

**Deanship of Graduate Studies**

**Al Quds University**



**The Impact of Foreign Aid on Palestinian Infrastructure  
Performance, the Case of Electricity**

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**M.B.A Thesis**

**Jerusalem-Palestine**

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**The Impact of Foreign Aid on Palestinian Infrastructure  
Performance, the Case of Electricity**

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**A Thesis Submitted in Partial Fulfillment of the  
Requirements for the Degree of Master in Business  
Administration**

**Institute of Business and Economics**

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Al Quds University  
Deanship of Graduate Studies  
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## **Thesis Approval**

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**Jerusalem-Palestine**

**1431-2010**

## ***Dedication***

*To The Greatest of All...My Beloved Parents*

*To My Brothers*

*To the City of Love and Peace Jerusalem*

## **Declaration**

I certify that this thesis was submitted for the degree of Masters of Business Administration, Al Quds University , in the result of my own research, except where otherwise stated, and that this thesis had not been submitted for a higher degree to any other university or institution.

Signature:

Samah Khaled Osaily

Date:

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## **Abstract**

This study examines the impact of foreign aid on the performance of the Palestinian infrastructure with a special focus on the electricity sector in the period between 1994-2009. Infrastructure in general and electricity in particular are a vital and primary source towards the improvement of the standards of living. Large portions of money from donor countries had been steadily received for the purpose of development of the Palestinian infrastructure. It is estimated that an amount of \$798 million USD had been spent on the Palestinian infrastructure since 1994, out of which almost 21 percent was invested in the electricity sector.

The main objective of this study is to assess and evaluate the impact of international aid on the performance of the Palestinian infrastructure with a special focus on the electricity sector. The analysis focused on the institutional, financial, and physical and operational performance taking into consideration the impact of the impediments of the political factors such as occupation, lack of mobility, imposition of blockades, and prevention of experts and finances from entering into the country.

The study was carried out in the West Bank not including Gaza Strip due to political difficulties. It assessed the points of views of general managers, branch and divisions directors of the four electricity utilities ( HEPCO, SELCO, JDECO, NEDCO), Palestinian Energy Authority (PEA) , and main northern municipalities in the West Bank.

A descriptive and analytical approach was used in this study. 175 questionnaires were distributed to the population. 167 questionnaires were collected and 163 were analyzed using the SPSS statistical package.

There was a significant and a positive impact of foreign aid on the electricity sector institutional and, physical and operational performance. Moreover, managers and directors indicated that foreign aid was contributing to the development of the financial performance of electricity sector, but their contribution was moderate.

In addition, the results showed that the political factors negatively impact foreign aid. Foreign aid breeds maximum results when the political situation is stable. Political instability usually leads to less development and to the politicization of aid.

The study concluded that the impact of foreign aid on the electricity sector performance was positive except when political pressure was applied by the donor or the occupier. However, this does not mean that Palestinians should depend fully on international aid for years to come. In fact, the PEA must begin developing an independent and a transparent electricity sector that would be self sufficient.

Despite the successes, there remain many tasks that must be undertaken. As donors and PNA look to economic future, several areas emerge as development priorities. The following are the most important recommendations of the study:

1. The electricity sector should put forward plans to become self-sufficient and should gradually begin to release itself from dependence on foreign aid.
2. The PEA has to nurture private participation in infrastructure operations to leverage private financing and management expertise.
3. The PEA should enhance coordination of all electricity sectors institutions in the OPT.
4. The PEA and electricity utilities shall develop tariff-setting and pricing guidelines for Electricity sector that will permit full cost recovery.
5. The PEA has to study the feasibility of implementing other energy generation alternatives such as, solar energy, and wind power to solve monopolization of generation

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## Abbreviations and Acronyms

|       |                                                            |
|-------|------------------------------------------------------------|
| ESIMP | Electric Sector Investment and Management Project          |
| GPP   | Gaza Power Plantric Sector Investment & Management Project |
| GEDCO | Gaza Electricity Distribution Company Ltd                  |
| GDP   | Gross domestic product                                     |
| HEPCO | Hebron Electric Power Company                              |
| IEC   | Israel Electric Corporation Ltd                            |
| IPP   | Independent Power Producer                                 |
| JDECO | Jerusalem District Electricity Company                     |
| MOF   | Ministry of Finance                                        |
| MOP   | Ministry of Planning                                       |
| MV    | Medium voltage                                             |
| NEDCO | Northern Electric Distribution Company                     |
| NIS   | New Israeli Shekel                                         |
| NRC   | National Research Council                                  |
| PA    | Palestinian Authority                                      |
| PCBS  | Palestinian Central Bureau of Statistics                   |
| PEA   | Palestinian Energy Authority                               |
| PEC   | Palestinian Electricity Company                            |
| PERC  | Palestinian Electricity Regulatory Council                 |
| PETL  | Palestinian Energy Transmission Company                    |
| PIF   | Palestine Investment Fund                                  |
| PPI   | producer price index                                       |
| PT    | Palestinian territories                                    |
| PUA   | Public Utilities Authority                                 |
| SELCO | Southern Electric Company                                  |
| VAT   | Value added tax                                            |
| WBGS  | West Bank and Gaza Strip                                   |
| WB    | West Bank                                                  |
| GS    | Gaza Strip                                                 |