



**JSCHAMBER**

# **REGIONAL DEVELOPMENT FINANCING INITIATIVE**

## Executive Summary

Israel's sustained economic development has the potential to grow beyond its current epicenters to reach additional domestic, regional and global markets. The Judea Samaria region, characterized by a diversified and highly motivated business community, is singularly positioned to engage in this growth and provide economic opportunities to both Israeli and Palestinian populations.

The obstacles to a vibrant regional economy in Judea Samaria range from the Palestinian Authority's anti-normalization bans on commerce to shipping and mobility limitations rooted in Israel's security policy. The Judea Samaria business community has found ways to overcome these challenges and improve corporate and industrial viability in the region. Strategic planning coupled with broad-based investment can further enhance progress toward this growth.

The Judea Samaria Chamber of Commerce and Industry (JSC) is set to launch its **Regional Development Financing Initiative (RDFI)** through which Israeli and Palestinian business leaders in Judea and Samaria partner to advance regional economic opportunities.

The JSC is already beginning to build the proper infrastructure. This process includes the mapping of potential partners and developing partnership teams for specific projects. The partners will be cultivated around these four areas:

- Technology, Industry, and Energy- including innovation-based solutions for regional challenges with a focus on the food/energy/water nexus
- Environment- including waste and water management projects
- Tourism- supporting both cultural-heritage and recreational
- Transportation & Infrastructure

The Israeli-Palestinian International Economic Forum, hosted by JSC and the U.S. Israel Education Association will focus on the following topics:

- Launching the mapping and planning process
- Identifying project opportunities
- Engaging government & private business investors, both domestic and international

### Support for JSC's Financial Initiative:

Ariel University and the Israeli Ministry of Science and Technology's Eastern Research & Development Center will monitor and support Palestinian and Israeli regional partnership initiatives by lending advanced research and development expertise. The Milken Innovation Center-Jerusalem Institute will provide guidance and assistance to the JSC through the mapping process and the establishment of public-private partnership regional investment funds.

Current and potential government, philanthropic and business investors are invited to participate in the Forum as well as future programs and events.



## The Initiative

The Judea Samaria Chamber of Commerce and Industry (JSC) has launched a **Regional Development Financial Initiative (RDFI)** in which Israeli and Palestinian business leaders in Judea and Samaria partner to advance regional economic opportunities.

- The RDFI is a Public Private Partnership (PPP) directing targeted investments to a broad array of projects based on the interests and capacity of these strategic partners.
- This PPP model is designed to provide access to reliable sources of capital for new projects while maintaining the due diligence needed to ensure project performance.
- This PPP allows philanthropists to have a focused, large scale impact, to create sustainable social investment returns, and to line up behind first dollar loss from government.
- For government, PPP provides an opportunity to expand capital sources, leverage public investment and increase returns on regional investment.
- For private and corporate investors, this approach provides market-rate returns, cost-effective scale, a portfolio effect and partial guarantees from philanthropy and government.

### Part 1: Mapping and Inventory

A careful review must be conducted in order to scale the current regional economic synergies and identify new opportunities. This review requires coordination with government agencies, academic research, non-profit organizations and business communities to cull, organize and analyze the region's financial landscape.

Parallel to this review, an inventory of investment opportunities is being developed in four categories:

#### Technology, Industry, and Energy

To date, industrial settings across the region have been showcased as leaders in workplace integration.

- Israeli and Palestinian employees employed at Israeli businesses enjoy the same salaries and benefits in equal opportunity employment ecosystems. RDFI will explore how this model can be replicated and improved.
- An increasing number of innovation centers in the region are well positioned to develop technology solutions that address local and regional challenges and to engage Palestinian and Israeli innovators in shared workspaces.
- Both technology and industry are closely associated with the challenges of food production, energy generation and distribution, and water projects. Further development in this category will yield direct, measurable benefits to both residential and business communities.



## Environment

An economic outlook sees the prolific environmental hazards of the region through the lens of long-term investment opportunities.

- Diligent planning and targeted incentives are required to overcome the politics of the region that have prevented region-wide environmental projects from coming to fruition.
- Environmentally friendly waste removal and treatment, water management, and agricultural enhancements all lend themselves to regional partnerships and lucrative business.
- A thorough review of over 100 sites and projects across the region has already been conducted, with the need to further prioritize based upon feasibility and timelines.

## Tourism

Judea Samaria is home to rich cultural and historic heritage sites for each of the world's leading monotheistic religions.

- Many of these off-the-beaten-path tourist sites are underdeveloped and cater to limited cultural, religious or ethnic audiences. Region-wide tourist programs can serve to further integrate the business community while driving significant economic traffic through the region.
- Recreational tourism (often associated with cultural heritage) includes walking trails, spas, sporting and athletic events, music and entertainment, dining, experiential learning programs and more. Integration models in this category often require minimal investment with material, short-term returns.

## Transportation and Infrastructure

Transportation and infrastructure works have the potential to reshape virtually every element of society.

- Limited access between Israeli and Palestinian communities must be taken into account when considering the pace and feasibility of development plans, as priority projects in this category will require significant resources.
- Similarly, close planning with policy-making agencies will be required, as varying degrees of integration related to transportation, energy, waste management, and water require long-term top-down partnerships.

## Part 2: Incentive Financing

The **Regional Development Financial Initiative** applies financial development models with proven track records in addressing market failures to the Judea Samaria region. The appropriate model will be designed in tandem with the inventory of investment opportunities in the categories cited above.



Two primary financing models are under consideration:

- A **traditional investment fund**, which will allow a flow of capital to projects with midterm returns. This fund would likely be predisposed to invest in tourism, technology, and industry. Individual and corporate investors are likely to take the lead in this model.
- **Establishing a bond bank** designed with a regional conduit bond issuer who aggregates bond projects and issues bonds on their behalf with negotiable term lengths and longer amortizations with balloon payments. The amount of capital is based on debt capacity of the issuer and/or revenues generated by the project. The bond bank is likely to appeal to government investors at the initial stages and is most fitting for environmental, transportation and infrastructure projects. The environmental projects alone have been estimated at more than half a billion dollars in required funding. Well-funded and well-managed investment funds are necessary to usher in an era of sustainable regional economic development.

## Associates and Synergies

The Judea Samaria Chamber of Commerce and Industry (JSC) is a registered non-profit, committed to the promotion of economic development to the benefit of all populations across the region. Founders Avi Zimmerman from Ariel and Ashraf Jabari from Hebron extend the organization's access to Israeli, Palestinian and international strategic partners. JSC is developing, overseeing and operating the RDFI with its multiple affiliates. The following is a partial listing of primary partners.

### Strategic Partners

The Milken Innovation Center – Jerusalem Institute, in partnership with the Jerusalem Institute for Policy Research, brings global experience in regional development financial planning to the **Regional Development Financing Initiative**. Their insight, guidance, and program participation has provided immeasurable value since the inception of this initiative.

Ariel University and the Eastern R&D Center are well equipped to conduct the research necessary during the mapping and inventory stage of the process. They are also highly motivated to collaborate with Palestinian universities in long-term research and development in monitoring and promoting the success of the RDFI.

The regional Environmental Association of Municipalities has spearheaded an inventory review of environmental projects that offer residential and business communities significantly improved quality of life and services. In partnership with the RDFI, these projects will be analyzed through the lens of feasibility and financial viability.



The regional business community has been engaged with this process, dedicating time and resources towards project inventory development and operational costs. The resources invested by both Israeli and Palestinian businesses underscore their commitment to the success of RDFI while substantiating prospects for a successful PPP.

### Government Relations

The Judea Samaria Chamber of Commerce and Industry maintains ongoing relationships with Israeli government ministries and municipalities. As plans for the **Regional Development Financial Initiative** progress, government investments will be solicited.

### International Affiliates

JSC continues to develop relationships with international affiliates. Chambers of commerce alone represent a virtually limitless global network of businesses. JSC has also enjoyed audiences with international governments, hosting delegations and has delivered numerous presentations abroad, and select affiliates are proactive in advancing the **Regional Development Financing Initiative**.



U.S. ISRAEL EDUCATION ASSOCIATION

The U.S. Israel Education Association (USIEA) has played a leading role in bringing JSC's activities to the attention of Capitol Hill and the White House. USIEA has a proven track record in bringing congressional delegations to Israel and providing them with the opportunity to encounter Judea Samaria firsthand. This organization's non-partisan programs fully engage participating Members of Congress in order to offer them direct access to innovative projects in Israel and a more thorough understanding of the region.

USIEA was instrumental in arranging the first-ever official visit of a U.S. Ambassador to Israel to the region. In this inaugural visit, Ambassador Friedman met with Palestinian and Israeli business leaders further signaling U.S. support for business integration. USIEA is also taking the lead on the senatorial delegation participating in the international economic forum.

## Timetable and Benchmarks

The short-term goal of the **Regional Development Financial Initiative** is to lay the groundwork for the next decade of economic development in the Judea Samaria region. The first year of RDFI's programming will be dedicated to mapping and planning inventory development while engineering the establishment of the corresponding financial systems.



As with all comprehensive Milken Innovation Center – Jerusalem Institute projects, a Financial Innovation Lab is conducted over the course of RDFI’s planning process. The Lab is an opportunity to bring each of the four category-specific multidisciplinary work teams together in a collaborative setting to chart, guide and accelerate progress. Prospective partners from the private and business sectors are encouraged to attend.

Preceding the Lab, JSC is hosting the International Economic Forum, inviting dignitaries and corporate leaders to engage with economic development as it unfolds. The following is a list of projected time frames:

**First International Economic Forum:**

February 20-22, 2019

**Mapping and project inventory development:**

12 months from project commencement

**Financial incentive architecture and fund establishment:**

18 months from project commencement

**Milken Innovation Center – Jerusalem Institute Financial Innovation Lab:**

8 months from project commencement





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