



Municipally Owned Corporations in Arab Local Authorities in Israel

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Abstract

Background

A municipally owned corporation is a limited liability company established by a local authority, with the approval of the Ministry of Interior and under that authority's full ownership. It serves as an executive arm for promoting socioeconomic development, providing services, and implementing municipal projects.

In 2022, approximately 570 municipally owned corporations operated in Israel, with an estimated total turnover of NIS 19 billion. Most of the economic activity was concentrated in approximately 220 corporations, with a total turnover estimated at NIS 13 billion.

As of the time of writing, in 2025, only four municipally owned corporations were operating in 85 Arab local authorities in Israel. This gap is particularly notable in light of government efforts to encourage their establishment. Against this background, the Ministry for Social Equality and the Advancement of the Status of Women commissioned the Myers-JDC-Brookdale Institute to conduct a study whose findings would inform the process of establishing and operating additional municipally owned corporations in Arab local government.

Objectives

The objectives of the study are to deepen knowledge about municipally owned corporations in Arab local authorities; examine the advantages and disadvantages of establishing such corporations; understand the barriers that make their establishment and operation difficult in the context of Arab local government; and formulate recommendations to support the establishment and operation of such corporations.

Method

1. A concise literature review on municipally owned corporations in both internationally and in Israel
2. Semi-structured in-depth interviews with relevant subject-matter experts and senior officials in Arab local authorities

Main Findings

Interviewees viewed the municipally owned corporation as a tool for advancing the socioeconomic development of the locality through revenue-generating projects; as a tool for promoting and developing infrastructure to improve residents' quality of life; and as a way to establish the locality's status as advanced and innovative compared with other Arab local authorities. The municipally owned corporation was also perceived as a tool for improving managerial, operational, and financial efficiency.

The study identified several conditions that may promote the success of municipally owned corporations in Arab authorities: trust and cooperation with government bodies, foremost among them the Israel Land Authority; professional management that is as independent as possible of political considerations, particularly the appointment of a CEO with appropriate skills and experience; a stable coalition within the local authority that enables organizational stability and prevents delays and disruptions; and national government support and dedicated grants during the establishment phase and initial stages of operation.

At the same time, several barriers emerged. These included the corporation's economic dependence on the local authority; the absence of stable sources of income; a shortage of land reserves and industrial zones; lengthy approval processes with the Municipal Corporations Division at the Ministry of Interior; lack of professional knowledge; and concern about political influence on appointments and on the corporation's activity.

Regarding the model of a joint municipally owned corporation serving several local authorities, interviewees expressed diverse views. Some regarded it as a possible solution for small authorities, provided that mechanisms for management, oversight, and resource allocation were agreed upon in advance. Others expressed concerns about loss of control, unequal distribution of profits, and difficulty adapting the corporation's activity to the unique needs of each authority.

Recommendations

The report presents recommendations for promoting the establishment and consolidation of municipally owned corporations in Arab local authorities at the two complementary levels of national and local government.

At the *national government* level, the following are recommended:

- Advance the issue proactively
- Strengthen the role of the Municipal Corporations Division at the Ministry of Interior as a leading professional body that provides guidance and support from concept development through the establishment and operational stages
- Establish uniform and binding regulations for the establishment process, including performance indicators, monitoring and oversight mechanisms, clear criteria for reviewing applications, and well-defined timelines
- Develop training and guidance in business entrepreneurship, economic development, and management of municipally owned corporations
- Provide mentoring by experienced municipally owned corporations
- Consider establishing joint municipally owned corporations for small Arab local authorities with similar characteristics, subject to prior regulation of management mechanisms, profit distribution, and investment in joint projects.

At the *local authority* level, it is recommended to:

- Encourage professional development of senior local authority officials and municipally owned corporation employees
- Ensure professional management that is as free as possible from political considerations
- Promote professional appointment mechanisms for CEOs and board members, including potential use of external appointment committees and professional recruitment and placement bodies.