



**Arab American University
Faculty of Graduate Studies**

**Opportunities and Constraints of Development Finance in
Palestine: Case Study: Jericho Agro Industrial Park**

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**This thesis was submitted in partial fulfillment of the
requirements for the Master's degree in**

Strategic Planning and Fundraising

May /2022

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Thesis Approval

Opportunities and Constraints of Development Finance in Palestine: Case Study: Jericho Agro Industrial Park

By

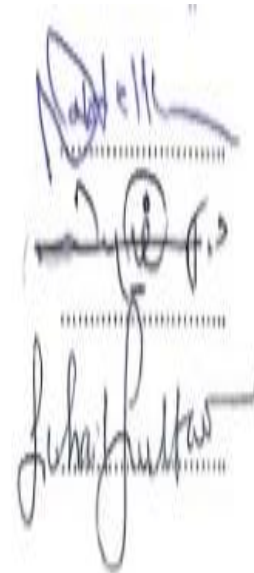
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Declaration

I declare that the work in this thesis “Opportunities and constraints of development finance in Palestine, case study: Jericho Agro Industrial Park.”

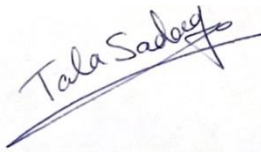
Has been carried out by me, and the information derived from the literature has been duly acknowledged in the text.

This work has not been submitted to any institution or university for any academic degree.

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A handwritten signature in blue ink that reads "Tala Sadaqa" with a stylized flourish at the end.

Date: 7.7.2025

Dedication

I would like to express my deep appreciation and thanks to my supervisor and committee chair Dr Naser Abdelkarim, who has been giving his full support and motivation during all the steps of this research. Without his guidance and support, this thesis would not have been possible.

I would like to thank, my committee members, Dr. Sharif Abukarsh and Dr. Suhail Sultan for their valuable time and support to come up with the final vision of this study.

I dedicate this dissertation with a special feeling of gratitude to my loving parents, Ahmad and Layali and my beloved sisters and brother and my dear husband who has been the support system and a great motivator throughout the Master's program.

Acknowledgment

I would like to thank my thesis supervisor, Dr. Naser, for his guidance and feedback throughout the project. I also thank the university and their staff for their support and resources, and of course the committee members for their patience and continued support.

Abstract

Free zones, industrial parks, and eco industrial parks are some of the elements that make up a country's economy. Industrial parks are areas that are set aside for the development of certain economic activities. They are considered as vital factors that support economic development, as they help in curbing environmental pollution and stimulate various industries.

This paper aims to analyze the various opportunities and constraints of development finance in Palestine through the case study of Jericho Agro Industrial Park- JAIP and the effect of access to finance in its development

This study is the first of its kind that's focused on the development finance of industrial parks in Palestine. The lack of awareness about the importance of development finance in Palestine undermines the country's efforts to attract foreign investors.

This study aims to analyze the various factors that affect the development finance of emerging economies. It will also discuss the current situation regarding the and access to finance, through shedding the light on one of the national projects in Palestine, JAIP.

Despite being supported by the Japanese Government, JAIP is not able to attract international and national investors due to various factors. These include the country's lack of infrastructure, supportive regulations, as well as the lack of access to finance which will be further explained throughout the study.

The study used the quantitative and qualitative approach through analyzing the financial statements of JAIP and through conducting open ended structured interviews with the relevant stakeholders' representatives.

Moreover, this paper noted that the lack of access to finance affected the development of JAIP and delayed the developmental projects planning and implementation. The study also noted that it is possible that the developers of industrial parks in Palestine may not be able to secure the necessary capital for their projects due to the delays and difficulties they have faced in accessing loans.

In other words, the lack of access to development finance can also affect the operations and development of industrial parks. This issue could create a negative impact on the projects' expected benefits. Further analysis will be represented throughout this research.

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List of Abbreviations

IP(s)	Industrial Park(s)
MONE	Ministry of National Economy
PIEFZA	Palestinian Industrial Estates and Free Zones Authority
JAIP	Jericho Agro Industrial Park
JAIPCo	Jericho Agro Industrial Park Company
PPP	Public Private Partnership
UNIDO	United Nations Industrial Development Organization
AIP(s)	Agro Industrial Parks
DFI(s)	Development Finance Institution(s)
CDFA	Council of Development Finance Agencies
JICA	Japan International Cooperation Agency
ROJ	Representative Office of Japan
PRICO	Palestinian Development and Investment Company
PIF	Palestinian Investment Fund
PMA	Palestinian Monetary Authority

Chapter One: Introduction

1.1 Background

Industrial parks, free zones, economic zones and eco industrial parks are all essential elements yet somehow different in some aspects, in the growth and prosperity of each country around the world since the industrial revolution until our day.

In this study, the researcher will elaborate the opportunities and constraints of development finance in Palestine taking a case study of Jericho Agro Industrial Park- JAIP.

Industrial Parks (IPs) are predetermined areas reserved for practicing certain economic activities under certain economic rules, laws & regulations. They are considered as one of the most important factors supporting economic development, regulating & organizing the industrial sector, curtailing environmental pollution, as they are also places where several industries are concentrated to affect the entire regional fabric because of their role which is to act as gravitation points to induce economic impulses as well as enhancing the investment opportunities and economic cooperation between the countries through transferring the know-how.

Development finance works on making proper allocation of public sector resources that facilitates private sector investment in emerging countries, where the commercial and political risks are too high to attract purely private investment. As well as generating an efficient application of the concept of Public-Private Partnership (PPP), as it is a long-term agreement between two or more public and private sectors in order to bring better services.

In Palestine, and under the ownership of the Palestinian Industrial Estates and Free Zones Authority- PIEFZA, five industrial parks are under development to support creating an independent economy, increasing the employment rate, and improving the quality of life for Palestinians.

The industrial parks in Palestine are the tangible example that demonstrates the Public Private Partnership concept. The former acts as a regulator and owner, and the latter acts as a developer, operator and investor.

However, one of the main sources of development financing for the Palestinian government is through the donations provided by other countries whom are offering their financial support to empower the Palestinian industrial parks. Those donations are being used to develop lands and offsite infrastructure in order to facilitate and attract the investment of the local and international private sector as well as minimizing the risk of having purely private investment due to high uncertainty in the political and economic situation in Palestine.

This research will examine the procedures required to finance the development in the developing countries, taking a specific example of Jericho Agro Industrial Park- JAIP in Palestine and assessing the current situation in terms of ownership, legal status, governance, and access to finance, as well as studying the determinants of development finance in JAIP.

Nevertheless, after examining the above mentioned factors as well as considering other relevant factors, examples and models in other emerging countries that contribute in the successful implementation for the development finance, the results will be generalized to other similar cases in Palestine.

The main output of this research will aim at finding the optimal business and financial model to be implemented in order to enhance the current situation and to have the ideal structure for the future industrial parks in Palestine, specifically JAIP.

1.2 Research significance

The industrial development through developing industrial parks is the driving force behind the economic growth of the emerging countries.

Development of IPs is often the guiding principle for the government of a developing country with limited natural resources and a small-scale local market. In order to assist national industries and empower the Palestinian industrial parks, the Palestinian government signs concession agreements with the private sector in order to let them invest, operate and manage the industrial parks. The governmental side offers the land, offsite infrastructure and the legal framework to regulate those industrial parks under the umbrella of Ministry of National Economy.

The main outcome of this research will propose recommendations for reinforcing the above highlighted measures that will ensure the enhancement of the attractiveness of the local and multi-national corporations and increase their willingness to be engaged in the Palestinian industrial parks. As IPs are considered as an essential part for the development of the Palestinian resistive economy.

Moreover, This study will contribute to benefit Palestinian economy by providing the most representative characteristics for the governmental and private sectors which are responsible for developing and operating the industrial parks and it will be vital for the local and international investors, donors whom are offering their full financial support to empower the industrial parks in Palestine such as, Japan, Germany, and France, as well as other future donors that may be interested in financing IPs, such as, Russia and China.

As mentioned before, this study will be an exploratory research that will answer the previously determined research questions due to the gap of knowledge about the development finance in Palestine. Thus, there is a need to dig more on this new term and what are the opportunities and constraints of development finance in our country.

1.3 Research problem

The competitive climate in the global economy between the countries reaches to the fore, as several developing countries hasten to emulate the international economic trend and enhancing the national economy through one of the main economic growth features which is the industrial parks, they need to have an efficient use for the sources of finance they receive, having a clear legal framework to regulate the industrial parks and enhancing the access to finance as it represents the public loans or government subsidized loans for firms. Those loans are intended to support and stimulate economic growth by providing financing to firms where the market is failing to do so.

Palestinian policymakers in late 90s decided to cope with the international economic trend by enacting a law to form PIEFZA which will be responsible to promote the IPs scheme, allocating

the financial resources that are being received by the donor countries, and representing the public sector in the PPP model as the industrial zones in Palestine are regulated, developed and operated through public-private partnerships (PPP) as it is a long-term agreement between two or more public and private sectors in order to bring better services. The former acts as a regulator and the latter acts as a developer and investor.

After two decades from the enactment of the law, the Palestinian industrial parks are still struggling with meeting the international standards to compete with the regional and international industrial estates due to having crucial limitations regarding access to finance, applying the concept of Public Private Partnership, as well as governance and the legal status.

Globally, development finance researches are being widely conducted, but in Palestine, this research is the first related to this topic, therefore the study will benefit from other related studies around the world for forming the methodology and the sequence of the research.

This research will assess the opportunities and challenges of development finance in the emerging countries as well as the procedures required to finance their development, taking a specific example of JAIP in Palestine and assessing the current situation in terms of ownership, legal status, governance, and access to finance.

In Palestine, JAIP is facing many obstacles related to its performance as an industrial park supported financially by the Japanese Government. JAIP does not have the ability to attract national and international strong investors, because of the lack of incentives, quality of infrastructure, inefficient laws and regulations related to the Palestinian industrial parks, as well

as the delay of development and implementation of current and future phases due to their shortage of access to development finance.

Therefore, the researcher will identify and assess the key factors related to the financial access of JAIP, what is the current financial situation of JAIP and its financial access.

1.4 Research objectives

The main objective of this research is to shed the lights on a new concept “development finance” in Palestine, how important it is, and what are the opportunities and constraints of it through examining the case of JAIP.

In addition to the main objective, the researcher came up with several sub objectives:

- To identify “development finance” its importance, opportunities and constraints in Palestine.
- To investigate the financing limitations and constraints that have faced JAIP.
- To explore whether the financing limitations have negatively affected the development of JAIP.
- To come up with solutions and recommendations to enhance access to finance in JAIP and other Palestinian Industrial parks.

Research Main Objective

Exploring the opportunities and constraints of development finance in Palestine

Sub Objectives

Investigating financing limitations of JAIP

Exploring the effect of financing limitations on JAIP's development

Coming up with recommendations to enhance JAIP's financial access

Figure 1: Research objectives

Chapter Two: Literature Review

Introduction

This chapter will review the related studies and articles around the world, this source-rich chapter, presented historical and theoretical contexts, literary books and previous studies through dividing them into different topics in order to gradually identify and elaborate each concept by its own and how are they connected together.

During the preparation phase of this study, it was obvious the lack of the Palestinian studies concerning the development finance and studies related to the industrial parks and their development, thus, international studies were mainly reviewed.

2.1 The conceptual framework

2.1.1 The concept of Industrialization, Industrial Parks and Historical Development

According to (Dong, Geng, Xi, & Fujita, 2013), an industrial park, also known as trading estate or industrial estate, can be defined as a predetermined area, planned, and zoned for the purpose of industrial development. Moreover, the term of “industrial parks” re frequently used to refer to areas where specialized infrastructure such as industrial parks can be built. They are also commonly referred to as economic zones.

Broadly defined, as an industrial park and an Industrial Estate “is a piece of land developed and divided into industrial plots according to a comprehensive master plan, with provision for the

required off-site and on-site infrastructure with required utilities of water, electricity, sewage services, roads, and telecommunications, with or without ready built-up factories (Hangars) for the use of a community of industrialists (UNIDO, 1997). Furthermore, according to (Law of PIEFZA on 1998), An industrial free zone identified as “a geographically defined area assigned to service multi beneficiaries for export related activities having special customs and tax provisions guaranteed by the national law”.

The effect of the globalization process and the imbalances occurred on the national and international economy became a debating topic. Several international economic organizations started investigating and conducting researches to minimize the discrepancies of the influence of the globalization phenomenon on the development of economy. The researchers concluded that establishing the required infrastructure for the service, agricultures and industrial sectors will be a tool to bridge the gap to enhance the economic development. This will be achieved by establishing industrial park (Azizov & Aliyev, 2014) United nations industrial development organization affirmed that, as many developing nations have the necessary infrastructure and the proper policies in place to attract foreign investors, many of them still lack the necessary support to attract foreign capital. This is why the organization urged governments to formulate policies that will promote industrialization and stimulate economic growth.

The development of countries' economies relies on the growth of industrialization (Eren,1989). The industrialization can be defined by Chapellow as the process through which an economy is transformed from primarily agricultural to one based on the manufacturing of goods (Chapellow, 2019).

Industrial parks are one of the significant factors supporting the development of economy. An industrial park is based on a philosophy of integration of different functions (production function, services, recreation and education) into an industrial area with majority of industrial production and services with high turnover and high employment (Vidová, 2010).

One of the solutions to achieving structural transformation is the development of industrial parks. This strategic policy tool can help countries attract investments and create jobs by supporting the expansion of industry and innovation.

Since the 1960s, several countries have been promoting industrialization through the establishment of industrial parks. These parks can help manage limited production resources and stimulate economic restructuring.

Industrial parks can help boost job opportunities and improve the skills of local workers by attracting capital-intensive foreign investors. They can also help improve the country's competitive advantage by engaging in international trade.

A successful industrial policy can help boost the competitiveness of new industries and create more jobs. It can also help improve the efficiency of existing industries and put the country on a path to sustained economic growth.

The first implementations of Industrial parks were initiated by the private sector and after the World War II, the governments of the developing countries intended to maximize and develop the

small and middle size corporation by investing and constructing the industrial parks (Eyüboğlu & Dilek, 2000)

The cornerstone of industrial parks concept was originated and materialized in Trafford park in 1896 in Great Britain, which is a country, where factory production spread and where first industrial zones were founded. This trend was followed by the United states of America in 1899 then by Italy in 1904. This movement of developing and establishing industrial parks was observed and realized by the developing countries after 1950s. The global competition led by the foreign direct investments in the last two decades has accelerated the concept of establishing Private industrial parks and Techno parks. The main purpose of establishing Techno Parks by the private sectors was for conducting researches to develop the industrial parks and economy.

The industrial parks concept started to be one of the governmental policies as it's an essential method in the industrialization process. The industrialization process pointed out the negative impact which increases the gap between the developed and undeveloped counties. Thus, the main feature that promoted the industrial parks concept globally, is their positive impact on the economically developing countries and their role on the development level on the urbanization (Bayülken, & Kütükoğlu ,2012).

The purpose of Industrial Parks is ensuring well planned and structured industrial development , Provision of an integrated infrastructure in a certain area to reduce the business expenses related to the infrastructure, attract new businesses through provision of an integrated infrastructure and appropriate investment environment in one location, minimize the environmental negative impacts of the industrial wastes and offer incentives to the members such as financing in tax increment and customs exemptions. Moreover, according to the (Money matter association, 2017) statement that

the main purposes of the industrial parks are to promote the industrialization process and economic development, to promote balanced regional development and to avoid uncontrolled urbanization, to provide a climate for smooth functioning of industrial enterprises.

2.1.2 The global importance of industrial parks and its function

During the last century, industrial park contributed effectively on the industrialization process by increasing the productivity, utility, quality of the goods and providing the economies of scale. Industrial Parks recognized as a method of cost-alleviation process in the industrialization process. In the developed countries, Industrial Parks concept used as a public policy instrument to achieve sustainable urban planning which reduces the environmental pollution, improve the living standard and organize the migration between crowded cities and rural areas (Ardoğan, 1983; Özdemir & Mahmut, 1990; Çezik & Eraydın,1982)

Moreover, The Industrial parks provide the opportunity for the entrepreneurs to compete, invest and produce more effectively as the capital and operation expenses decreases the production cost (Ardoğan, 1983).

The necessity for the Industrial Parks in the developing countries is reasonably important than in the developed nations. As the clustering approach, and governmental incentives afforded are important features inside the industrial parks which provide the ability of competitiveness for the small and middle sized business inside the Industrial parks with the developed counties businesses (Özdemir & Mahmut, 1990)

Industrial Parks affected significantly on the regional development by increasing the employment and promoting a balanced economic growth around the nations (Berberoğlu, 1984).

The Global Implementations of Industrial Parks:

The development of Industrial parks affected positively on the economic growth of several nations around the continents, such as United Kingdom, United states of America, Malaysia and Singapore (Bayülken & Kütükoğlu, 2012)

The United Kingdom: The Industrial Parks are mainly called “The Industrial Estates” in the UK. After World War II. The governmental economic policies and strategies have supported the investments toward developing the industrial parks due their positive impact on the economic growth and for reducing the unemployment rate around the country.

Where IPs started to control under the governmental regulations and rules. Here, private sector has its priority.

The goals can be summarized in four major points:

- Shifting industrial zones to less developed areas,
- Using IPs as a main instrument in coping with unemployment,
- Giving incentives for shifting the IPs to the non-industrialized regions, especially transforming from the industrialized and big cities,
- Application the urbanization and industrialization for the undeveloped areas in planned and systematic format.

The implementations of IPs fostered after World War II, and have main four goal:

- Providing certain areas divided into sub-parcels, introducing to the industrial institutions.
- The investments in the big cities would bring to higher costs due to the higher rents, by shifting IPs to rural areas, the aim is to have lower-cost production.

- The use of more productive areas, where the raw materials and other opportunities are mobile for the industries, that they can withdraw.

- Using these IPs for the future development purposes as a strategic instrument.

The allocation of IPs is strictly distributed by local and central administration, namely, suitable lands for agriculture has not been touched, and organized according to systemic scale. According to 2002 data, there are 185 IPs functioning in 17 different geographical regions Indonesia. In addition, there are 46 IPs that are under the property of government. The 80% of these IPs are situated in between West Java Region and Jakarta city, where 85% of them are private property. The 15% of total industrial production coming from IPs, and the weight of Japanese and Korean investors is significant. The majority of production in IPs are: manufacturing, paper and other heavy industry businesses. There are several discounts and many infrastructural services that provided for investors in IPs as, healthcare, security, offices, conference halls, telecommunication and private transport services.

As seen from the experiences above, the implications of IPs in different countries servicing to the one goal, to increase the production and economic growth, by reducing costs and giving incentives for entrepreneurs to invest. The establishment of IPs in developing countries, mostly oriented for export enhancing plans. In the implementation of IPs in various countries has to be investigated and well programmed. The one successful experience in country could not be the prerequisite for another, the economic, geographic and financial opportunities and conditions has to be taken into the consideration in the establishment of IPs (Berberoğlu, 1984).

2.1.3 Industrial parks and Public Private Partnership- PPP

Before the 2000s, the majority of the special economic zones were publicly financed. In the past two decades, however, private financing has become more prevalent. This is because it allows private developers to focus on their core competencies and lower the burden on the public sector. (FCIA, 2008; Farole and Akinici, 2011).

Private financing of infrastructure in special economic zones (SEZs) has a common form and is often referred to as a public-private partnership. This structure involves the financing of both the infrastructure and the off-site facilities within the zone.

Private-public partnerships can add dynamism to a zone's development, but they also transfer risk to the private sector. In order to implement them, the host government must establish an appropriate legal and regulatory framework. (Tyson, 2018)

In most developing countries, governments face the challenge of meeting the growing demand for new and better infrastructure services. As a result, available funding from the donors and capacity in the public sector to implement many projects at one time remain limited, therefore, governments have found that partnership with the private sector is an attractive alternative to increase and improve the supply of infrastructure services, as well as reducing the risk of conducting purely private projects. The partners in a PPP, usually have a legally binding contract or some other mechanism, agree to share responsibilities related to implementation and/or operation and management of an infrastructure project through the partnership built on the capability of each partner that meets clearly defined public needs through the appropriate allocation of resources.

Public private partnerships- PPP is a type of contractual agreement that allows private sector participation in projects and development of infrastructure in developing nations.

The agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, and/or manage a facility or system. While the public sector usually retains ownership in the facility or system, the private party will be given additional decision rights in determining how the project will be completed (Jelilov and Kenneth, 2015). This model of partnership is applied in the Palestinian industrial parks.

As what can be perceived from a case study in Panama, Panama's government financed its public private partnership (PPP) through a concession contract with a global real estate developer. The project was developed through a special regulatory framework.

The project involved the establishment of residential and commercial parks, as well as the development of infrastructure such as hotels and business parks.

And the project's agreement included various obligations and risks, such as the establishment of categories of use and penalties for non-compliance, (Tyson, 2018). Which should usually be included in all PPP agreements between the public and private sectors in order to facilitate the M&E and guarantee the optimum results.

In JAIP, the PPP is realized through a concession agreement between the public sector (PIEFZA) and the private sector (JAIPCo), as PIEFZA is the owner, regulator and the auditor. And JAIPCo is the investor and developer of the industrial park.

2.1.4 Capital structure and its sources

The company's capital structure is typically composed of a mix of debt and equity financing. While both forms of financing are typically used to finance a company's operations, the former provides a more secure and permanent source of capital. While debt is typically a cheaper and immediate capital source, it can also cause a company to commit to future cash outflows.

(CFA Institute, 2022)

One of the main ways companies can raise money is through debt. Debt is a great way to raise funds for a company as it is considered a tax-efficient way to raise funds, and at the same time to reduce its expenses. It also allows a business to retain its ownership unlike the equity funding.

As equity allows outside investors to acquire a portion of the company since it's more expensive to own a company than debt, it allows the owner to claim its future earnings. (Tuovila, 2021).

2.2 Prior studies and researches

2.2.1 Financial mechanisms to support industrial parks in the world.

UNIDO (2021) conducted a study that focused on identifying and addressing the financing needs for Industrial symbiosis projects in Vietnam.

It is generally believed that the financing of an IS project should be provided by the owner of the project. However, since capital expenses of an IS project are expected to exceed the owner's financial capacity, an external financing source may be required.

This study analyzed the various financing mechanisms available to support eco-industrial parks in Vietnam.

The study also focused on the various sources of financing for the parks. One of the most popular sources of financing in Vietnam was the public-private partnership.

Public-private partnerships are often used for infrastructure projects where the government lacks expertise or experience. In these cases, the private sector can provide better solutions.

Public-private partnership (PPPs) are ideal for long-term infrastructure projects in industrial parks. For instance, a private investor could partner with the developers of an industrial park to improve the efficiency of its wastewater treatment plants.

A successful PPP arrangement can be witnessed in the construction of a water treatment plant in an industrial park. (UNIDO, 2021)

As stated in the previous study conducted in Vietnam, that one of the major sources of financing the development in the industrial parks is the Public-Private partnerships, in Palestine, JAIP applies this method to combine the public and private investments for its development. In JAIP, the main and only source of development finance is through PPP which allows the Palestinian public sector (PIEFZA) to pump the fund they receive from the donors into the development of the industrial parks.

2.2.2 Investment mechanisms for industrial parks

This section will discuss the various types of financing instruments that are available for industrial parks. It will also talk about the various financing models and their various advantages.

Mainly financing instruments for industrial parks can be divided into three categories: the traditional financing model; capital market instruments (stocks, bonds, trusts); and public-private partnerships (PPP). (UNIDO, 2019)

A study was conducted by Judith E. Tyson in 2019, under the name of “FINANCING SPECIAL ECONOMIC ZONES: Different models of financing and public policy support”.

According to Tyson, a special economic zone is a piece of land or facility that provides industrial connectivity and infrastructure for private firms. There are various laws and regulations that can be used to attract investment.

Special economic zones are usually financed through the sale of real estate properties. These areas require the construction of on-site infrastructure such as power and water utilities, as well as the development of off-site facilities such as roads and buildings.

Public-private partnerships are also commonly used for infrastructure projects. These modes of financing can help minimize the burden on the public treasury while still providing long-term financing options.

This study highlighted the different financing options of SEZ and their advantages and disadvantages.

Following will provide an overview of the several sources of public financing for SEZs:

1. Multilateral development banks: A multilateral DFI is a private sector arm of an international financial institution that has been established in more than one country. Its shareholders are usually national governments.

These institutions mainly finance private sector projects through long-term loans and equity investments. They can also act as a bridge between governments and the private sector.

Multilateral DFIs include:

AFDB (African Development Bank)

ADB (Asian Development Bank)

EBRD (European Bank for Reconstruction and Development)

EIB (European Investment Bank)

IDB (Inter-American Development Bank)

IFC (International Finance Corporation)

ISDB (Islamic Development Bank)

(OECD, 2013)

Several multilateral development banks have provided support for the development of special economic zones (SEZs) in India. From 1973 to 2015, the World Bank financed over 30 SEZ projects in various sectors.

DFI financing is associated with effective results in establishing and operating special economic zones. For instance, in Africa, the World Bank has provided financing for several start-up SEZs, such as Uganda and Ghana.

The African Development Bank (AfDB) also provides technical advice and finance for start-up special economic zones in Africa.

The bank has also supported the development of various agricultural processing zones and infrastructure projects in Mozambique. It also provided advice related to public-private partnership (PPPs).

2. Development finance institutions (DFIs): are public bodies are responsible for providing financing for projects related to private sector development. One of their main major duties is to support projects such as special economic zones (SEZs).

3. Providing finance through PPP which is a type of financing that involves a partnership between the public and a private sector. This type of financing is usually used for the development of off-site infrastructure projects as it is the case in JAIP- Palestine, the off- site infrastructure was developed entirely by the Palestinian public sector through the donations of the government of Japan.

However, aside from the public-private partnership, other forms of financing were also used for the development of on-site infrastructure.

this was also applied for the on-site infrastructure of JAIP, as it had some purely private investment by the Palestinian Private sector- JAIPCo. and it also had some financing for the on-site infrastructure through PPP.

Moreover, private investors can also finance projects in special economic zones through various sources such as bank lending, venture capital, and project financing.

The main sources of private finance are foreign and domestic direct investment. These sources have the advantages of combining risk appetite and liquidity. (Tyson, 2019)

2.2.2 a) Roles of donors, multilaterals and DFIs in supporting industrial parks

This section discusses where and how donors, MDBs, multilateral organizations and DFIs can support Agro Industrial Parks AIPs.

AIPs are long-term projects that typically take a decade to complete. They are typically focused on achieving strong occupancy and first-year results.

Due to their long-term nature, AIPs are prone to encountering unforeseen circumstances, such as government changes and pandemics. This uncertainty can lead to serious delays.

To minimize these risks, donors should carefully consider the long-term goals of their AIPs. For instance, the World Bank's Kenya Development Project experienced delays and a low Occupancy rate during its construction.

A review of several SEZ projects conducted by the World Bank in 2017 revealed that the zone's utility was still apparent years after it was established. This suggests that the development of an AIP project should not be rushed and reach its desired impact within a decade.

A successful AIP project should have a systemic approach that supports the establishment and expansion of an ecosystem of actors. This includes the private and public sectors, as well as the various government agencies and institutions involved in the project's development.

The relationships between various actors within an AIP project are key to its success. They should be understood through a market systems lens to improve their efficiency and effectiveness.

According to informants, operators and developers of AIPs should not be expected to make the entire market systems of their projects work seamlessly. This is where donors can come in and support.

Doing so can prevent donors from becoming dependent on one source of finance. If an AIP project is not able to sustain itself due to its dependence on one source of finance, its entire project could be jeopardized.

In Egypt's eco-industrial parks, the use of donor funds was mainly focused on pollution prevention. As the aid cycle slowly shrunk, the park authority and its tenants became increasingly dependent on foreign aid.

In Ethiopia, private investors will need to step up their investments to keep the parks operating after the donor programs end. AIPs are complex and require coordinated efforts between donors and governments. This contributes to the coordination challenges faced by donors and government agencies when implementing complex projects.

In addition, many AIPs are complex and require coordination between ministries and agencies. For instance, the lack of transparency in the reporting of certain projects and programs of the UNDP affected the operation of its Program for Country Partnership.

In Gabon, the government established a committee with international organizations to improve the country's finance coordination. The committee includes representatives from the African Development Bank, the World Bank, and the European Union.

Sources of support

AIP financing can be structured in various forms such as grants, debt, or equity. There are also public sources of funding for AIP development such as multilateral development banks (MDBs), development finance institutions (DFIs), and Chinese-led partnerships.

The Africa Exim Bank has a key role in coordinating the establishment of AIPs in various African countries. This bank has also played a leading role in the establishment of co-financed SEZs with major private sector players.

Public-public technical assistance can be provided for the establishment of AIPs, including policy and regulatory advice, training materials, and knowledge products. This can be done in various forms, such as feasibility studies and regulations.

Direct firm support: AIPs can receive support from donors and DFIs to establish and enhance linkages with local SMEs and lead firms in the AIP ecosystem. This can be done through various means, such as grants, loans, and investment linkage provision.

AIP support projects are multi-pronged, with many of them adopting a multi-pillar approach. For instance, the World Bank's support for projects such as the Madagascar Integrated Growth Project and the Kenya Export Development Project are examples of this approach.

However, DFIs and donors can leverage the technical and financial support that comes with an AIP project to ensure that the best practices are applied in its design and management.

Other examples include the environment, which is often written into AIP assistance programs. For instance, the transparency and inclusivity of the project lifecycle are often valued by donors and the public. For instance, the restructuring of South Africa's SEZ programme was documented by Moberg and Farole in 2017.

The tension between the freedom of markets and the creation of quality jobs has been the subject of strong evidence. This suggests that donors should pay closer attention to the quality of jobs created by AIPs. They can also strengthen the evidence on AIPs through peer learning and field visits.

The complexity of AIP projects and their long-term impacts have raised concerns about their external support.

A coordinated approach to support AIPs could involve working with host governments and DFIs on long-term goals and strategies. This approach would allow support to be customized to the project's constraints.

Ideally, DFIs and host governments should work together on a long-term strategy and build on the existing infrastructure to support AIPs. (CASA, 2021)

2.2.3 Development finance and financial access

Financial development is regarded as an important factor that determines a nation's economic growth.

Development finance as a term, can be generally referred to as the use of public sector resources to facilitate private sector investment developing countries where the economic and political risks are too high to attract purely private capital. Development finance institutions use direct loans, loan guarantees, equity investments, and a variety of other products to support and enable these investments as a sort of mitigation for the potential risks. (Ingram & Mosbacher, 2018).

2.2.3 a) development finance spectrum

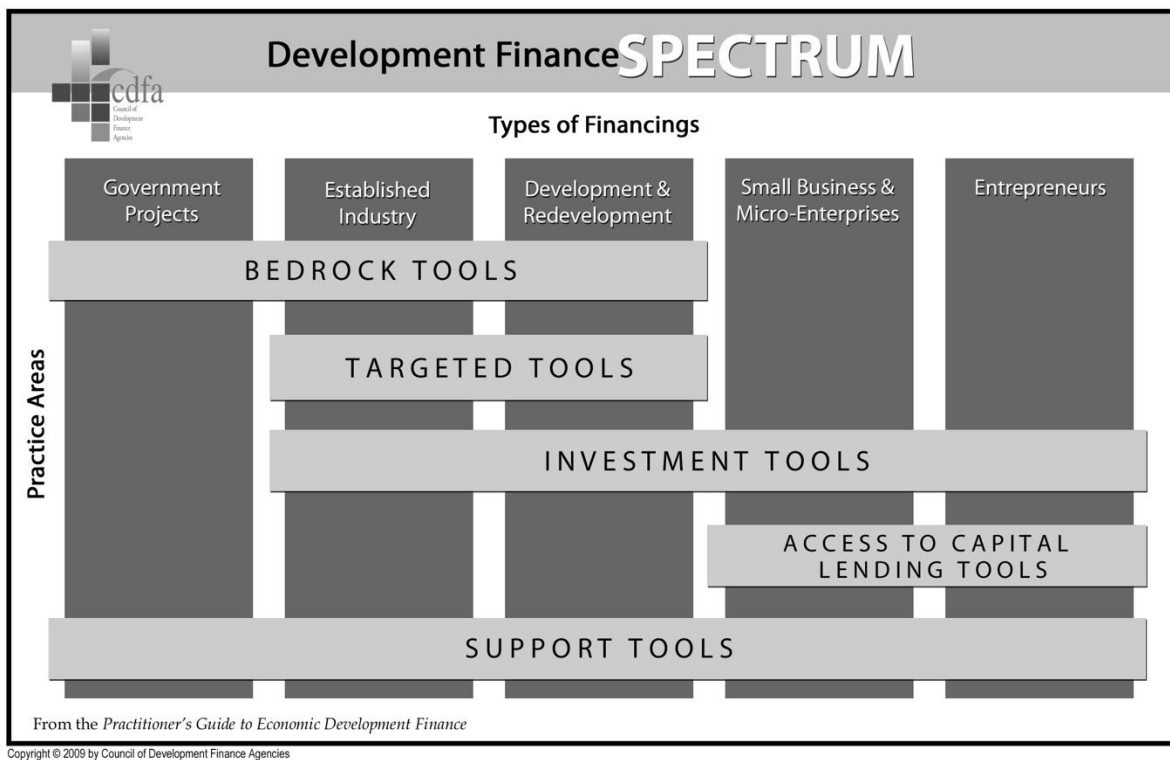


Figure 2: Development finance spectrum, source: CDFA

The dark columns characterize the range of projects that the development finance industry is seeks to finance. Following is a small brief about them,

- The governmental projects can be any type of infrastructure projects that involves the construction of roads, bridges, sewers, airports, and other facilities.
- The established industry refers to establishments that are involved in the production of various goods and services, such as office furniture and retail.
- Urban development and redevelopment are types of projects that involve the expansion of the private sector through the use of public resources. This can be done through various means, such as the development of residential and commercial areas.
- The concept of micro-enterprises and small businesses is similar to the idea of the economic engine. These are defined as establishments with fewer than 500 employees.
- Conceived as the future of businesses, entrepreneurs are individuals who are starting new ventures and looking for financing. They usually require a unique approach to expand and grow their businesses.

The light colored bars that cross the five project areas represent the general categories of the available tools.

- **Bedrock Tools:** The bond market is the largest component of public finance in the US. It carries out various functions such as financing education, infrastructure, and healthcare.
- **Targeted Tools:** These tools are used for various purposes such as tax increment financing, special assessment districts, and government assessment districts.
- **Investment Tools:** Various tools help private investors make investments in projects and businesses.
- **Access to Capital Lending Tools:** These tools are used by entrepreneurs to access capital. They include loan guarantees, venture capital financing, and revolving loan funds.

- Support Tools: The federal government also provides support tools for economic development. There are over 175 programs that support economic development.

Before a project can be financed, it is important to identify a development finance agency that can provide the necessary financing. There are many types of agencies working in the field of finance. (CDFA, 2021)

2.2.3 b) Development Finance Agency (DFA)

Development finance agencies- DFAs, can be either public or private. They can issue tax-exempt bonds and provide other forms of financing for economic development projects. They can also offer various credit enhancement programs and direct loans. DFAs can be created at the local, state, and municipal level. They can also provide financing for projects across multi-jurisdictional areas. (CDFA, 2021)

Examples of development finance agencies:

- Industrial development authorities, boards or corporations
- Economic development authorities, corporations or councils
- Special purpose authorities (port, transportation, parking, development, energy, air, water, infrastructure, cultural, arts, tourism, special assessment, education, parks, healthcare, facility, etc.)
- Local and community development authorities, corporations or institutions

- Departments of development or commerce and finance authorities, divisions, or departments within state and local government
- Business development corporations, centers or districts
- Development and redevelopment authorities, commissions or districts.

(CDFA, 2021)

However, a blended finance source can be also used for development, it can be a mix of a governmental budget, donations, loans for development purposes, or debt/bonds issuance.

Financial access refers to public loans or government subsidized loans for firms. Such loans are intended to support and stimulate economic growth by providing financing to firms where the market is failing to do so, financial access promotes growth for enterprises through the provision of credit to both new and existing businesses. It benefits the economy in general by accelerating economic growth, intensifying competition, as well as boosting labor demand. In order for financial development to be positively associated with increasing income equality and decreasing poverty, the degree of access to financial services must increase. (Bae & Sohn, 2012).

2.2.4 Financial access

The topic of financial inclusion and access to finance has been of increasing interest globally. It is concerned that the benefits of financial intermediation are not being distributed widely enough to all households and businesses, which could have negative impacts on the country's economic growth and poverty levels.

Financial inclusion is the process of accessing financial services and products by individuals and firms. It allows them to save for retirement, purchase insurance, and expand their businesses.

(The World Bank, 2016).

Chapter Three: Methodology

3.1 Introduction

The research procedures in this chapter are covered in details, including research design, research tools and data collection method.

As mentioned before, this research is an exploratory study which will investigate a topic that is not clearly defined “development finance”, and there is an absence of identifying its importance, opportunities and constraints in Palestine.

Following there is also a flow chart that illustrates the steps taken to finalize this study.

3.2 Methodology

This study is an exploratory study that follows the descriptive analytical methodology and aimed to answer the previously determined research questions as there is a gap of knowledge and lack of researches about the development finance in Palestine.

The financial statements for the years (2012-2018) of JAIP represented the secondary data source, the financial statements for the years 2019, 2020 and 2021 were not available from the source. The analyzed available data was sufficient to reach credible findings for the study.

Previous relevant studies and articles also represented a secondary data source for this research.

However, JAIP’s financial statements (2012-2018) were analyzed through using the vertical – ratios- analysis method, in order to diagnose the problem and to determine the financial situation, limitations, as well as the financial performance of JAIP and its sources of financing.

Moreover, after the analysis of the financial statements and coming up with preliminary results they were verified and further explained through open ended structured interviews with the relevant interviewees. (to be mentioned in the next chapter).

Those interviews, represented the primary data source for this research and after being analyzed, they will be the tool for further and detailed evaluation for the financial performance of JAIP along the past years and will help drawing a better image for assessing the financial limitations and JAIP's access to finance, in addition to checking the effect of financial limitations on the development and success of JAIP, as well as coming up with solutions for the current situation, and what recommendations should be taken into consideration in order to have successful industrial parks in Palestine, in terms of legal status, ownership and access to finance.

3.3 Research design

This paper is following the qualitative approach. The qualitative data collection and analysis will be done through interviews with the relevant stakeholders to discuss the current situation of JAIP and its financial limitations, in addition to discussing the initial results of the analysis of the financial statements.

Interviews results will help drawing empirical results in harmony with the results from the analysis of the financial statements.

The following open end questions were used to support the findings of this study:

- Is JAIPCo capable to borrow/ to have full access to finance by its own as an independent body?
- Was JAIPCo able to take the latest loan they asked for from the Saudi National Bank?

- Do you think that the limitation of finance was a reason for the delay of development for JAIP's phase one and two? And why?
- Why don't JAIP's shareholders invest the required financing in order to develop JAIP?
- What are the suggestions/ projects/ incentives from the private sector to the public sector to help developing JAIP?

3.4 Research tools

This research will mainly study the case of Jericho Agro Industrial Park in Palestine, and accordingly generalizing the results and recommendations to the other industrial parks in terms of financial access, legal status and ownership, as well as the sustainability of finance provided for the development of the industrial parks.

JAIP as a case study will help in identifying the appropriate business and financial model for the industrial parks in order to strengthen its financial capabilities and ability to develop.

However, this paper will not only investigate and dig into the constraints and opportunities of development finance in Palestine, but also, it will draw key recommendations that will serve as a basement for the future development and accessibility to finance for JAIP and the Palestinian industrial parks.

As previously stated, the researcher will use open-ended structured interviews, the researcher met with representatives of the relevant stakeholders, mainly focal persons in relevance to the research topic.

3.5 Industrial parks in Palestine (Ref. PIEFZA website)

In 1998, The government of Palestine decided to form a Palestinian Industrial Parks and Free Zones Authority (PIEFZA) as a financial and managerial independent governmental body to enhance the Palestinian Economic Situation and to cut down the domestic unemployment rate by creating and regulating the industrial states through partnerships with private sectors, under the umbrella of the Palestinian Ministry of National Economy (MoNE).

The National Strategy of PIEFZA is based on a national vision of the crucial role of the industrial sector in the growth and development of Palestine, by maximizing its returns and investing in it, hiring productive human experiences, and diversifying the inputs of the national economy.

In Palestine and under the ownership of PIEFZA, five industrial parks are under development to support creating an independent economy, increasing the employment rate, and improving the quality of life for Palestinians.

Three of them are under operation:

1. Jericho Agro Industrial Park- JAIP
2. Bethlehem Industrial Estate-BIE
3. Gaza Industrial Estate-GIE

Two of them are in the development phase:

1. Jenin Industrial Free Zone-JIFZ
2. Tarqumia Industrial and Logistic zone

JAIP

- Occupation rate: 84% of phase I (140,000 m2).
- Donor: Japanese government
- Area: 615,000 m2
- Lease agreements: 31
- Operating tenants: 16
- Developer: JAIPCo
- 30 hangars are leased out of 31 hangars in phase I
- 11 open lots are leased out of 13 open lots in phase I

BMIP

- Occupation rate: 100% of phase I
- Donor: French government
- Area: 195,000 m2
- Lease agreements: 21
- Operating tenants: 10
- Developer: BMIP
- 16 open lots are leased out of 16 in Phase I
- Two factories are under construction in phase II

Gaza

- Occupation rate: 100% of phase I
- Donor: EU, world bank, USAID
- Area: 500,000 m2

- Lease agreements: 68
- Operating tenants: 46
- Developer: PIEDCO

(JIFZ)- Jenin Industrial Free Zones

- Phase one is under development
- Donor: German government
- Area: 933,000 m²

*currently they are working on the development of the Offsite infrastructure.

*Jenin will not be divided into phases, once the offsite infrastructure works are done, they will start developing the onsite infrastructure.

- Lease agreements: 0
- Developer: TOBB-BIS

Hebron (Tarqumia)

- Phase one is in the planning stage
- Donor: Chinese government (preliminary, not confirmed yet).
- Total area: 1500,000 m², and it will not be divided into phases. (preliminary decision)

The industrial zones in Palestine are regulated, developed and operated through public-private partnerships (PPP) as it is a long term agreement between two or more public and private sectors in order to bring better services. The former acts as a regulator and the latter acts as a developer and investor. (PIEFZA annual report, 2019)

3.5.1 Situational analysis in the context of Palestine

The analysis in this part will provide an overview of the development of the industrial parks in Palestine, the development finance, its resources and the availability and accessibility of finance in Palestine.

The Palestinian governmental budget for the industrial parks is limited to the salaries of the employees in PIEFZA, and the land cost, that is used to establish the industrial park, which indicates that all the industrial parks in Palestine and all their aspects of development are fully dependent on the donations and private investments.

As previously mentioned, each industrial park/ zone in Palestine was developed by foreign donations, developmental loans or private investments.

It is worth mentioning that JAIP suffers from lack of access to finance and will be further clarified in chapter four, which makes it always reliant on the finances provided by the shareholders or the foreign donations, JAIPCo also suffers from the lack of the private financing in Palestine by the big investment companies such as PRICO, which has the highest share in JAIPCo, as the real estate companies normally look for having speed return on their investments other than putting high investments in high risks and for a long term return.

3.5.2 Jericho Agro Industrial Park-JAIP

JAIP was established in 2012 in cooperation with the Palestinian National Authority and with the support of the Japanese government's initiative "The Corridor for Peace and Prosperity." It is the first of its kind as a multi-sectorial agricultural industrial city on over 615,000 square meters of land, with investment incentives offering companies and investors in the agricultural industrial sector spaces and integrated storage solutions.

JAIP was launched as a model for sustainable economic development in Palestine, and with continuous support from the Japanese International Cooperation Agency (JICA), JAIP serves as a catalyst in the development of a viable Palestinian state through agro-industry promotion, enhancing trade, encouraging investment, and job creation, in areas where land is threatened of confiscation and settlement. JICA further supports JAIP in efforts to promote environment protection through technological initiatives focusing on energy conservation, solar power generation and management, cold chain system, and a recycling sewage system.

JAIP is being developed on a total area of 626,031 square meters, which will be developed as two phases: Phase I have been developed on 140,106 square meters.

Phase II have been started in the 2018 on 100,000 square meter of total area 485,925 square meter with a servicing and a logistic zone of 26,641 square meter, to act as an export hub to all Palestinian industry and a trade facilitation center for all movement and access to Palestinian imports and exports (Trade corridor) with Jordan and the east. This phase consist of mixed industries. Jericho Agro Industrial Park land Combines open lots and hangers, to be marketed to potential and interested. While this business plan focuses on Phase II, the simultaneous development of phase II would be possible on the conditions that investment demands for lots I and II seems to be secured and sufficient investors. In addition to that, JAIP provides all Site infrastructures that is largely

divided into two categories; the off-site infrastructure and the on-site Infrastructure. The on-site infrastructures shall be developed through the private developer's initiative and public initiative. On-site developer and operator is JAIP. (JAIPCo Business Plan, 2018)

JAIPCo's shareholder analysis

Palestine Real Estate Investment Company (PRICO)

Palestine Real Estate Investment Company (PRICO) was established in 1994 to work in the field of real estate investment, now days PRICO is considered one of the biggest publicly owned companies working in the field. PRICO is working in five main focal activities, which are: business development, contracting, land development, industrial areas development and real estate operations and management.

Amaar Group- PIF

Amaar Group is PIF's investment arm in real estate development, and was established in 2009. Through its commercial, housing projects, and land development projects, Amaar is playing a major role in boosting the real estate sector. The Group has made excellent accomplishments, creating several iconic landmarks in many governorates. One of the most well-known achievements of Amaar Group is Al-Reehan neighborhood. This residential area has set the main expansion features and future housing standards of the city of Ramallah.

Amaar's main focuses are to effectively contribute to the development of physical and social infrastructure of the steadily growing Palestinian society, and support the Palestinian economy in accordance to PIF's vision for a solid, independent, and self-reliant economy.

Sanabel Investment Company

Sanabel Investment Company is one of the contributing companies in Jericho Agro Industrial Park Company, and it's considered a real estate company that plays a major role in building a strong sustainable economy. Sanabel implements its strategies through many projects investments that can be a source for creating jobs opportunities for Palestinian labor market.

JAIP had three sources of development financing:

- PA's governmental budget
- Donors budget- mainly Japanese donations
- Bank loans for development purposes.

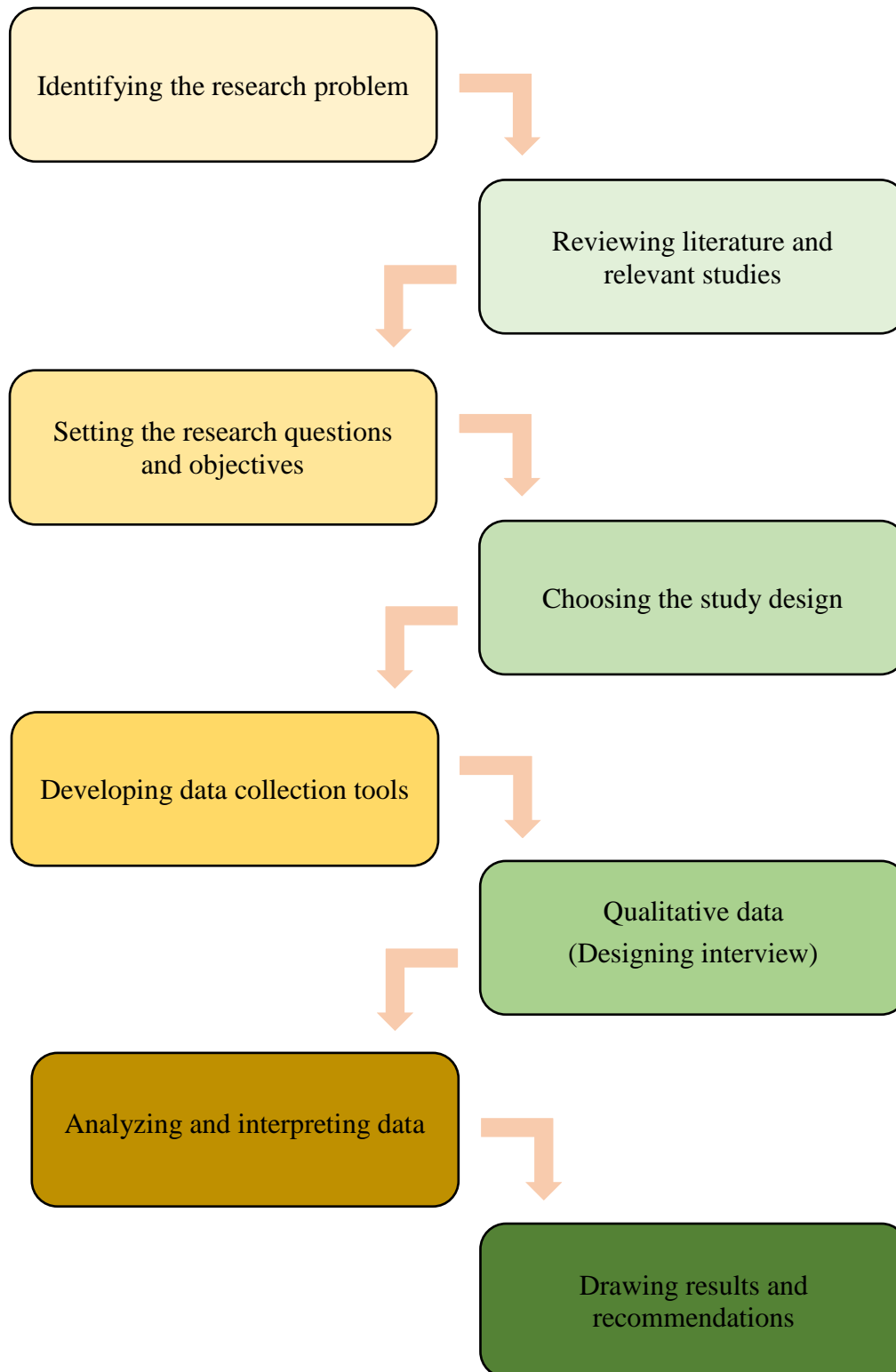


Figure 3 Research methodology flow chart

Chapter Four: Findings: Presentation & Analysis

4.1 Overview

This chapter details all the results the study, both results developed and derived from analyzing the collected qualitative. The first section demonstrates the results from the analysis of the the financial statements (2012- 2018), the governmental allocated budget for the industrial parks, and the donors financing. While the second section will underline the qualitative data extracted from the open-ended structured interviews by thematic analysis approach.

4.2 Introduction

In this chapter, the legal status, managerial structure, and financial status of JAIP will be illustrated. First of all, JAIPCo is a private company and it is a joint venture between three entities as illustrated in the figure below.

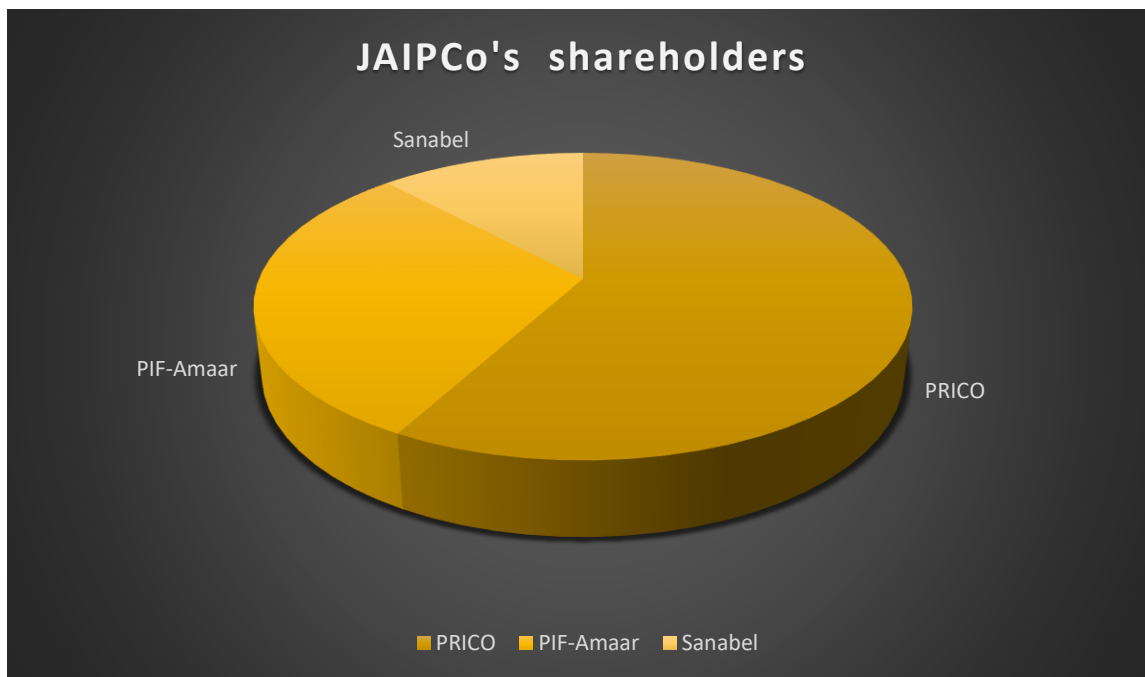


Figure 4: JAIPCo's shareholders, source: JAIPCo business plane 2019

1. Palestinian Real Estate Development Company- PRICO with 58% of total shares
2. Palestinian Investment Fund- PIF with 30% of total shares
3. Sanabel Investment Company with 12% of total shares

This managerial structure prevents JAIP from being an independent entity, which mainly affects the access to finance due to having many decision makers, and this makes JAIP lacks being financially independent and strong in addition to the lack of experience in the industrial parks in the Palestinian public and private sectors.

As mentioned before, JAIP is one of the applicable examples of the PPP concept in Palestine as it is managed and operated by JAIPCo (the joint venture of the three entities) and it represents the private sector and the supervision and ownership goes to PIEFZA under the umbrella of MONE, which represents the public sector. Since Palestine is an unstable country in terms of politics, economy and level of investments, it is considered as an unattractive place for good business, therefore it is the government's role to attract investments, allocate resources and motivate the private sector to invest in order to help nourishing the economy through development finance, and in the case of JAIP it is the Japanese governmental donations.

Moreover, this chapter will have two sections, the first one will be the illustration of the analysis of the financial statements of Jericho Agro Industrial Park Company (JAIPCo.) for the years 2012-2018. In addition to that, current sources of financing in JAIP will be displayed. JAIP is mainly supported by the Japanese government donations and some commercial loans from local or international banks.

And the second section will be review the interviews results, and come up with empirical findings as the qualitative researches are considered empirical ones where the data is not in the form of numbers.

4.3 Analysis of financial statements (2012- 2018)

This section represents the quantitative data analysis through elaborating the sources of financing for JAIP based on the information indicated in the financial statements for the years (2012-2018), in addition to the information extracted from the interview with JAIPCo's general manager.

JAIPCo as a company was established in 2012 with an equity of 500,000 USD to be responsible for operating and managing the industrial park in Jericho, JAIPCo has signed the concession agreement with the government in June 2012. (JAIPCo financial statement, 2012)

As stated in JAIPCo's financial statement for the year 2013, received a loan from a local bank with the amount 3,000,000 USD, interest rate 4.5%, with a grace period of 36 months.

As stated in the financial statements of 2018 JAIPCo received a loan from another local bank with the amount of \$1.5 Million, interest rate: 5%.

Moreover, the following analysis will give a better understanding for JAIPCo's financial situation;

The researcher used the vertical analysis as mentioned before in the methodology of the study.

4.3.1 actual financial performance indicators

In order to make the vertical analysis, first of all, the following table will present the main actual financial performance indicators for the years (2012-2018), numbers are presented in USD.

Table 1: Financial performance indicators (2012-2018), source: JAIPCo's audited financial statements (2012-2018)

Year	2012	2013	2014	2015	2016	2017	2018
Total Revenues	0	17,093	25,299	0	223,869	465,675	522,962
Expenses	85,292	168,507	163,276	194,394	396,581	953,373	976,164
Net Income	(85,292)	(151,414)	(137,977)	(194,394)	(172,712)	(487,698)	(453,202)
Current Assets	389,568	1,107,516	1,214,634	810,825	896,634	791,399	1,350,762
Current Liabilities	277,619	328,798	347,925	267,690	921,245	1,604,406	1,607,721
Total Assets	892,327	3,193,308	6,357,296	6,401,684	7,455,721	7,801,056	8,841,918
Total Liabilities	277,619	430,014	3,731,979	3,970,762	4,154,738	4,050,893	4,474,607

4.3.2 Vertical analysis

When assessing the **liquidity** for JAIPCo, we have to evaluate whether it can fulfill its short-term liabilities, by interpreting the following liquidity ratios for the years 2012-2018

1. Current ratio₂₀₁₂=Current assets/ current liabilities
 $=389,568 / 277,619$
 $= 1.40$
2. Current ratio₂₀₁₃
 $=1,107,516 / 328,798$
 $= 3.36$
3. Current ratio₂₀₁₄
 $=1,214,634 / 347,925$
 $= 3.49$
4. Current ratio₂₀₁₅

$$=810,825/ 267,690$$

$$=3.02$$

5. Current ratio₂₀₁₆

$$=896,634/ 921,245$$

$$=0.97$$

6. Current ratio₂₀₁₇

$$=791,399/ 1,604,406$$

$$=0.49$$

7. Current ratio₂₀₁₈

$$=1,350,762/ 1,607,721$$

$$= 0.84$$

After assessing the liquidity of JAIPCo, we can say that in the early stages (2012-2015) the liquidity condition of the company was good in terms of their ability to meet its total short term obligations by using the current assets or by using net cash flow from operating activities.

While starting from year 2016 JAIPCo started to have a problem in liquidity while they were expanding the business.

Solvency “debt to assets” ratio (D/A), can give us an indicator on the ability of an enterprise to meet its long-term debt obligations, the debt-to-assets ratio measures a company's total debt to its total assets. It measures a company's leverage and indicates how much of the company is funded by debt versus assets, and therefore, its ability to pay off its debt with its available assets. A higher ratio, especially above 1.0, indicates that a company is significantly funded by debt and may have difficulty meeting its obligations.

A solvency ratio indicates whether a company's cash flow is sufficient to meet its long term liabilities and thus is a measure of its financial health. (Hayes, 2021)

and it's calculated as the following;

1. $D/A_{2012} = \text{Debt} / \text{Assets}$
 $= 277,619 / 892,327$
 $= 0.311$
2. $D/A_{2013} = 430,014 / 3,193,308$
 $= 0.134$
3. $D/A_{2014} = 3,731,979 / 6,357,296$
 $= 0.587$
4. $D/A_{2015} = 3,970,762 / 6,401,684$
 $= 0.620$
5. $D/A_{2016} = 4,154,738 / 7,455,721$
 $= 0.557$
6. $D/A_{2017} = 4,050,893 / 7,801,056$
 $= 0.519$
7. $D/A_{2018} = 4,474,607 / 8,841,918$
 $= 0.506$

When looking at the solvency “debt to assets ratio” it started as 0.311, this indicates that around 30% of the corporation's assets are being financed by the creditors, and the owners are providing 70% of the assets' cost. A lower debt-to-asset ratio suggests a stronger financial structure, just as a higher debt-to-asset ratio suggests higher risk. Generally, a solvency ratio of less than 20% or 30% is considered financially healthy.

Moreover, starting from year 2014 to the year 2018 the solvency ratio for JAIPCo increased to be more than 0.5, and in terms of financial health of the company, a debt-to-assets ratio above 50% could be cause for concern, this means that JAIPCo started to have higher long term financial risks and obligations.

Regarding the **profitability**, the following profit margin ratio can be usually used to indicate the profitability of any company, a company's profit margin reveals how much of its earnings it gets to keep after it pays all of its expenses. It is a ratio of earnings to revenue.

In JAIPCo's case, there was a net loss among the past years, therefore the profit margin calculation is irrelevant.

In order to derive the extent of the loss, the net loss can be divided by total sales:

1. Profit Margin₂₀₁₂ = Net Income / total revenues

$$= (85,292) / 0$$

$$= 0$$

2. Profit Margin₂₀₁₃

$$= (151,414) / 17,093$$

$$= -8.85$$

3. Profit Margin₂₀₁₄

$$= (137,977) / 25,299$$

$$= -5.45$$

4. Profit Margin₂₀₁₅

$$= (194,394) / 0$$

$$= 0$$

5. Profit Margin₂₀₁₆

$$= (172,712) / 223,869$$

$$= -0.77$$

6. Profit Margin₂₀₁₇

$$= (487,698) / 465,675$$

$$= -1.04$$

7. Profit Margin₂₀₁₈

$$= (453,202) / 522,962$$

$$= -0.86$$

A company's profit margin ratio can indicate how well the company is managing its overall finances.

Investors and creditors often use a profit margin ratio in order to determine a company's ability to convert the profit made from sales into net income. Creditors are interested in these figures so that they can ensure a company makes enough money to repay its loans, while investors are looking for assurance that there are enough profits to be able to distribute dividends.

What the above calculations reveal that JAIPCO has been spending more money than they have been making, which is not a sustainable business model.

JAIPCo's profit margin is negative among the years (2012-2018), due to the continuous losses, which indicates high operating expenses, in other words, there is lack of efficiency.

Moreover, a negative margin can be an indication of a company's inability to control costs. Which can lead to not being able to get loans and therefore a poor access to finance.

However, when evaluating the **efficiency** of JAIPCo, the following efficiency ratio can be used; sales to total assets ratio, this ratio helps investors understand how effectively companies are using their assets to generate sales.

1. Sales to total assets₂₀₁₂ = Sales revenue/ total assets
 $= 0 / 892,327$
 $= 0$
2. Sales to total assets₂₀₁₃
 $= 17,093 / 3,319,308$
 $= 0.005$
3. Sales to total assets₂₀₁₄

$$= 25,299 / 6,357,296$$

$$= 0.003$$

4. Sales to total assets₂₀₁₅

$$= 0 / 6,401,684$$

$$= 0$$

5. Sales to total assets₂₀₁₆

$$= 223,869 / 7,455,721$$

$$= 0.03$$

6. Sales to total assets₂₀₁₇

$$= 465,675 / 7,801,056$$

$$= 0.05$$

7. Sales to total assets₂₀₁₈

$$= 522,962 / 8,841,918$$

$$= 0.059$$

The higher this ratio, the smaller the investment required to generate sales revenue therefore, the higher the profitability of the company, and the more efficient a company is at generating revenue from its assets. A lower ratio indicates that a company is not using its assets efficiently and may have internal problems.

an improvement in the efficiency ratios usually translates to improved profitability, a small improvement was noticed in JAIPCo's performance and if it's continuous, it may also show a positive effect on the company's profitability for the next years.

In conclusion, the conducted vertical analysis indicates a bad performance of JAIPCo in terms of liquidity, solvency, profitability and efficiency. All of those indicators make JAIPCo in a weak position to access different types of financing, and consequently a slower development.

4.4 Interviews analysis and findings

This section will represent the qualitative data analysis, in order to reflect on the financial analysis of JAIP's situation, it was important to approach relevant stakeholders and duty bearers, provide them with the results and ask about their roles, and further explanation for the current financial situation in JAIP. The interviewees were as follows:

- JAIPCo's representative: Mr. Marwan Kittaneh – General Manager of JAIPCo
- PIEFZA's representative: Mr. Issa Abuaram- General Manager of Pal Pro Center- JAIP
- JICA's representative: Ms. Hiba Mash'al- Program officer

4.4.1 JAIPCo and access to finance

In order to reflect the information concluded from the analysis of the financial statements, it was crucial to meet with the specialized people on the ground to see what kind of further details and information they have they have in order to explain the situation comprehensively.

As mentioned before, JAIPCo is an independent entity in terms of management and operations, but in terms of financial access it can be said that it has not the needed financial access, due to having many requirements when it needs to apply for a developmental loan from local and international banks.

JAIPCo has had two loans since its establishment, one was in 2013 for the amount 3,000,000 USD, interest rate 4.5%, with a grace period of 36 months.

And the second loan was in 2018 for the amount of \$1.5 Million, interest rate: 5%.

JAIPCo has to provide the banks with the partners' guarantee (PRICO and PIF) in order to be able to get a loan, since it has no assets to provide them as a guarantee for the loan, which makes JAIPCo dependent on the partners in terms of financial access for developmental loans.

JAIPCo has also applied for a loan from an international bank for the amount of \$14 Million with a detailed breakdown for the amount and how will it be used for the development of the infrastructure of Phase II which is suspended since 2017 because of the lack of financing.

This loan application was rejected by the bank, because of not providing the required guarantees by the applicant.

However, the latest financial support that was provided from the donor (ROJ) was the J-FAST; which is a soft loan provided to the investors in JAIP to support them in the operational process, J-FAST is an operational loan, so it could not support in terms of development for JAIP.

Moreover, one of the main weaknesses of JAIPCo and a major limitation for the access to finance is that the company's only revenue is the rent revenue from the tenants in JAIP, and most of the factories has an unstable operation and therefore instability in meeting their financial obligations and mainly their rent expenses.

In addition to that, JAIPCo as a company has no valuable assets under its name in order to be represented as a guarantee in the loans application, which also limits their access to getting developmental loans that are normally considered loans with very high amounts, and therefore they require strong guarantees by the applicant.

4.4.2 Financial limitations and its effect on the development of JAIP

One of the most essential parts of this research was to test financial limitations effect on the development of JAIP, following to the conducted discussions with the relevant representatives, it was clearly stated that many projects in JAIP were delayed due to the lack of financing, such as the waste water treatment plant, the civil defense system, building 11 hangars in phase one, and the delay of the infrastructure development of phase two which should have taken place four years ago, but until this day phase two has only the external wall done.

As mentioned before, JAIP has recently received funding of USD 3 Million under the name of J-FAST funding, but its an operational funding to help some tenants to start their operation, and it will not help in developing JAIP on the short term.

Moreover, another obstacle that is facing JAIP in specific and other industrial parks in general in Palestine is the misallocation of budgets and resources, for example, JICA has provided high budgets for the last 7 years for the capacity building for the employees in the Palestinian industrial parks. The budget for the capacity building projects were considered in vain since no actual improvement in the performance and development of the industrial parks was realized. Another example on the miss allocation of the budget was prioritizing the recent solar panels project (which will generate 2.2 MW) to having the civil defense system in JAIP, since it should be a higher priority as a safety measure.

JAIP in specific suffered from the lack of efficient financial planning and therefore a huge failure in the project's implementation and management.

However, in the current structure of JAIP, with the current almost non-operational tenants and lack of revenues, if JICA, ROJ and the shareholders of JAIPCo will leave JAIP, it will not be able to sustain as an industrial park.

Finally, all the previously mentioned problems give JAIP a bad financial reputation which will directly affect its access to finance in terms of getting developmental loans or in terms of private investment by the shareholders, since JAIP is a very high risk environment to invest in, which will not be acceptable for big real estates companies such as PIF and PRICO. Therefore, the cost of financing on the loans would be always much cheaper for the shareholders than to have their own investment in JAIP.

4.4.3 Stakeholders concerns regarding the current situation of JAIP

If JAIP keeps the current performance, it will lose the financial support of the donor (Japan), for the next fiscal year, Japan had no new budget allocations for developing JAIP which can be a very bad indicator as since the establishment of JAIP in 2012, the donations and support from Japan has never stopped.

JAIP is failing to meet the expected success after all the effort and financial support provided, it is currently losing its reputation as well among the foreign investors which will definitely prevent them from investing in JAIP in the future, and as mentioned before JAIP and Palestine in general have to have a very good reputation in terms of economic growth and industrial development in order to be able to ask for development loans for the industrial sector, and in the current situation

neither JAIP nor other Palestinian industrial parks have the strong good reputation in terms of development and contribution to the national economic growth.

4.4.4 Available sources of funding to JAIP and other Palestinian Industrial Parks.

Unfortunately, after the conducted interviews, it can be obviously concluded that the sources of financing of the industrial parks in Palestine are very limited.

Palestine has no development banks nor institutions that are capable to support the development of huge projects such as industrial parks, the Palestinian government cannot be considered a financially strong government in order to be the guarantee for international developmental loans, since Palestine is a country under a continuous high debt to other countries and to the local banks, and service companies as well.

Moreover, the private investment in the industrial park is very risky and it also has high cost, thus the shareholders, PIF and PRICO are not willing to invest more than what they have invested in JAIP (total USD 8 Million), since they have no indicator of gaining profits or even having positive return on their investment.

However, normally, the developmental loans require high technical and financial monitoring which would be the ideal source of financing for large scale projects such as the IPs, therefore, our government and private sector should increase their focus on improving the access to finance for such projects.

Finally, lessons learned from the current model at JAIP and further recommendations will be illustrated in chapter five of this research.

Chapter Five: Summary, Conclusion and Recommendations

5.1 Introduction

This chapter is reviewing the conclusions and outcomes of the study, as mentioned in the previous chapters. As well as the recommendations for future actions that might be taken by the relevant stakeholders, and topics for further studies and research to be conducted in Palestine.

5.2 Conclusion

The development finance concept in Palestine is not well covered and the relevant institutions did not highlight the importance and the affects of it on a developing country that is mainly dependent on donations and on development loans.

One of the main constraints of the development finance in Palestine was the miss-planning, most of the developmental projects that took place in PIEFZA had a tangible gap between the financial and technical aspects, there was an obvious absence of the risk assessment, financial limitations, lack of efficient budget allocation, problem in prioritizing and allocating the resources.

However, as concluded from the conducted financial analysis, there is a high probability that the developer may not be able to secure the needed capital for the investments in phase II due to the difficulty they have faced and still facing in accessing loans because of the legal and operational limitations.

Moreover, the lack of sufficient financing can also cause delays in the construction of IPs' infrastructure. The lack of clear guidelines for developers and users can lead to an unsatisfactory

development and operation of industrial parks, which could negatively affect their expected benefits.

5.3 Recommendations

1. JAIPCo must work on enhancing its financial access through modifying and improving its current financial situation by providing better guarantees and better cash flow proofs.

- As mentioned before, the main current revenue of JAIPCo is the rent revenues, which negatively affects its financial strength, and therefore its access to the developmental loans; for instance, JAIPCo can reduce the current rent expense (9 USD per sq2 for open lots and 17 USD per sq2 for hangars) and gain the revenues from other essential services that they can provide and each tenant in JAIP will surely need, such as logistics services, clearance and consultations services, marketing campaigns, recruiting services, periodic maintenance and conducting feasibility studies for their new businesses. All those services are required by each tenants in the industrial park, hence, instead of making them pay high rent expenses (compared to other international industrial parks), they can have affordable rent expenses and pay for the additional services. This will also financially support and sustain JAIPCo, and so, their financial access can be enhanced on the long term.

2. Launching an initiative by Palestinian Monetary Authority (PMA) in order to encourage the Palestinian commercial banks to form a united development bank or institution.

- The Palestinian government should seriously study its general policy regarding having a development bank or being a part of other regional or international development banks such as the Asian Development Bank, in this case, the Palestinian government must strengthen its guarantees and work on the economic reputation in order to be able to be a part of such institutions.

3. Enhancing the governmental incentives in JAIP (i.e tax exemptions, exclusive road, One-Stop-Shop OSS, wastewater treatment services).

- JAIP as an industrial park ruled by the government, it can be said that it does not have any worthy incentives to attract the local and the international investors, this also affects JAIPCo as a developer of the industrial park as they have no strong justification for their current lease fee (9 USD per sq2 for open lots and 17 USD per sq2 for hangars) and for the planned lease fee for the second phase (will be around 25 USD for open lots). Those rental fees are considered unattractive for the investors since they will not have any needed incentives for paying such high rent fee, this also noticeable from Pepsi company which is 50 meters away from JAIP and Nakheel Falastin company which is also in the same area, the existence of those huge local companies gives us a strong indicator of how much JAIP is considered unattractive for the investors which will by default affect its development, profitability and its access to finance.

4. Improving the budget allocation and planning techniques during the fundraising process.

- JAIP has had the opportunity of getting great funding from the government of Japan, and the EU, even though, the responsible teams and the decision makers always have the same inefficiency in allocating budget and planning for the new projects.

The technical team on ground must collaborate with the legal and financial team through the planning process or when the governmental and private sector want to apply for a new developmental project for JAIP, the needs must be well assessed, and the priorities must be effectively determined in order to come up with the desired and optimum results of the conducted project. Both the governmental and the private sector must also learn from their other projects, by this they will be able to cut the costs and efforts will not be duplicated.

5. Modifying and fixing the current obstacles in Phase I before launching the business in Phase

II.

- Phase I of JAIP has faced many obstacles, in terms of infrastructure, quality of investors, and lack of experienced teams. After almost 10 years, JAIPCo must work on repairing the current situation, infrastructure maintenance must be conducted, a solid solution for the wastewater problem at JAIP must be found, the current investors who are badly affecting the business and reputation of JAIP must be replaced, many problems must find its way to end before having another phase and repeating the same troubles, having them again, will surely demolish the name of JAIP forever.

6. Further studies related to the development finance and access to finance should be conducted in Palestine.

- As noticed during this study, in Palestine there is a gap of knowledge in the development finance, its role and importance, hence, further studies should be conducted in order to further clarify this term and its significance on the Palestinian economy.

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المخلص

المناطق الحرة والمجمعات الصناعية والمجمعات الصناعية البيئية هي بعض العناصر التي يتكون منها اقتصاد الدولة. المناطق الصناعية هي مناطق مخصصة لتطوير بعض الأنشطة الاقتصادية. تعتبر من العوامل الحيوية التي تدعم التنمية الاقتصادية، حيث تساعد في الحد من التلوث البيئي وتحفيز الصناعات المختلفة. تهدف هذه الورقة إلى تحليل الفرص والقيود لتمويل التنمية في فلسطين من خلال دراسة حالة منطقة أريحا الصناعية الزراعية - JAIP وتأثير الحصول على التمويل في تنميتها. هذه الدراسة هي الأولى من نوعها التي تركز على تمويل تنمية المناطق الصناعية في فلسطين. قلة الوعي بأهمية تمويل التنمية في فلسطين يقوض جهود الدولة لجذب المستثمرين الأجانب. تهدف هذه الدراسة إلى تحليل العوامل المختلفة التي تؤثر على تمويل التنمية في الاقتصادات الناشئة. كما سيناقش الوضع الحالي فيما يتعلق بالحصول على التمويل، من خلال تسليط الضوء على أحد المشاريع الوطنية في فلسطين ، JAIP. على الرغم من دعمها من قبل الحكومة اليابانية، فإن JAIP غير قادرة على جذب المستثمرين الدوليين والوطنيين بسبب عوامل مختلفة. وتشمل هذه الافتقار إلى البنية التحتية في البلاد ، واللوائح الداعمة ، فضلاً عن الافتقار إلى الوصول إلى التمويل الذي سيتم شرحه بشكل أكبر في جميع أنحاء الدراسة. استخدمت الدراسة المنهج الكمي والنوعي من خلال تحليل البيانات المالية لـ JAIP ومن خلال إجراء مقابلات منظمة مفتوحة مع ممثلي أصحاب المصلحة المعنيين. علاوة على ذلك ، أشارت هذه الورقة إلى أن الافتقار إلى الوصول إلى التمويل أثر على تطوير JAIP وأخر تخطيط المشاريع التنموية وتنفيذها. كما أشارت الدراسة إلى احتمال عدم تمكن مطوري المجمعات الصناعية في فلسطين من تأمين رأس المال اللازم لمشاريعهم بسبب التأخيرات والصعوبات التي واجهوها في الحصول على القروض. بعبارة أخرى ، يمكن أن يؤثر الافتقار إلى الوصول إلى تمويل التنمية أيضًا على عمليات وتطوير المجمعات الصناعية. قد يكون لهذه المشكلة تأثير سلبي على الفوائد المتوقعة للمشروع. سيتم تقديم مزيد من التحليل خلال هذا البحث.