

**Data Collection Survey
on
Preparation for Operation of
Jericho Agro-Industrial Park**

Final Report

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1214769 [0]

March 2014

JAPAN INTERNATIONAL COOPERATION AGENCY

PADECO Co., Ltd.

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Contents

Abbreviations.....	iii
1. Summary of the Project.....	1
1.1 Background of the Project.....	1
1.2 Initial Financial Conditions of JAIP.....	2
1.3 Objective of the Survey.....	3
2. Current Situation of the Project.....	4
2.1 PIEFZA.....	4
2.1.1 Current Organization, Structure and Increase in the Number of Staffs.....	4
2.1.2 Budget of PIEFZA in 2014.....	4
2.2 JAIP.....	6
2.2.1 Infrastructure.....	6
2.2.2 Marketing & Operation Issues.....	7
2.3 Tenants.....	9
2.4 Other Industrial Parks in Palestine.....	10
2.4.1 Bethlehem Industrial Park (BHIP).....	10
2.4.2 Jenin Industrial Park.....	11
2.5 Industrial Parks in Neighboring Countries.....	11
2.6 Other Donors.....	13
2.6.1 AFD (France).....	13
2.6.2 KfW / GIZ (Germany).....	13
2.6.3 EU.....	13
3. Financial Analysis for the Project.....	14
3.1 Financial Model of JAIP for the Project.....	14
3.2 Points of the Base Case to be Considered.....	16
3.3 Financial Analysis by Cases.....	17
3.3.1 Conditions of Each Case.....	18
3.3.2 Results of the Analysis.....	18
4. Financial Recommendations on the Project.....	20
5. Other Recommendations.....	21
5.1 Recommendation on the Project.....	21
5.2 Recommendation on PIEFZA.....	24

List of Figure

Figure 2.1 Organization Structure of PIEFZA (as of February 2014)..... 5

List of Tables

Table 2.1 Current Numbers of Staffs of PIEFZA and Its Future Plan as of End of
January 2014..... 4

Table 2.2 Information Related to Industrial Parks in Neighboring Countries..... 12



Abbreviations

ASEAN	Association of Southeast Asian Nations
C/P	Counterpart
FDI	Foreign Direct Investment
F/S	Feasibility Study
IRR	Internal Rate of Return
JAIP	Jericho Agro Industrial Park
JICA	Japan International Cooperation Agency
NPV	Net Present Value
MOF	Ministry of Finance
MONE	Ministry of National Economy
MOU	Memorandum of Understanding
OSS	One Stop Service
PA	the Palestinian Authority
PIEFZA	Palestinian Industrial Estates and Free Zone Authority
PPP	Public Private Partnership

1. Summary of the Project

1.1 Background of the Project

Jericho Agro-Industrial Park Project in Palestine (hereinafter referred as “the Project”) is a core project of the initiative called the “Corridor for Peace and Prosperity” proposed by Japan.

In July 2006, Japan proposed the initiative as a medium/long-term effort towards the co-existence and co-prosperity between Israelis and Palestinians. Based on the idea that a two state solution is essential for achieving peace between Israelis and Palestinians, this concept aims to strengthen Palestinian economic independence and industrial infrastructure, focusing on the establishment of an agro-industrial park while promoting confidence-building among Palestinians and their neighboring countries, particularly Israel and Jordan.

In October 2005, the Japan International Cooperation Agency (JICA) conducted a development study in Jericho and the Jordan Valley for medium/long-term regional development in the social and economic sectors. Based on this study, JICA decided to start the “Jericho Regional Development Program”, which included three sub-programs: Social and Community Development Sub-Program, Agriculture and Agribusiness Development Sub-Program, and a Tourism and Urban Environment Sub-Program. In the context of JICA's study and its sub-programs, the Palestinian Authority and the Japanese Government agreed to cooperate for the development of an industrial park for agro-industry and logistics improvement as a measure to realize the initiative of “Corridor for Peace and Prosperity” through discussions with Israel and Jordan. Based on the agreement, JICA conducted the “Feasibility Study on Agro-Industrial Park Development in the Jordan River Rift Valley (Phase I and II)” from March 2007 to May 2009. The Four-Party Consultation Unit, consisting of the Palestinian Authority, the Israeli Government, the Jordanian Government, and the Japanese Government, has been in dialogue for realization of the Project since 2007, and held the most recent meeting in July 2013.

Several donor surveys pointed out that the development of industrial parks, in which particular incentives are provided, is an effective approach for industrial promotion in the Palestinian Territories. There exists in the territories, various limitations on business activities such as control of movement and access, control of information and other examples which are set by Israel. Nonetheless, some donors actually support the development of industrial parks. For example, the German government has engaged in the industrial park development in Jenin. Although the park caused a problem in land acquisition and has stopped its progress for a long time, the park got a solution for the problem in latter 2013 and is expected to make a future progress. Likewise, the French government supports PPP (Public Private Partnership) based development of the industrial park in Bethlehem.

The Palestinian Industrial Estates and Free Zones Authority (PIEFZA) is in the process of establishing the Jericho Agro Industrial Park (hereinafter referred as “JAIP”). There are various issues in PIEFZA such as division of the organization from PIEFZA in Gaza, lack of staff with necessary knowledge and experience, and lack of budget causing insufficient promotion activities as well as one-stop service for investors for JAIP by PIEFZA in Ramallah. In addition, considering the Palestinian Territories’ political and economic relationship with Israel and the worldwide recession beginning in late 2008, it has not been easy to develop an industrial park through Foreign Direct Investment (FDI), which was proven effective in the experience of industrialization in ASEAN and other regions/countries. Furthermore, difficulties in developing industrial parks through FDI are compounded by competition with FDI-oriented industrial park development in neighboring countries.

Nevertheless, through the availability of spacious land and the strategic location of JAIP, the industrial park is expected to provide economic opportunities for the Palestinian companies that are currently constrained by the lack of space for expansion in their present sites and have plans to promote export markets through the Allenby Bridge which is the only gateway to Jordan without passing through Israel. In order to facilitate potential tenants' moving into JAIP, additional incentives need to be analyzed and prepared.

“Preparatory Survey for Assistance to Small and Medium Sized Enterprises” conducted in July 2009 examined “soft” functions of JAIP, such as SME promotion and logistics improvement, to follow up the feasibility study (F/S) for JAIP and summarized potential tenant companies for JAIP having international competitiveness in sectors such as food processing. In the F/S, it was noted that the institutional strengthening and development of a strategic implementation structure is important for the developer and PIEFZA. An essential condition for JAIP establishment is the capacity development of the staff in the working group for JAIP, which is under preparation by PIEFZA.

In this situation, the Palestinian Authority (PA) requested a technical assistance project aimed towards the capacity development of PIEFZA and various tasks required for development and operation of JAIP. JICA conducted “Institutional Strengthening for Industrial Park Development in the West Bank” from September 2010 to March 2013.

Currently, JAIP has completed land preparation for 11.5 ha, and is in the stage of the promoting the park to prospective tenants. “Data Collection Survey on Preparation for Operation of Jericho Agro-Industrial Park” (hereinafter referred as “the Survey”) is requested to collect data to analyze and confirm the situation, and to advise for the operation in order to ensure smooth preparation for the establishment of operational and financial sustainability of the Project.

1.2 Initial Financial Conditions of JAIP

In the cases of industrial parks in Palestine, costs for salaries, facilities and utility are much more expensive than the costs in East Asia, because of Israeli occupation policy. As a result, even if the costs for off-site infrastructure of an industrial park are covered by the government, costs for on-site infrastructure become expensive. Considering these situation, F/S of JAIP indicated that the lease fee for open lots be USD 20/m²/year. The preparatory survey proposed that the responsibility of the construction of a sewerage facility be removed from the scope of the Project and that the facility be constructed as a part of off-site infrastructure to reduce the cost for on-site infrastructure. As for waste water treatment, Israel requires strict regulations for water quality of sewerage. Therefore, the sewerage facility needs much investment for its construction. Furthermore, solid waste will be disposed by local authorities and the cost of on-site infrastructure will be reduced.

On the other hand, the changes will increase the leasable area by removing a sewerage facility and a solid waste treatment facility from the area of the industrial park. As a result, it can be expected that income of the industrial park will increase. Jericho city also gives an approval for higher building-land ratio than the one defined in its normal regulations.

Furthermore, as the selection of the developer was delayed (developers of industrial parks in the West Bank other than JAIP had been selected by donors' initiatives, and there was no example that a developer was selected by a bid), the Japanese Government supported the cost for its land preparation, an elevated reservoir for water supply and a management building, to provide positive impacts with employments in Jericho city, utilizing funds through UNDP. As a result, necessary investment costs of the developer were reduced.

In addition to the issues mentioned above, regulations on land¹ become a huge issue for plans of industrial parks. In the case of JAIP, neighboring private lands to JAIP, in addition to national lands, has been acquired by the government and then the Project started. As the ownership of the land belongs to the government, the ownership cannot be sold to private companies. Although it is approved that a lease period is set for 49 years, tenants do not request long-term contracts, considering political instability and past examples that factories in an industrial park in Gaza, financed by the World Bank, were attacked. Jordan has a legal system “lease and own”, a system that a leased land for a certain long term is recognized as owned land. By selling the ownership of a land, the owner can gain equivalent benefits to the benefits of actual land ownerships, and can arrange a loan from a bank utilizing the land. But, in Palestine, this kind of the legal system has not been developed. For this reason, a general payment method in Southeast Asia, a single payment with discounts in the case of a long-term contract, cannot be utilized in Palestine. As a result, actions to improve the cash flow of industrial parks are limited. The developer has neither mortgages for bank loans nor enough resources for traditional bank loans.

In addition, costs for salaries and utility make the costs for operation and maintenance of industrial parks higher than the cost that can be set in Southeast Asia.

In summary, following points become issues for construction and operation of industrial parks in Palestine.

- High construction cost of on-site infrastructure
- High cost of operation and maintenance
- Restrictions on actions for improvement for revenue
- Limited accesses for bank loans

1.3 Objective of the Survey

- Conduct financial analysis on the financial plan of JAIP
- Make suggestions to improve the financial conditions for JAIP operations, considering the results of the financial analysis and recent activities of donors

¹ If a land for access roads passes “Area C”, an area whose police power belongs to Israel, it takes much time to coordinate with Israel.

2. Current Situation of the Project

2.1 PIEFZA

2.1.1 Current Organization, Structure and Increase in the Number of Staffs

The number of staff is summarized in Table 2.1, and an organization structure with the name of the person in charge along with his/her respective role and name of department is shown in Figure 2.1. Although some of the departments are not operational, the organization structure which is approved by the Cabinet is indicated.

A Director General was planned to be appointed from outside the organization at the end of this January, but the selection is still in process. Mr. Hassasneh, who was appointed as Acting Director General on June 27th 2013, only has power to act on very limited administrative issues, and the actual decisions are made by the Minister, which means that the organization is not a functional organization from the view of its operation. It is assumed that four more staff will join the organization in 2014.

As for JAIP, the Project Director was changed to Mr. Khaled in December 2013. Mr. Khaled, who participated in the JICA capacity development program in Malaysia, has more experience and knowledge related to industrial parks than his predecessor, and is young and passionate about this operation. As a result, the operation of JAIP is heading in the right direction. However, there are several operational problems which are present as the predecessor did not competently hand over the duties to Mr. Khaled.

**Table 2.1: Current Numbers of Staffs of PIEFZA and Its Future Plan
as of End of January 2014**

Position	Current Number	Future Number	Increase
Director General	0	1	+1
Acting Director General	1	0	
Director	5	7	+2
Manager	3	3	
Engineer & Staff	10	12	+2
Office Tea Boy	2	2	
Driver	1	1	
Total	22	27	+5
Leave of Absence and Childbirth	3	3	

Source: PIEFZA (hearing from Administration Manager etc.)

2.1.2 Budget of PIEFZA in 2014

PIEFZA asked for a budget of NIS 5,611,206 (equivalent amount to USD1.65 mil) for 2014, an increase of 21% from the former year. But, the Ministry of Finance (MOF) requested to reduce the amount to NIS 4,940,000.

2013 (Actual)	2014 (In process)	Note
NIS 4,600,000 (USD 1.35 mil)	NIS 5,611,206 (USD 1.65 mil)	The budget for 2014 includes cost for additional 6 staff members. MOF requested to reduce the amount to NIS 4,940,000.

Source: PIEFZA

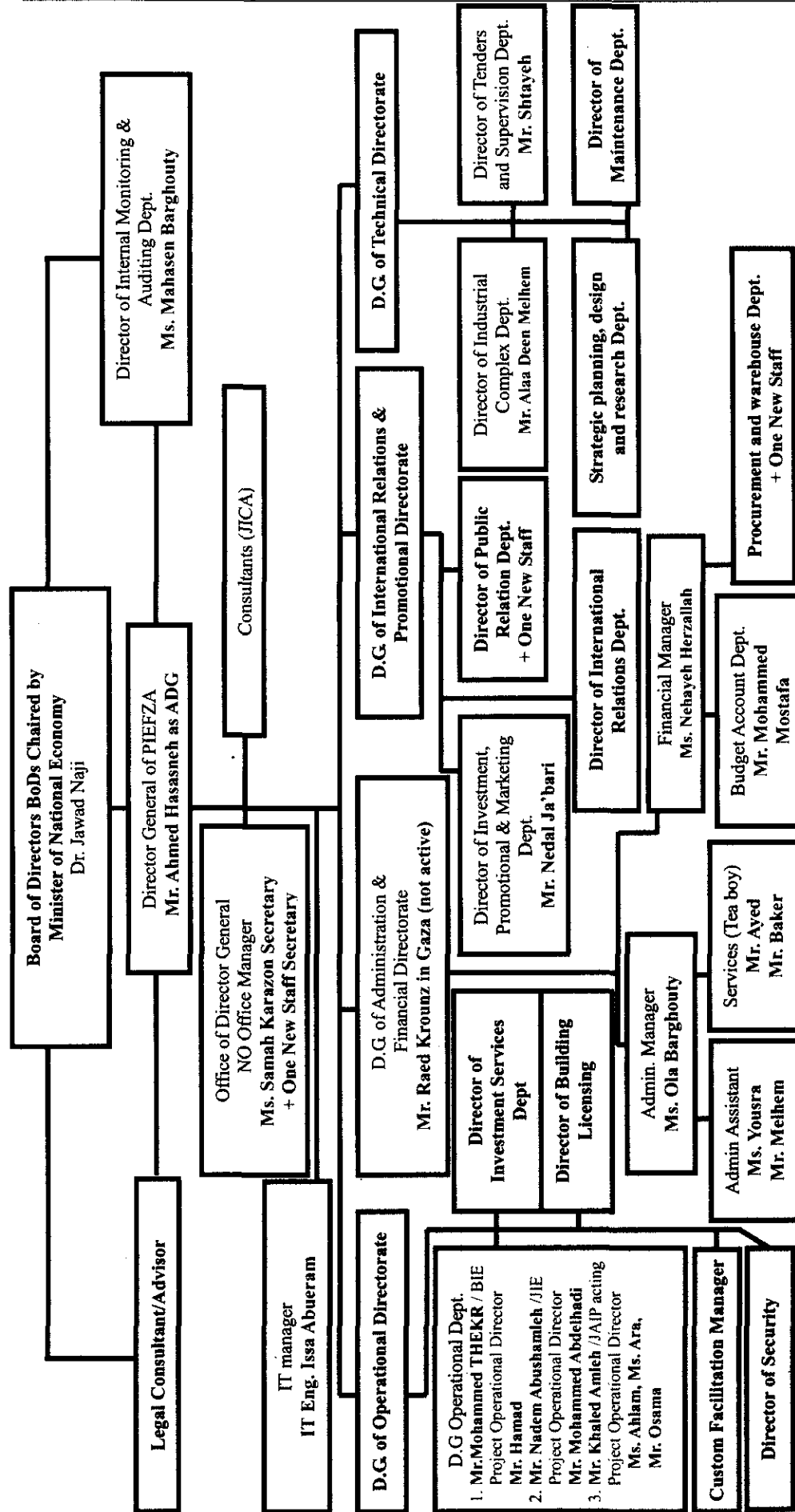


Figure 2.1: Organization Structure of PIEFZA (as of February 2014)

Source: PIEFZA

2.2 JAIP

The progress status of JAIP is as follow. Land preparation for Stage I (11.5 ha) has been completed and the land is ready to make lease contracts with tenants and to start constructions of factories.

2.2.1 Infrastructure

In the following part, the statuses related to infrastructure of JAIP as of January 22nd 2014 are summarized.

(1) On-site Infrastructure

Item	Status	Note
Main Road, Sub-road	Completed in March 2013	
Main Gate	Expected to be completed in February 2014	Under construction
Drainage System	Expected to be completed at the end of February	
Water Supply System	Completed at the end of January 2013. Repaired water leakage from elevated reservoir. After final approval by the inspection agency. The reservoir is planned to be hand over to JAIP Co. The handing over was supposed to be at the end of January, but it had to be pushed back because of an in section report stating that there is still a 2.5 mm/hour leakage. Currently, water linkage to the tenant who is currently constructing in the park has not been carried out.	Elevated reservoir: 500 m ³ + Pipe 30 m ³ /h Water charge: 2.5 NIS/m ³ The linkage between the elevated reservoir and water system in the park will be conducted after handing over the services.
Electric cable for street light	Completed in May 2013. All equipment is established.	JEDCO is responsible for electric cables other than underground cable and street lights, but has not started leading works.
Sub-station	Under construction (foundation has been constructed). Expected to be completed in February 2014.	UNDP (Japan Fund) 15 MW x 2 units It is agreed that temporary electrical sub-station will be served by JEDCO.
Telecommunication line	No work has started for the establishment of a telecommunication line to JAIP (PIEFZA is under discussion with PALTEL, a telephone company, since August 2013. PALTEL wants to start work after the tenants are confirmed.)	PALTEL requested USD 200,000 for an off-site transmission line (The requested amount was reduced from USD 200,000 to USD 100,000).

(2) On-site Facilities

Item	Status	Note
Management Building	Completed in January 2014	Japan Fund (through UNDP) The confirmation of ownership of the building and the discussion on the methodology for operation and maintenance are necessary.
Hanger	Construction has not started. The supplier of steel beam has been decided. The first tenant for the hangar (1,000 m ²) will be constructed by February. Its foundation has been constructed.	Total area of hangar is planned 8,000 m ² . The hangar under construction will be completed within 2 months. Steel beam structure.
Green Zone	Trees around gate are planted.	Total area of green zone is planned to account for 20% of the whole area.
Logistic Center (4.5 ha)	The developer started a study for the logistic center from June 2013, but it is still in the planning phase.	A facility served by the developer.

(3) Off-site Infrastructure

Item	Status	Note
Waste Water (Temporary treating equipment, etc.)	Under construction. Expected to be completed in March 2014.	UNDP (Japan Fund) USD 65,000, 30m ³ PVC tank x 3 units
Waste Treatment / Pump & Pipeline to nearest manhole	Treatment facility and pipeline were planned to be completed by April 2014, but they have been delayed by 2 months to June 2014.	UNDP (Japan Fund) Additional 3 Pump + Pipeline (USD185,000)
Electricity Transmission Line	Requested the Japanese Government to fund the construction	UNDP (Japan Fund)
PV Power Station (300 kW)	Completed in 2012. Operation and maintenance was entrusted to JEDCO.	Grant by Japanese Government

2.2.2 Marketing & Operation Issues

Item	Status	Note
1 MOU tenants (Developer/PIEFZA)	1) Currently 32 tenants are included. 2) 25 companies applied to PRIDE. 3) Screening process of PRIDE remains static. Members for the screening are not accustomed to the process. The screening will be completed by April. 4) Only 2 tenants made a lease contract.	MOU is just an expression of interest and has no binding force. At the MOU stage, concrete price suggestions and negotiations are not conducted. It is quite common that contract negotiations fail because of high lease price.

Item	Status	Note
2 Lease contract tenants (Developer/PIEFZA)	1) Reehana (Frozen vegetable) Hangar: 1,000m ² (has not started its construction) 2) Palolea (Olive oil) Currently constructing a factory	Both tenants complain about the lease price. Neither the developer nor PIEFZA has followed up with the tenants.
3 Lease fee and review on incentives (Developer)	1) The fee is not set on base rate, but instead on discount rate for payment conditions and area 2) It is necessary to review the grace period for the lease fee (currently 3 months)	Currently offered fees are as follows. Open lot: 14.5 USD/m ² /year Hangar: 29.0 USD/m ² /year The tenants and candidates of the tenants are forwarding complaints regarding the fee.
4 Follow up with the tenants and MOU tenants	At this stage, neither PIEFZA nor the developer has followed up to a satisfactory extent.	The Survey Team requested the key persons to make detailed follow-ups.
5 Setting up of a concrete service package for the tenants by the developer	After the concession was made, PIEFZA requested the developer to submit a plan for the package. But the developer has not submitted the plan and does not conduct any related services for tenants.	The lease contract tenants have criticized this situation.
6 Regulations for industrial park (developer/items for approval by PIEFZA)	The developer has not prepared a draft for these documents. The developer promised to submit the draft last August, but has not submitted it yet.	This issue is urgent, because there are already lease contract tenants for the industrial park.
7 Fee setup for utilities (developer/items for approval by PIEFZA)	The developer has not prepared a plan for this item. In addition, the developer does not explain these items to the tenants to a satisfactory extent.	Needs to consider fee for water supply and waste water (The developer does not clearly state whether an additional fee on top of those fees is required.)
8 Contracts for operation and maintenance	The following items have not been made: 1) Elevated reservoir (PIEFZA/developer) 2) Management building (PIEFZA/developer) 3) Temporary sewage treatment (ICH-PIEFZA)	1) and 2) are ready. MOU has been made for 3).
9 Preparation of revised marketing plan	PIEFZA prepared a marketing strategy plan (2013–18), and got approval from the minister of the Ministry of National Economy (MONE). But, the plan has not been carried out because of lack of budget. On the other hand, the developer has prepared a similar plan.	Only one person each from PIEFZA and the developer side is engaged in the marketing tasks. Therefore, although they can make a plan, they have no capability of carrying out the plan.

Item	Status	Note
10 Approach to promising tenants in foreign countries (PIEFZA/developer)	The PIEFZA Marketing Team sometimes takes actions on this issue.	The PIEFZA Marketing Team is not capable enough to deal with this issue.
11 Internal Manual Rev. 08 (PIEFZA)	Its revision has not been started.	The Survey Team advised to prepare Rev.9.
12 Regular meetings with developer	There are no regular meetings. It causes various kinds of problems because of lack of communication.	The Survey Team advised to conduct regular meetings.

2.3 Tenants

As of January 28th 2014, 32 tenants showed interest for the industrial park. Among the 32 tenants, 2 tenants made a lease contract, 24 tenants prepared MOUs, and 6 tenants are under discussion for MOU.

Following the first survey conducted in June and the second survey in August 2013, the Survey Team had meetings to hear opinions from the 2 lease contract tenants and 4 MOU tenants or potential tenants for MOU.

The main points are summarized below.

(1) High Lease Fee and Incentives by Developer

The 2 lease contract tenants and other promising candidates claim very high lease fees. In addition, they claim that the grace period for lease fees (currently 3 months) is too short compared to that of Bethlehem Industrial Park, which offers a grace period of 1 year. (Example: Palolea, Reehana, International Oversea Co., etc)

(2) Bad Follow-up with Lease Contract Tenants and MOU Tenants

The developer and PIEFZA have not followed up after preparing the MOU. As a result, they cannot recognize the actual demands of the tenants. The tenants strongly criticized this situation as determined by the Survey Team last year.

(3) PRIDE

Although the tenants submitted the required documents for the application of PRIDE, they were requested to submit additional documents a month or two later and have not yet received the result of the application. At first, it was said that the results would be shown 2 and half months later, but currently, the situation seems to be different.

Furthermore, in mid January, Mr. Issa, a member of the PRIDE team, PIEFZA, requested them to submit the documents again due to loss of documents. As the documents included confidential information of the tenants, the incident was regrettable. (Reehana, Palolea, International Oversea Co.)

(4) Service for the Contracted Tenants

This item is related to (2), mentioned above, the developer does not provide enough service to the tenants.

- Reehana (Frozen vegetable company)
It was planned that hangar for Reehana would be handed over at the end of last month, however, till now it has been delayed 2 times and it is still undetermined when the handing over will take place.
- Palolea (Olive oil production company)
Currently, Palolea is constructing its own factory at the site but it has no power supply. Palolea brought an electric generator to generate electric power for construction. In addition, as Palolea cannot get water at site, Palolea pays USD 25/day for a tank truck (5 m³) every day for the construction.

Note: In the case of Palolea, it is only customary that the developer pays for the necessary costs. The developer should prepare first aid, temporary power generators, and necessary equipment for rent.

(5) Adaptable Examination for Agro Industry

In October 2010, there was a meeting inside PIEFZA. In the meeting, it was established that Agro means only agro and food products, although the PIEFZA Internal Manual defines the term differently. This misunderstanding is a proof that flexible operation for supporting industry and strategy during stage 2 was not conducted.

For example, Reemo Hygienic Paper Co., a tissue, toilet paper and wrapping paper company is an MOU tenant, but the Projector Director of PIEFZA rejected the company because it couldn't be classified as "agro industry". The company is not a pulp production company but a paper processing company. Therefore, the products do not need much water and the company should be recognized as "agro industry".

The developer and PIEFZA should recognize that the term "agro industry" does not only mean food production companies. Later, a new tissue company showed interest for JAIP, and PIEFZA approved that company for JAIP.

Furthermore, it is said a LED production company was also rejected in the past.

2.4 Other Industrial Parks in Palestine

2.4.1 Bethlehem Industrial Park (BHIP)

- Total area: 50 ha (Stage 1)
- Developer
BMIP (A consortium of France and Palestine, A designated company from France, chamber of commerce and industry of Palestine and local government join the consortium. PPP scheme is applied.)
- Concession contract: Signed in 2009
- Infrastructure
The France Government and AFD committed to a grant of EUR 10 million to support off-site infrastructure. But, the actual amount turned into EUR 8 million and the remaining EUR 2 million was committed as a soft loan to the developer through MOF of Palestine to support development of on-site infrastructure. The first payment of the loan has been made.
- Land acquisition
Road construction for an access road of the park was called off because of delay in land acquisition.

- **Tenants**
Currently, one tenant has been completed its construction in the industrial park. It is said that 3 or 4 companies have agreed for the tenants of the industrial park.
- **Comparison with the Project**
The project summary of the Bethlehem Industrial Park is as follows.

Item	The Project	Bethlehem
Contents	Office Space: 200 m ² Hangar: 52,000 m ² Open Lot: 20,241 m ² Hangar Space Attached: 10,400 m ² (Total space: 82,641 m ²)	Lease area: 116,280 m ² Administration Building Lease Industrial Building Lease: 3,000 m ²
Initial investment	On site infrastructure: USD 3,515 K Hanger: USD 10,400 K	On site infrastructure: USD 3,171 K Industrial Building: USD 900 K Administrative Building: USD 400 K
Lease fee of open lot	USD 14.5/m ² (and service fee 8%)	USD 6/m ²

Bethlehem Industrial Park does not set a lease fee for hangar, and specializes in lease for open lot. Comparing with the Project, investments for on-site infrastructure is less than that for the Project, taking into consideration their plans in area. The reasons why the lease fee of Bethlehem is set lower than that of the Project can be assumed as follows.

- The initial investment of Bethlehem is set lower. The out flow schedule of the initial investment is set as late as possible, by developing unnecessary on-site infrastructure for entry of tenants later. Water is supplied to the factories after tenants complete its construction from an elevated reservoir.
- Cost of operation and maintenance is set lower and number of staffs for the operation and maintenance is set at the very least.
- Targeted internal rate of return of cash flow is set lower. (12% for JAIP and 8% for Bethlehem)

2.4.2 Jenin Industrial Park

- **Total Area:** 100 ha
- **Developer:** Top Bis Turkish Co. (Turkish developer), F/S was conducted in 1999.
- **Concession contract:** Signed in 2011
- **Infrastructure**
The German Government, KfW, supports off-site infrastructure development utilizing a soft loan of EUR 15 million, and grants EUR 5 million to support the construction of a part of on-site infrastructure. As soon as land compensation, mentioned below, is completed, the government will sign the grant agreement in March 2014.
- **Land acquisition**
The developer agreed to pay USD 10 million for land acquisition. The land acquisition had not been find solutions and the problem hindered the progress of the project. The German MOF tried to pay to an account opened with Arab Bank on January 23rd 2014, but the payment could not be made because the account was inactive. PEIFZA is taking measures to make the account active again.

2.5 Industrial Parks in Neighboring Countries

The main information of industrial parks in neighboring countries is summarized in Table 2.2.

Table 2.2: Information Related to Industrial Parks in Neighboring Countries

Item	Country	Malaysia	Indonesia	Thailand	Philippines	Vietnam	China	Israel	Egypt	Turkey	Tunisia	Dubai
-	Worker	\$938	\$186	\$263	\$179	\$80-120	\$227-364	\$2,236	\$284	\$433-2,476	\$211-401	\$2,435
-	Engineer	\$878	\$357	\$588	\$314	\$150-500	\$399-609	\$4,103-6,38	\$1,472	\$1052-5075	\$357-524	\$3,612
-	Manager (Minimum Wage)	\$1,684	\$854	\$1,423	\$858	\$500-800 (\$80-90 diff. From area.)	\$650-1,096	\$7,112-9,847 (\$1,053)	\$1,757	\$2,785-7,427	\$478-830 (\$0.89/h)	\$6,085
Land Cost (per m ²)		\$30-176	\$45-54	\$28-92	\$65-80	Not allowed to own Land	\$28-109	\$1,094-1,629 (by Natam)	\$12.9-36 (by IDA)	\$464-495 (A) \$350-450 (B) +VAT18%	-	Not allowed to own land
Land Lease Cost		-	\$3.5-4.0/m ² /year	\$6.89/m ² /year	\$0.4/m ² /month	\$35-100/m ² 50 years (average \$60/m ² 50 years)	\$1.52-6.83 /m ² /month	\$4.83-11/m ² month (near Tel Aviv)	\$1.75-19/m ² /year (Naser City etc.)	\$5.0-6.0 (A) \$3.75-5.0 (B) (Turyap Estate)	\$0.32/m ² month (FIPA)	\$0.68-1.82/ m ² /month (Jafza IP)
Rental Factory (per m ² /month)		-	\$1.53-2.4	\$0.7-\$5.2	\$2.8-3.0	\$4-6	-	-	Not common	Not common	Not common	Not common
Electricity Cost (per KWH)		\$0.09	\$0.08	\$0.12	\$0.19	\$0.07	\$0.03	Basic \$4.25 \$0.14	\$0.0329- 0.0631	\$0.093 + 1% tax (TEDES)	\$0.05-0.10 (TEG)	\$2.10-2.76
Water Cost (per m ³)		\$0.74	\$1.38	\$0.31	\$0.34-1.10	\$0.40-0.50	\$0.2-0.49	Basic \$3.41 \$1.51	\$0.1292- 0.80	\$2.97 + 8%tax (ISKI)	\$0.20 (SONDE)	

Source: The Survey Team

2.6 Other Donors

The results related to other organizations, obtained through hearing survey during field trips of the Survey, are summarized as follows.

2.6.1 AFD (France)

AFD is dissatisfied with the delay in the Palestinian procedure for Bethlehem Industrial Park and its lack of experience in promoting projects. In addition, AFD agreed to support the capacity development of PIEFZA and acknowledged the necessity of cooperation among donors. As the project is proposed by Mr. Sarkozy, the former president, the political priority of the project is high, but AFD does not expect investment from French companies.

On the other hand, financing for private companies, requiring purchase of equipment made in France is going well.

2.6.2 KfW / GIZ (Germany)

As for Jenin Industrial Park, KfW refused to provide soft loan for off-site infrastructure until the compensation problem for land acquisition was solved. The compensation problem that government financing cannot be utilized for land acquisition was solved with the support of the Turkish government. Therefore, KfW has decided to provide additional grant for on-site infrastructure. Although KfW cannot take action until the compensation problem is fully resolved, KfW recognized the necessity of capacity development of PIEFZA and is interested in donor cooperation for assistance conducted by JICA. If job training is held in Turkey, KfW wants to assist the developer.

GIZ is supporting the chamber of commerce through a technical cooperation in cooperation with Canada. GIZ is planning to support some sectors for 3 years from 2014 with food processing being one of the sectors. GIZ recognizes that competitiveness in export is an important issue, and products other than the strategic ones are difficult to be supported.

2.6.3 EU

EU is taking care of the progress of PRIDE which is carried out with the cooperation of the Japanese Government. If this program goes well, EU assumes that an additional investment of EUR 2 million can be provided as a fund for Phase II of the Project.

3. Financial Analysis for the Project

3.1 Financial Model of JAIP for the Project

JAIP Co., which takes the role of developer of the Project, is making a business model. The developer is responsible for overall operations of the Project, including fee setting. In the following, the conditions of its business model, which is prepared by the developer and used as the base case in the following analysis, are shown.

(1) Basic

- Leasable space: 82,641 m² (Hanger: 52,000 m², Open lot: 30,641 m²)
- Project evaluation period: 49 years
- Capital: USD 3 million
- (Capital is provided from Snable (12%), Prico (58%) and PiF (30%). The board member makes decision of JAIP Co.)
- Expected occupancy rate

For Hanger Construction Schedule

2013	2014	2015	2016-2017	2018-2019	2020 and after
0%	15%	45%	65%	100%	100%

For Open Lot

2013	2014	2015	2016-2017	2018-2019	2020 and after
0%	35%	65%	85%	90%	95%

For Hanger

2013	2014	2015	2016-2017	2018-2019	2020 and after
0%	15%	15%	45%	65%	90%

(2) Items for Cash Flow Analysis

Inflow

- Fee from Tenants
- Cash from Soft Loan

Outflow

- Initial Investment
- Operating Expenses
- Loan Principle and Interest Payment
- Fee
- Income tax
- Concession Fee

(3) Income from Tenants

	Total area (m ²)	Fee (USD/ m ² /year)	Revenue at Full Capacity
Office Space	200	80.00	16,000
Hangars	52,000	29.00	1,508,000
Hangars Space Attached	10,400	10.00	104,000
Open Lot	20,241	14.50	293,495
Total			1,921,495

- The unit lease fee will increase 2% every 3 years.
- Service rate is 8% of the total payment from tenants (Office space, hangers, hangars space attached and open lots).
- Tenants will directly pay for utilities (electricity, water, etc.) to the providing company.

(4) Initial Investment

Costs of Infrastructure Works	Amount (USD)
Security Facility	620,000
Waste Water	260,980
Power Supply	385,000
Roads and Pavement	1,412,000
External Walls	282,000
Storm Water	303,000
Water Supply	252,460
On-site Infrastructure	3,515,440
Hangar Space Cost	10,400,000
Total Investment Cost	13,915,440

- Construction cost of hangar is USD 200/m².
- Most of the initial investment of on-site infrastructure is decided based on actual cost which has already been confirmed.

(5) Operating Expenses

	Monthly	Yearly
Salaries	22,148	265,770
Electricity	3,000	36,000
Water	120	1,440
Communications	600	7,200
Cleaning Materials	1,800	21,600
Insurance	-	8,649
Repairs & Maintenance	-	66,794
Office Exp.	120	1,440
Marketing & P.R.	1,800	21,600
Other Exp.	2,895	34,740
Total	32,483	465,233

- These costs are assumed for one fiscal year of the Project, and the costs will be adjusted according to the occupancy rate of the year.
- Staff salary will increase 4% every 3 years. The cost includes salary, health insurance, and end of service. There will be 25 staffs (General manager, Executive assistant, Finance & Admin manger, Accountant, Admin assistant, Ops manager, Electricity engineer, Mechanical engineer, General engineer, Security supervisor, Security guide (10), Office boy, Procurement manager, S&M manager, Sales representative and P.R. representative).
- Marketing & PR budget is estimated as USD 36,000/year. The amount will be reduced 20% in the 6th year. Furthermore, the amount will be decreased 40% in the 9th year.
- Other Exp. Annual Cost will be increased 3% every 3 years.
- Year 1 = 60% of Salaries; Year 2–5 = 75%; then 100% of Labor force.
- Insurance is “Property All Risk Policy” (0.8% of total investment), “3rd Party Liability” (0.19% of revenue), and “Fidelity” (USD 375/year).

- Other expense includes external audit fee, fuel and transportation, board expenses, subscription, accounting and financial software fees, payroll and attendance software fees, stationary and toners, and unexpected expenses.

(6) Loan

	1	2	3	4	5
Type	Islamic (Commercial)	Soft	Soft	Soft	Soft
Loan Amount	3,000,000	2,500,000	2,000,000	0	3,600,000
Monthly Payment	50,000	13,889	11,111	0	20,000
Interest	4.50%	1.00%	5.20%	1.00%	1.00%
Loan Period (years)	8	20	20	20	20
Grace period (years)	3	5	5	5	5
Start Date Loan	1-Jan-2014	1-Jan-2015	1-Jan-2016	1-Jan-2017	1-Jan-2018
First Principle Payment	1-Jan-2017	1-Jan-2020	1-Jan-2021	1-Jan-2022	1-Jan-2023

(7) Fee

- Developer Fee: USD 21,190 at the first year (from JAIP Co. to Government)
- I.P. Operator Fee: USD 9,961/year (from JAIP Co. to Government)
- Building Licenses: USD 2/m² (when hanger starts its operation, from JAIP Co. to Government)

(8) Income Tax

- 20% of net income
- Tax will be exempt until 2022.

(9) Concession Fee

- 15% of Taxable income after tax

(10) Requirement for Cash Flow

- Internal rate of Return (IRR) of the cash flow needs to be more than 12%.

3.2 Points of the Base Case to be Considered

(1) Breakdown of Cash Outflow

To examine what items influence the cash flow, the Survey Team reviewed the items of cash outflow.

The amount of items which were considered for outflow was discounted by 12%, a hurdle rate for the developer for 49 years – the project evaluation period. As a result, net present value (NPV) of all items were calculated, and summarized in the following table.

Item	NPV (USD)	Ratio
Initial investment	8,805,573	61.6%
Operation Cost	3,194,116	22.4%
Interest payment	1,120,238	7.8%
Fee	159,944	1.1%
Tax	510,161	3.6%
Concession fee	498,144	3.5%

Among the items for cash outflow, the payment for loan principal is not included in this analysis, because the payment almost overlaps with the initial investment.

(2) Main Points of the Base Case

- **Setup of lease fee**
In the model, fees for open lot, hangar and office space are set respectively. The fees need to be competitive in the market.
- **Construction cost of hangar**
In the model, in addition to the open lot, a hangar is constructed and leased. The construction cost of the hangar accounts for a large part of the initial investment. Therefore, the unit cost of the construction cost significantly influences the results of the cash flow analysis.
- **Adequate setup of operating cost**
As the ratio of the operating cost is high, the setup of adequate operating cost is important. The structure of the assumed operating cost is as follows.

Item	Annual amount (USD/year)	Ratio
Salaries	265,770	57.1%
Electricity	36,000	7.7%
Water	1,440	0.3%
Communications	7,200	1.5%
Cleaning Materials	21,600	4.6%
Insurance	8,649	1.9%
Repairs & Maintenance	66,794	14.4%
Office Exp.	1,440	0.3%
Marketing & P.R.	21,600	4.6%
Other Exp.	34,740	7.5%

Salaries account for a large portion of the operating cost. Therefore, it is important to adequately determine the number and salaries of staff.

- **Expected occupancy rate**
If there is no contract tenant, JAIP cannot have cash inflow. Therefore, it is important to set a realistic and adequate occupancy rate. On the other hand, if the occupancy rate increases faster than expected, there will be a positive impact on cash flow analysis. Therefore, it is desirable if measures are prepared for a faster increase of the occupancy rate.
- **Area of hangar**
In the model, it is assumed that open lot and hangar will be leased separately, and the ratio of the hangar area is quite high. The construction cost of hangar is high, which allows for high lease fee of hangar. This means that the high hangar cost leads to high income flow. If the hangar is occupied as planned, there is no problem. But, if tenants desire open lots, resulting in low occupancy rate of the hangar, there will be a significant, negative impact on the cash flow of the Project. Therefore, adequate setup along the customers' request is also an impact factor for the model.
- **Loan conditions**
In the model, it is assumed that the loan interests are between 1% and 5.2%. In the model, soft loans are taken into account; however, JAIP may need to consider other loans as it seems difficult for JAIP to meet necessary conditions of soft loans.

3.3 Financial Analysis by Cases

In the following, the Survey Team changed some conditions from the base case set by JAIP Co., and shows the results of IRR or lease fee.

3.3.1 Conditions of Each Case

According to the base case shown above, the Survey Team examined the following cases.

(1) Changes in the Conditions from Base Case to Case 1

- Loan necessary for hangar construction cost utilizes Islamic loan (interest: 4.5%, loan period: 8 years, grace period: 3 years). Other loans can be made up of short term loans (interest: 3.5%, loan period: 2 years, grace period: 1 year).
- Occupancy rate of office space is 50% in 2014, and 100% after the year.

(2) Changes in the Conditions from Case 1 to Case 2

- Leasable space is assumed as follows:
Hangar: 7,800 m² (Hangar area planned to be constructed in 2014, 52,000 m² × 15%, 9.4% of total area)
Open lot: 74,841 m²
- The occupancy rate is as follows.

Hangar

2013	2014	2015	2016-2017	2018-2019	2020 and later
0%	100%	100%	100%	100%	100%

(3) Changes in the Conditions from Case 2 to Case 3

- Operating cost, other than salaries, of the served area is set as 0.5 USD/m²/year, pertaining to the operating cost of Bethlehem Industrial Park. The amount of salaries is the amount set in the base case.

(4) Changes in the Conditions from Case 3 to Case 4

- Occupancy rate is set as follows.

Open lot

2013	2014	2015	2016-2017	2018-2019	2020 and later
0%	50%	85%	85%	90%	95%

Hangar

2013	2014	2015	2016-2017	2018-2019	2020 and later
0%	100%	100%	100%	100%	100%

(5) Changes in the Conditions from Case 4 to Case 5

- Lease fee is set as follows.

	(USD/m ² /year)
Office space	80.00
Hangar	29.00
Hangar space attached	8.00
Open lot	8.00

3.3.2 Results of the Analysis

The results are summarized in the following tables.

	Total loan amount (million USD)	Lease fee of open lot (USD/m²/year)	Lease fee of hangar (USD/m²/year)	IRR (%)
Base case	11.10	14.5	29.0	10.47

	Total loan amount (except short term loan, million USD)	Lease fee of open lot (USD/m²/year)	Lease fee of hangar (USD/m²/year)	IRR (%)
Case 1	10.40	14.5	29.0	8.76
Case 2	1.56	14.5	29.0	14.79
Case 3	1.56	14.5	29.0	17.65
Case 4	1.56	14.5	29.0	18.99
Case 5	1.56	8.0	29.0	8.96

4. Financial Recommendations on the Project

Based on the financial analysis mentioned in the above chapter, it is essential for the developer and PIEFZA to agree on the following revisions of the financial strategy on JAIP.

(1) Competitive Lease Fee Setting

At present, the developer is setting lease fees in order to secure a certain investment return on its planned investment. The principles of fee setting shall be changed to reflect the competitiveness in comparison to other industrial parks in Palestine as well as industrial parks in neighboring countries. As lease fees are the most influential costs to the tenants' economic sustainability, perceptions of the tenants on the lease fee are important.

If a competitive lease fee on open lot is offered, potential tenants will be encouraged to enter JAIP. Increase of occupancy rate in early years can improve the rate of return on the investment, even if a lower lease fee is applied.

Concrete measures for lower lease fee can be following items.

- A lease period for a tenant is set for a certain period (for example until 2016), and the lease fee during the period is set lower.
- A lease period for a long term (for example more than 10 years) can provide tenants with discounted lease fees.
- A discounted fee is applied, if the payment is made at a time.

To set competitive lease fees for tenants, combinations of the measures mentioned above should be proposed.

(2) Reduction of Initial Investment to Improve Investment Returns

Cost for hanger accounts for a large share of the initial investment. As most potential tenants are not negative to contract on open lot lease, hangar lease can be reduced, and then open lot lease will be increased. Reduction the cost for hanger can improve the rate of return on the investment.

(3) Reduction of Operation and Maintenance Cost to Improve Investment Return

In order to improve the rate of return further, it is required to reduce operation and maintenance cost. Compared to other industrial parks, operation and maintenance cost estimation of JAIP is higher. Although personnel cost is not easy to reduce, the other items of operation and maintenance cost shall be reviewed and can be reduced to the similar level of the cost of the other industrial parks.

(4) Improvement on Balance Sheet

Most of register capital has been spent for initial investment. If further investment is financed by loans, a risk that its liability may exceed the asset is increasing. In order to mitigate the risk, restructures of the capital is the most essential. The following methodologies to support such restructures are to be examined.

- Transfer the initial investment to the investment by PA
- Transfer the initial investment to a fund sourced by a long-term loan
- Transfer the initial investment to a donor fund without obligations that earn back its investment in a short period, etc

5. Other Recommendations

5.1 Recommendation on the Project

To make the Palestinian economy self-sufficient, it is not only essential to focus on limited domestic markets, but also the growth of industries which can produce goods to increase competition within the export market. For the Palestine Authority (PA), it is difficult to improve the conditions of infrastructure (including water supply, waste water and electricity), legal system and logistics, because of its difficult political and economic situations. Therefore, the best way is to focus on the development of industrial parks, which Japan, France and German are supporting, and to apply strategies of developing a foundation for international competitiveness.

From the viewpoints mentioned above, the issues that JAIP could face are as follows:

- (1) Support to increase economic benefits of contract tenants of JAIP
- (2) Support to increase or maintain international competitiveness of contract tenants of JAIP
- (3) Support to enable contract tenants of JAIP to start new businesses

(1) Support to Increase Economic Benefits of Contract Tenants of JAIP

(1)-1 Reduction in Utility Fee

- It is expected that the benefit of utilities realized by developing utilities with the grant of the Japanese Government and the financial support of UNDP, will result in the reduction of utility fees for tenants.
- As for water supply, JAIP agreed with Jericho city on a fixed supply amount (30 m³/hour) and price (2.5 NIS/m³). As there is no document for the agreement, it is urgently required to prepare the document. The document can serve as an effective incentive for tenants as Palestinian companies constantly suffer from expensive and uncertain water supply.
- As for electricity, it is agreed between governments that solar panels will be installed and operated within the site of the park. This generated electricity will initially be used by the public and then by the tenants after the start of park operations. Technically, the generated electricity will be supplied to the grid of JDECO, a local electricity company, and the tenants will then get electricity from the grid. Therefore, in the actual operation, it is assumed that the tenants of the park will receive the benefits of the solar power in the park in form of electricity fee reduction (in the feasibility study (F/S), the amount of electricity generated by the solar panels is estimated to be 10% of the total amount of electricity which will be used by tenants in the park). Furthermore, as the Japanese Government will support the installation of high-voltage line and nearby electric substation equipment, its investment benefits (normally, the investment should be conducted by JDECO) should also be considered in fee reduction. The Survey Team suggested that these considerations should be taken into the fee system and held a meeting with stakeholders previously. But concrete documents regarding this issue have not been made so far. As there is no large electric generation plant, stable electricity supply is a huge merit in Palestine; therefore, the agreement should be made as soon as possible.
- As for waste water, construction of a full-scale waste water treatment facility which is being established with a grant from the Japanese Government is behind schedule but is planned to be completed by mid 2014. Adequate water treatment is an issue that Israel requested strongly at the F/S stage for the approval of the Project, and the necessary

cost for the treatment can be expected to be much lower than if the treatment facility is constructed by JAIP. JICA also provides technical assistance for operation and maintenance of sewerage pipes. In the assistance, it is instructed that the operation and maintenance cost should basically be covered with the income from customers. In general, fees collected from industries are higher than the fees collected from households, but in this case the fees paid by industries can be relatively much lower than usual. The treated water is planned to maintain water quality allocated for agriculture. If it is realized, further reduction in fees can be offered.

(1)-2 Arrangement of Tax Incentive

- According to the PIFZA regulations, tenants will receive income tax exemption for a certain period. The regulation, Palestine Investment Promoting Regulation, is quite important to politically promote the industrial park to attract companies, in comparing with projects that tenants conduct their business at other place than industrial parks. In terms of promotion, there have been some political changes, such as revision of Palestine Investment Promoting Regulation in 2011 and freeze of tax exemption. As a result, it is uncertain whether tenants of the park can obtain income tax exemption for years to come. By clarifying the situation regarding tax exemption and clearly defining certain tax exemptions, tenants can take advantage of the economic benefits.

(1)-3 Financial Support to Contracted Tenants

- By promoting procedures of the PRIDE fund, which will provide financial support to contracted tenants, and by providing some of the equipment as a grant, tenants can receive further economic benefits. It is of view that PIFZA officials are not accustomed to the manual agreed with EU and, thus, cannot deal with the issues of PRIDE. Therefore, outsourcing the operations can be an option for the promotion of the Project. As EU is considering extending its support in Stage 2, smooth flow of funds for Stage 1 is vital.
- As PA allows for industrial parks to lease land for 49 years, the lease rights is desirable for tenants in applying for loans from banks, which works in other countries. If the tenants acquire bank loans, it will improve their cash flow and economic efficiency.

(2) Support to Increase or Maintain International Competitiveness of Contract Tenants of JAIP

(2)-1 Improvement of Environment for Marketing

- Although some contracted tenants have long-term sales commitment and secured exports, it can be generally said that the target setup for export goods and assessment of market are some of the most significant weaknesses of the Palestinian companies. Without recognizing the trends of the international market, it is difficult to gain international competitiveness. As it is hard to acquire such kind of information only through private companies, private and public companies should both cooperate in preparing an information collection system.
- Especially, it is important to develop an information service for Palestinian investors who are living in neighboring countries, including gulf countries, whose potential demand is huge. It is an important approach to build a network utilizing federations for Palestinian investors and diplomatic establishments abroad across neighboring countries.
- Not only abroad but also in PA, an adequate information service for products is not established. It is expected that an efficient information release system will be developed

through information exchange among the chambers of commerce and industry. Through the assistance provided by Germany and Canada, IT equipment of the chambers has been improving. In addition, a TV conference system is available in the chambers as a result of the improvement; this system can be a useful tool. Furthermore, the JAIP management building constructed with the support of the Japanese can be utilized as a show room. Collaborating with Jericho city and the Jericho chambers of commerce and industry, action plans utilizing those tools should be urgently prepared and carried out.

(2)-2 Improvement of Logistics

- One of the largest strengths of JAIP is that it is close to Allenby Bridge, which is a gateway for exports to the middle-east area. PA points out that the problems of custom clearance at Allenby Bridge are caused by Israel who is responsible for custom clearance, but PA also has problems in the preparation of necessary documents. In order to secure competitiveness in exports, it is necessary to solve these problems and make custom clearance smooth. The developer is planning to construct a facility for logistics. It is expected that the facility will improve the logistic system at the park.
- At the working level of the Four-Party Consultation Unit, proposals for improvement based on “good practices” are organized. Although it is difficult to implement all the improvements, in order to establish trust among investors, it is encouraged to start with what JAIP can do as of now.

(2)-3 Speed Up and Simplification of Procedures

- Procedures in PA are unclear and unorganized, and investors take unnecessary time to get approvals. One stop service (OSS) is under preparation and it is planned that all applications will be handled at one time. Related agencies and implementation agency, PIEFZA, need to cooperate and to move forward quickly.
- The current PIEFZA law stipulates OSS, but OSS is not carried out because of lack of detailed regulations for practical operations. It is urgently required to carry out OSS after getting approval for detailed regulations from the board of PIEFZA and communicating with related agencies.
- In case revision of the PIEFZA law, not the agreement of detailed regulations, is necessary, it is assumed that it will take time to complete. In this case, it is necessary that a tentative operation rule is defined to solve present problems. In the process, as stakeholders will make an effort to uphold their authority, it would be more effective to establish basic agreement among ministers first and then get practical approval at the working level.

(3) Support to Enable Contract Tenants of JAIP to Start New Businesses

(3)-1 Capacity Development of Workers who Acquire Necessary Skills that Industries Seeking for

- Workers who produce competitive products for exporting need to acquire not only engineering skills for production of goods, but also trade business and financial management skills, which are different from the skills previously required in Palestine. Furthermore, various practical trainings by type of business are necessary. Through the trainings provided by JICA BDS Provider technical Project, it is important to establish a system which meets the actual demands of Palestine.
- Also, it is important to create opportunities to learn new Japanese technologies to effectively solve problems. To apply those technologies in solving actual problems,

collaboration with universities, research centers and NGOs can prove to be an effective approach.

(3)-2 Strengthen of Cooperation with Government Agencies

- The Four-Party Consultation Unit includes not only the Ministry of National Economy (MONE), supervising PIEFZA, but also the Ministry of Planning and Administration. Financial support operations need approval from the Ministry of Finance. Furthermore, to operate a food processing plant, it may be necessary to communicate with the Ministry of Health and other ministries which have not yet been that involved in this Project. These ministries are attending board meetings, but due to limited communication regarding the progress and issues of the Project, they are often apprehensive or misunderstood. It is important to build good relationships with them and provide necessary information.
- As for the relationship with Jericho city, good relationship with the Ministry of Local Governance, the Governor and the Mayor is important. So far, the elected Mayor has not been reported about the progress and issues of JAIP and the citizens of Jericho city do not understand the merits of the Project. Making the citizens understand the meaning of JAIP and cooperating with Jericho city are essential for successful industry development and capacity development.
- As mentioned in (2)-1, the development of network using diplomatic establishments abroad for overseas Palestinian investors is an important issue. Periodically sharing information with diplomatic establishments abroad is also important.

(3)-3 Cooperation between Public and Private

- As PIEFZA can utilize only limited human resource and budget, it is necessary that the developer takes initiative in the operation of JAIP. Especially, the developer and PIEFZA should agree on how to manage the management building and water reservoir, which have been urgently constructed with the support of the Japanese Government. In addition to having periodical meetings between the developer and PIEFZA to adequately confirm situations of concerned issues, PIEFZA should identify and monitor whether the developer implements duties defined in its Concession Contract.
- To confirming the actual and latest demands of customers and to operate the industrial park in an adequate manner catering to the demands, exchange of views with the chambers of commerce and industry and the industry federation is essential. It is important for the developer and PIEFZA to build a credible relationship with them by quickly dealing with the issues identified through these meetings.

5.2 Recommendation on PIEFZA

(1) Establishment of Operational Decision Making

In the industrial park, the construction for a contracted tenant has been started. The management building constructed with the support of the Japanese Government has finished, and the park is in the stage to start operations. For the implementation of the operations, PIEFZA is expected to make decisions on various issues, but PIEFZA is not capable to make such decisions as of now.

PIEFZA should urgently appoint a Director General, identify the responsibilities and authorities of the Director General, and establish a quick decision making procedure within its responsibilities.

(2) Structure Strengthening of PIEFZA

Although PIEFZA may acquire more responsibilities as the preparations of not only JAIP but industrial parks supported by France and German progress, 13 positions of JAIP (including a legal advisor) are vacant. In the technical cooperation project, PA agreed to the establishment of departments of business development service and OSS, but these departments lack human resources. The number of staff needs to be increased consistently. But some part of the tasks of PIEFZA, such as examination tasks of financial support scheme including PRIDE, can be outsourced after securing budget for outsourcing.

(3) Consolidation of Legal Background

Since the PIEFZA law was established in 1998, only minor changes, such as change of name of some organizations, have been conducted, and some ineffective items still remain in the law. It is necessary to ensure effectiveness of such items by revising the items or adding bylaws.

Considering the fact that in the past the fundamental ideas of the Project changed several times, it is important that the basic directions mentioned above are properly defined.

