



*Ministry of National Economy  
Governorate of Jenin*

# **A feasibility analysis of the Jenin Sustainable Industrial and Logistic District**



**Jerusalem, March 2010**

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**Study prepared by the UTL of Jerusalem – Italian Cooperation and  
funded by the Italian Ministry of Foreign Affairs – DGCS**

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# OUTLINE

## 0. Summary

- 0.1. The context of the initiative
- 0.2. Objectives of the project
- 0.3. The project structure and the main results of the analysis

## 1. The Jenin district: socio, economic and institutional context

- 1.1. A general outlook
- 1.2. The social and economic context – the fundamental aspects
- 1.3. Territorial and environmental aspects
- 1.4. Social and cultural Aspects
- 1.5. The Financial Aid for the productive development and the Sustainable Industrial Zone
- 1.6. Institutional and regulatory framework
- 1.7. International local and regional context: why Jenin?

## 2. The Palestinian Economy and the Jenin Industrial District

- 2.1. The structure of incomes
  - 2.1.1. Poverty and inequality in Palestinian territory's households
  - 2.1.2. Indicators of inequality
- 2.2. The labour market in West Bank and Jenin
- 2.3. The structure of consumption
  - 2.3.1. The distribution of consumption per income
  - 2.3.2. The distribution of consumption per area
- 2.4. The primary sector production in Palestinian Territory, West Bank and Jenin
  - 2.4.1. The primary sector production from Social Accounting Matrix (SAM) 2007
  - 2.4.2. A space comparison: agricultural production in Palestinian Territory and Syria
- 2.5. The SAM methodology to describe and analyze local economy
  - 2.5.1. A Social Accounting Matrix for Jenin and West Bank
  - 2.5.2. The SAM multipliers
  - 2.5.3. Analysis of the impact of a technical change
  - 2.5.4. The data
- 2.6. The Occupied Palestinian Territory economy
  - 2.6.1. Clothing and textile industries
  - 2.6.2. Stone, marble and construction industries
  - 2.6.3. Food industry
  - 2.6.4. Engineering and metal industries
  - 2.6.5. The SAM application on Occupied Palestinian Territory economy
- 2.7. The West Bank economy
  - 2.7.1. Clothing and textile industries
  - 2.7.2. Stone, marble and construction industries
  - 2.7.3. Food industry
  - 2.7.4. Engineering and metal industries
  - 2.7.5. Plastic and chemical industries
  - 2.7.6. Wooden furniture industry
  - 2.7.7. The SAM application on West Bank economy

- 2.8. The Jenin governorate local economy**
  - 2.8.1. SAM multipliers analysis**
  - 2.8.2. Simulations of socio-economic impact**
  - 2.8.3. Conclusions and further research**
  
- 3. Restriction to movements of goods and people: an estimate of the economic and social impact**
  - 3.1. Introduction**
  - 3.2. Movement of People and Goods in the West Bank**
  - 3.3. Methodology**
  - 3.4. Data and Results**
  - 3.5. Economic Consequences of Movement Barriers**
  - 3.6. Conclusions and Recommendations**
  
- 4. JILA preliminary feasibility study: engineering and planning report**
  - 4.1. Introduction**
    - 4.1.1. Background**
    - 4.1.2. References and credits**
    - 4.1.3. Methodology, design parameters and performance levels**
    - 4.1.4. Tasks**
    - 4.1.5. Potential issues**
      - 4.1.5.1. Design issues**
      - 4.1.5.2. Operational issues**
  - 4.2. Site analysis**
    - 4.2.1. Project localization**
    - 4.2.2. Topographical and geographical features**
    - 4.2.3. Climate**
  - 4.3. The master plan**
    - 4.3.1. The industrial area**
      - 4.3.1.1. Accessibility, road system and car parks**
      - 4.3.1.2. Technical support infrastructure**
      - 4.3.1.3. Layout of the plots**
      - 4.3.1.4. Green areas and facilities**
    - 4.3.2. The logistic area**
      - 4.3.2.1. Accessibility, road system and car parks**
      - 4.3.2.2. Technical support infrastructure**
      - 4.3.2.3. Organization of the logistic area**
      - 4.3.2.4. Green areas and facilities**
    - 4.3.3. Off-site facilities and infrastructure**
      - 4.3.3.1. Circulation, road system and car parks**
      - 4.3.3.2. Administrative service area**
      - 4.3.3.3. Additional services for truck operators**
      - 4.3.3.4. Dimension of buildings and service areas**
  - 4.4. Technologies & integrated process management**
    - 4.4.1. Power supply**
    - 4.4.2. Water**
      - 4.4.2.1. Rain water drainage and collection system**
      - 4.4.2.2. Sewage collection & wastewater treatment plant**

- 4.4.3. Solid waste management
  - 4.4.4. Telecommunications network
  - 4.4.5. Check point and security
  - 4.5. Environmental impact
  - 4.6. Conclusions
- 5. The Jenin Sustainable Industrial and Logistic Area (JILA): economic and financial analysis**
- 5.1. Valuation on JILA feasibility
  - 5.2. Demand in area: personnel, water and power requirements
    - 5.2.1. Subprojects and surfaces
    - 5.2.2. Industrial area
      - 5.2.2.1. Sectors: number of industries
      - 5.2.2.2. Sector employment
      - 5.2.2.3. Water and power demand
    - 5.2.3. Logistic, administrative, ecocentre, checkpoint and water management area
    - 5.2.4. Waste
  - 5.3. Financial Analysis
    - 5.3.1. Basic Assumptions of the Financial Analysis
      - 5.3.1.1. Time Horizon
      - 5.3.1.2. Prices of Productive Factors and Project Outputs
      - 5.3.1.3. Real Financial Discount Rate
    - 5.3.2. Fixed Investments
    - 5.3.3. Total Investment
    - 5.3.4. Operating Revenues and Costs
    - 5.3.5. Financing
      - 5.3.5.1. Sources of Financing
      - 5.3.5.2. The management company (Italian and Palestinian role)
      - 5.3.5.3. Financing Plan
      - 5.3.5.4. Stakeholders
    - 5.3.6. Determining the Net Cash Flow
      - 5.3.6.2. Net Flow to Calculate the Total Return on the Investment (investments in the project)
      - 5.3.6.3. Net Flow to Calculate the Return on Shareholders' Equity or Funded Capital (public/private)
      - 5.3.6.4. Net Present Value / Internal Rate of Return
  - 5.4. Socio - economic Cost-Benefit Analysis
    - 5.4.1. Accounting and Discount Unit for the Cost-Benefit Analysis
      - 5.4.1.2. Output Price Distortions
      - 5.4.1.3. Fiscal Aspects
      - 5.4.1.4. External Cost/Benefit
    - 5.4.2. Economic Rate of Return or Net Present Value of the Project in Monetary Terms
  - 5.5. Risk Analysis
    - 5.5.1. Defining the Critical Variables with the help of the Sensitivity Analysis
- 6. Financial, economic and social impact analysis**

## **Bibliography**

## **Appendices**

**Appendix A. The Palestinian Economy and the Jenin Industrial District**

**Appendix B. Restriction to movement of goods and people: an estimate of the economic and social impact**

**Appendix C. Handbook on the screening procedures in ports, airports, crossing bridges and checkpoints**

**Appendix D. The transportation survey**

**List of figure**

**List of graphs**

**List of tables**

## 0. Summary

The study has been funded by the Republic of Italy through the Ministry of Foreign Affairs, Italian Development Cooperation Office. The objective is to assess the technical, environmental, economic and financial viability of establishing an industrial and logistic park in Jenin.

### 0.1. The context of the initiative

Euro-Mediterranean relations. Relations between the European Union and the Mediterranean countries involve both bilateral and regional cooperation, under what is called the Euro-Mediterranean partnership. The objective of this partnership is to create a common area of stability and shared development in the Mediterranean region, with the goal of developing a free trade zone which will eliminate customs tariffs, promote free market access, establish trade facilities and regulatory policies between the EU and its partners and between Mediterranean partners. Significant progress on trade has been made since the launch of the Barcelona Process and in fact all the association's agreements deal with the commercial liberalization of manufactured products, with free access to exports to the EU and the gradual elimination of tariffs for imports from the EU during a temporary period.

**The Middle-Eastern Area.** Focusing on the Middle East, specifically Israel, Palestine and Jordan, if at the moment the trade relations cover only a small share of actual capacity, they are gradually increasing, irrespective of the political and institutional situation. Development scenarios in the region predict an acceleration of economic growth, supported both by a significant increase in international funding, particularly in Palestine, and by an increase of foreign investments in the entire Middle -Eastern Area. We must take into account that development will be exponential when the Iraqi reconstruction proceeds in a systematic way, and not at a crawl, as is happening now. This will have important consequences:

- on the economic situation of this country;
- on the development of international investments in the area, with international business delocalization;
- on economic and trade development in the entire Middle Eastern and Mediterranean Area.

The field of logistics and cargo handling plays a central role in promoting the development of these Mediterranean countries. However the development of a permanent, efficient and multimodal transport system in the region, capable of establishing a transport network in the area, is not sufficient.

**The role of logistics.** Here it's necessary, more than elsewhere:

- to strengthen and modernize the institutional framework and the regulations of transport, promoting coordination among the various administrations of each country, in order to ensure consistency among the different national policies,
- to adapt the existing network to the expected growth in traffic, also establishing the necessary financial frameworks, which are necessary for their realization,
- to ensure an organized, structured, inter-connected transport network,
- to establish a safety action plan, along each corridor,
- to simplify the process of border crossing, harmonizing and simplifying customs practices,
- to provide for transport planning, inter-operability, coordination, multi-modal platforms, logistics and information technology.

All these must be adapted to the specific needs of the different partners in a very complex area.

**EuroMidBridge / EuroMidNetwork.** With the aim of finding a solution to these issues, the initiative EUROMID (dile East) BRIDGE (now EUROMIDNET) was set up, in the name of economic development, to overcome difficulties and tensions in the area and to create a larger regional market in the Middle East, as is hoped for an international level (“Corridor for Peace and Prosperity”). Its aim is:

- to create a direct link between northern and southern Europe, on the one hand, and the Mediterranean and the Middle East on the other hand, promoting an increased volume of trade;
- to set up industrial and logistics initiatives.

The initiative directly involves Italian, European and Middle Eastern port and freight village operators, shipping companies and transport companies, the entire logistic system and commercial and industrial enterprises. Therefore, it will be based on a system of mutual convenience and interest, which places the different participants on the same level. In this way EUROMIDNET will be a logistical corridor which, in the manner of a unique integrated system, connects Europe and the Middle Eastern Area, uses the existing infrastructure in Europe, as well as the Italian ports, enters the Middle Eastern region through the Port of Haifa, promotes the industrial area and the logistic platform of Jenin in Palestine to support the economy and transportation, crosses the Jordanian border to the north, attracting investment as well, and accesses the widest regional market by offering an efficient and fast alternative to freight transport.

## **0.2. Objectives of the project**

**The strategic location of Jenin.** The position of Jenin is logistically strategic as it is in the northern part of the West Bank, about 40 km from Haifa Port, 30 km from Sheikh Hussein border in Jordan and 40 km. from Syria. It is also located about 4 km. south of the arterial road connecting Haifa to Jordan. The Governorate of Jenin is an important territory of 583 square km, with about 256,000 inhabitants, 11% of the total Palestinian population, with 42% in urban areas, 54% in rural and 4% living in refugee camps. It is one of the most important economic areas in the country: agriculture, cattle-breeding, chemical, stone and marble, metal, furniture and wood industries. It is also one of the richest and most fertile agricultural areas of the Middle East (vegetables, olive, fruit and almonds trees and hothouse cultivation), which can develop a flourishing industries in agriculture and food production. The neighbouring Regional Council of Jilboa (Israel) and the Jenin Governorate have good relations and are mutually interested in supporting a project for an industrial and logistic area as a cornerstone for a peaceful neighbourhood and economic progress.

**The deterioration of the Palestinian economy.** Everyone agrees that peace is not possible without development and vice versa, and numerous studies show the disastrous state of the Palestinian economy and the poverty in which the majority of the population lives. The years of isolation and economic crisis since 2000 have laid waste an entrepreneurial network of already weak SMEs and micro-companies inducing many businessmen and the most highly qualified workers to emigrate and shattering hopes of a better future for those left behind with the effect of weakening the entire social network. Poverty is increasing dramatically and the lack of jobs deprives a great number of families of essential means for their livelihood, exacerbating the already unstable political situation in the area. Violence becomes habitual and damages further the already weak Palestinian economy in an endless cycle of cause and effect. Consumer prices are pushed up, by a precipitous rise in food, beverage, housing and transportation costs. These increase reflects rising prices in Israel, to which the Palestinian economy is still strongly linked, but it



is also the result of the Israel border closing regime, which keeps prices high. Regarding foreign trade, the latest data 2006 shows that imports amounted to 2.835 million U.S. dollars (up 6% from 2005), compared to exports of 339 million U.S. dollars.

**Risks.** The lack of future prospects creates great inconvenience and a dangerous level of frustration. In this situation, young people are, in fact, the most vulnerable group because they are unable to enter the job market and are pushed into poverty with the subsequent deterioration of the general economic situation and with the effect of fomenting discontent and of increasing the appeal of subversive groups. The current unemployment rate in the region amounts about 25%. In Jenin alone, there are about 5600 graduates who don't work and 13,400 students who are studying in different universities in the West Bank. They won't find work and they don't hope to. In this way, there is an increase in restless unemployment and emigration.

**The limits of humanitarian assistance.** If one considers the international experience, it's clear that poverty reduction and concrete development cannot be achieved only through emergency assistance and humanitarian aid as if these were the only solutions, and which lead people to believe it's always possible to live with foreign assistance. Humanitarian aid is the greatest source of support in Palestine, but it's necessary to take a new and innovative approach, based on the development of local resources, on the private sector, and especially on the ability to exploit the enormous potential of the Palestinian youth. Otherwise, the injection of foreign financial resources risks creating distortions and negative effects unless the process of economic development is integrated into the institutional, social and cultural environment; in other words a development with strong foundations. The reconstruction of a strong network can only occur within the context of a concrete and shared initiative, in model of measurement which produces tangible, even if modest, results. Otherwise, there will be no credibility. These initiatives are very important as they not only resolve particular problems, but also offer success stories which can be proposed to other West Bank organizations and in the long run also to Gaza.

**The Strategic Plan for Jenin development.** The initiative in Jenin is intended to create a model of balanced and long-term permanent development, promoting the growth of economic and industrial activities in the Governorate of Jenin, quickly and with a rapid impact on income and on the social status of the population. A specific objective will be the creation of a logistic and industrial complex. With the systematic involvement of local communities and the use of existing potential, it will be possible to create the most appropriate and favourable local background for the economic development area. These are the goals of the Oslo Accords of 1993 which have been reaffirmed in international agreements both in bilateral meetings and in the Quartet statement of May 2008. These are also the goals of the "Palestinian Reform and Development Plan" presented by the Palestinian government. To reaffirm the potential of Jenin, the creation of a mirror industrial area of equal size is planned by Israel, on the border, in the Regional Council of Ilboa. In the future it would be possible to create a large integrated district. The conditions for this development exist, following the signing of an agreement by Israeli and Palestinian governors, which represents not only an important economic achievement, but also progress on the political and diplomatic plan.

**Actors.** The target groups are the direct and active players of the proposed action: Palestinian Government, Palestinian Industrial Estate and Free Zone Authority (PIEFZA), local institutions and administrative structures in Jenin; economic representatives (businessmen, tradesmen and craftsmen's associations), Chamber of Commerce, Banks and social representatives (unions, schools, associations); newspaper and television opinion makers since they become a means of spreading the word and are persuasive; young people to train in the management of development projects in consideration of the large number of

unemployed in this age group. The final beneficiaries of the development project as a whole, to which this action contributes, will be the newly employed people who find work in the activities set up in Jenin, especially in the logistic / industrial area. Job creation not only generates steady family incomes for the Palestinians, but also makes self-sufficiency possible and gives people pride in their work without their having to depend on charitable support. This contributes to strengthening the social network and demonstrates the need to share a peaceful existence. The final beneficiaries are also local and foreign businesses, which will find in Jenin an efficient and welcoming environment with the advantage of easy connection to the most important markets.

### **0.3. The project structure and the main results of the analysis**

**The project's relevance.** The aim of the project is the building of a self-sustainable industrial park, involving an integrated cluster of firms and a logistic port in Jenin. This initiative represents the first pillar of the larger project EuroMid Network. It will be of considerable significance to the involved area, and it will be an important opportunity to:

- develop and support the local economy and the whole country, providing an immediate opportunity for creating and expanding firms, operating in identified different sectors of economic development;
- facilitate the manufacture, distribution and export of agricultural and industrial products derived within the West Bank;
- facilitate the importation of products required for consumption by the Palestinian community inside the West Bank;
- generate employment, in a short time, for both skilled and unskilled workers;
- establish relations between the Palestinian and Israeli economies and take advantage of the close proximity of major Israeli industrial and consumer markets and the Israeli port of Haifa;
- improve security through efficient scanning techniques to allow movement;
- open the Palestinian economic enclave;
- encourage Palestinian economic diversification through new trade agreements, new infrastructure, and the adoption of productivity enhancing technologies;
- provide a formal and predictable environment for the facilitation of joint venture operations between Israeli and Palestinian firms and, indeed, foreign firms;
- encourage industrial development projects independent for both energy and water supplies, using technologies with low environmental impact.

**The plan.** The project of the Jenin Industrial and Logistic Area (JILA) covers an area of about 90 ha destined for industrial use and consists of the following subprojects:

- industrial park (66.34% of the area);
- land port (27.59%);
- security checkpoint (2.30%);
- power plant from alternative sources of energy (1.94%);
- water management facility (0.62%);
- administrative area development (1.21%).

#### **Main Features.**

- The energy plants will use both solar energy and molecular restructuring of industrial and urban wastes. These technologies will be able to ensure self sufficiency.

- The water management facilities will capture rainwater from roofs and from the ground and recycle industrial water to guarantee an 80% level of autonomy.
- The security checkpoints will adopt top level technology.
- The logistic area will be the land port for the Haifa sea port allowing a substantial reduction in the time necessary to check containers coming from the Occupied Territories and requiring a back and forth control.

**Transportation.** The logistic activities will be modulated conforming to a sophisticated study which will account for the probability of encountering Israeli checkpoints along the routes and the characteristics of the trade firms. This research is of particular importance, because the mobility of goods between the West Bank and nearby countries is one of the critical factors affecting the economic and social development of the Palestinian area.

**The socio-economic impact.** The investment is expected to generate about 160 factories established in the JILA, about 5000 new direct employment opportunities in Jenin, plus an indirect employment effect in the West Bank area as large as 1.5 times the direct effect. The projections show an average gross national product growth of 30-40% for the Jenin area under the current conditions of labour mobility within the OPTs. The estimated economic internal rate of return for the investment is 89%.

**The environmental impact.** The environmental impact on the industrial area is minimal. This is a fundamental prerequisite to access grants from the European Commission. Energy sustainability is a project objective pursued not only to reduce the exposure to energy and water cuts, but also to activate an autonomous and independent local development, in line with the emancipation and the identity, which are sought by Palestinian people.

**The impact of the project.** In terms of the objectives and priorities shown above, the proposed action meets the following requirements:

- it launches a concrete development initiative which has obtained immediate consent and considerable agreement;
- it creates a situation which will provide tangible income benefits, self-respect, and a better quality of life for the Palestinian people, thus reducing the exodus of the more qualified human resources which would remove all hope of an unaided development;
- the concrete and stable creation of a cross-border cooperation between Israel, Palestine and Jordan; it overcomes, through positive results, prejudice, mistrust and resentment, which tend to multiply in a situation of economic crisis, isolation and lack of future prospects ;
- it contributes to creating a new managerial class in Palestine;
- it contributes to modifying, with the incentive of the private sector, the orientation and behavioural practices of decision-makers, who will be use administrative acts in order to support development initiatives.

**The role of Italy.** The overall objective of the Italian Cooperation is to develop the local economy of the Jenin Governorate, to create new jobs in the formal sectors and to contribute to the reduction of poverty in the West Bank. It will be easy to implement and of great utility. It will be available only to the Italian Cooperation and not to other countries' developmental agencies with activities in the Jenin area. This should allow the Italian cooperation to enjoy a competitive advantage and Italy to assume a leading role in the

sustainable development of both the Jenin area and the West Bank. It is also a unique opportunity to play a leading role in coordinating the political actions of international actors at the local level.

**The economic returns.** It's possible to calculate:

- Project cost: 85 millions euro;
- Economic Rate of Return: 89%;
- Benefit Cost Ratio (B/C): 2.12;
- Economic Net Present Value (B-C): 109 millions euro.

If we consider the direct and indirect JILA project impact on Jenin and West Bank economy we have the following results:

- Economic Rate of Return: 318%;
- Benefit Cost Ratio (B/C): 2.85;
- Economic Net Present Value (B-C): 180 millions euro.

**The financial plan.** The project involves a public-private partnership, with at least 30% of grants coming from the European Commission, 20% National Public contribution (other international grants), 12% Italian government, 38% Loans (BEI, WB,...). From the financial analysis we have obtained the following results:

- Financial rate of return on investment - FRR(C)= 10%;
- Financial net present value of the investment - FNPV(C)= 47 millions euro.

This means that the project seems able to remunerate all its costs, with a rate that is higher than 5% benchmark.