unified investment window responsible for licensing investment projects and obtaining necessary approvals. Should relevant ministries fail to issue their decisions regarding such licenses within a period of 30 days, the Board of Directors of the agency is authorized to directly issue the license, pursuant to article 25 of the law.

Additionally, article 17 of Cabinet Decision No. 4 of 2015 on the Investment Promotion Regulation specifies the responsibilities of the unified investment window, which notably include receiving and processing investment applications through a single, easily accessible point of service; improving the quality of licensing services for investment projects; providing investors with necessary information regarding the procedures and requirements for obtaining project licenses.

Under the Investment Promotion Law, non-Palestinian investors are permitted to invest at any desired proportion of capital. However, article 7 of Cabinet Decision No. 4 of 2015 authorizes the agency's Board of Directors to set a minimum threshold for invested capital, calculated on the basis of actual financial expenditures, explicitly excluding the value of the project's land for purposes of eligibility for incentives under the law.



Investor protection

This assessment component reviews the legal protections available to foreign investors in Palestine, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.

Articles 6 to 11 of the Investment Promotion Law provide various guarantees to investors. Expropriation is not allowed except in specific cases set out in legislation, and the Government is prevented from cancelling permits and licenses without first consulting the investment agency.

In accordance with article 40 of the law and its amendments, if an investment-related dispute arises, any of the parties may request negotiations as a preliminary step prior to initiating formal dispute resolution mechanisms. Should these negotiations fail, either party has the right to submit the dispute to binding independent arbitration or to refer the matter to the competent Palestinian courts for adjudication.

The State of Palestine has ratified the New York Convention. It has not yet ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID).



Ownership limits

This assessment component examines the extent to which Palestinian legislation imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.

In accordance with article 6 of the Palestinian Investment Promotion Law and its amendments, foreign investors may invest equally in all project sectors, and the provisions of this law apply uniformly and without discrimination to all investors. However, Decree-Law No. 33 of 2020 excludes from eligibility for tax incentives commercial projects, insurance companies, banks and currency exchange companies, real estate and real estate development projects, electricity generation projects using traditional energy sources (fossil fuels), telecommunications and telecommunications services projects, commercial services, crushers and quarries, as well as companies holding concession contracts granted by the Council of Ministers that engage in monopolistic activities. Additionally, article 3 of Cabinet Decision No. 4 of 2015 specifies that new investment projects employing at least 25 employees are eligible for incentives provided under the law. New export-oriented projects are also eligible for these incentives, provided that at least 40 per cent of their production is designated for export, pursuant to article 4.



Sectoral restrictions

This assessment component reviews sector-specific regulations that affect foreign direct investment in Palestine, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.

While the general regime permits foreign participation across sectors, Decree-Law No. 33 of 2020 excludes certain activities from eligibility for investment incentives. These include commercial trading projects, banks, insurance and currency exchange companies, real estate and real estate development, fossil-fuel electricity generation, telecommunications services, commercial services, crushers and quarries, and concession-based monopolistic activities.



Performance requirements

This assessment component examines whether Palestinian investment legislation or policies impose performance-related obligations on foreign investors, such as requirements related to employment, skills development, export promotion, or compliance with social and labour standards.

Eligibility for investment incentives is linked to objective performance-based criteria. Article 3 of Cabinet Decision No. 4 of 2015 provides that new investment projects employing at least 25 employees qualify for incentives, reflecting employment and labour-market development objectives. It also extends eligibility to export-oriented projects, provided that at least 40 per cent of production is designated for export. These measures serve as employment and export-promotion requirements linked to incentive schemes rather than as mandatory conditions for market entry.

However, the legislation does not establish formal cost-benefit evaluation mechanisms within the incentive framework.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Palestine, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying the competent authorities responsible for administering and implementing these incentives.

Chapter four of the Palestinian Investment Promotion Law and its amendments places particular emphasis on investment incentives, including tax and customs duty exemptions, with specific exemption rates determined according to the nature of each individual project. Articles 22 to 38 of the law provide for exemptions from

customs duties on fixed assets and on spare parts, up to 15 per cent of the value of those assets. Many sectors benefit from phased tax incentives, with reduced rates applied in the early years of operation.

Additionally, Cabinet Decision No. 4 of 2015 grants exceptional tax exemptions specifically designed as incentives for new export-oriented projects, thereby supporting and promoting export activities within the State of Palestine.



Currency conversion and profit repatriation

This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Palestine, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.

Palestinian legislation provides legal guarantees for currency conversion, profit repatriation, and institutional oversight of foreign investment capital. Article 10 of the Investment Promotion Law allows investors to freely transfer profits, dividends, loan repayments and capital gains, subject only to limited legal exceptions such as bankruptcy, tax violations, or court orders, pursuant to article 11. Currency transactions are regulated under articles 61–62 of the Law on the Organization of Foreign Exchange and Foreign Relationships, which place foreign exchange activities under the supervision of the Palestine Monetary Authority. Article 3 of Decree-Law No. 9 of 2010 designates the Palestine Monetary Authority as the sole body responsible for licensing, regulating and supervising banks and lending institutions.



Exit strategy

This assessment component assesses the legal framework governing the exit of foreign investors from the Palestinian market, focusing on provisions related to divestment, liquidation, mergers and acquisitions.

Although the Investment Promotion Law does not expressly regulate investor exit or mergers and acquisitions, it provides an indirect legal basis for these transactions. Article 29 allows the transfer of ownership of an investment project benefiting from incentives to a new owner without restrictions, thereby enabling divestment or transfer of the investment. Article 30 permits mergers, divisions and changes in legal form while preserving existing exemptions.

RECOMMENDATIONS

- Clarify whether foreign investors are permitted to establish mortgages or other security interests to access bank loans.
- Introduce a statutory framework requiring a structured cost-benefit assessment for investment projects.
- Clarify the distinction between sectoral exclusions from incentive eligibility and restrictions on foreign ownership or market entry.
- Establish clear legal criteria or reporting mechanisms to assess the opportunity costs, effectiveness and efficiency of national FDI strategies.
- Introduce explicit legal provisions regulating foreign investor exit and mergers and acquisitions within the FDI framework.

www.unescwa.org

E/ESCWA/CL6.GCP/2025/ABLF/1/Series.4/CP.1/State of Palestine

260150E