



**USAID** | **WEST BANK/GAZA**  
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# USAID/Compete Project West Bank-Gaza Work Plan

October 2015



## October

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It was prepared by DAI

# **USAID/COMPETE PROJECT**

## **WEST BANK-GAZA WORKPLAN**

October 2015

DAI

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## ACRONYMS

<b>B2B</b>	Business to Business
<b>CMS</b>	Customer Management Systems
<b>DAI</b>	Development Alternatives Incorporation
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>GDP</b>	Gross Domestic Product
<b>GLOBALGAP</b>	Global Good Agricultural Practice
<b>GIZ</b>	German Agency for International Cooperation
<b>GTA</b>	General Trade Agreement
<b>ICT</b>	Information and Communications Technology
<b>IT</b>	Information Technology
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoA</b>	Ministry of Agriculture
<b>MoH</b>	Ministry of Health
<b>MoL</b>	Ministry of Labor
<b>MoT</b>	Ministry of Trade
<b>MoTA</b>	Ministry of Tourism and Antiquities
<b>MoU</b>	Memorandum of Understanding
<b>NM</b>	Nautical Miles
<b>PCARD</b>	Palestinian Center for Agricultural Research & Development
<b>PCBS</b>	Palestinian Center Bureau of Statistics
<b>PICTI</b>	Palestinian Information and Communication Technology Incubator
<b>PIR</b>	Project Intermediate Results
<b>PSI</b>	Palestine Standards Institute
<b>PWA</b>	Palestinian Water Authority
<b>R&amp;D</b>	Research and Development
<b>RF</b>	Results Framework
<b>SME's</b>	Small and Medium Enterprises
<b>SOW</b>	Scope of Work
<b>STTA</b>	Short Term Technical Assistance
<b>TBD</b>	To Be Determined
<b>TOR</b>	Terms of Reference
<b>TWW</b>	Treated Wastewater
<b>USAID</b>	United States Agency For International Development

## I. EXECUTIVE SUMMARY

The United States Agency for International Development (USAID)/Compete Project is pleased to present its annual work plan for the Project's fifth and final year. After four years of success in improving the competitiveness of Palestinian value chains, USAID/Compete will work this year, to ensure the sustainability of these value chains, with emphasis on improving their market position.

Over the past four years, the Project has improved the competitiveness of over 220 firms, primarily located in the rural West Bank. Over 1,841 jobs have been created as a result, with 26% held by youth and 28% held by women. Through USAID/Compete support to four key markets (agribusiness, information and communication technology (ICT), stone and marble, and tourism), the Project has seen significant expansion in the export market performance of targeted sectors - an \$85 million increase in exports with expansion into 35 new regional and international export markets. USAID/Compete has also leveraged \$48 million of private sector investments, mainly to scale up and improve the quality of production to meet target market demand.

Building on these successes, USAID/Compete plans for its fifth and final year of operation, to address critical market failures among targeted value chains within the four targeted West Bank sectors, and in six targeted sectors in the Gaza Strip. For the first time this year, USAID/Compete has developed planned interventions in Gaza in support of agribusiness (including vegetables, strawberries, and fresh herbs), fishing, the ICT sector, tourism, textile/garments and furniture. **A detailed work plan for program activities in Gaza is included as Annex A to this West Bank Work Plan.**

In the West Bank, USAID/Compete will work within the agribusiness, ICT, stone and marble and tourism sectors with a special focus on working with firm level service providers to enhance their cost structures, improve supply chain efficiencies and facilitate trade. The Project will continue to utilize a Market Development Approach to correcting identified market failures that hinder the progress of all WBG targeted sectors and will also continue using the Firm Level Assistance Program (FLAP) as the primary vehicle through which support to these sectors is provided.

In both the West Bank and Gaza (WBG) USAID/Compete will work to fulfill five strategic priorities:

- 1) *Enhancing access to market*
- 2) *Strengthening high value added products, services and technologies*
- 3) *Supporting enablers and service providers to address sectoral impediments*
- 4) *Develop workforce skills and introduce new technologies*
- 5) *Provide business enhancement and institutional development support*

During this, USAID/Compete's final contractual year, and after having identified key gaps and market failures along the value chains of all West Bank/Gaza (WBG) targeted sectors, it is expected that the Project will bring about significant change in the competitiveness and export potential of these key sectors essential to the future prosperity of the Palestinian economy.

With USAID/Compete support **in agriculture**, olive oil, dates, herbs, avocados, guavas, carrot, and potatoes have reached maturation and are *well-developed sectors*. The Project will continue to support them through **targeted firm level technical assistance** to grow their market potential.

*Value chains such as grapes, strawberries, almonds, baby cucumbers and dried hot peppers show great promise for market expansion.* The Project will lay the groundwork to establish these value chains as viable subsectors for export during this final year.

**In the ICT sector**, progress has been made by Palestinian firms – and much more can be done through *export market development*. USAID/Compete has drawn a clear path which if followed, will serve to scale up ICT sales in international markets, and to open new markets based on scientific targeting of specific niches.

**In the stone sector**, *decorative stone products and products made of stone waste* are two key areas that will be ramped up this year. These products have the dual benefit of addressing key environmental concerns and creating a competitive advantage. Additional research is needed to ascertain the viability and efficacy of supporting producers of stone processing machines, and/or spare part providers in the future.

**In tourism**, USAID/Compete will continue to work closely with the Ministry of Tourism and Antiquities (MOTA) to *identify sites of key historical and cultural significance, for renovation and expansion of product offerings*. The project will also support the development of new niche products within the sector, and help to build the quality of tourism products and services within the coming year. In the future, the creation of public/private partnerships in support of the sector would be critical to the further development of the sector.

Critical project management and operational adjustments have been made in support of an accelerated and focused implementation plan for the Project's final year. Staffing adjustments and expansions in organizational structure have been made to streamline operations, and to operationalize program expansion in Gaza. **With approximately 23.2 Million USD from the current contract ceiling remaining, the Project estimates that nearly 6 million USD will be spent on expanded programming in Gaza (approximately 60% of the remaining program budget).** Details by budget line item are presented in section V below.

As part of this work planning process, USAID/Compete has undergone a rigorous review of the Project's Monitoring and Evaluation (M&E) performance indicators, so that they accurately and efficiently address the key areas of intervention and expected results to be carried out by the Project for Year 5, and indicators specific to our planned interventions in Gaza have been devised. Revisions to the Project's West Bank performance measures, and the proposed Gaza performance measures are included for each sector in Section III of this work plan, and a comprehensive listing of the proposed revisions and additions to both the West Bank and Gaza performance measures are included in Annex C.

Section V of this work plan also outlines the planned approach for outreach and communications in both the West Bank and Gaza. A revised, detailed Project M&E plan, and a communication's strategy detailing planned products and timeframes, will be developed within the first quarter of Year 5.

## **II. INTRODUCTION**

To strengthen the competitiveness and export potential of key sectors in the Palestinian economy, the USAID/Compete Project has been working for the past four years, to assist in the enhancement of the individual and collective performance of enterprises in targeted sectors.

Working beyond anchor firms, USAID/Compete has worked to maximize local value addition and help to calibrate needed changes throughout key value chains to accelerate growth. USAID/Compete has been working to systematically provide to its stakeholders the key tools for performance—business linkages, networks, and information systems; and have coached sector participants on how to use them; and have worked to ensure their broad-based, commercially sustainable availability.

During Year 5, the project will continue working towards the strengthening of vertical linkages and inter-firm cooperation by forging connections between microenterprises and SMEs and larger firms, which have direct and more efficient access to markets and a better understanding of market requirements. This approach will leverage USAID’s current and previous investments and expand the radius of benefits and growth to accelerate the development of a prosperous Palestinian economy.

### **CONTRACT BACKGROUND**

Previous USAID projects built infrastructure, institutions, associations, and business services – the platforms for competitive growth. Enterprises—particularly small and medium enterprises (SMEs)—need to link into and benefit from this platform to deepen and broaden their participation in national, regional, and global value chains; and accelerate the development of a prosperous Palestinian economy.

The USAID/Compete Project is designed to build on the strengths of previous USAID enterprise development projects in the West Bank and Gaza. USAID/Compete is providing a combination of market information, innovative solutions to unique constraints on Palestinian businesses, technical assistance, and training to Palestinian enterprises and business associations. The primary objective is to address sectoral gaps that will enable Palestinian enterprises to identify and exploit significant economic opportunities, primarily in the international but also domestic markets. USAID/Compete will target Palestinian firms at all levels with good potential for growth that can expand the country’s export revenues and increase employment.

### **PROJECT DESCRIPTION**

USAID/Compete facilitates rapid expansion in critical sectors of the Palestinian economy that show the most potential for employment and export growth by providing technical assistance to companies and expertise on how to maximize the value of their products. Target sectors include: agriculture, tourism, information and communication technology (ICT), and the stone and marble industries.

This year, USAID/Compete will also be expanding support to Gaza through a robust Project designed to support the agribusiness, fishing, ICT, tourism, textile and garment, and furniture sectors. A detailed work plan for Gaza is presented in Annex A.

In both the West Bank and Gaza, the primary focus of USAID/Compete remains to improve market access for small- and medium-sized Palestinian enterprises, as well as to increase competitiveness and market participation through critical inputs designed to support the sectors to expand in local and global markets. The project also aims to improve access to services through the development of local business associations and business service providers. Furthermore, USAID/Compete deliberately targets women, youth and the poor throughout its strategic interventions. Additionally, to overcome biases against women engaging in the Palestinian workforce and to promote women's participation in project activities, the USAID/Compete Project will:

- Capitalize on and highlight successful women in business
- Identify new entry points in value chains for women's engagement
- Encourage the private sector to engage women through increased financial and technical cost sharing
- Target women with capacity building that is tailored to overcome barriers to economic engagement

The overall goals of the project are to:

1. Strengthen the competitiveness of Palestinian enterprises in global markets, focusing on targeted sectors
2. Assist with the development of local business associations and service providers
3. Provide farmers with technical assistance to improve product quality and connect to international buyers

**Agribusiness:** USAID/Compete helps Palestinian producers reach new markets previously inaccessible to them, including Russia, Jordan, the United Kingdom, the United Arab Emirates, Saudi Arabia, Holland, Kuwait, Malaysia, Qatar, Singapore, and the United States. Participating companies produce a variety of crops for targeted export markets at internationally-recognized standards of quality and production. The project supports the adoption of modern technologies and techniques to reduce production costs and increase access to quality water for irrigation including utilization of treated waste water for agriculture. USAID/Compete supports the expansion of agricultural production land (20,000 dunum) specifically in Area C to support the agreement between Secretary Kerry and the Israeli government.

**Tourism:** The Project assists the Palestinian tourism sector to increase tourist numbers, overnight stays, and overall revenue. USAID/Compete works with stakeholders to improve the overall quality of service provided by hotels in the West Bank by supporting the launch of an internationally-recognized hotel classification system, and in-service hospitality training. USAID/Compete also supports improving tourism infrastructure through the renovation of historic sites that will expand the product offering and enhance the experience of visitors.

**ICT:** USAID/Compete is developing the Palestinian “ICT ecosystem” by encouraging innovation and developing skilled human resources to deliver world-class technologies to the global market. The project supports business incubators and accelerators by facilitating access to seed funds and venture capital investments, as well as encourages partnerships with international companies. The project focuses on creating a local and international Palestinian ICT network for improved mentorship and delivers targeted skills training.

**Stone and Marble:** USAID/Compete helps medium-sized stone and marble producers develop new international export opportunities in markets such as Europe, Brazil, the United States, Canada, Russia, Iraq, Korea, Brazil, Saudi Arabia, and Jordan through the Firm Level Assistance Program (FLAP) and participation in international trade shows. The project supports the utilization of sustainable mining practices and creating niche products, including the transformation of stone waste from stone cutting factories into commercially-viable and environmentally-sound building materials.

The criteria used by the Project to select targeted subsectors include:

- **Subsectors engaged in production and have the capacity to grow**
- **Potential for improved competitiveness:** improve efficiency (cost), product differentiation (quality) taking advantage of change in demand (innovation)
- **Economic impact:** impact on income, job creation, sales
- **Cross cutting issues:** gender, youth, energy, water

## **YEAR FIVE WORK PLAN**

This document details the strategic objectives, planned interventions, and illustrative activities for USAID/Compete’s fifth year. In preparation for the new fiscal year, the team conducted an intensive planning session, where cross sections of the entire staff collaborated with each sector team – Agribusiness, ICT, Stone and Marble, and Tourism – to analyze USAID/Compete’s impact in each industry over the last three years.

Each sector team conducted a thorough review of interventions to date, to measure (1) the level of our involvement within each sector along the company growth and sector value chains, (2) the effectiveness of our interventions at the market level, (3) the necessary shifts in the prioritization of market failures to be addressed and 5) the strategic direction of the project in Year 5.

To ground-truth these findings, technical staff and project leadership conducted field visits, meetings with stakeholders and beneficiaries, and conducted desk reviews, field assessments and informational interviews in both the West Bank and Gaza, in order to gather information relevant to the project’s planned interventions.

This work plan sets forth USAID/Compete’s planned interventions in the West Bank, including a presentation the current status and Project achievements of each of the sector areas to date, as well as a detailed listing of the Projects goals and priorities for the coming year, challenges, interventions and illustrative activities, and proposed performance measures per sector Annex B includes a detailed chart with each sector’s illustrative activities.

Section V of this work plan details the management strategy for USAID/Compete in Year 5. This includes details on recent staffing changes, and operation and compliance issues especially as they relate to the roll out of program interventions in Gaza. Program budget details are listed in this section. Details on the Project's monitoring and evaluation functions and processes are also included in Section V, as is a full listing of all proposed measures for West Bank and Gaza interventions, as Annex C. Details on the Project's communications and outreach functions are also included in Section V.

## **PROGRAM COORDINATION**

The formation of partnerships and leveraging of governmental, donor and private sector commitment and cooperation is critical to enhancing competitiveness among targeted WBG sectors.

### *Palestinian Authority Ministries and Other Governmental Bodies*

USAID/Compete will continue to closely engage relevant ministries and other governmental bodies in the development and implementation of programmatic activities and interventions including: the Ministry of Agriculture (MOA), the Ministry of Tourism and Antiquities (MOTA), the Ministry of Telecommunications and IT (MTIT), the Ministry of Labor, and the Ministry of National Economy. Work is also done in cooperation with relevant municipalities as needed.

### *Donor Coordination*

Donor coordination has been essential to ensuring effective and sustainable interventions in the West Bank. USAID/Compete has cooperated and engaged the key donors working to develop the Palestinian private sector economy including other USAID programs, the US Consulate General, the Office of the Quartet, various United Nations agencies, and other governmental and non-governmental donor bodies. Donor cooperation, coordination, and leveraging of resources and support will continue into Year 5.

USAID/Compete has undertaken a preliminary mapping of donors working to support private sector development in Gaza, and plans to work closely with these agencies to identify opportunities to leverage resources, coordinate efforts, and maximize the value of programmatic interventions. Two key players operating in Gaza are DAI's Palestinian Market Development Program, as well as the Food and Agriculture Organization (FAO). USAID/Compete has already begun strategic engagement with these organizations as part of the development of this program work plan.

### *Business Service Organizations*

In addition to direct support to firms in the six sector areas, USAID/Compete will continue to provide support to Palestinian Business Service Organizations (BSOs) in ways that strengthen their role as enablers, and will coordinate and collaborate with key associations in the implementation of program interventions. In the West Bank, these include sector unions and associations such as the Union of Stone and Marble, the Palestinian Information and Technology Association of Companies, and the Holy Land Incoming Tour Operators Association (HILTOA), among others.

In the West Bank, USAID/Compete helped to build client-BSP relationships, trust and credibility in BSO services, as well as the willingness of members to pay fees based on value provided. In Gaza,

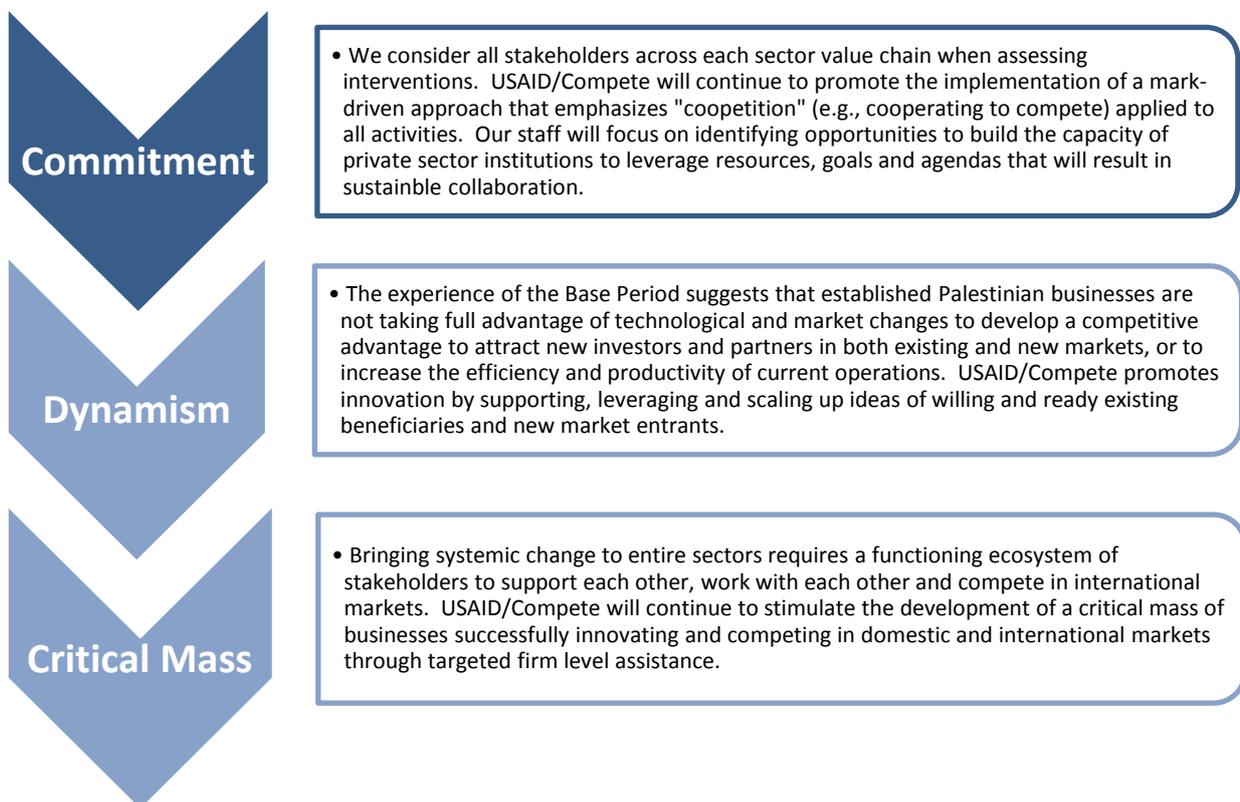
USAID/Compete will provide limited support to business cooperatives, associations and unions to enhance the BSOs ability to serve their affiliates. The program will provide technical assistance and limited equipment, tools and other inputs required to enhance the capacity of BSOs in Gaza.

#### *Business to Business (B2B) Partnerships*

Wherever possible, USAID/Compete will facilitate the formation of partnerships between West Bank and Gaza firms to support access to market for Gaza firms. The Project will also enforce a cost share requirement in both the West Bank and Gaza (although the Project's share will be higher for Gaza firm level support), in order to offset risk and encourage firms to invest in the expansion and improvement of their operations.

### **STRATEGIC APPROACH**

Based on success of the project's implementation shift in Year Four, USAID/Compete will continue to address market failures with a three-tiered vision:



The Project will continue to utilize a **Market Development Approach** to correct identified market failures that hinder the progress of our four targeted sectors. This approach recognizes the complex inter-relations among market actors, market and household systems, policy and business enabling environment, environmental considerations, and sociocultural factors including gender and poverty. Our interventions will continue to be guided by the logic of reducing the risks and the costs for the private sector so that entrepreneurs and SMEs in our sectors are able to bring new, innovative ideas, develop value-added products, and deliver expanded product and service baskets to existing markets and enter new markets. We will continue to be guided by the **5 strategic objective pillars** that inform our current implementation through last fiscal year's shift in focus to complementary Firm-Level

Assistance and Grants Projects in Component A, bolstered by enabling business service support organizations (BSOs) through Component B.

USAID/Compete launched its **Firm Level Assistance Program (FLAP)** in Spring 2015, seeking to improve opportunities for not yet and near export-ready Palestinian firms (especially small and medium size) to receive technical assistance and raise their managerial capacity. This will transform their businesses and increase their capture of the markets in which they are active or trying to penetrate, whether local, regional or international. FLAP is announced through the private sector’s representative (e.g., associations, unions) and includes their full cooperation.

FLAP interventions include, but are not limited to: building management and financial capacity; developing sales and marketing plans; adopting quality systems to improve operations; providing support to train and employ key staff; tailored apprenticeship Projects to build capacity of the sector and address workforce development needs, and providing limited equipment and inputs. Utilizing a cost-share mechanism, this Project provides the space for USAID/Compete to address key market failures at the company level, bolstering the sector as a whole, while ensuring ownership and sustainability through partnered investment. Special considerations are given to women-owned businesses and female and youth entrepreneurs. The firm level assistance Project operates in tandem with USAID/Compete’s traditional grants Project.

USAID/Compete employs a holistic methodology to achieving results across its strategic objectives, operating along a continuum to **identify, enable, finance and connect** innovative and committed market players. At each stage along the process of engagement with our clients, we provide personal, intentional support, further contributing to the capacity building of our clients to ensure sustainable business and management practices in the future.

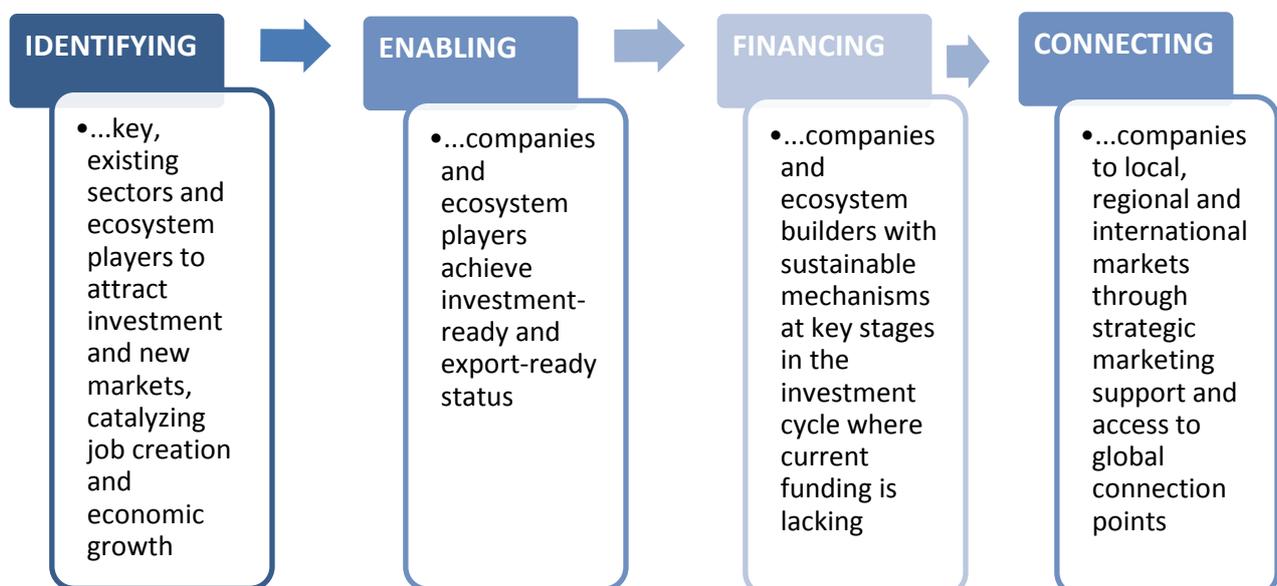


Figure 1: A Holistic Approach to Achieving USAID/Compete Strategic Objectives

## **IDENTIFYING**

During the initial assessment phase, USAID/Compete identified key sectors in the Palestinian Territories with the potential to drive GDP growth and job creation through access to new and improved access within existing markets. These are established sectors, with potential to cultivate a mass within industry, increasing competitiveness globally. During our work planning session, each sector conducted meetings with key stakeholders to re-assess market failures and needs to understand what the **critical success factors** are for these sectors to achieve increased productivity and growth in order to attract investment, partners, and clients.

## **ENABLING**

USAID/Compete has identified technical assistance interventions, particularly through the firm level assistance Project, that will build the professional capacity of the entrepreneurs and companies in the market, creating lasting change for these companies' and their ability to continue building successful business. From inception, project staff provide individual attention to each client, supporting company leaders in the development of business plans, in market analysis and in managing financials.

## **FINANCING**

The project itself provides financing of key activities through both grants, cost-share projects, FLAP, and beyond. USAID/Compete is committed to addressing sector needs at the market level, providing injections of finance when applicable, and leveraging resources and forging partnerships for others to fill the gaps they are best suited to fill. Reflecting on the previous years of the project, USAID/Compete aims to take market assistance to the next level by catalyzing targeted access to finance and investment initiatives, facilitating introductions to key actors (e.g., funds, networks) through partnership building and influence, and working with international and local finance players to address failures in the access to market landscape.

## **CONNECTING**

Access to market is a key challenge facing the sectors we work with. It is statistically proven that, despite the increased virtual connectivity of the global marketplace, in-person connections are paramount to creating lasting relationships, loyalty and business partnership. The firm level assistance Project specifically addresses this by providing support to conduct market mapping and entry assessments, enabling training and apprenticeship Projects for motivated individuals to learn and connect with others in similar positions, and facilitating active participation in key trade show events.

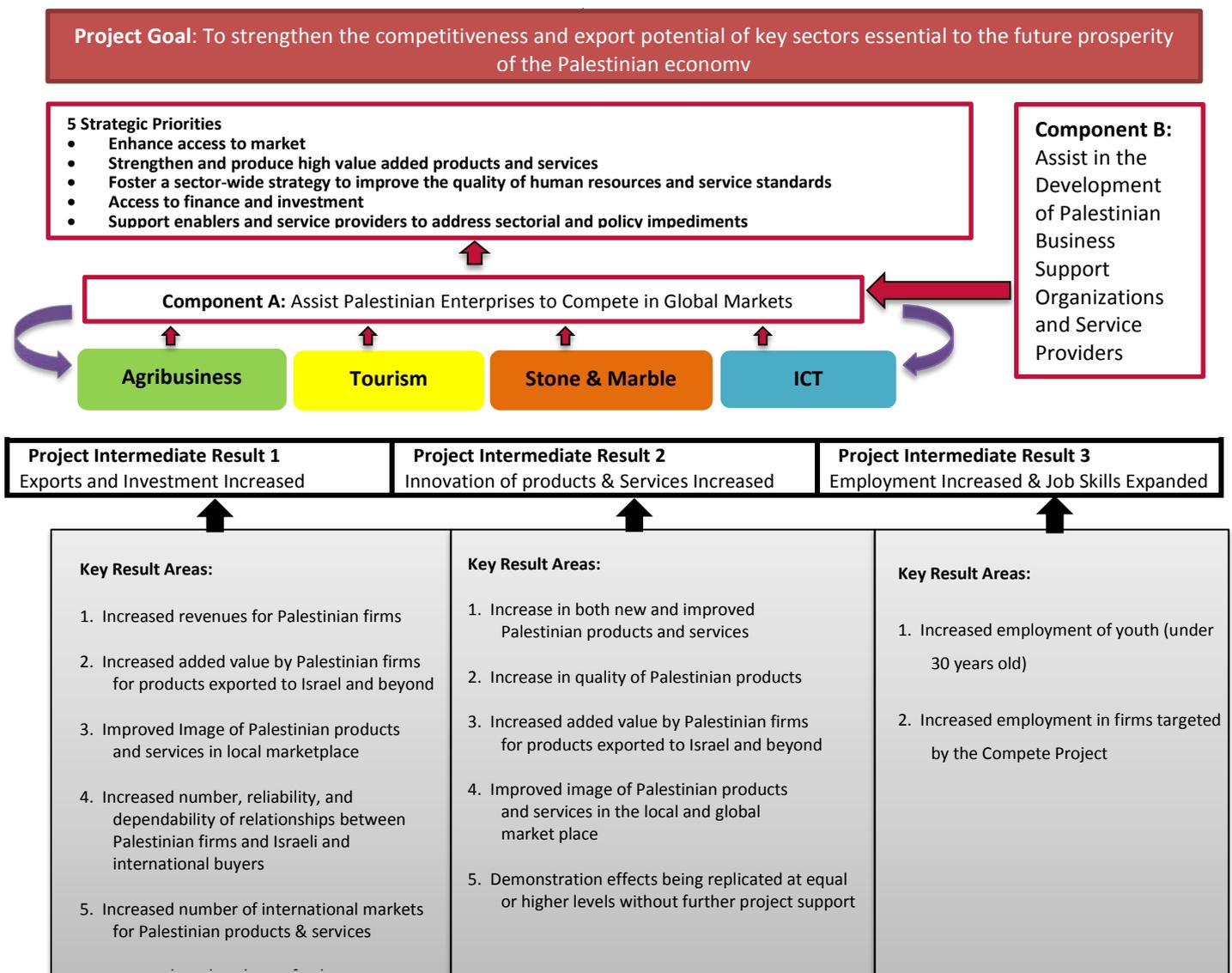
### ***Results Framework***

A **results framework (RF)** (see Figure 2 below) is a planning, communications, and management tool. It conveys the development hypothesis implicit in the project's goal and objectives as well as the cause-effect relationships between key results areas (KRA), project intermediate results (PIR), and project objectives. Therefore, the RF provides a foundation for work planning and performance monitoring.

The interventions and activities presented in this work plan continue to serve the project goal of strengthening competitiveness and export potential of key sectors essential to the future prosperity of the Palestinian economy.

The five strategic priorities framing USAID/Compete’s work in the coming year will continue to be:

- 1) Enhancing access to market
- 2) Strengthening high value added products, services and technologies
- 3) Supporting enablers and service providers to address sectoral impediments
- 4) Develop workforce skills and introduce new technologies and
- 5) Provide business enhancement and institutional development



<sup>1</sup> This is the Results Framework for USAID/Compete’s work in the West Bank. A separate Results Framework is presented in the Gaza Work plan attached here as Annex A.

### III. SECTOR PROFILES AND WORK PLANS

#### 1. AGRIBUSINESS SECTOR

##### *Sector profile and current status*

Agriculture remains a dominant and growing sector of the Palestinian economy and a resilient component of the economy's GDP (3.5% in 2014) with 74,000 employees in 2014.<sup>2</sup>

In times of difficulty, the agricultural sector has acted as a buffer that absorbs scores of unemployed people who lost their jobs in Israel or other local sectors of the economy. It supplies the basic food needs of the majority of the local population and is a significant export earner for the Palestinian economy.

During the base period, USAID/Compete concentrated its efforts and resources using a participatory approach with the stakeholders to target cash crop subsectors with potential for increased productivity and competitiveness. Workshops and regular meetings were conducted with key stakeholders to obtain their buy-in and strategically target USAID assistance for sustainable development. A consensus vision was established for economic growth and sustainable business investment. Challenges to competitiveness and opportunities were identified for future business growth, and actions aimed at addressing those obstacles and opportunities were developed.

##### *Sector Achievements*

With USAID/Compete's targeted assistance from project launch through Q3 of the project's fourth year, the agriculture sector generated \$57.7 million in exports, and is expected to reach a cumulative \$81 million in exports by the end of the FY5.

To date, the project has supported approximately 90% of farms growing **fresh herbs**, which have exhibited nearly double sales and exports since the base year. Thirty percent of **strawberry** producers (hanging system) are current clients, resulting in double the number of dunums allocated by local farmers to strawberry production and a 1.5 times increase in sales. Forty percent of **date** farms have been supported, resulting in a fourfold increase in sales and exports.

#### FOCUS ON "AREA C"

"Area C" covers 60% of the West Bank, with approximately 300,000 Palestinians. Israel has retained almost complete control of this area, including security matters and all land-related civil matters, including land allocation, planning and construction, and infrastructure. Water resources in Area C are very limited, inhibiting the expansion of agriculture land and hence, production.

To transform the Palestinian agribusiness sector into a globally competitive industry, USAID/Compete works sector-wide with stakeholders, local authorities, and key actors to help them access and maximize the use of current resources and technologies to increase and sustain competitiveness. USAID/Compete is working on several fronts to ensure there is quality water available for irrigation to improve both the quality and quantity of Palestinian agricultural products, including the introduction of treated wastewater for irrigation and increased well utilization.

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<sup>2</sup> Palestinian Central Bureau of Statistics (PCBS)

Fifty percent of **avocado and guava** producers are project beneficiaries, having seen a 1.5 times increase in number dunums utilized and a five-fold increase in exports. Twenty percent of **olive oil** producers are USAID/Compete clients, primarily in the fair trade industry where they have greater potential for competitiveness, who have witnessed more than double an increase in sales and exports. Amongst **red potato and carrot** farmers, 100% have benefitted from project support, resulting in a three times increase in dunum usage and 19 times increase in exports. **Dried herbs** is a newly-addressed subsector, launched in Y3 supporting 40% of location production, with results yet to be determined.

### **Agriculture Value Chain Assessment**

During USAID/Compete’s 2015 annual planning, the team assessed each subsector’s growth potential on the basis of their related international market growth, competitive position and recent performance. Where a subsector was *developing* at base year, USAID/Compete supported marketing, productivity, and export linkage efforts to enhance the subsector’s competitiveness and hence transform it to a *developed* status. Where the subsector was *growing*, the project employed technical assistance to increase efficiency, scalability and assist in growth planning; and when *promising*, supported pilot efforts and market assessments.



<u>Value Chains</u>	<u>Y0</u>	<u>Y4</u>
Fresh Herbs	Developing	<b>Developed</b>
Olive Oil	Developing	<b>Developed</b>
Dates	Developing	<b>Developed</b>
Dried Herbs	Promising	<i>Growing</i>
Avocado & Guava	Growing	<b>Developed</b>
Strawberries	Promising	<i>Growing</i>
Potato & Carrot	Promising	<b>Developed</b>
Seedless Grapes	Growing	<i>Developing</i>
Almonds	Growing	<i>Developing</i>

**Figure 3. Status of Key Agriculture Products along Growth Value Chain at Y0 and Y4 of the Project**

The subsectors' competitive position includes the production of niche products, proximity to international markets and offseason production. These subsectors have the potential to compete globally in both price and quality. The readiness of each subsector has been examined in terms of commitment, dynamism and critical mass.

A high degree of commitment was observed in the targeted subsectors. For example, HEPCO, a not-for-profit company, was established with all fresh herb producers as shareholders to maximize benefits and coordinate efforts. This was replicated in the date, potato and guava subsectors with the establishment of new companies in which the farmers were the shareholders. All of the subsectors have shown dynamism in terms of product offerings and added value, accessing new markets, investment in quality, addressing market requirements and standards, and improving efficiency.

USAID/Compete has also supported the development of a critical mass among the subsectors through the establishment of post-harvest facilities and private testing laboratories and by providing marketing assistance. However, supporting firms and enablers are still in limited supply, especially in packaging services, material providers and printing and labeling firms. Furthermore, the financing institutions are risk averse and there is limited technical assistance from third parties.

To address these concerns, USAID/Compete began in 2014, to implement three new wide-scale sector level approaches to upgrade and enhance targeted sectors: the **Strawberry Scalability Program, Agronomists Program and the Firm-Level Assistance Program**.

The Project assisted five West Bank strawberry farmers in the establishment demonstration farms to introduce new technologies using hanging and computerized irrigation systems. The outcome of these demonstration farms was favorable in terms of productivity and profitability. As a result, USAID/Compete shared its findings and presented a business opportunity through a targeted cost-share mechanism for West Bank farmers to meet high demand for strawberries through the utilization of productive technology.

Launched in the Summer 2015, USAID/Compete's **Strawberry Scalability Program** released a rolling application process, for a targeted area of up to 60 dunums. The target area was reached within just over two months, with over 83 applications received from strawberry farmers since the announcement of the Program. To date, 16 applications have been reviewed and approved by the Strawberry Scalability review panel, (representing a total area of over 70 dunums). Three of these strawberry farmers are women. So far, four letters of agreement have been signed for support in the planting and scale up of over 15 dunums of strawberry. Furthermore, four dunums of strawberry have also been planted with support to farmers under the FLAP, bringing the total planted area to 19.75 dunums.

Recognizing the need amongst agricultural firms for agronomists with good business skills in addition to tactile skills, we launched an **Agronomist Training Program** in September 2015 for 40 agronomists with basic qualifications operating in targeted subsectors. The training will address a gap in workforce development not met by local universities, training individuals in market-led business qualifications and certifications. The Project specifically targets women agronomists; 1/5 of the current pool are women.

Launched in the Summer 2015, the project utilized the **firm level assistance program** to build the capacity of the workforce, provide business and management assistance, and key equipment to increase productivity to both small and commercial farms. Between May 31<sup>st</sup> and June 9<sup>th</sup> 2015, the program held four workshops; one each with the North Hebron Chamber of Commerce, the Tubas Chamber of Commerce, the Qalqilya Chamber of Commerce, and the Tulkarem Chamber of Commerce to spread information about the program. Over 130 stakeholders collectively attended the workshops. By the end FY4, USAID/Compete had received over 80 applications from local farms, and approved 16 for assistance.

#### *Goals and Priorities for Year Five*

In its final year, USAID/Compete will continue to work with farmers to enhance their productivity and facilitate trade through improved supply chain. The Project will open new frontiers within existing value chains to support their competitiveness in regional and international markets while laying the groundwork for promising new entrants to both local and international markets. USAID/Compete will provide enterprises with technical assistance and equipment and/or inputs to enable increased access to these markets and address inhibitors to overall sector growth.

The Project will continue to directly assist **value chains** through technical assistance **for access to market** initiatives through the **firm level assistance program**, and through the implementation of new scalability programs targeting the almond, baby cucumber and dried hot pepper value chains. These programs strategically target women, youth and the poor.

<b>Value Chain</b>	<b>Current Status</b>	<b>Intervention</b>
Dried Herbs	Developing	<ul style="list-style-type: none"> <li>• Enhance access to market</li> <li>• Strengthen post harvest facilities</li> </ul>
Strawberries	Growing	<ul style="list-style-type: none"> <li>• Scalability program</li> </ul>
Seedless Grapes	Developing	<ul style="list-style-type: none"> <li>• Strengthen post harvest facilities</li> </ul>
Grapes	Developing	<ul style="list-style-type: none"> <li>• Value chain analysis</li> <li>• Develop new products (raisins)</li> </ul>
Almonds	Developing	<ul style="list-style-type: none"> <li>• Scalability program</li> </ul>
Baby Cucumber	Promising	<ul style="list-style-type: none"> <li>• Scalability program</li> </ul>
Dried Hot Pepper	Promising	<ul style="list-style-type: none"> <li>• Scalability program</li> </ul>

During FY5, the Project will continue implementation of both the **strawberry scalability program and agronomist programs** with potential for expansion. We will also launch a program specifically targeting **baby cucumber** producers, matching them to an Israeli pickling factory in search of input providers. Until USAID/Compete intervened, 4 farmers were producing baby cucumbers on 10 dunums of land; now 25 farmers are producing on 50 dunums. The baby cucumber industry is highly labor intensive – one worker per day per dunum – resulting in high costs for farmers and pickling factories. Labor in the West Bank is preferred to labor in Israel for Israeli pickling factories, given the cost. Harvesting season of traditional pickling cucumbers is from March to June, leaving much of the year idle, without production for the pickling factories, which need at least 30 tons per shipment to be profitable. Currently, West Bank production of

baby cucumbers is about 10 tons, with great room for increased efficiency in production and business practices. The Israeli pickling factory in question has agreed to issue forward contracts with fixed prices, incentivizing Palestinian baby cucumber producers to learn and utilize productive business methods to increase yield.

In the past year, USAID/Compete supported a Jenin-based cooperative – including workers across all elements of the baby cucumber value chain (salting, grading, cooling/storage) – to increase quality (e.g., integrated best management practices – IBM, irrigation networks) and provide technical assistance with business and financial planning. In the coming year, the project will continue implementation and expand into other areas.

USAID/Compete has also been working closely with MOA to address **the challenge of access to quality water for agricultural irrigation**, particularly in **Area C**. 20,000 dunums of agricultural land in Area C have been selected for assessment and potential selection for support in the implementation of demonstration farms using **treated waste water** in Jenin, Nablus, Tammon/Al Beqa' and Al Jiftlik. Additional area C sites will also be selected and assessed in cooperation with the MOA.

So far, the program has supported **farmers in al Jalameh (Jenin)** with the development of a 100 dunum pilot site that has already been planted with avocado, mango, olives, almonds and apple trees. It is expected that the demonstration site will be complete by the end of October 2015. **In Nablus**, the 200 dunum demonstration site will be planted with pomegranate, olives, apples, peach, nectarine and almond trees with the intention to expand into 7,000 dunums in *Deir Sharaf* (an Area C site near the Plant), once approval is received from the Israeli Civil Administration. It is expected the site will be completed by the end of September 2016. The treated waste water demonstration sites in Jenin and Nablus are being implemented in coordination with other donor programs including ANERA and KFW, respectively.

USAID/Compete will strive in its final year to support the development of nascent value chains such as almonds, baby cucumbers and dried hot pepper– moving them a step forward towards market expansion. Beyond the Project's current implementation timeframe, these value chains show promise and will likely prove to have great additional growth potential.

#### *Work Plan - Agriculture Sector<sup>3</sup>*

The below table presents the challenges, proposed interventions and illustrative activities for each of the agriculture subsectors to be worked on by USAID/Compete in Y5. Activities proposed are scheduled for Quarter 1 through Quarter 4 of Year 5.

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<sup>3</sup> A detailed, comprehensive work plan is included for all sectors as ANNEX B.

Sector	Challenge	Interventions	Illustrative Activities
Fresh Herbs, Fresh Dates, and Olive Oil	Access to Market	<ul style="list-style-type: none"> <li>Strengthen current market position by enhancing market exposure and quality through the FLAP.</li> </ul>	<ul style="list-style-type: none"> <li>Support trade show participation</li> <li>Support subsectors in obtaining Quality Certifications</li> </ul>
Dried Herbs, Seedless Grapes	Access to Market	<ul style="list-style-type: none"> <li>Enhance access to market through the FLAP.</li> </ul>	<ul style="list-style-type: none"> <li>Support trade show participation</li> <li>Support subsectors in obtaining quality certifications</li> </ul>
	Lack of high value added products and services	<ul style="list-style-type: none"> <li>Strengthen post-harvest facilities for export through the FLAP.</li> </ul>	<ul style="list-style-type: none"> <li>Assess status of current facilities.</li> <li>Develop business plans for current and new postharvest operations.</li> <li>Development of new products.</li> <li>Assist the upgrade and establishment of facilities for export.</li> </ul>
Fresh Produce (almonds, hot peppers, cucumbers, grapes strawberry)	Access to Market	<ul style="list-style-type: none"> <li>Support access to market through export development.</li> <li>Conduct capacity building Projects through the FLAP.</li> </ul>	<ul style="list-style-type: none"> <li>Support trade show participation</li> <li>Support subsectors in obtaining quality certifications</li> <li>Provide post-harvest training</li> </ul>
	Lack of high value added products and services	<ul style="list-style-type: none"> <li>Scale-up subsectors with growth potential</li> <li>Establish Fruit and vegetable industries</li> <li>Implement skill development and hiring Projects.</li> </ul>	<ul style="list-style-type: none"> <li>Scale up almond production program</li> <li>Scale up strawberry production program</li> <li>Scale up baby cucumber production</li> <li>Identify and assess relevant fruit/vegetable industries (for example raisins with women cooperatives).</li> <li>Develop business plans and support the establishment of these industries (through FLAP).</li> <li>Continue implementation of Agronomist Capacity Building Program</li> </ul>
	Sector enablers and service provider not fully capable of addressing sectoral impediments.	<ul style="list-style-type: none"> <li>Transfer water to Area C from existing resources</li> <li>Support the use of non-conventional water resources</li> </ul>	<ul style="list-style-type: none"> <li>Implement water network design projects in Area C</li> <li>Obtain COGAT approvals.</li> <li>Continue Deir Sharaf demonstration pilots using treated waste water.</li> </ul>

*Proposed Performance Measures<sup>4</sup> – Agriculture Sector*

The below table lists the indicators proposed to be used by USAID/Compete to measure progress towards achieving the project’s intermediate results – increased exports and investment, increased innovation of products and services, and increased employment and job skills expanded. These indicators and targets have been revised for Year 5 of the Project, and are presented in full as Annex C of this work plan.

Proposed indicators, targets and achievements for the base period and up until the end of quarter 3 of year 4 are also displayed, as are proposed targets for FY5.

Indicator Name	PMP Ind. type	Baseline	Planned Base Period	Actual Base Period	Planned Value for FY4	Actual FY4 up to Q3	Planned Value for FY5
Value of exports of targeted agricultural commodities as a result of USG assistance	OP	Dynamic	\$ 35,000,000	\$ 40,744,842	\$ 23,300,000	\$ 16,909,338	\$ 17,444,842
Number of hectares under improved technologies or management practices as a result of USG assistance	OP	Dynamic	1700	1877	150	118	150
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	OP	-	300	1973	300	127	180
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	OP	-	90	129	60	29	30
Number of new markets accessed by assisted Palestinian agribusiness firms	MNG	-	8	28	5	6	5
Percent increase in sales of assisted Palestinian agribusiness firms	MNG	Dynamic	50%	48%	33%	16%	15%
Increase in area under cultivation for export crops (hectares)	MNG	Dynamic	190	292	72	122	72
Number of new jobs created as a result of USG assistance	MNG	-	254	1131	169	135	100

<sup>4</sup> A table listing all proposed performance measures for the West Bank and Gaza is included as Annex C.

## 2. INFORMATION AND COMMUNICATIONS TECHNOLOGY SECTOR

### *Sector profile and current status*

The Palestinian ICT sector has been steadily growing over the past few years, due to a more stable ecosystem supporting the development of talented resources – the most important input in any software industry, which is the subsector of focus for this project. Continued opportunities for growth in the software sector are encouraging: Globally, investment in IT services and enterprise software development has been growing year by year, up to 7.3% in 2015 from 5.1% in 2013.<sup>5</sup> The Palestinian software sector enjoys over 100 companies, and is continuing to grow the introduction of newly-incubated startups across industry, from digital social entrepreneurs to animation and gaming developers.

At the onset of the project, the ICT sector faced challenges in four key areas: **access to market, access to finance, workforce development, and capacity building of enablers and service providers.** The technology entrepreneurship ecosystem had barely surfaced, with limited access to financial resources, technical assistance, incubators and more.

### *Sector Achievements*

USAID/Compete has played a key role in enabling the sector for growth, convening key stakeholders to support investment and increase interest, and cultivating targeted initiatives to meet evolving challenges, such as developing seed funding initiatives for the initial stages of company growth and providing technical support and mentorship to acceleration Projects. USAID/Compete has helped these **firms scale their services** to new markets (such as the Gulf States and Europe) and strengthen their business relationships with the major multinational IT companies such as CISCO, Intel and Microsoft. Doing so has spurred local business development, particularly in the area of **project development and outsourcing.** One of the major vehicles of development was the introduction of a **start-up acceleration funding vehicle** which has closed funding gaps in the ICT eco-system and has provided young entrepreneurs with capital to start their companies.

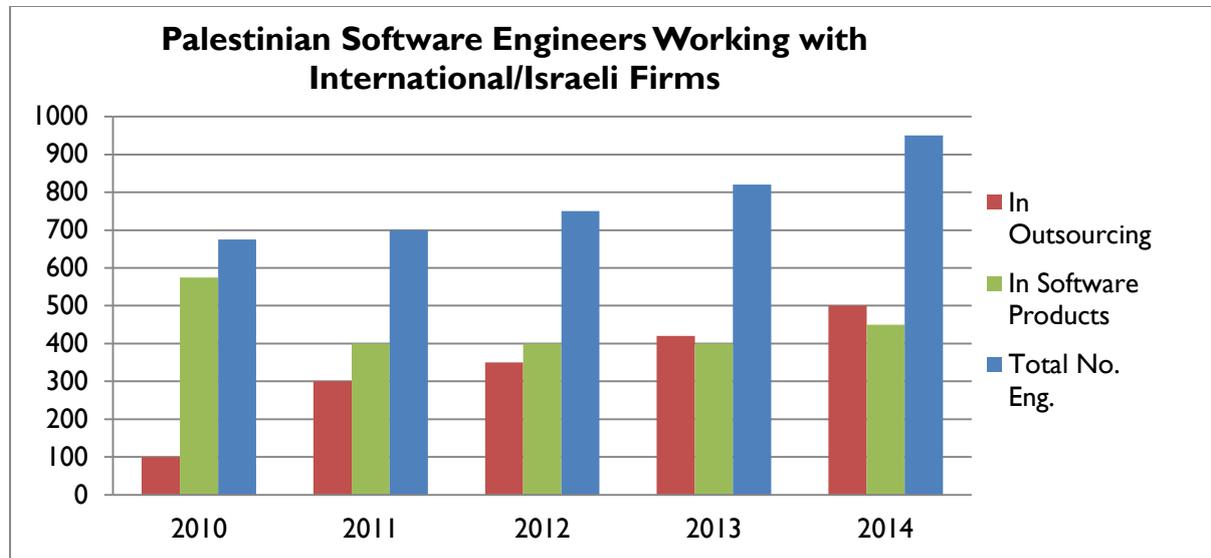
We supported **workforce enhancing projects**, including: the mini-MBA Project with Kellogg/Recanati to build the managerial capacity of firm leadership in order to make these firms more attractive for external investors; and the Palestinian Internship Project, which connects recent Palestinian IT graduates to multinationals, startups, and venture capital firms in the Israeli hi-tech field, helping the market create more talented resources capable of delivering top notch services according to international standards. Of the 30 alumni from this past year (half of which are women), at least a third have secured follow-on employment with their host company or other jobs, started their own ventures or prolonged their internship. With the launch of FLAP, we have directly targeted our support for firms and sector enablers in marketing, access to finance, and further training initiatives.

Industry forecasts show that the software sector is expected to continue growing with the development of human resources and sustainable targeting of new markets. Consequently, during

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<sup>5</sup> Beyond AID: A Palestinian Private Sector Initiative for Investment Growth and Employment, Portland Trust (p. 4), [http://www.portlandtrust.org/sites/default/files/pubs/beyond\\_aid\\_-\\_a\\_palestinian\\_private\\_sector\\_initiative\\_for\\_investment\\_growth\\_and\\_employment.pdf](http://www.portlandtrust.org/sites/default/files/pubs/beyond_aid_-_a_palestinian_private_sector_initiative_for_investment_growth_and_employment.pdf).

the first two years of the project, USAID/Compete-assisted firms experienced nearly 100% growth in employment, year to year.



**Figure 4. Employment of Palestinian Software Engineers (2010-2014)**

#### *Goals and Priorities for Year Five*

USAID/Compete will enable firms to build their infrastructure, develop their products and services and increase access to finance and markets. The Project will foster job creation for skilled human resources through the support of partnerships with regional and international firms (as opposed to MNCs that may not have properly aligned incentives to develop in Palestine), and carry out additional initiatives to empower women and youth in the IT sector, particularly in cities outside the IT hub of Ramallah. USAID/Compete will facilitate access to finance mechanisms that seed the growth of the IT sector, especially activities that enable access to new markets and address gaps inhibiting the growth of the sector. This will be accomplished through **targeted firm-level assistance** initiatives that will serve to provide technical assistance in:

- ✓ Conducting market assessments
- ✓ Building managerial capacity
- ✓ Launching apprenticeship projects
- ✓ Supporting ecosystem enablers, such as accelerators and incubators

As a result of the commissioned **ICT export market assessment** conducted at end FY4, the Project will target the key identified challenge for established Palestinian ICT firms: lack of an effective international sales strategy or representation structure. A strong design and execution of an **international sales plan** are critical to export development. The three areas of support identified as most critical to increasing revenue and employment in the sector include training, export advisory, and investment advisory assistance.

In response, USAID/Compete has developed an **Export Development Program** to help Palestinian ICT companies with a set of products or services that have strong potential for profitable export or

are currently exporting, to scale up their sales in international markets, and to open new markets based on scientific targeting of specific niches through building a Palestinian Sales Network that directly connects firms with international markets. The program will utilize a three-stage process to facilitate quick growth in exports and employment for export ready companies, supporting the development of 1) niche market/product and market research, 2) a formalized referral system guideline to increase international sales, and 3) international market research with actionable items for a group 10-15 companies, and an export development plan per company. We will continue to seek bringing international firms to the local market to build linkages, capitalizing on existing Palestinian diaspora business connections.

Targeted focus will also be given to fostering broad-scale **access to finance initiatives** for export-ready firms. The senior technical team is exploring innovative ways to begin fostering a Palestinian Diaspora Angels Network, and leveraging regional platforms and initiatives in the acceleration, competition, and marketing space.

The Project will build on prior initiatives aimed at increasing **workforce development** capacity and industry service standards through the introduction of and training in targeted new skills and resources, such as SAP SE technology. Further cooperation will continue with the local Palestinian IT Association (PITA) to support member firms abilities in their marketing and communications capacities, as well as continued focus linking newly-trained workers to key skill sets to match industry growth, such as apprenticeships in the gaming and animation space.

Continuing to **empower sector enablers**, the Project will target support to address key gaps in the ICT firm growth value chain, supporting startup pipeline growth for budding accelerators and incubators.

With proper assistance and investment support, the Palestinian ICT market has the potential to double or triple in terms of sales and/or employment from its present base within two or three years. Effective use of technical assistance should be implemented as a catalyst for subsequent growth of the sector beyond time frame of the USAID/Compete Project.

*Work Plan – ICT Sector*

The below table presents the challenges, proposed interventions and illustrative activities for the ICT sector to be worked on by USAID/Compete in Y5. Activities proposed are scheduled for Quarter 1 through Quarter 4 of Year 5.

<b>Challenge</b>	<b>Interventions</b>	<b>Illustrative Activities</b>
Access to Market	Firm level technical assistance for exporting and non-exporting firms in order to enhance access to market.	<ul style="list-style-type: none"> <li>• Targeted firm level technical assistance for non-exporting/ exporting firms</li> <li>• Provide technical assistance to enhance management, finance, sales and marketing capacity</li> </ul>
	Export market development Project	<ul style="list-style-type: none"> <li>• Export assessment and niche market determination for 10 companies.</li> <li>• Matching Development Project between Israeli and Palestinian ICT companies and actors through targeted B2B</li> </ul>
Access to Finance	Lay Groundwork for a Palestinian Business Angel Group	<ul style="list-style-type: none"> <li>• Initiate structure to develop a Palestinian Angels Network: partnerships, stakeholder analysis, legal infrastructure, online system, operations, management plan, financial products and systems, building on cooperation with DfID, PMDP, JCP, and others.</li> </ul>
	Partner with key pitching events and competitions	<ul style="list-style-type: none"> <li>• Explore partnerships with USAID Development Innovation Accelerator, Development Innovation Ventures, and/or key regional acceleration and innovation programs to launch a specialized competition in the West Bank and/or Gaza.</li> </ul>
Lack of qualified and talented human capital and lack of service standards.	Introduce new sector service by building the capacity of human resources, providing necessary tools and equipment	<ul style="list-style-type: none"> <li>• Gaming/animation lab: continue capacity building of skill sets amongst existing companies and new entrants; production process improvements</li> </ul>
	Support Palestinian Information Technology Association of Companies (PITA) to increase the capacity of staff and improve operation systems to offer better services to members.	<ul style="list-style-type: none"> <li>• Conduct PITA capacity enhancement Project to deliver better services to members (Conduct training in advocacy, PR &amp; Communications).</li> </ul>
	Support skills development for new entrants (individuals) in the market	<ul style="list-style-type: none"> <li>• Industry wide training Project to introduce new skills (SAP SE technology)</li> </ul>
Sector enablers and service providers not fully capable of addressing sectoral and policy impediments.	Develop technical transfer company through acceleration Project	<ul style="list-style-type: none"> <li>• Continue support to IBDA partnership / startup pipeline</li> </ul>

### *Proposed Performance Measures – ICT Sector*

The below table lists the indicators to be used by USAID/Compete to measure progress towards achieving the project’s intermediate results – increased exports and investment, increased innovation of products and services, and increased employment and job skills expanded. Targets and achievements for the base period and up until the end of quarter 3 of year 4 are also displayed, as are proposed targets for FY5.

<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Baseline</b>	<b>Aggregated Planned</b>	<b>Aggregated Actual</b>	<b>Planned Value for FY4</b>	<b>Actual FY4 up to Q3</b>	<b>Planned Value for FY5</b>
Number of ICT assisted start-ups that have developed products or signed contracts	OP	-	50	45	30	1	15
Value of exports of assisted Palestinian Information and Communication Technology (ICT) firms	MNG	Dynamic	\$ 761,340	\$ 2,397,271	\$ 507,560	\$ 1,364,801	\$ 1,800,000
Percent increase in sales of assisted Palestinian Information and Communication Technology (ICT) firms	MNG	Dynamic	15%	29%	10%	16%	15%
Number of new markets accessed by assisted Palestinian Information and Communication Technology (ICT) firms	MNG	-	8	8	5	3	3
Number of new jobs created as a result of USG assistance	MNG	-	186	250	125	91	75
Number of New ICT Start-up companies established	MNG	-	22	17	14	0	9
Total number of start-up capital raised by youth, disaggregated by sex	MNG	-	120,000	\$ 322,650	\$ 240,000	\$ 26,000	\$ 50,000

### 3. STONE & MARBLE SECTOR

#### *Sector profile and current status*

As a leading industry dependent on natural resources, the stone and marble sector in the West Bank is consistently growing both domestically and globally. The sector remains an important contributor to exports, job creation and government revenues in the Palestinian economy. With 1050 firms and over \$400 million USD in investments, this viable sector contributes 5.5% to gross domestic product and supports more than 15,000 jobs.<sup>6</sup> Moreover, the stone and marble industry, with its high quality natural stone is well-positioned to grow in the global market. In 2002, Palestinian stone production constituted approximately 4% of the world's production and placed the West Bank in 12th place among the world's producers.<sup>7</sup> In 2011, the total export value of Palestinian stone and marble reached \$130 million, of which 80% was sold to Israel, 7.3% to Jordan and 12.7% internationally.<sup>8</sup>

For nearly a decade, slurry from the Hebron Industrial Zone – the congealed waste made of water and fine dust from stone and marble production – was being released into wastewater systems. USAID recognized in early 2012 the mutual interest in ending illegal disposal of slurry, both for environmental and health hazard concerns and because of the key role the stone and marble industry plays in the West Bank economy.

USAID/Compete, along with industry research, estimates that more than 450,000m<sup>3</sup> of stone waste is produced annually. Due to poor enforcement of existing environmental regulation, out-dated or dilapidated equipment and lack of investments in product development, Hebron and Bethlehem along with other stone clusters face environmental challenges as a result of mismanagement and inappropriate disposal of stone slurry produced during production. Further downstream in both the West Bank and Israel, Hebron's slurry was causing blockages, creating stagnant pools that rendered nearby crops useless and attracting disease-carrying mosquitoes. As a result, the Israeli Coordinator for Government Activities in the Territories was growing increasingly concerned about the broader environmental impact in both Palestinian and Israeli areas, threatening to shut down the Hebron Industrial Zone altogether.<sup>9</sup>

Recognizing this urgent health and environmental challenge, USAID and the Compete project conducted a sludge pre-feasibility study in 2012-2013 assessing the most viable commercial possibilities for slurry and sludge stone waste, and completed the refurbishment of 16 filter presses vital to drying and compacting the original slurry into usable "sludge". Results of the study were shared widely amongst sector actors, highlighting the products that can be produced with stone sludge, and the viability of the creation of these products.

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<sup>6</sup> Palestinian National Export Strategy: Stone and Marble (2014-2018), <https://www.paltrade.org/upload/multimedia/admin/2014/10/5448e768c07df.pdf>

<sup>7</sup> USAID Cluster Competitiveness Assessment (2006)

<sup>8</sup> International Trade Center & PalTrade (2011)

<sup>9</sup> "USAID Frontlines: Keeping West Bank Trade (no slurry) Flowing", David Kahrman, (March/April 2013) <https://www.usaid.gov/news-information/frontlines/water-neglected-tropical-diseases/keeping-west-bank-trade-not-slurry>

### Sector Achievements

During the first four years of the project, stone and marble assisted firms were able to generate \$18,332,112 USD in exports, 115 new jobs, \$7,519,834 USD in new investments and successfully entered 18 new markets. Figure 5 illustrates the cumulative value of exports to international and Israeli markets by assisted Palestinian stone and marble firms during the base period, as compared to export values overall.

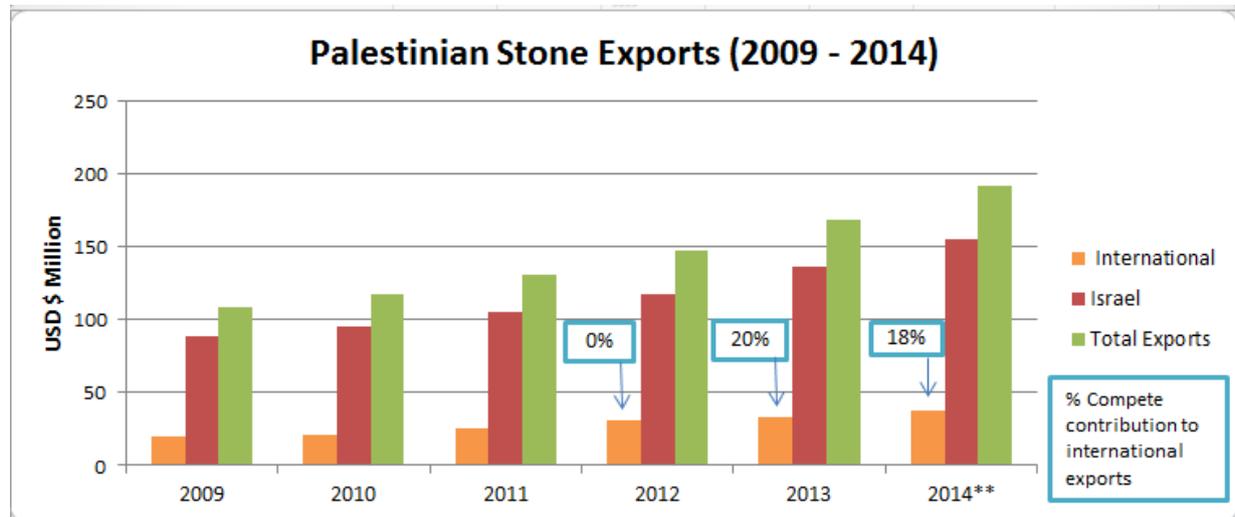
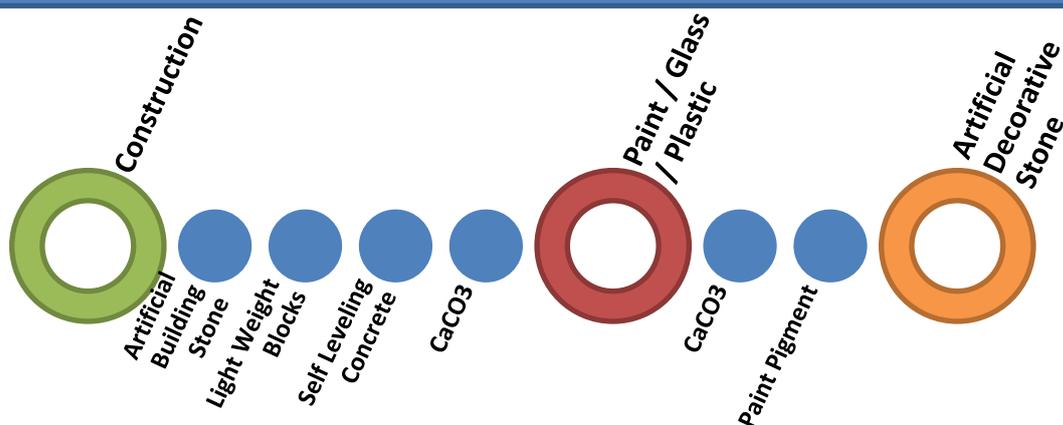


Figure 5. Palestinian stone exports (2009-2014)

USAID/Compete supports the Palestinian stone and marble sector's participation in international trade shows as exhibitors to showcase the range of unique products the West Bank has to offer and as walkers to learn about industry demands. The Project has worked with Paltrade and the Union of Stone and Marble to assist eight companies with unique value-added products to participate in the first annual Middle East Trade Show, which took place in May 2015. It was the first show specifically focused on stone and marble products to be held in Dubai. The show also had an interior design hall, allowing Palestinian companies to expand and target the niche market.

Two Palestinian companies out of 230 companies from 22 countries were recognized for their **stone decorative and art work** at the trade show. Fonoun Arts of Carved Stone ranked second overall and Al-Omraniyeh Company ranked eighth overall. Leading up to the show, USAID/Compete held several meetings and workshops to support participants in developing booth designs, improving stone samples, and provide technical assistance. This major international recognition marks a breakthrough for Palestinian companies in the market.

Figure 6: Targeted Subsectors for Production of Sludge Products



Following the supply of filter presses and the development of business plans for potential investors interested in sludge product development, USAID/Compete has supported a company in the piloting of light weight block production, made from stone slurry.

USAID/Compete is focusing on the slurry waste issue in the stone sector in a staged approach to support the gradual transformation of the industry by supporting business solutions for 'dry sludge' and 'liquid sludge', thereby creating commercially viable new products. Creating these environmentally conscious, competitive new products will lead to business opportunities that could be targeted in local and international markets.

#### *Goals and Priorities for Year Five*

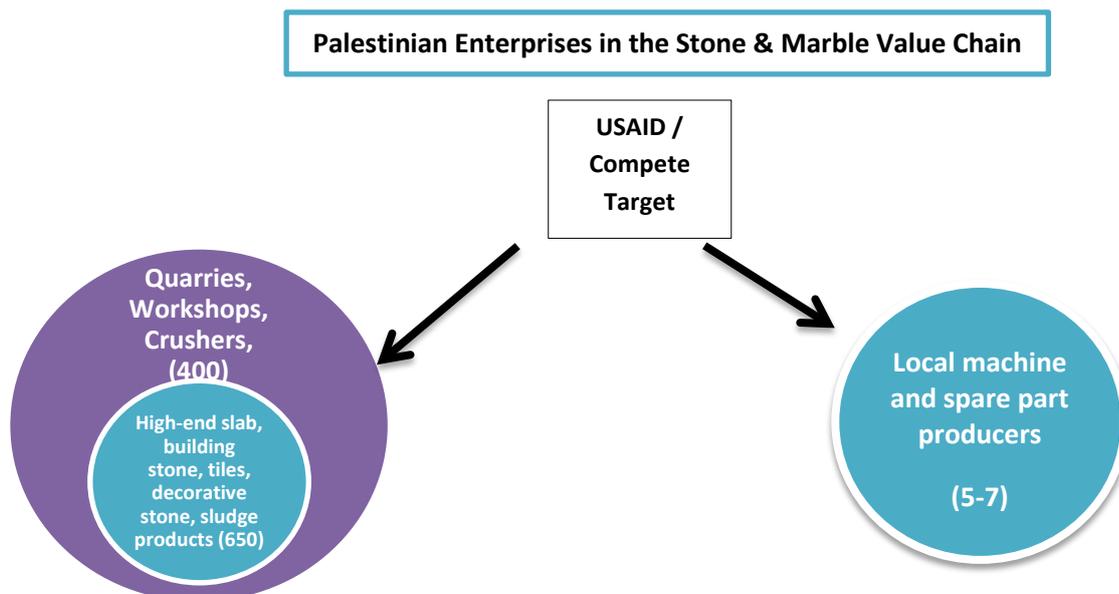
After two decades of continual support to the sector, the stone and marble sector is well established, and time has come for Compete to graduate from supporting this sector. Therefore, USAID will focus Year 5 support innovative market initiatives that give the Palestinian sector a competitive advantage.

USAID/Compete plans to build on and develop targeted, impactful interventions to **enhance access to market, strengthen and produce high value-added products and services, and to address environmental constraints related to stone and marble waste.**

With 1,050 establishments across the value chain (including quarries, workshops, construction, crushing, cutting and production facilities), USAID/Compete is currently targeting **export ready firms** that are producing finished products based on international market demand. USAID/Compete will also continue working with firms that are promoting **high value added products** such as decorative tiles and decorative stone for interior use, which are expected to yield higher profit margins in international markets and increase the over-all competitiveness of the stone sector both globally and regionally. Firm level assistance will build the capacity of these firms to effectively **market** their products to targeted markets.

Building on the initial successful effort in support of companies producing stone waste products, such as light weight concrete blocks, USAID/Compete will continue to engage with potential investors and existing companies in various subsectors through the FLAP, to support their investment and expansion plans to **utilize stone waste for product development**. Potential sub-sectors include construction, paint and artificial decorative stone (see Figure 6, above).

Addressing a key market failure identified by the 2014-2018 Palestinian National Export Strategy: Stone and Marble;<sup>10</sup> USAID/Compete will assess the possibility of supporting **local stone and marble machine producers and spare parts producers** to increase their capacities to service stone and marble firms. Current production mainly relies on costly imports of machinery and spare parts; however if machine producers can increase their quality and capacity, a wider range of stone producers can benefit from such services and more than likely invest in locally produced machinery. By doing so, USAID/Compete will be empowering a service provider within the Stone and Marble value chain, while driving down production costs for local firms.



Finally, USAID/Compete will continue to support the involvement and development of local associations, official representatives such as the Union of Stone and Marble, experts and service providers to provide ad hoc services to targeted firms. Potential Projects might include marketing and sales training, logistics and shipping capacity building, quality control training, trade show participation and other needed interventions to support the sector.

#### *Work Plan – Stone and Marble Sector*

The below table presents the challenges, proposed interventions and illustrative activities for the stone and marble sector. Activities proposed are scheduled for Quarter 1 through Quarter 4 of Year 5.

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<sup>10</sup> Palestinian National Export Strategy: Stone and Marble (2014-2018), <https://www.paltrade.org/upload/multimedia/admin/2014/10/5448e768c07df.pdf>

<b>CHALLENGES</b>	<b>INTERVENTION</b>	<b>ILLUSTRATIVE ACTIVITES</b>
Limited Access to Market	Provide capacity building and technical assistance through the FLAP.	<ul style="list-style-type: none"> <li>• Assist in building management and financial capacity, develop sales and marketing plans, capacity building Projects, adopt quality systems, provision of equipment, and provision of support to train and employ key staff</li> </ul>
	Support export ready and non-export ready firms to access new markets.	<ul style="list-style-type: none"> <li>• Assist 10-15 firms to attend 2 international trade shows as exhibitors and/or walkers</li> </ul>
Lack of high value added products and low output	Support the promotion of exports and increase production of high end value-added products	<ul style="list-style-type: none"> <li>• Assist decorative stone and interior decorative stone producers, based on their needs and growth plans</li> </ul>
	Provide small equipment and tools for product development	<ul style="list-style-type: none"> <li>• Assist firms independently through Firm Level Project, based on their needs and growth plans</li> </ul>
	Support local machine and spare part producers	<ul style="list-style-type: none"> <li>• Build technological and operational capacities of local machine and spare part producers through firm level technical assistance.</li> </ul>
		<ul style="list-style-type: none"> <li>• Launch a tailored, firm-level Project for stone and marble firms to utilize local machine producers</li> </ul>
Stone waste negatively impacts environment.	Design and implement a Project to support investors with machinery to establish sludge processing facilities.	<ul style="list-style-type: none"> <li>• Support investors to establish sludge/slurry processing facilities in the West Bank (targeting 3 processing plants)</li> </ul>

*Proposed Performance Measures – Stone and Marble Sector*

The below table lists the indicators to be used by USAID/Compete to measure progress towards achieving the project’s intermediate results – increased exports and investment, increased innovation of products and services, and increased employment and job skills expanded. Targets and achievements for the base period and up until the end of quarter 3 of year 4 are also displayed, as are proposed targets for FY5.

Indicator Name	PMP Ind. type	Baseline Value	Aggregated Planned	Aggregated Actual	Planned Value for FY4	Actual FY4 up to Q3	Planned Value for FY5
Value of exports through group and specialized Palestinian stone and marble marketing companies and consortia	OP	-	\$ 8,250,000	\$ 13,246,160	\$ 6,500,000	\$ 5,085,952	\$ 6,746,160
Percent increase in sales of assisted Palestinian stone and marble firms	MNG	Dynamic	38%	45%	22%	17%	15%
Number of new markets accessed by assisted Palestinian stone and marble firms	MNG	-	9	12	6	6	6
Number of new jobs created as a result of USG assistance	MNG	-	104	83	47	32	36

## 4. TOURISM SECTOR

### *Sector profile and current status*

Tourism in the Palestinian Territories is dominated by pilgrimage tours. These tours are designed and planned from abroad using a detailed and rigid itinerary for approximately 7 days and 8 nights. These packages are intrinsically linked to Israel, East and West Jerusalem with very brief visits to other cities in the West Bank, particularly Bethlehem. As a consequence, many cultural and religious sites outside of the traditional pilgrimage routes are underdeveloped and the financial benefits from tourism to Palestinian businesses remains significantly lower than it could be. Significant challenges related to recurring political instability, such as the Gaza Wars of 2014 and 2012, continue to persist.

USAID/Compete is tackling this issue by implementing a market-based, destination-focused approach to support growth of the tourism sector. With the exception of East Jerusalem and Bethlehem, most Palestinian destinations are obscure to potential international consumers and do not offer a range of activities that would draw tourists to visit, stay there and spend more money. Arab-Israelis represent a potential key source market, as they have easy access, are less averse to shifts in the political environment, and in 2014 alone represented 19% visitors to the West Bank. Recent directives amongst certain Islamic countries to visit Muslim Holy sites in the West Bank also point to an opportunity for increased growth in the sector from Islamic Tourism.

Key players amongst tourism operators have expressed a sharp decline in revenue – continuing to operate more for the sake of staying in business than for making profits. Many are seeking support in marketing, pricing, and accessing financial products that meet their needs (e.g., long repayment schedules). These challenges need to be resolved if the industry is to grow outside of the main hub of Bethlehem and increase its value in the national economy.<sup>11</sup>

The Project's involvement from 2011-2014, prior to the Gaza war, resulted in the quick recuperation of market share in the traditional pilgrimage market. While stagnant prior to USAID/Compete's interventions, visitor arrivals and overnights increased by an average rate of 6% and 12% per year, respectively, during that time (see figure 6 below).

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<sup>11</sup> Tourism Sector Market Assessment, Judy Karwacki, September 2015.



**Figure 6. International Visitor Arrivals and Overnights in the West Bank between 2009 -2014<sup>12</sup>**

#### *Sector Achievements*

Over the last four years, the USAID/Compete has focused its interventions in areas that would **restore market confidence and address key market failures**, such as access to market, product diversification, and quality workforce standards. The Project implemented a number of activities to address these challenges, including intensive participation in trade shows and study tours, marketing support through collaborative efforts with the industry associations, and capacity building of hotel management and operations through workforce development training and firm-level assistance to provide necessary management information systems.

USAID/Compete intervened actively at the supply level, working with the private and public sectors to bring service quality to international standards through the development of a successful **classification system for hotels** (adopted by 55% of the industry in just three years), rolling out a in-service training program, developing tourism vocational curricula with Bethlehem University. The Project also supported a number of **renovation** efforts in key locations such as the Burqin Church, Hisham’s Palace and the northern section of Abraham’s Path, in addition to urban **rehabilitation** works in Bethlehem, Burqin and Bethany, in order to build the full “destination ecosystem” for key tourism locations in the West Bank and introduce new players with high – potential, particularly in the religious tourism market.

#### *Goals and Priorities for Year Five*

Although the contribution of tourism to the Palestinian economy has rebounded in recent years, the opportunity to increase the overall value of tourism in the national economy has not yet been fully realized, particularly due to the vulnerability of the sector to political fluctuations.

<sup>12</sup> All data from the Palestinian Ministry of Tourism and Antiquities (MoTA)

As one of the largest industries in the global economy, an international integration of Palestinian tourism goods and services has the potential to make an impact on overall job creation and investments, and USAID/Compete has worked steadily on a series of strategic interventions, leveraging the work that has been previously undertaken by USAID. Support has been provided in the **market development** of the most lucrative tourist segments of the West Bank, and to **expanding product offerings and enhancing service standards**. Work in Year 5 will continue in this regard.

Despite the Project's interventions and support from previous USAID programs, **the tourism sector has not shown significant maturation**. This can be primarily attributed to the lack of commitment from stakeholders, weak private sector infrastructure that is not yet strong enough to support sector development, and a **lack of capital flow** into the sector. **Government-level commitment** to the development of the tourism sector is also unstable, and shifts with fluctuations in the political environment.

In light of these continued challenges, USAID/Compete will prioritize key areas of intervention identified by the recent consultant assessment as well as continued conversation with public and private sector stakeholders, to **facilitate increased access to market** and **strengthen high value-added products through site renovation and rehabilitation**.

Given recent directives from Islamic countries such as Turkey to visit Palestinian Holy Sites on pilgrimage, the Project will work with ready tour operators in all aspects of business and marketing development and strategy to deliver **Islamic Tourism packages** targeting countries including Turkey, Indonesia, and Malaysia, and create linkages to these source markets. Further effort will be considered to target the local, less risk adverse **Arab-Israeli source market**, which regularly engages in visits to the West Bank to purchase goods and services at cheaper rates and visit local sites.

USAID/Compete will develop a tailored grant and/or cost-share mechanism to support the training and development of **hotel and tour operators'** sales, marketing, and services in order to enhance their quality standards and increase profits. Finally, in cooperation with MOTA and other local stakeholders, the Project will support the **renovation and rehabilitation** of historically and culturally significant sites to bolster product offerings for the local market and further develop the tourism ecosystem.

Future USAID investment in tourism would be best focused on improving government and private sector commitment to the development of the sector. The creation of a Tourism Board would be the optimal vehicle to lead this transformation. Without a unified vision and commitment among the sector's stakeholders – along with support from public/private partnership institutions such a tourism board -donor programs and investments in tourism will have marginal impact on improving competitiveness, and will be limited to ad hoc interventions that will not culminate in transformation of the sector as a whole.

### Work plan – Tourism Sector

The below table presents the challenges, proposed interventions and illustrative activities for the tourism sector. Activities proposed are scheduled for Quarter 1 through Quarter 4 of Year 5.

Challenge	Interventions	Illustrative Activities
Lack of access to market	Enhance access to new markets	<ul style="list-style-type: none"> <li>Support development of new niche products to attract Islamic tourism markets</li> <li>Facilitate business with Arab Israeli source market</li> </ul>
Limited product offerings and rigid, pre-determined packages.	Strengthen and produce high value added products and services (site renovation)	<ul style="list-style-type: none"> <li>Identify 3-4 historically and culturally significant sites, in cooperation with MOTA</li> <li>Conduct rehabilitation and/or promote sites to increase product offerings.</li> </ul>
Low quality of tourism products and services, and lack of a qualified and skilled work force	Support the development of a hospitality school in the West Bank	<ul style="list-style-type: none"> <li>Work with Bethlehem University to develop the drawings, designs and bill of quantities for Hospitality School</li> <li>Support the development of hotel and tour operators' sales, marketing, and services and enhance quality standards</li> <li>Hotel classification</li> </ul>
	Build hotel and tour operators' capacity through firm level technical assistance Project	

### Proposed Performance Measures – Tourism Sector

The below table lists the indicators to be used by USAID/Compete to measure progress towards achieving the project's intermediate results – increased exports and investment, increased innovation of products and services, and increased employment and job skills expanded. Targets and achievements for the base period and up until the end of quarter 3 of year 4 are also displayed, as are proposed targets for FY5.

Indicator Name	PMP Ind. type	Baseline Value	Aggregated Planned	Aggregated Actual	Planned Value for FY4	Actual FY4 up to Q3	Planned Value for FY5
Number of new or improved assisted tourism sites and tourism trails	OP	0	11	7	7	5	3
Percent of hotels adopting nationally- adopted, USAID- introduced Hotel Classification system	OP	54	70%	56%	70%	65%	80%
Number of new jobs created as a result of USG assistance	MNG	-	135	92	45	27	15
Percent increase in sales of assisted Palestinian Tourism firms		Dynamic	-	-	-	-	10%

## **IV. Management Strategy**

### **A. STAFFING PLAN**

In order to successfully implement USAID/Compete's Years Four and Five work plan interventions, a number of staffing changes were implemented in both the delivery unit and back office operations (please see organizational structure in Figure 7 below). This restructuring allowed DAI to ensure performance requirements are met, while also reinforcing our established checks and balances to meet compliance requirements. The new staffing structure presents a more unified and cohesive approach to competitiveness programming, with responsibility for alleviating sector specific and broad market access challenges falling to the new senior level advisors and sector Project Managers, allowing the Deputy Chief of Party to shift focus and concentrate on other critical elements of the project.

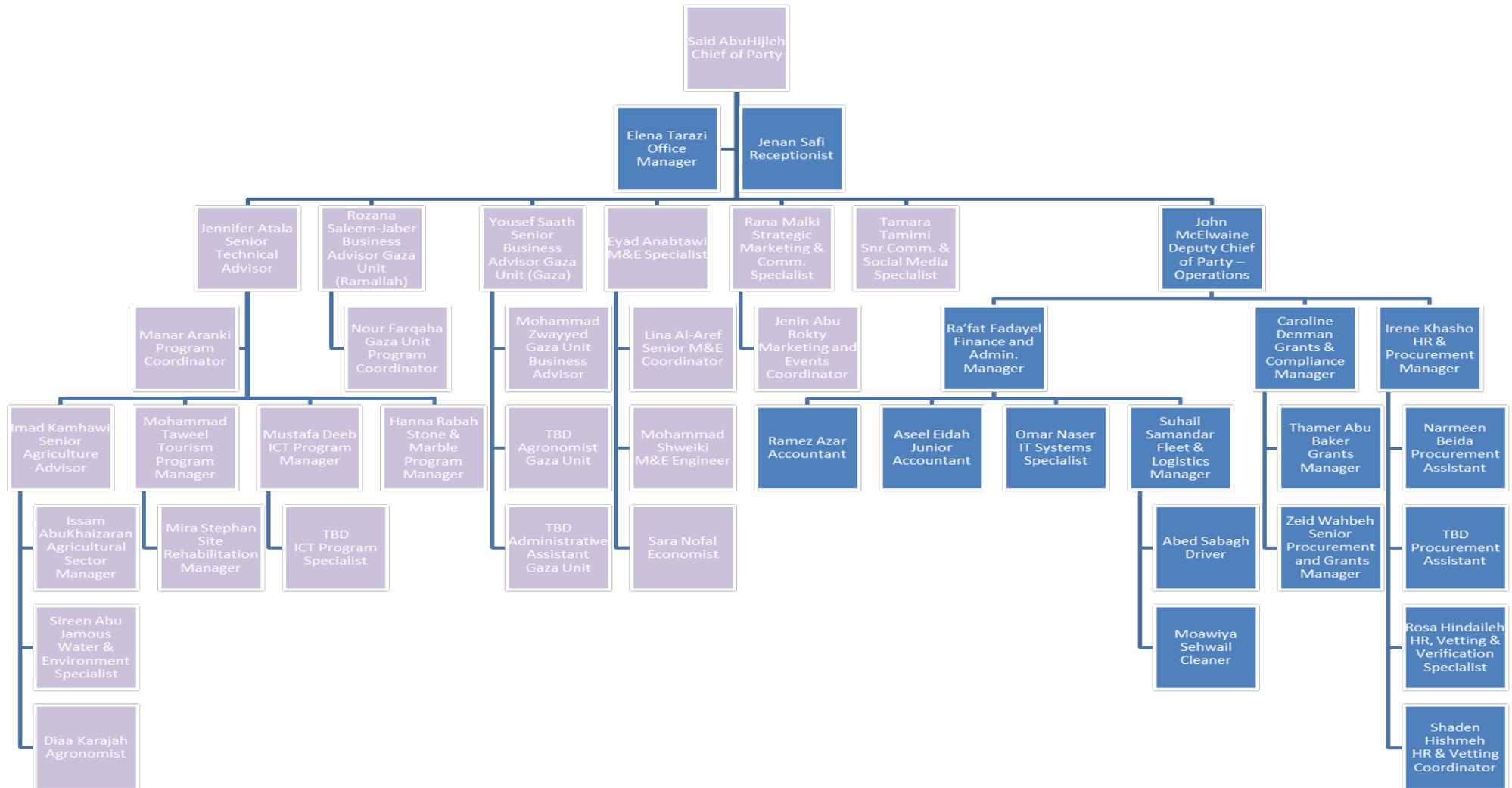
### **B. TECHNICAL STAFF (DELIVERY UNIT)**

The Delivery Unit's technical capacity was improved through the selection of a Senior Technical Advisor with the knowledge and the qualifications to provide unified guidance and help in the design of the interventions across USAID/Compete's four sectors. In this role, Jennifer Atala provides the leadership and direction needed to enhance performance across all sectors, working to identify resources needed for specific market failures, ensuring impact targets are achieved, and developing new scalable and cross-cutting interventions.

USAID/Compete also identified a need to supplement its Communications Team with a Senior Communications and Social Media Specialist to better address and engage a variety of audiences, including: the Palestinian private sector, the Palestinian public at large, PA institutions, US audiences, and other international agencies. Tamara Tamimi helps ensure the Project's communications strategy is responsive, forward looking, and innovative, capitalizing on traditional communications tools while striving to incorporate newer social media communications in effort to maintain close engagement with both stakeholders and project audiences.

Separately, USAID/Compete began expanding its programming into Gaza more extensively through the announcement of its Gaza-specific Firm Level Assistance Program on September 2, 2015. The Project's office in Gaza is led by Yousef Saath and supported by Mohamad Zawyyeh, who, together with Rozana Saleem-Jaber and Nour Farqaha in Ramallah, manages the Project's exploration of activities in the agribusiness, fishing, ICT, textile, furniture, and tourism sectors. Relevant West Bank sector team leaders will continue to provide support and guidance to the Gaza team.

Figure 7: USAID/COMPETE ORGANIZATIONAL STRUCTURE



### **C. GAZA OFFICE OPERATIONS**

Prior to launching operations in Gaza, in August 2015, the DAI Global Security Director conducted a comprehensive security assessment of Gaza with the final security plan submitted to USAID in September. The security plan, along with USAID directives including Mission Order 21 (Vetting), 2015 –WBG-04 (Country Clearance and Travel to Gaza), and 2015-WBG-05 (Logistics Procedures in Gaza – GRAMMS) provided guidance and direction for USAID/Compete to develop policies and procedures for implementing Project activities in Gaza from both a security and compliance perspective.

The USAID/Compete Gaza office was opened on September 13, 2015 and was immediately staffed with the Senior Business Advisor and the Business Advisor. The office was leased on a month-by-month basis, so as to ensure minimal footprint and quick exit, should the political situation deteriorate and the Project need to shift course. The office is the representative office of the Project in Gaza and is responsible for technical implementation. The office, however, will not have the full complement of back office support. Back office operations including finance, procurement, compliance, and human resources will be conducted from the USAID/Compete office in Ramallah. As with the Ramallah-based technical team, the Ramallah-based back office team will travel frequently to Gaza to provide back office support. USAID/Compete will also hire a Project/Administrative Coordinator to be located in Gaza in order to provide technical support as well as some logistical/administrative support for the team in Gaza while liaising with Ramallah staff. The Project will also be hiring a full-time agronomist to support program implementation within the Gaza agriculture sector.

In late August, USAID/Compete issued a Request for Assistance under the Firm Level Assistance Program. Applications will be initially processed by the Gaza team and will be presented at the weekly review committee in Ramallah for approval. Approved applications will follow the rigorous implementation procedures supported by the Ramallah-based back office team. This back office support will ensure that procurement, vetting, and compliance documentation is properly conducted and filed. All applications and procurement processing will be conducted through the DAI TAMIS project management system. This will not only facilitate timely review and approval of applications and procurement requests, it will eliminate the need to host a server in the Gaza office.

Compete is in the process of leasing a vehicle for ground transportation needs in Gaza. Once procurement is completed, Compete will submit to USAID for Contracting Officer approval to lease one vehicle for the duration of the project. In the meantime, staff will use taxis and personal vehicles for local travel.

### **D. COMPLIANCE, ADMINISTRATION, AND FINANCE STAFF (OPERATIONS UNIT)**

As USAID/Compete moves in to the final year of the project, we are entering a period of high volume activities and expenditures that require a more robust and responsive operations unit to implement technical initiatives. John McElwaine was selected as Deputy Chief of Party/Operations for his leadership, supervision, and management skills in order to ensure effective and complete implementation of our activities, providing oversight and guidance to the procurement, finance, and grants teams.

The Project also elected to separate the procurement and grants teams, allowing staff to focus their efforts more fully and efficiently in support of the sectors. The Grants team is now led by Caroline

Denman as Grants and Compliance Manager, supported by Thamer Abu Baker and Zeid Wabeh, who together are responsible for leading all grant and activity processes while monitoring adherence to the necessary compliance measures for both the operations and delivery teams.

With this change, all technical and operational procurement are now managed by one team under the direction of Irene Khasho, with support from Narmeen Beida and a prospective Procurement Assistant. Ms. Khasho will also oversee the project’s Human Resources and vetting requirements, as increased activities and interventions in Year Five will create a larger demand moving forward.

#### E. PROJECT CLOSE OUT

Compete will submit a close down plan approximately 5 months prior to the contract end date. Key elements of the close down plan will include the following actions with timelines as necessary:

- Develop personnel phase out schedule
- Submit asset disposition plan for USAID approval
- Complete and close out Project activities
- Submit final budget realignment, as necessary
- Submit final project report

#### F. PROGRAM BUDGET

As of August 31, 2015 USAID/Compete had expended nearly 35 Million USD in funds: 78% of the Project’s obligated amount. Approximately 23.2 Million USD from the current contract ceiling in remaining. Details by budget line item are presented in the table below.

NO:	BUDGET LINE ITEMS	BUDGET-AMOUNT	EXP. TO DATE	REMAINING (C-D)
			31-Aug-15	
1	Salaries and Wages	\$6,862,712.00	\$4,347,730.25	\$2,514,981.75
2	Fringe Benefits	\$737,491.00	\$ 596,863.50	\$140,627.50
3	Overhead	\$3,265,010.00	\$2,077,860.06	\$1,187,149.94
4	Travel, Transportation and Per Diem	\$1,907,262.00	\$ 940,482.85	\$966,779.15
5	Allowances	\$1,126,139.00	\$ 757,237.05	\$368,901.95
6	Other Direct Costs	\$5,427,231.00	\$3,063,120.12	\$2,364,110.88
7	*Program Costs	\$13,354,974.00	\$9,354,129.03	\$4,000,844.97
8	*Renovation/Rehabilitation	\$5,642,468.00	\$2,574,393.88	\$3,068,074.12
9	*Grants Funds	\$10,151,954.00	\$6,067,420.78	\$4,084,533.22
10	Subcontractors	\$1,761,866.00	\$ 161,865.95	\$1,600,000.05
11	General and Administrative Costs	\$4,379,959.00	\$2,607,518.90	\$1,772,440.10
12	Total Fixed Fee *	\$ 3,401,652.00	\$2,325,055.73	\$1,076,596.27
	<b>TOTAL</b>	<b>\$58,018,718.00</b>	<b>\$34,873,678.10</b>	<b>\$23,145,039.90</b>
<b>SUMMARY</b>				
TOTAL BUDGET			<b>58,018,718</b>	
LESS EXP. TO August 31,2015			34,873,678	
Remaining from Contract Ceiling			<b>23,145,040</b>	
Obligated amount			44,663,000	
Percentage spending from obligation			<b>78%</b>	

## G. MONITORING AND EVALUATION

Monitoring and evaluation (M&E) is critical to understanding, demonstrating, and communicating the results of USAID/Compete's interventions in the WBG to internal and external stakeholders. It is also critical for the day-to-day management of project activities.

As part of the work planning process for Year 5, USAID/Compete has undergone a review and revision of the Project's M&E indicators so that they more accurately reflect the planned interventions and expected results and impact of the Project moving forward. These proposed indicator revisions are presented for both the West Bank and Gaza as Annex C, below.

Compete will customize the M&E section of its project database, TAMIS, according to the revised Performance Monitoring Plan to support the Project's data related needs. The below section details the types of indicators to be used to monitor and evaluate performance and effectiveness of USAID/Compete's interventions in WBG as well as the methodologies to be used for monitoring and data quality control.

### Types of Indicators

- There are three main types of indicators that will be used to measure the performance and effectiveness of USAID/Compete's work: 1) output 2) outcome; and 3) sector level impact indicators
- **Output indicators** focus on the *sub-activity* level. Output indicators measure the quantity of products, stakeholders and services produced through Compete activities. Most of these indicators are linked directly to a relevant Intermediate Result (IR), and some cross cut all IRs.
- **Outcome indicators** are mostly short- and medium-term indicators that focus on measuring results at the *IR* level. Outcome indicators will be assigned to a specific IR and most will not be repeated throughout USAID/Compete's results framework. The outcome indicators are used to measure the value of exports and sales that are created as a result of Compete assistance, in addition to other indicators that measure the number of hectares under improved technologies, tons produced and exported abroad, and the proportion of females with access to finance.
- **Sector level impact indicators**

Compete intends to monitor sector level statistics to track causal links between the project outputs and outcomes and development impact as below:

#### Contribution to GDP (%)

- Value Added (\$m)
- Total number of employees or contribution to employment (%)
- Number of overnights
- Overnights by nationalities
- Number of visitors

In addition, Compete has included operational plan ("OP") indicators. The OP indicators included may appear at output and outcome levels.

Compete will develop annual targets for each performance indicator based on the baseline starting point prior to Project implementation and on anticipated changes resulting from Compete activities. Compete will verify the baseline data as part of ensuring the reliability of the baseline figures. In order to support both accountability and identification of any needed modifications in Project design, Compete will report on most indicators on a quarterly basis or semiannually .

## Monitoring Methodology

### *Output Indicators / Performance Measures*

The monitoring methodologies used by the M&E team will be based on three main tasks: review of milestones check list and other indicator data collection forms, review of output data maintained in TAMIS, and site visits.

For each performance indicator, Compete will collect actual data, monitor change as related to the relevant baseline, disaggregate data to identify differentiated results, and explain notable variance from targets. Most of the performance data will be stored in the project database, TAMIS, for quick retrieval for reporting, analysis and reference purposes. In addition, originals (or in some cases, copies) of the data source documents will be maintained in the M&E files as backup for the performance data reported to USAID. The M&E team will also review the output data maintained in TAMIS, to ensure that formulas are working correctly, identify potential data entry issues, and identify the need for follow-up actions to confirm outlier data points.

Finally, Compete will use site visits—to activity locations to monitor performance. Site visits include two interrelated tasks:

- Regular and/or benchmark-specific site visits and
- Site visits in response to identified problems.

Compete will create a site visit monitoring form that will be linked to sub-activities, and will identify and mitigate risks, document compliance with ADS requirements [if required], and monitor the status of the project's activities.

### *Outcome Measures / Effectiveness Measures*

Compete will collect actual data, monitor change as related to the relevant baseline, disaggregate data to identify differentiated results, and explain notable variance from targets. Most of the performance data will be stored in the project database, TAMIS, for quick retrieval for reporting, analysis and reference purposes.

Compete will capture the results the project has achieved in addition to the effectiveness of an intervention to demonstrate the outcome and the impact of Compete support, and to encourage others to follow suit. Compete will collect data from the field using quarterly surveys, s and other published studies from PCBS and other institutions to develop baselines for these indicators level. Activity monitoring will be continual over the duration of the activity.

### *Geo-MIS & TraiNet*

Data will be entered in to Geo-MIS as well as on TraiNet once the verification process is completed and the Memo to the file is prepared, reviewed and approved. Milestones per each activity will hold a weighted average and will be updated on Geo-MIS "Completion Percentage "according to the following:

- Completion of milestones
- Progress reports and technical team notifications
- Field visits and verification

#### *Data Quality Control*

Compete will conduct random quality control reviews to control the quality of data and monitoring. The M&E Manager will develop a confidential schedule for quality control reviews of Project data. The review results will be reported to the Chief of Party quarterly.

Errors in data collection can be mitigated by ensuring proper design of instruments (i.e., forms and surveys) and multiple layers of review such as external evaluators, project staff and M&E team. Project staff tests Compete data entry forms to make sure they are clear, unambiguous and complete. Survey questionnaires are pre-tested before the survey is carried out. For direct observation collection using field personnel, Compete will provide proper training, supervision, and ensure rapid turnaround from collection to data entry. Compete also designed a site visit report to comply with USAID Data Quality Assessment.

#### **H. Communications and outreach**

The USAID/Compete communications strategy aims to achieve several important objectives, some of which are the same for both the West Bank and Gaza, and others specific to the Gaza context. These objectives include the creation of positive perception and dialogue in the media on USAID/Compete interventions; outreach to stakeholders to ensure their buy-in and engagement; raising public awareness; supporting stakeholder efforts in building their marketing capacity; and providing USAID with all required deliverables and reports, including weekly, quarterly, annual, and other ad-hoc requests.

The communications team will work to capture and communicate the project's initiatives and impact on the sectoral level in WBG. Messaging and outreach plans for Gaza will be tailored to the Gaza context, and will be informed by USAID's guidance.

The communications team will focus on highlighting the social, human, environmental, and economic impact of USAID/Compete's work in the WBG by highlighting job creation, exports and investments increases, technology and innovation introductions, and quality improvement of Palestinian products and services. These communication activities aim to develop a positive perspective among stakeholders and the general public, and draw attention to potential investments and business opportunities.

The communications team will focus on reaching the following audiences:

**Stakeholders:** Working closely with the sectors and their respective subsectors, including the project's partners and stakeholders, ensures engagement and understanding of USAID/Compete's interventions and activities.

**Local Populations:** Engaging local media outlets create positive perceptions and dialogue among the general Palestinian public. USAID/Compete seeks to specifically reach women and youth, prospective clients, and the Palestinian diaspora.

**International Populations:** Appealing to the international media promotes positive views of Palestinian markets, enticing prospective clients, international investors and buyers, and financial institutions (to facilitate stakeholder's access to finance).

A variety of communication resources will be creatively employed to most effectively reach out to the above audiences. These may include pre-prepared materials such as written documents, photo essays, infographics, audio clips, and videos. Communication events will also be selected accordingly, such as talk shows, meetings, media tours, press conferences, etc. The communications team will ensure that all activities, publications, and events are properly branded and marked according to USAID's policies. Primary means of communication will include, but are not limited to:

1. **Regular Reporting.** High quality monthly, quarterly and annual reports as well as success stories will be provided to USAID.
2. **USAID/Compete's Website.** The website will continue to be used as a source of written, audio, and visual information to promote goals, objectives, progress, success stories, news, updates, and reference material for sector stakeholders.
3. **Media. Written materials, such as press releases, feature stories, lessons learned, project fact sheets, photo essays, etc.,** will be released in Arabic and English as necessary for use by local and international media outlets. Audio and video materials will also be provided for broadcast on local and international radio stations and news websites. Events, such as press conferences or talk shows that host beneficiaries, field experts, partners, and USAID officials, may be organized. Media outlets may also be invited to attend USAID/Compete events as deemed appropriate, ensuring their full publicity. Finally, media tours, which enable the media to meet with the USAID/Compete beneficiaries, may also be scheduled.
4. **Social Media.** The communications team will continue to build and expand its presence in social media, including using creative means to feed informative materials to USAID's Facebook and Twitter, as well as the project's YouTube channel, Pinterest, Twitter and Flickr.
5. **Publications.** Informative and useful booklets, pamphlets, or brochures may be published to promote specific knowledge of USAID/Compete's sectors. For example, booklets showcasing exportable Palestinian food, fresh and processed products, IT companies, have been used in the various trade shows and B2B meetings.
6. **Customized Outreach Activities.** Media campaigns will distribute information to financial institutions, sectors' associations, sub-sector stakeholders, etc. These activities will be designed jointly with the relevant sectors, using the most influential tools appropriate for the target audience. These will include project briefs, TV spots, radio spots, town hall meetings, special activities for entrepreneurs, etc.

In addition to promoting USAID/Compete's activities, the communications team will assist beneficiaries in developing their own **marketing capacity** through a series of interventions and activities. This may include educational events regarding communications and marketing techniques, assisting in the development of stakeholder's marketing materials, and using partner BSOs websites for outreach.

## ANNEX A: PROPOSED PERFORMANCE MEASURES – WEST BANK AND GAZA

Agribusiness										
Indicator Name	Baseline	PMP Ind. type	Planned Base Period	Actual Base Period	Planned Value for FY4	Actual FY4 up to Q3	West Bank Planned Value for FY5	Gaza Planned Value for FY5	Project Planned Value for FY5	Justification
Value of exports of targeted agricultural commodities as a result of USG assistance	Dynamic	OP	\$35,000,000	\$40,744,842	\$23,300,000	\$16,909,338	\$17,444,842	\$6,000,000	\$23,444,842	
Number of hectares under improved technologies or management practices as a result of USG assistance	Dynamic	OP	1700	1877	150	118	150	200	350	
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	-	OP	300	1973	300	127	180	120	300	
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	-	OP	90	129	60	29	30	15	45	Compete recommends to <b>change the target</b> from 69 to 45. Most of the sectors that Compete value chain worked with has reached a developed stage. Therefore introducing new products is very limited. The new value chain in Year 5 will not offer huge number of new products.
Number of new markets accessed by assisted Palestinian agribusiness firms	-	MNG	8	28	5	6	5	2	7	

Percent increase in sales of assisted Palestinian agribusiness firms	Dynamic	MNG	50%	48%	33%	16%	15%	15%	15%	The 15% increase from the dynamic baseline of the portfolio in both West Bank and Gaza. The original percentages were calculated on static baseline
Increase in area under cultivation for export crops (hectares)	-	MNG	190	292	72	122	72	-	72	This indicator" Percent increase in area under cultivation for export crops (hectares) will be replaced by new indicator " <b>Increase in area under cultivation for export crops (hectares)</b> ". Compete recommends to change the language of this indicator to be meaningful and informative.
Number of new jobs created as a result of USG assistance	-	MNG	254	1131	169	135	100	70	170	This indicator " Percent increase in employment of assisted Palestinian Agribusiness firm" will be replaced by new indicator" <b>Number of new jobs created as a result of USG assistance</b> ". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms ( dynamic baseline).
Percent increase in exports of assisted Palestinian agribusiness firms	-	MNG	-	-	-	-	-	-	-	This indicator will be dropped. The inputs of this indicator are going to be captured in other indicators. Keeping the previous indicator on this subject would be redundant This indicator will be captured under " <i>Value of exports of targeted agricultural commodities as a result of USG assistance</i> "
Number of new agribusiness contracts executed with international buyers/firms for Palestinian products or services	-	MNG	-	-	-	-	-	-	-	This indicator will be dropped. Compete recommends to cancel this indicator because it does not reflect the reality of export mechanism. This indicator will be captured under " <i>Value of exports of targeted agricultural commodities as a result of USG assistance</i> "

Percent increase in area under cultivation for export crops (hectares)	-	MNG	-	-	-	-	-	-	-	This indicator will be dropped and replaced by new indicator "Increase in area under cultivation for export crops (hectares)". Compete recommends to change the language of this indicator to be meaningful and informative.
Percent increase in employment of assisted Palestinian Agribusiness firm	-	MNG	-	-	-	-	-	-	-	This indicator will be dropped and replaced by new indicator" Number of new jobs created as a result of USG assistance". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms (dynamic baseline).

ICT										
Indicator Name	Baseline	PMP Ind. type	Aggregated Planned	Aggregated Actual	Planned Value for FY4	Actual FY4 up to Q3	West Bank Planned Value for FY5	Gaza Planned Value for FY5	Project Planned Value for FY5	Justification
Number of ICT assisted start-ups that have developed products or signed contracts	-	OP	50	45	30	1	15	3	18	
Value of exports of assisted Palestinian Information and Communication Technology (ICT) firms	Dynamic	MNG	\$761,340	\$2,397,271	\$507,560	\$1,364,801	\$1,800,000	\$1,000,000	\$2,800,000	This indicator " Percent increase in exports of assisted Palestinian Information and Communication Technology (ICT) firms" will be replaced by new indicator " <b>Value of exports of targeted ICT firms as a result of USG assistance</b> ". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms ( dynamic baseline).
Percent increase in sales of assisted Palestinian Information and Communication Technology (ICT) firms	Dynamic	MNG	15%	29%	10%	16%	15%	15%	15%	Compete recommends to <b>change the target</b> to 15% instead of 19% in West Bank planned value. The 15% increase from the dynamic baseline of the portfolio in both West Bank and Gaza. The original percentages were calculated on static baseline
Number of new markets accessed by assisted Palestinian Information and Communication Technology (ICT) firms	-	MNG	8	8	5	3	3	2	5	

Number of new jobs created as a result of USG assistance	-	MNG	186	250	125	91	75	50	125	This indicator "Percent increase in employment of assisted Palestinian Information and Communication Technology (ICT) firms" will be replaced by new indicator" <b>Number of new jobs created as a result of USG assistance</b> ". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms ( dynamic baseline).
Number of New ICT Start-up companies established	-	MNG	22	17	14	0	9	3	12	
Total number of start-up capital raised by youth, disaggregated by sex	-	MNG	120,000	\$ 322,650	\$ 240,000	\$ 26,000	\$ 50,000	\$ 50,000	\$ 100,000	
Number of new Information and Communication Technology (ICT) contracts executed with international buyers/firms for Palestinian products or services	-	MNG	-	-	-	-	-	-	-	This indicator will be dropped. The inputs of this indicator are going to be captured in other indicators. Keeping the previous indicator on this subject would be redundant. This indicator will be captured under " Value of exports of targeted ICT firms as a result of USG assistance"
Number of businesses started by youth with USG assistance, disaggregated by sex of founder	-	MNG	-	-	-	-	-	-	-	This indicator will be dropped. The inputs of this indicator are going to be captured in other indicators. Keeping the previous indicator on this subject would be redundant. This indicator will be captured under " Number of new startup companies established and Number of assisted ICT startups that have developed products or signed contracts"

Number of businesses started by youth with USG assistance that are still in operation one year later, disaggregated by sex of founder	-	MNG	-	-	-	-	-	-	-	-	This indicator will be dropped. The inputs of this indicator are going to be captured and disaggregated in other indicators. his indicator will be captured under " Number of New ICT Start-up companies established".
Percent increase in exports of assisted Palestinian Information and Communication Technology (ICT) firms	-	MNG	-	-	-	-	-	-	-	-	This indicator will be dropped and replaced by new indicator "Value of exports of targeted ICT firms as a result of USG assistance". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms (dynamic baseline).
Percent increase in employment of assisted Palestinian Information and Communication Technology (ICT) firms	-	MNG	-	-	-	-	-	-	-	-	This indicator will be dropped and replaced by new indicator" Number of new jobs created as a result of USG assistance". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms (dynamic baseline).

## Stone and Marble

Indicator Name	PMP Ind. type	Baseline Value	Aggregated Planned	Aggregated Actual	Planned Value for FY4	Actual FY4 up to Q3	West Bank Planned Value for FY5	Justification
Value of exports through group and specialized Palestinian stone and marble marketing companies and consortia	OP	-	\$ 8,250,000	\$ 13,246,160	\$ 6,500,000	\$ 5,085,952	\$ 6,746,160	
Percent increase in sales of assisted Palestinian stone and marble firms	MNG	Dynamic	38%	45%	22%	17%	15%	The 15% increase from the dynamic baseline of the portfolio West Bank. The original percentage was calculated on static baseline
Number of new markets accessed by assisted Palestinian stone and marble firms	MNG	-	9	12	6	6	6	
Number of new jobs created as a result of USG assistance	MNG	-	104	83	47	32	36	This indicator: "Percent increase in employment of assisted Palestinian stone and marble firms" will be replaced by new indicator " <b>Number of new jobs created as a result of USG assistance</b> ". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms ( dynamic baseline).
Percent increase in exports of assisted Palestinian stone and marble firms	MNG	-	-	-	-	-	-	Compete recommends to drop this indicator. The inputs of this indicator are going to be captured in other indicators. Keeping the previous indicator on this subject would be redundant. This indicator will be captured under " Value of exports through group and specialized Palestinian stone and marble marketing companies and consortia".
Percent increase in employment of assisted Palestinian stone and marble firms	MNG	-	-	-	-	-	-	This indicator will be dropped and replaced by "Number of new jobs created as a result of USG assistance". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms ( dynamic baseline).

## Tourism

Indicator Name	PMP Ind. type	Baseline Value	Aggregated Planned	Aggregate d Actual	Planned Value for FY4	Actual FY4 up to Q3	West Bank Planned Value for FY5	Gaza Planned Value for FY5	Project Planned Value for FY5	Justification
Number of new or improved assisted tourism sites and tourism trails	OP	0	11	7	7	5	3	0	3	
Percent of hotels adopting nationally- adopted, USAID-introduced Hotel Classification system	OP	54	70%	56%	70%	65%	80%	0	80%	Compete recommends to <b>change the target</b> from 100% to 80%. Based on Compete assessment we found that hotels require infrastructure that may not be able develop in the upcoming period.
Number of new jobs created as a result of USG assistance	MNG	-	135	92	45	27	15	30	45	This indicator "Percent increase in employment of assisted Tourism Palestinian Firms: will replaced by new indicator" Number of new jobs created as a result of USG assistance". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms (dynamic baseline).
Percent increase in sales of assisted Palestinian Tourism firms	MNG	Dynamic	-	-	-	-	10%	10%	10%	Compete recommends to add this indicator. After launching the firm level assistance program. The 10% increase from the dynamic baseline of the portfolio in both West Bank and Gaza.
Number of training courses developed as a result of the hospitality school	MNG	-	-	-	-	-	-	-	-	This indicator will be dropped because hospitality school will not materialize during the project life.

Percent increase in exports of assisted Palestinian Tourism Firms	MNG	-	-	-	-	-	-	-	-	-	This indicator will be dropped. Compete has no significant influence on the flow of international tourists/visitors. Compete recommend to monitor/report this indicator internally
Percentage increase of overnight stays in Palestinian hotels from key tourism source markets	MNG	-	-	-	-	-	-	-	-	-	This indicator will be dropped. Compete has no significant influence on the overnight stays. Compete recommend to monitor/report this indicator internally
Percent increase in number of bed nights in Palestinian hotels	MNG	-	-	-	-	-	-	-	-	-	This indicator will be dropped. Compete has no significant influence on the bed nights. Compete recommend to monitor/report this indicator internally
Number of women participants in training and capacity building courses that improve skills in the ICT and Tourism sectors.	MNG	-	-	-	-	-	-	-	-	-	This indicator will be dropped. The inputs of this indicator are captured in the cross cutting indicator.
Percent increase in employment of assisted Tourism Palestinian Firm	MNG	-	-	-	-	-	-	-	-	-	This indicator will be dropped and replaced by new indicator" Number of new jobs created as a result of USG assistance". Compete recommends to modify the definition of this indicator using the actual baseline of assisted firms which will be variable depending on the number of participating firms ( dynamic baseline).

<b>Fishing</b>		
<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Value of exports of fish products as a result of USG assistance	MNG	\$500,000
Number of individuals who have received USG supported short-term fishing sector productivity training	MNG	30
Number of new or improved Palestinian products produced by assisted Palestinian fishing firms	MNG	2
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new jobs created as a result of USG assistance	MNG	30

<b>Textile and Garment</b>		
<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Number of new jobs created as a result of USG assistance	MNG	15
Percent increase in sales of assisted Palestinian firms	MNG	15%
Value of exports of targeted textile and garments firms as a result of USG assistance	MNG	\$1,000,000

<b>Furniture</b>		
<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Number of new jobs created as a result of USG assistance	MNG	15
Percent increase in sales of assisted Palestinian firms	MNG	15%
Value of exports of targeted furniture firms as a result of USG assistance	MNG	\$3,000,000

## Cross cutting indicators

Indicator Name	PMP Ind. type	Baseline Value	Aggregated Planned	Aggregated Actual	Planned Value for FY4	Actual FY4 up to Q3	West Bank Planned Value for FY5	Gaza Planned Value for FY5	Project Planned Value for FY5	Justification
Proportion of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)	OP	-	24%	22%	46%	27.7%	24%		24%	
Number of youth gaining employment or better employment as a result of participation in USG-funded programs	MNG	-	113	322	226	190	96	90	186	
Number of assisted private sector organizations and private sector service providers receiving USG assistance.	MNG	-	30	47	10	4	10	9	19	
Number of new services provided by targeted business service providers and business service organizations to targeted sectors by the project.	MNG	-	6	52	6	10	5	10	15	

Increase in exports and/or sales by women-owned/managed businesses and cooperatives as a result of USG assistance		Dynamic	0	0	No Target	59346	\$50,000	\$50,000	\$100,000	Compete recommends to <b>modify the definition</b> of the indicator "Increase in exports and/or sales by women-owned businesses and cooperatives as a result of USG assistance" to be replaced by " <b>Increase in exports and/or sales by women-owned/ managed businesses and cooperatives as a result of USG assistance</b> " to enable the project to capture also business managed by women
Percentage increase in revenues of business service organizations from new services delivered to their members as a result of USG assistance.	MNG	-								Compete recommends to drop this indicator. This is irrelevant since compete is not intending to work with BSO's to establish new revenue generating activities
Percentage increase in number of firms that received services from business service organizations / providers, as a result of USG assistance.	MNG	-								Compete recommends to drop this indicator. This is irrelevant since compete is not intending to work with BSO's to increase number of firms. ( Compete reached the peak over the last 4 years).

## ANNEX B: WEST BANK ANNUAL WORK PLAN SUMMARY, YEAR 5

### Agribusiness

Sector	Challenge	Interventions	Illustrative Activities	Start Date	End Date
Fresh Herbs, Fresh Dates, and Olive Oil	1. Access to Market	1.1 Strengthen current market position by enhancing market exposure and quality through the FLAP.	1.1.1 Support trade show participation	Q1	Q3
			1.1.2 Support subsectors in obtaining Quality Certifications		
Dried Herbs, Seedless Grapes	1. Access to Market	1.1 Enhance access to market through the FLAP.	1.1.1 Support trade show participation	Q1	Q3
			1.1.2 Support subsectors in obtaining quality certifications		
	2. Lack of high value added products and services	2.1 Strengthen post-harvest facilities for export through the FLAP.	2.1.1 Assess status of current facilities.	Q1	Q3
			2.1.2 Develop business plans for current and new postharvest operations.		
			2.1.3 Development of new products.		
		2.1.4 Assist the upgrade and establishment of facilities for export.			
Fresh Produce (almonds, hot peppers, cucumbers, grapes strawberry)	1. Access to Market	1.1 Support access to market through export development.	1.1.1 Support trade show participation	Q1	Q3
			1.1.2 Support subsectors in obtaining quality certifications		
		1.2 Conduct capacity building Projects through the FLAP.	1.2.1 Provide post-harvest training		
	2. Lack of high value added products and services	2.1 Scale-up subsectors with growth potential	2.1.1 Scale up almond production program	Q2	Q3
			2.1.2 Scale up strawberry production program	Q1	Q4
			2.1.3 Scale up baby cucumber production	Q1	Q3

Sector	Challenge	Interventions	Illustrative Activities	Start Date	End Date
		2.2 Establish Fruit and vegetable industries	2.2.1 Identify and assess relevant fruit/vegetable industries (for example raisins with women cooperatives).	Q2	Q3
			2.2.2 Develop business plans and support the establishment of these industries (through FLAP).		
		2.3 Implement skill development and hiring Projects.	2.3.1 Continue implementation of Agronomist Capacity Building Program	Q1	Q3
	3. Sector enablers and service provider not fully capable of addressing sectoral impediments.	3.1 Transfer water to Area C from existing resources	3.1.1 Implement water network design projects in Area C	Q1	Q4
			3.1.2 Obtain COGAT approvals.		
		3.2 Support the use of non-conventional water resources	3.2.1 Continue Deir Sharaf demonstration pilots using treated waste water.	Q1	Q4

## ICT

Sector	Challenge	Interventions	Illustrative Activities	Start Date	End Date
ICT	1. Access to Market	1.1 Firm level technical assistance for exporting and non-exporting firms in order to enhance access to market.	1.1.1 Targeted firm level technical assistance for non-exporting/ exporting firms 1.1.2 Provide technical assistance to enhance management, finance, sales and marketing capacity	Q1	Q3
		1.2 Export market development Project	1.2.1 Export assessment and niche market determination for 10 companies. 1.2.2 Matching Development Project between Israeli and Palestinian ICT companies and actors through targeted B2B	Q1	Q3
	2. Access to finance	2.1 Create Business Angel Group	2.1.1 Set up the Pal Angels Network: legal infrastructure, online system, operations, management plan, financial products and systems, Through Cooperation with DFID PMDP and Jordan JCP Project.	Q2	Q3
		2.2 Partner with key pitching events and competitions	2.2.1 Partner with USAID Development Innovation Accelerator and Development Innovation Ventures to launch a specialized competition in the West Bank.	Q1	Q3
	3. Lack of qualified and talented human capital and lack of service standards.	3.1 Introduce new sector service by building the capacity of human resources, providing necessary tools and equipment	3.1.1 Gaming/animation lab: continue capacity building of skill sets amongst existing companies and new entrants; production process improvements	Q2	Q3
		3.2 Support Palestinian Information Technology Association of Companies (PITA) to increase the capacity of staff and improve operation systems to offer better services to members.	3.2.1 Conduct PITA capacity enhancement Project to deliver better services to members (Conduct training in advocacy, PR & Communications).	Q1	Q2
		3.3 Support skills development for new entrants (individuals) in the market	3.3.1 Industry wide training Project to introduce new skills (SAP SE technology)	Q1	Q3
	4. Sector enablers and service providers not fully capable of addressing sectoral and policy impediments.	4.1 Develop technical transfer company through acceleration Project	4.1.1 Continue support to IBDA partnership / startup pipeline	Q1	Q3

## Stone and marble

Sector	CHALLENGES	INTERVENTION	ILLUSTRATIVE ACTIVITES	Start Date	End Date
<b>Stone and Marble</b>	1. Limited Access to Market	1.1 Provide capacity building and technical assistance through the FLAP.	1.1.1 Assist in building management and financial capacity, develop sales and marketing plans, capacity building Projects, adopt quality systems, provision of equipment, and provision of support to train and employ key staff	Q1	Q3
		1.2 Support export ready and non-export ready firms to access new markets.	1.2.1 Assist 10-15 firms to attend 2 international trade shows as exhibitors and/or walkers	Q1	Q3
	2. Lack of high value added products and low output	2.1 Support the promotion of exports and increase production of high end value-added products	2.1.1 Assist decorative stone and interior decorative stone producers, based on their needs and growth plans	Q1	Q3
		2.2 Provide small equipment and tools for product development	2.2.1 Assist firms independently through Firm Level Project, based on their needs and growth plans	Q1	Q3
		2.3 Support local machine and spare part producers	2.3.1 Build technological and operational capacities of local machine and spare part producers through firm level technical assistance.	Q2	Q4
	2.3.2 Launch a tailored, firm-level Project for stone and marble firms to utilize local machine producers		Q1	Q3	
	3. Stone waste negatively impacts environment.	3.1 Design and implement a Project to support investors with machinery to establish sludge processing facilities.	3.1.1 Support investors to establish sludge/slurry processing facilities in the West Bank (targeting 3 processing plants)	Q1	Q3

## Tourism

Sector	Challenge	Interventions	Illustrative Activities	Start Date	End Date
Tourism	1. Lack of access to market	1.1 Enhance access to new markets	1.1.1 Support development of new niche products to attract Islamic tourism markets	Q1	Q3
			1.1.3 Facilitate business with Arab Israeli source market	Q2	Q3
	2. Limited product offerings and rigid, pre-determined packages.	2.1 Strengthen and produce high value added products and services (site renovation)	2.1.1 Identify 3-4 historically and culturally significant sites, in cooperation with MOTA	Q1	Q1
			2.1.2 Conduct rehabilitation and/or promote sites to increase product offerings	Q1	Q4
	3. Low quality of tourism products and services, and lack of a qualified and skilled work force	3.1 Support the development of a hospitality school in the West Bank	3.1.1 Work with Bethlehem University to develop the drawings, designs and bill of quantities for Hospitality School	Q1	Q2
			3.2 Build hotel and tour operators' capacity through firm level technical assistance Project	3.2.1 Support the development of hotel and tour operators' sales, marketing, and services and enhance quality standards 3.2.1 Hotel classification	Q1

**ANNEX C: GAZA ANNUAL WORK PLAN SUMMARY, YEAR 5**



**USAID** | **WEST BANK/GAZA**  
FROM THE AMERICAN PEOPLE

# USAID/COMPETE PROJECT GAZA ANNUAL WORKPLAN

September 2015

**September 2015**

This publication was produced for review by the United States Agency for International Development.  
It was prepared by DAI

# **USAID/COMPETE PROJECT GAZA ANNUAL WORK PLAN**

SEPTEMBER 2015

DAI

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government

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## ACRONYMS

<b>B2B</b>	Business to Business
<b>CMS</b>	Customer Management Systems
<b>DAI</b>	Development Alternatives Incorporation
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>GDP</b>	Gross Domestic Product
<b>GLOBALGAP</b>	Global Good Agricultural Practice
<b>GIZ</b>	German Agency for International Cooperation
<b>GTA</b>	General Trade Agreement
<b>ICT</b>	Information and Communications Technology
<b>IT</b>	Information Technology
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoA</b>	Ministry of Agriculture
<b>MoH</b>	Ministry of Health
<b>MoL</b>	Ministry of Labor
<b>MoT</b>	Ministry of Trade
<b>MoTA</b>	Ministry of Tourism and Antiquities
<b>MoU</b>	Memorandum of Understanding
<b>NM</b>	Nautical Miles
<b>PCARD</b>	Palestinian Center for Agricultural Research & Development
<b>PCBS</b>	Palestinian Center Bureau of Statistics
<b>PICTI</b>	Palestinian Information and Communication Technology Incubator
<b>PIR</b>	Project Intermediate Results
<b>PSI</b>	Palestine Standards Institute
<b>PWA</b>	Palestinian Water Authority
<b>R&amp;D</b>	Research and Development
<b>RF</b>	Results Framework
<b>SME's</b>	Small and Medium Enterprises
<b>SOW</b>	Scope of Work
<b>STTA</b>	Short Term Technical Assistance
<b>TBD</b>	To Be Determined
<b>TOR</b>	Terms of Reference
<b>TWW</b>	Treated Wastewater
<b>USAID</b>	United States Agency For International Development

## SECTION I: INTRODUCTION

USAID/Compete has been requested by USAID to begin program implementation as feasible, in the Gaza Strip. In preparation, the Compete Chief of Party conducted a field visit to Gaza the last week of July, 2015 in order to:

- 1- Assess the current business environment in Gaza to gain a better understanding of the challenges facing the private sector, and identify opportunities for development that have economic impact.
- 2- Identify sectors or value chains that have the greatest growth potential and can offer jobs.
- 3- Assess the existing private sector institutions active in key sectors and identify their needs, and the potential leadership roles they might play in implementing the work plan.
- 4- Learn more about existing donor supported private sector projects to avoid duplication and to gain a better sense of the private sector assessment of those projects in order to inform the design of Compete interventions.
- 5- Assess the capacity of potential local service providers.
- 6- Finalize administrative management issues for office operations in Gaza.

Following this field visit, additional meetings, desk reviews, field assessments and informational interviews were conducted by Compete staff in Gaza and the West Bank, in order to gather information relevant to the project's planned interventions. The information gathered was shared and discussed in detail during USAID/Compete's Work planning sessions held on August 19 and 20, 2015, with the participation of USAID.

This Gaza Work plan sets forth USAID/Compete's planned interventions in Gaza, including a situational review of each of the sector areas targeted, and a detailed description of the project's strategic approach and objectives.

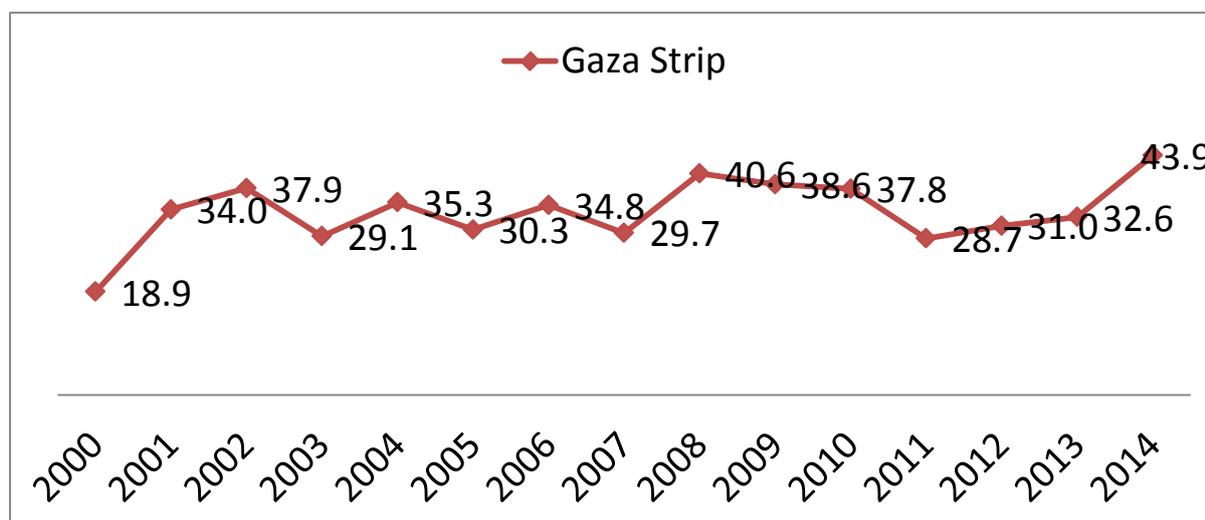
## SECTION II. BACKGROUND AND RATIONALE

### A. BACKGROUND

The Gaza Strip is a 365km<sup>2</sup> area of land, bordered by the Mediterranean Sea to the west, Egypt to the south, and Israel to the east. 1.8 million Palestinians live in Gaza, which has been subjected to a land, sea and air blockade since June 2007. This blockade has had severe humanitarian consequences including a heavy impact on the economy. The private sector in Gaza has undergone more than a decade of strife since 2000. The nearly complete halt in imports to and exports from Gaza after 2007 resulted in a dramatic drop in manufacturing and agricultural outputs, as most items essential to private sector revitalization remain on banned lists and are inaccessible.



Gaza's GDP has been reduced by 50% (The World Bank, May 2015), as a result of the blockade. The unemployment rate in Gaza during 2014 stood at 43% on average: the highest in the world. Youth unemployment exceeded 60% (PCBS).



Graph One: Unemployment rate 2000-2014 Gaza Strip.

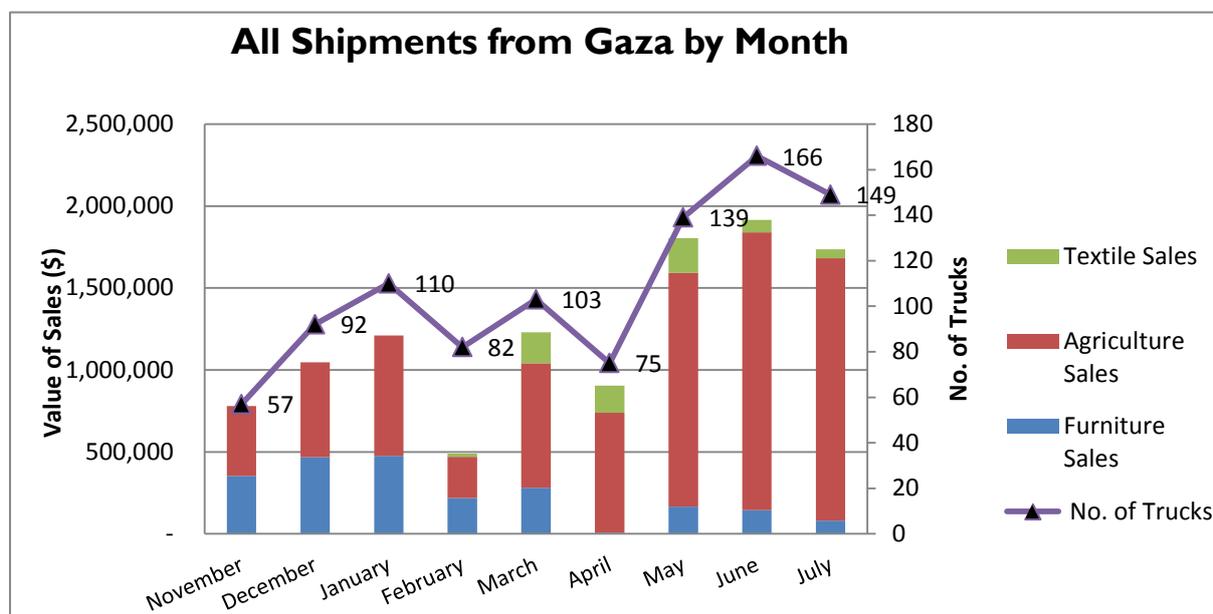
Access restrictions imposed on Gaza include restrictions on the transfer of goods to the West Bank and Israel. There are special restrictions on the import of "dual use items"; Israel defines basic

construction materials (gravel, steel bars, and cement), along with a wide range of spare parts, computer equipment, and vehicles, as “dual use” items.

There are also restrictions on the access of people to agricultural land and fishing waters. The Israeli authorities have recently eased some of these restrictions, but the basic constraints remain in place, preventing a significant improvement in the economy. This is compounded by the destruction of economic assets during hostilities, and the severe electricity shortage.

The GDP in the Gaza Strip grew by 6.7% in the first quarter of 2015 compared to the previous quarter, but it still remains 8.2% below the level of the same quarter in 2014. In Q1/2015, the Gaza economy constituted only 23% of the overall Palestinian economy and the Strip’s nominal GDP per capita was less than half of the West Bank’s<sup>1</sup>

Graph Two, below presents a summary of sales values among three sectors (agriculture, furniture and textiles) as well as the number of truckloads exported by month for each sector for the period November 2014- July 2015. The overall trend for the past nine months has indicated gradual increases in sales values for shipments during the first three months of the reported period for all three sectors, marked by a dramatic decline in February 2015. The sharpest decline in sales occurred in the furniture sector, with a 44% decrease in sales in July 2015, continuing the downward trend in sales within this sector since May 2015. Sales from the textile sector also witnessed a decline in July, by 27% compared to June. However, a slight decline in the agriculture sector registered by 8%. Generally, sales values of shipments have been unstable since March 2015, with marked decreases in value in April, steady increases in May and June, and a dropped again in July.



Graph Two: All shipments from Gaza by month, November 2014-July 2015

<sup>1</sup> Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO) Socio-Economic Report: Overview of the Palestinian Economy in Q1/2015

## SWOT ANALYSIS GAZA

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>Availability of workers</li> <li>Geographic location</li> <li>Historical experience</li> <li>Resiliency and self-reliance</li> <li>Weather and soil</li> <li>Wide variation in business sectors</li> <li>Brands/ Name recognition</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Unstable &amp; complicated operating environment</li> <li>Lack of skilled/professional workforce &amp; few opportunities for professionals</li> <li>Inadequate infrastructure</li> <li>Insufficient access to finance. Lack of available types of financial mechanisms</li> <li>Lack of available business service providers</li> <li>Weak private sector institutions and leadership</li> <li>Population density in relation to size of the land</li> <li>High poverty and unemployment rate</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• More ease of boarder restrictions especially to main export markets</li> <li>• Utilization of renewable energy options</li> <li>• Increasing the radius of fishing and allowing off shore fish farms</li> <li>• Introducing new technologies and know how</li> <li>• Israel allowing Gaza workers to go back to work in Israel</li> <li>• International community interest in supporting the development of Gaza economy</li> <li>• PA makes incentives to promote Gaza economy mainly in West Bank</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Sudden negative changes in defacto government regulations</li> <li>Political instability</li> <li>Donors &amp; Arab countries withdraw donor support &amp; investments</li> <li>Israel closes Kerem Shalom, the only operating border for commercial goods</li> <li>Further or new restrictions on inputs by external governments</li> <li>Sudden breakdown of infrastructure, water treatment, sewage, electricity</li> <li>Growing negative perception about Gaza region</li> </ul>

As part of USAID/Compete’s work planning exercises conducted in August, 2015, the Program team conducted a SWOT analysis of the Gaza operating environment. The results of that analysis are list above.

Several observations have been made in relation to the operating environment in Gaza – with indications of positive trends towards the easing of movement restrictions on people and goods.

During the Compete Chief of Party’s recent field visit to Gaza, a significant increase was noted in the number of permits (700/5000) and “Business Men Cards” (0/271) offered to the private sector in the past few months, and an increase in the number of business people allowed to travel daily - from 120 to 800.

Preliminary discussions on the issuance of work permits, initially for 350 workers in Agriculture and Construction has begun. Additionally, there have been an increased number of meetings between the private sector parties and Israeli authorities to discuss impediments and possible improvements to enhance business. Those meetings are organized and attended by the Palestinian Civil Administration.

It was also found that restrictions on exports to the West Bank and international markets for agriculture, furniture, and for textile and garments were eased during the past year. In March 2015, some agricultural exports to Israel were allowed as well. While the number of exported products and the number of truck loads are increasing and offer a growth opportunity, it is still limited since Israel was the main export market for those sectors and building new markets will take time.

Since November 2014, some steps were taken to rehabilitate Gaza's economy: Israel began for the first time in seven years, to allow the marketing of products from Gaza to the West Bank, and has somewhat expanded the type of products that Gaza farmers can export to the West Bank, Israel as well as international markets.

## **B. RATIONALE**

USAID/Compete has developed planned interventions that capitalize on these positive trends within sectors and value chains that currently have market presence and potential for growth and export to regional and international markets. The subsectors to be targeted for support in both the West Bank and Gaza were selected according to the following criteria:

- **Subsectors engaged in production and have the capacity to grow**
- **Potential for improved competitiveness:** improve efficiency (cost), product differentiation (quality) taking advantage of change in demand (innovation)
- **Economic impact:** impact on income, job creation, sales
- **Cross cutting issues:** gender, youth, energy, water

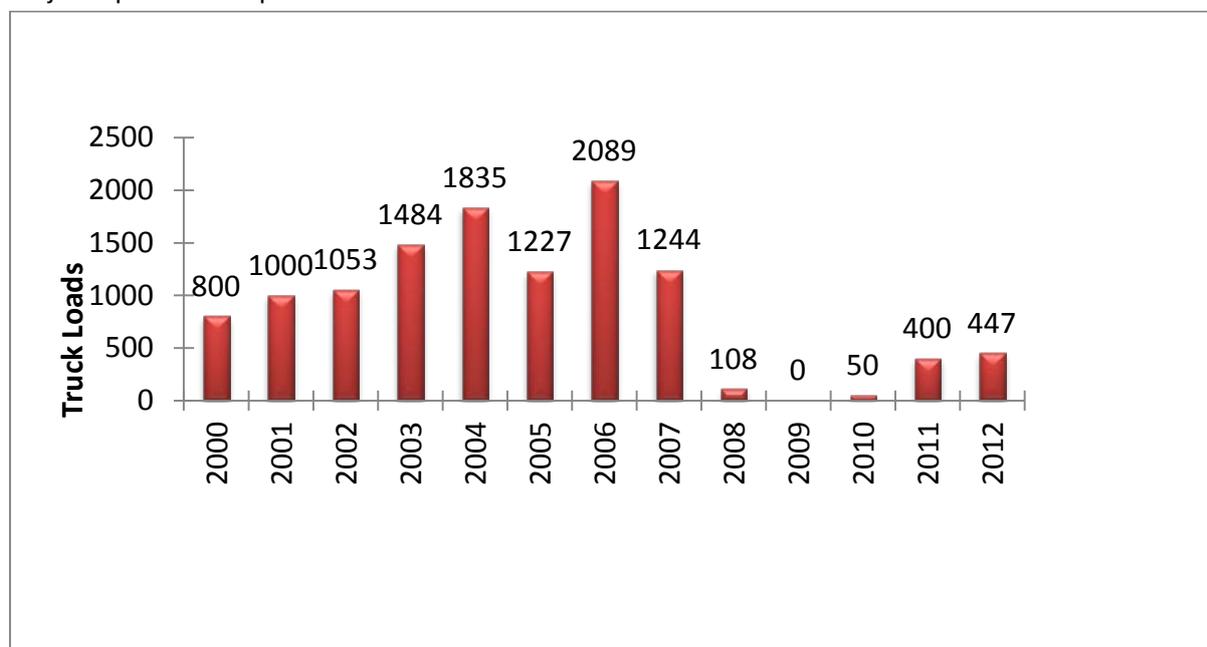
Through field visits, desk reviews, field assessments and interviews, Compete has identified six sectors to work within Gaza including: **agribusiness, (including vegetables, strawberries, and fresh herbs) fishing, the ICT sector, tourism, textile/garments and furniture.**

- **AGRIBUSINESS (vegetables, strawberries, fresh herbs)**

Agriculture remains a dominant and growing sector of the Gaza economy, even after seven difficult years of closure that resulted in substantial direct damage to Gaza's 17,000 hectares of cropland, as well as to much of its agricultural infrastructure, including greenhouses, irrigation systems and fishing boats. The GDP dropped from 9% in 2011 to 4.7% in 2014, and added value of the sector

dropped from \$160m in 2011 to nearly \$81m in 2014. The sector’s number of employees also declined from around 23,000 people in 2011 to approximately 21,000, in 2014.<sup>2</sup>

The agriculture sector in the Gaza Strip has the potential to export 2,500 tons of strawberries and 714 tons of cherry tomatoes per annum in addition to locally consumed products<sup>3</sup>. Furthermore, the agricultural sector supplies the basic food needs of the majority of the local population and is a major export earner prior to the full Israeli blockade in 2007.



*Graph Three: Gaza Strawberry Exports 2000-2012- PalTrade*

In Gaza, agricultural subsectors with the strongest potential for generating employment, exports, and investments are Strawberry, Fresh Herbs, and Vegetables (potato, carrots, tomato and peppers). The readiness of each subsector was examined in terms of commitment, dynamism and critical mass, as revealed through recent data, field research conducted by the USAID/Compete staff, and interviews with each of the subsector’s stakeholders.

The subsector’s growth potential was determined on the basis of their related local and international market growth, competitive position and past performance. Despite severe competition, the market trends for these selected subsectors is expanding and encouraging for their continued growth. The subsector’s competitive position includes niche products, proximity to international markets and all year and offseason production for both the EU and Gulf markets. Furthermore, the subsectors have the potential to compete globally on both price and quality. The past performance of both the vegetable and strawberry subsectors prior to the blockade was very good. The fresh herbs subsector is a fairly new one, 2012, but has high potential for growth.

<sup>2</sup> Palestinian Center Bureau of Statistics

<sup>3</sup> UN, Ministry of Agriculture, and Partners Rapid Needs Assessment published in Agriculture Sector Report: Impact of Gaza Crisis, March 2009

- **FISHING**

The current production of the Gaza fishing sector is about 4500 tons, coming mainly from the sea by fishermen and three fish farms that use sea water on land and that produce about 250 tons. Gaza consumption is 20,000 tons, imported from different sources. Fishermen's access to fishing grounds has been further restricted to 5 nautical miles (nm) from the shore. This has resulted in a depletion of catches and revenues. In Gaza, the majority of profits from fishing come from sardines, however, schools of sardine pass beyond the 5 nm mark and sardine catches are down 72%. Adult fish are mostly found beyond the 5 nm limit and therefore fishing within the current zone rapidly depletes new generations of fish, with severe implications for fish life-cycles and therefore long-term fishing livelihoods. (The previous fishing zone was 6-9 nm before operation "Cast Lead", 12 nm from Bertini Commitments, and 20 nm under the Oslo Accords.)

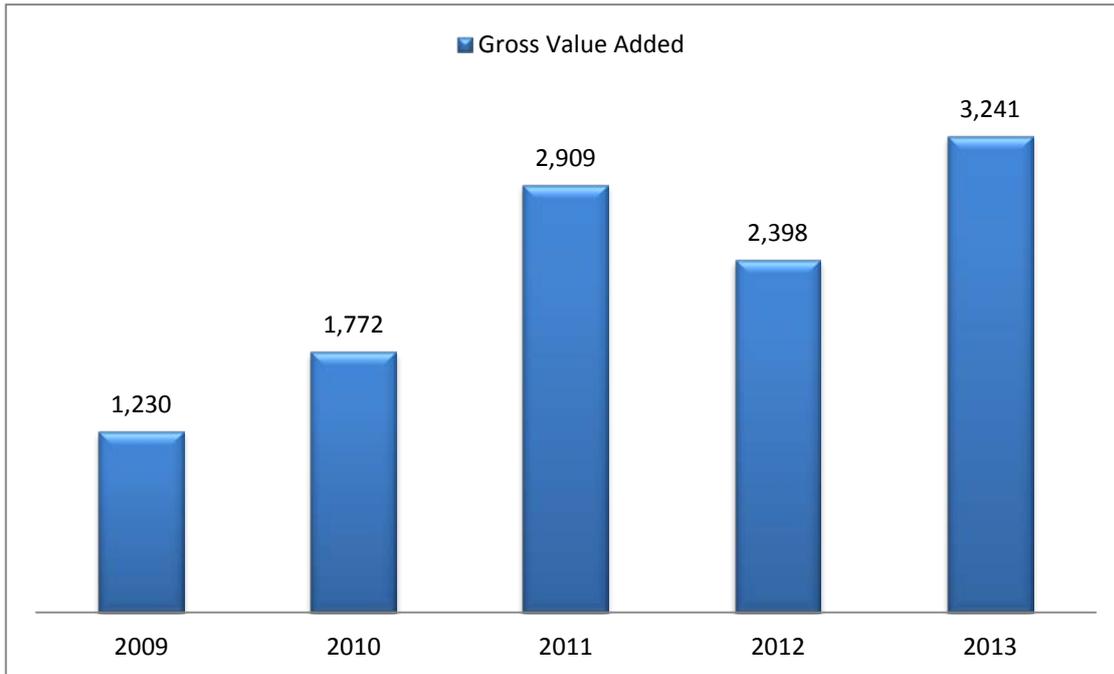
Between 2008 and 2009, the total catch decreased by 47%, and is insufficient to meet the demands of Gaza's fast-growing population. To fill the gap, traders are importing limited quantities of fresh and frozen fish from Israel and Egypt, through tunnels, under the Gaza-Egypt border. There are also reports of fishermen illegally crossing into Egyptian waters, either to fish or to buy from Egyptian fishermen.

Additionally, a small number of backyard aquaculture projects (fish farms) have been implemented by humanitarian agencies to protect livelihoods and increase the protein available to Gaza's food-insecure population. In November 2014, Israel announced economic relief for the Gaza Strip on some products, including fish, to be exported to West Bank. Since November 2014, 17.6 tons have been exported to West Bank.

- **INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**

In Gaza, there are some 40 companies registered as Palestinian Information Technology Association (PITA) members, representing nearly 65% of the four ICT subsectors (software, hardware, internet service providers (ISP) and telecommunications, training/consulting). Overall, the sector contributes approximately 0.5% the Palestinian Territory's overall GDP. There are many past and ongoing initiatives that can be built upon to influence sector development and enhance capacity either at the firm and sector levels, primarily at the acceleration and workforce development stages.

Some existing firms already export software and mobile applications to Europe and the Gulf. Others have the potential to export, but need targeted support, such as an investment in equipment.



*Graph Four: Gaza ICT Sector, Gross Value Added*

There are nearly 1,000 graduates annually in Gaza across a number of ICT specializations, many of whom seek to build startups as entrepreneurs. According to a 2013 report, most of the ICT market is saturated, with only 5% recent graduates employed by the ICT sector, and 15% in ICT roles outside the ICT sector. There is limited local demand for ICT workers, leaving opportunities for both sector-wide engagement to build the capacity and innovation within existing ICT companies and those companies which hire ICT-skilled workers, as well as better matching of existing capabilities to new options for employment. Generally gender-agnostic and less traditional, the ICT sector tends to employ more women – in 2013, an estimated 31% of Palestinian ICT employees were women.

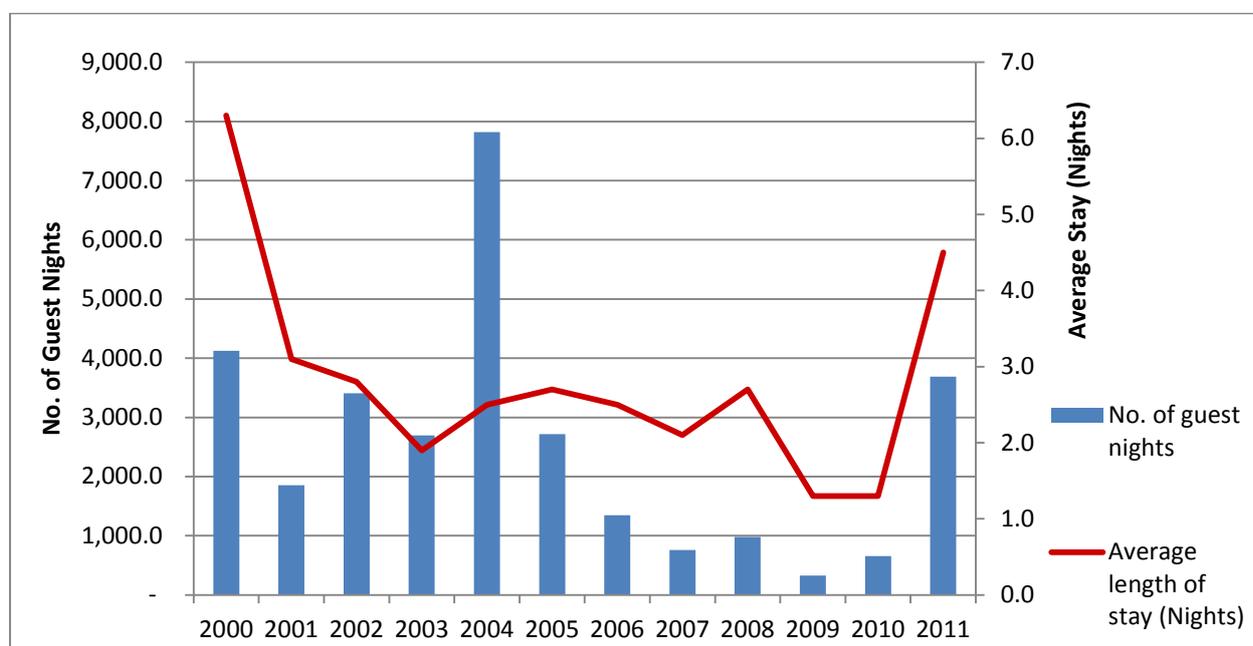
- **TOURISM**

The tourism sector and complementary sectors such as handicrafts possess significant potential. Gaza's coastal location offers potential for 'sun and sand' tourism. Gaza enjoys a number of assets and sources of strength, including a substantial young, highly literate, and entrepreneurial labor force, a strategic geographic location in a narrow land corridor between North Africa and the Middle East, coastal assets that offer potential for 'sun and sand' tourism. The tourism sector has recently established a union including hotels, restaurants, and recreation firms, focused on the domestic market and serving the few internationals and visitors from the West Bank. The growth in the number of firms and the type of services they are offering are tailored to meet the local needs and the prices that are affordable for local tourism. It has been noted that most of the firms are owned by young entrepreneurs and women and they employ many young people. The sector faces proper management and quality control systems, as well as qualified service staff.

According to the PCBS, in 2012 there were 12 hotels with an approximate occupancy rate of 6% operating in the Gaza Strip with an average of 536 rooms, up to 1000 beds, 6 resorts, and 5 guesthouses. During 2011, the total number of hotel guests was estimated at 3,063 staying an average number of 8,987 nights. In addition to the hotels and resorts, there are 46 restaurants, 10

cafes, 5 amusement parks and 12 (wedding) halls that are members of the Gaza Tourism Union – a total of 91 member entities.

Number of guest nights and average length of stay between 2000 and 2011 are presented in the chart below:



Graph Five: Number of guest nights and average length of stay, Gaza Tourism sector.

While the sector has suffered serious drawbacks due to restrictions on entry into Gaza, domestic (internal) tourism has grown, as Palestinians seek leisure within the confines of the blockaded borders of Gaza.

#### • FURNITURE

The furniture sector in Gaza has historically been a very productive sector for both local and international markets. As shown in the table below, the furniture sector was operating at approximately 50% capacity in the year 2000 (valued at 25,740USD). Border closures in 2008 halted all export. Overall, the blockade led to the temporary or permanent closing of 80% of operations (PalTrade).

Year	Capacity/ Truck loads	Capacity %	Capacity Value \$USD
<i>Est. max (baseline 2000)</i>	<b>2560</b>	<b>100%</b>	<b>51,200</b>
<b>2000</b>	1287	50%	25,740
<b>2001</b>	990	39%	19,800
<b>2002</b>	794	31%	15,880
<b>2003</b>	539	21%	10,780
<b>2004</b>	534	21%	10,680
<b>2005</b>	1200	47%	24,000

2006	616	24%	12,320
2007	586	23%	11,720
2008	0	0%	-
2009	0	0%	-
2010	0	0%	-
2011	0	0%	-
2012	5	0.2%	100
2013	6	0.5%	120
2014	4	0.4%	80
			1,100

Table 1: Gaza furniture exports 2000-2015.

Between 2012 and 2014, special coordination with Israeli authorities allowed certain producers to showcase their products internationally, primarily at exhibitions. In 2015, exports increased due to eased Israeli restrictions that began in November 2014.

Restrictions on paint and the import of certain sizes of wood hinder sector producers from completing a final product. To adapt, they have shifted to producing semi-final products that can then be transferred to the West Bank by way of a partnership or sub-contract with a firm that can finalize the products for export.

Given the operating environment and current restrictions, building on this type of partnership may be the most valuable input in the short-term, in addition to seeking to increase the local market share – where local production in the sector is now competing with alternatives from the US, Italy, China and Turkey.

- **TEXTILE AND GARMENT**

In early 2000s, the Palestinian textile and garment sector was also a major pillar of the national economy, representing the largest sector in the Gaza Strip. The average annual sale revenue was estimated at about ILS 300 million, generated from the sale of about 15 million pieces - 90% of which was exported to Israel or through Israel for re-export. The total number of garment and textile firms working in Gaza until 2006 is estimated at about 690, employing 16,000 people. The product basket includes shirts, pants, women's wear, children's wear, and linen. The garment manufacturing industry goes through 8 stages of production: 1) Design; 2) Cutting; 3) Sewing; 4) Pre-washing; 5) Ironing; 6) Packaging; 7) Marketing; 8) Distribution. Most manufacturers in the Gaza Strip are involved in stages 3-6.

The sector has deteriorated dramatically since the blockade imposed on Gaza in 2007. The number of firms in the sector dramatically dropped by 100, employing about 2000 workers and producing mainly for the local market. Some production has been transferred to the West Bank (especially among those who engage in all phases of the manufacturing process mentioned above).

Year	Truck	Value/truck (ILS)	Total Value (ILS)	%
<b>Capacity</b>	3500	130,000	455,000,000	100%
<b>2000</b>	3,500	130,000	455,000,000	100%
<b>2001</b>	2,300	130,000	299,000,000	66%
<b>2002</b>	2,200	130,000	286,000,000	63%
<b>2003</b>	2,400	130,000	312,000,000	69%
<b>2004</b>	2,100	130,000	273,000,000	60%
<b>2005</b>	1,500	130,000	195,000,000	43%
<b>2006</b>	532	130,000	69,160,000	15%
<b>2007</b>	478	130,000	62,140,000	14%
<b>2008</b>	0	130,000	0	0%
<b>2009</b>	0	130,000	0	0%
<b>2010</b>	0	130,000	0	0%
<b>2011</b>	0	130,000	0	0%
<b>2012</b>	2	130,000	260,000	0.06%
<b>2013</b>			0	0%
<b>2014</b>			0	0%
<b>2015</b>	19	200,000	3,800,000	0.5%

*Table two: Garment and textile sector exports and export values in ILS from 2000 to 2015: Source: Pal Trade, Union of Palestinian Textile Industry- UPTI*

### **C. CHALLENGES**

War, border closures, and restrictions on the movement of people and goods have negatively impacted the Gaza economy as a whole. The sectors targeted by USAID/Compete have all suffered from a loss of their key markets in recent years, a loss of skilled labor, and are experiencing a critical gap in the needed technology for the specified value chains.

There are also several operational challenges faced by private sector enterprises in Gaza. The interruption of the electricity supply for between four-eight hours per day is a key impediment for real business operations. The use of generators has increased the cost of production and made it difficult to compete locally or internationally. A great deal of interest in the use of solar energy has been demonstrated, especially for agriculture and ICT firms. There have been some initial attempts but the limitation on imports of some necessary parts is causing delays in these pilot initiatives.

Other impediments are sector specific – such as the lack of water resources and the ramifications on the growth of the agriculture sector. The agriculture sector in Gaza relies mainly on 756 wells distributed across the Gaza Strip. There are 310 licensed wells, 167 of which have been completely damaged. One hundred and forty-three (143) were partially damaged during the last Israeli operation on Gaza in 2014, only 20 wells have been renovated since. Twenty-two (22) are currently under renovation, and 30 have been identified as a project to be funded by the Qatari Foundation soon.

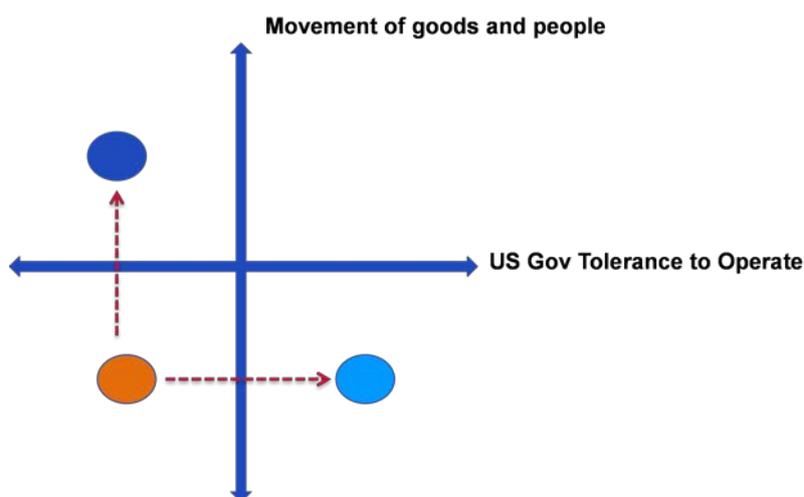
Two hundred and thirty-eight (238) wells are either fully or partially damaged. One hundred and five (105) of them are partially damaged and 133 are fully damaged. The current situation suggests that more than 65% of water available for agriculture is curtailed and not available for production.

The Israeli assault dealt a further blow to the tourism industry. Tourism in Gaza has fallen drastically as a result of the near complete embargo imposed on Gaza by the Israeli government. It is estimated that 92-94 cents of every tourist dollar flow to Israel.<sup>4</sup> Many important sites were damaged during the July/August assault, including three submitted by the government for addition to UNESCO's list of World Heritage sites.<sup>5</sup>The sector employs 1,200 individuals.

The furniture sector is particularly affected by restrictions on imports of goods classified as "dual use" by the Israeli administration. Restrictions on the thickness of wood that can be imported as raw material was recently added to the dual-usage prohibition list. No wood over 1cm thick or 25cm wide can be imported, drastically affecting the ability of local producers to develop finalized products and conduct business as usual. The restriction also further increases costs and hinders the ability to create specially-designed products. Given the sustained decline in production from Gaza, skills levels in the sector have been adversely affected as workers have sought other means of employment.

All in all, private sector institutions in Gaza are suffering from a lack of resources, and from a lack of clarity of mission and a void of leadership. They are mostly reactive and driven by whatever resources are made available to them by donor projects. There is duplication of efforts and no coherent or organized, agreed upon plan or strategy among them. There is a major gap in the skills of available labor, and there is no source of technical or management training that can fill those gaps locally.

### **STRATEGIC APPROACH**



#### **Strategic Factors:**

1. Tolerance of US government rules and regulations given the existence of the defacto government.
2. Ease of boarder restrictions for movement of goods and people.

<sup>5</sup> National Early Recovery and Reconstruction Plan for Gaza 2014-2017

These challenges, alongside a volatile political climate make the operating environment in Gaza particularly vulnerable to sudden fluctuations and shifts to which the program will need to respond. These fluctuations could potentially impact program operations both negatively and positively.

Potential variables that *would negatively affect program operations in Gaza*, should they occur include:

- 1- Interference in USAID program operations by the defacto Gaza government
- 2- Violence or severe political unrest
- 3- Tightening of border closures such that the movement of people and goods becomes severely restricted – compromising the potential for program operations
- 4- Additional restrictions on the import of sector inputs

Variables that may *positively affect program operations in Gaza*, should they occur include:

- 1 – Easing of border closures and restrictions on the movement of people and goods
- 2 – Easing of restrictions on inputs

The program will vigilantly monitor political developments and resulting shifts in the operating environment, and will keep USAID regularly informed of these shifts, so as to collaboratively devise alterations to program plans accordingly.

#### **D. OTHER SECTORS EXPLORED**

Compete has assessed additional sectors and subsectors including flowers (carnations). Gaza once planted more than 1000 dunums of carnations. They have steadily lost their market presence however, due to market changes and the unstable supply of exports. Recently, the Italian Government showed interest in supporting the carnation business in Gaza. They will provide and facilitate the supply of mother plants to be bred in Gaza, which will be an advantage over the previous projects, subsidizing 100-120 dunums of flowers (mostly carnations) beginning in April 2016 (nursery) and June (planting seedlings). Compete does not plan to conduct any intervention in support of the carnation sector in Gaza at this time. The plan will be adjusted if and when particular needs are identified for Compete support in the future.

#### **E. PROGRAM STRATEGY**

After having undergone preliminary research and analysis on targeted sector actors in Gaza, it has become clear that the six sectors cannot be approached with the same level of programmatic inputs, given their varied situational capacities. It has been found that the agriculture, fishing and ICT sectors are better suited for full scale program support at this time, and that the tourism, textile and garment and furniture value chains have limited market presence, and weak production capacity given the challenges they are facing in the given socio-political and economic context.

Given these varied capacities, USAID/Compete will work to along the entire value chains of the targeted agriculture subsectors as well as in fishing and ICT, to strengthen their ability to compete in local and global markets. Work with tourism, textile and furniture sectors on the other hand, will

necessarily be limited to targeted firm level assistance, to help strengthen their institutional and human resource capacities, with limited inputs designed to help them regain access to their markets in the future.

This first year of implementation in Gaza will necessarily be a foundation year – where the program will work to lay the ground work and fix immediate impediments to sector expansion and growth. Strategically, interventions presented in this work plan are designed to enhance the competitiveness of the targeted sectors, and planned transformation and impact can take up to two years to be realized. Therefore, the sector *strategic plans* presented in each chapter are built to present expected outcomes within a two-year time span - whereas the sector *work plans* and *expected results* are built around a one-year time frame.

The following sections detail the strategic approach to be undertaken by USAID/Compete in Gaza (Section II), followed by a detailed description of the program work plan for the Agribusiness, Fishing and ICT sectors (Section III), and proposed interventions for the Tourism, Textile and Garment and Furniture sections (Section IV). The strategic approach, challenges, proposed interventions and expected results are listed for each sector/subsector and proposed metrics are also included in Annex A (Proposed Performance Indicators– Gaza).

A detailed work plan for all sectors, including a proposed timeline and estimated program budget are provided in Annex B. The estimated total program budget for Year 5 operations in Gaza is over 6 million USD, with more than half of this budget allocated to the agriculture sector and the remaining amount distributed to fishing and ICT (17%) and to tourism, textile and garment, and furniture (9%). Please see the illustrative table below for more information, as well as Annex B for more details.

**Illustrative Program Budget (by sector)**

Sector	Estimated Budget	Percentage
Agriculture	4,475,000	74%
Fishing	450,000	7%
ICT	595,000	10%
Tourism, Textile, Furniture	520,000	9%
Total	6,040,000	

## SECTION III: STRATEGIC APPROACH

### A. IMPLEMENTATION MODALITY

Given the varied capacities and market standing of the six targeted sectors, USAID/Compete has divided the six sectors into two groups (A and B), and will take varied approaches in program implementation amongst the two. The first approach is a full-scale, value chain approach to enhancing competitiveness among key sectors (Group A) whereas with Group B, the program will address challenges among select targeted firms that have some capacity and with potential to grow and serve local and/or export market needs.

#### **Group A – Agribusiness, Fish and ICT**

From the six sectors identified by USAID/Compete, the agribusiness, ICT and fish value chains are best suited for full-scale Compete interventions given the current operating environment in Gaza. There has been a recent ease on border restrictions by Israeli authorities, giving way for an increase in exports to both West Bank and international markets. Compete will launch a full scale, technical assistance program targeting the entire value chain of these sectors, and will proceed with a comprehensive package of support interventions to build the foundation and infrastructure needed to enhance export potential and expand to new markets.

#### **Group B – Tourism, Textile/Garment and Furniture**

The three other sectors, (tourism, textile/garment and furniture), are not currently enjoying the same market presence in Gaza. Critical inputs and skills are lacking in these sectors, causing impediments to expansion into export markets, and in some cases, not allowing the value chains to serve local market needs. The textile and furniture sectors are particularly vulnerable to restrictions on inputs classified as “dual use” items, and to border restrictions on exports. The sectors have lost their market presence both locally and in the West Bank and Israel, and have lost their local production capacity.

The program will identify a select group of up to 45 firms among Group B sectors and will provide training and technical assistance, work to enhance work force skills and create jobs, provide technical equipment and inputs, and to provide limited support to the sectors’ representative unions and associations to improve their ability to serve the needs of their members.

### B. STRATEGIC PRIORITIES

Assuming a favorable political environment and ease of product movement, USAID/Compete is working to fulfill five strategic priorities:

- 1) Enhancing access to market;*
- 2) Strengthening high value added products, services and technologies;*
- 3) Supporting enablers and service providers to address sectoral impediments;*
- 4) Develop workforce skills and introduce new technologies and;*
- 5) Provide business enhancement and institutional development support.*

These five key issues related to market failures were identified early in Year 4, and will continue to be addressed these during the coming year to promote systemic change and competitiveness of all sectors. The planned interventions and illustrative activities detailed in the work plan sections below, all serve to address one or more of these strategic priorities.

## **C. IMPLEMENTATION MECHANISMS**

### **1. Firm Level Technical Assistance Program (FLAP)**

The USAID/Compete FLAP will be implemented in Gaza as it has been in the West Bank, as a platform to build competitiveness among the six targeted sectors.

The purpose of the FLAP is to open the door for enterprises to directly apply for targeted assistance. Within this program, Compete seeks to uphold the strategic objectives, management approaches, and cross-cutting components outlined in the program's work plan. In particular, the FLAP will:

- A. Assist firms to build capacity through adopting best business practices in management, finance, production, quality systems and/or adopt new technologies.
- B. Partner with industry associations and service providers through-out the implementation of the program. Compete will build the capacity of the associations where needed to assure they can independently carry out future development.
- C. Target youth and women through incentivized programs that will enhance their skills and address their priorities.
- D. Identify gaps and market failures in the subsectors value chains
- E. Coordinate, leverage resources, and compliment other donors' interventions.
- F. Share knowledge, results, and accomplishments from the base period with relevant stakeholders.

### **2. Potential West Bank/Gaza Partnerships**

Wherever possible, Compete will facilitate the formation of partnerships between West Bank and Gaza firms to support access to market for Gaza firms – primarily in Israel. Possible partnerships include between furniture producers in the West Bank and Gaza, since dual use restrictions on critical inputs (wood of specified sizes and width) do not allow Gaza producers to complete finished products. USAID/Compete will examine the possibility of establishing partnerships between West Bank and Gaza furniture producers, for them to collaborate and create complete products for the Israeli market. Other possible partnerships include forging linkages between IT firms in the West Bank and Gaza, to expand the capacity for outsourcing.

### **3. Cost Share**

USAID/Compete will work to offset risk and encourage firms willing to expand and improve their operations on a cost-share basis. For implementation in Gaza, the program has modified the design of the cost share program due to the financial hardships facing the sectors at this time, such that the USAID/Compete's share of technical assistance and workforce development will reach seventy percent (70%) and the program's share of new technological equipment and critical inputs will reach up to fifty percent (50%).

#### **4. Donor Coordination**

USAID/Compete has undertaken a preliminary mapping of donors working to support private sector development in Gaza, and plans to work closely with these agencies to identify opportunities to leverage resources, coordinate efforts, and maximize the value of programmatic interventions. Two key players operating in Gaza are DAI's Palestinian Market Development Program, as well as the Food and Agriculture Organization (FAO). USAID/Compete has already begun strategic engagement with these organizations as part of the development of this program work plan.

#### **5. Support to Business Service Organizations and Service Providers (Component B)**

In addition to direct support to firms in the six sector areas, USAID/Compete will continue to provide support to Palestinian Business Service Organizations (BSOs) in ways that strengthen their role as enablers. In the West Bank, USAID/Compete helped to build client-BSP relationships, trust and credibility in BSO services, as well as the willingness of members to pay fees based on value provided. In Gaza, USAID/Compete will provide limited support to business cooperatives, associations and unions to enhance the BSOs ability to serve their affiliates. The program will provide technical assistance and limited equipment, tools and other inputs required to enhance the capacity of BSOs in Gaza.

USAID/Compete will also work to strengthen the capacity of local business service providers. Support will be provided as needed, to select individuals, firms or companies that provide consultancy support services to the targeted sectors.

## SECTION IV: SECTOR WORK PLANS

### GROUP A: Agribusiness, Fish, and ICT

#### 1. AGRIBUSINESS

There are several over-arching challenges facing the agribusiness sector that will be addressed by USAID/Compete to help serve the overall mandate of assisting Palestinian agriculture enterprises to compete globally and expand locally.

#### *Agribusiness – cross cutting challenges*

##### **Limited water**

To address this challenge, USAID/Compete will work to enhance water management through the provision of computerized irrigation systems, rehabilitation of the water supply system including water networks and licensed water wells, and by providing farmers with additional tools and skills to enhance their water management techniques. USAID/Compete will also explore the possibility of using treated waste water in select cases, if feasible, and will work closely with other USAID water projects operating in the West Bank and Gaza, to build upon gained experience in this area, and leverage available resources.

##### **Unstable power supply**

The lack of stable and continuous electricity is a major problem facing the agribusiness sector – effecting productivity within all phases of the agricultural process for most sub sectors, as the power supply is weak and unpredictable. The program will work to mitigate this challenge through the provision of alternative energy sources (generators, solar panels) for small scale needs, and work with farmers to enhance power management.

##### **Restrictions on inputs (dual-use restrictions and border closures)**

The lack of critical inputs to the agriculture sector will be addressed by supporting local alternatives to these inputs. This will include working with nurseries to produce seedlings, providing grafting training, and improving composting techniques. The program will also work with USAID explore the possibility of alleviating some restrictions when allowable and feasible, in support of beneficiary farmers.

##### **Lack of skilled labor**

The program will carry out targeted, specialized training and work to develop an apprenticeship program where needed in order to build a cadre of skilled laborers. USAID/Compete will also facilitate the exchange of regional knowledge and expertise to improve performance in the sector.

##### **Lack of quality standards**

USAID/Compete will help sector actors upgrade their quality standards through trainings and awareness programs, and will support the uptake of new quality systems such as Global Gap and ISO standards.

### **Weak sector structure**

USAID/Compete will also help to develop the sectors' management and marketing skills, and support aggregators working with cooperatives to help build their institutional capacity.

### ***Strategic Approach – Agribusiness***

The strategic mandate of the program's agribusiness sector strategy is to assist Palestinian agriculture enterprises to compete globally and expand locally.

Of the five strategic priorities being addressed by USAID/Compete, the three priorities to be worked on under the agriculture component in Gaza are 1) *Enhance access to markets*, 2) *strengthen high value added products, services and technologies*, and 3) *Support enablers and service providers to address sectoral and policy impediments*.

*Enhance access to markets.* Identified as one of the critical barriers to competitiveness in all subsectors, accessing new markets and expanding in existing markets is an ongoing challenge for Palestinian businesses. Emphasis on small and medium enterprises shall result in increasing their capacity to grow their local market share, expand in existing export markets and enter new markets with clear plans that guide their investments and leverage the resources provided by USAID/Compete to achieve sustainable results.

*Strengthen high value added products, services and technologies.* Palestinian businesses are evolving slowly; The volatile political situation translates into high financial and market risks for developing new products and adopting new technologies, USAID/Compete will assist firms to identify high value -added products that have a market demand locally or internationally and assist them with required technology transfer, training and in some cases partial coverage of the cost needed to acquire those technologies or equipment, thus offsetting potential business risks.

Specifically, USAID/Compete will work on the strengthening of the strawberry sector through the provision of new technology and business planning, and on strengthening and scaling up the fresh herb sector, the vegetable sector and the fishing sector. Marketing and support services will be addressed through provision of equipment/ inputs.

*Support enablers and service providers to address sectoral and policy impediments.*

Environmental factors can have positive and/or negative impact on various sectors' ability to operate and be competitive. Lack of water for example, can act as a hindrance in the entire economy. Furthermore, lack of responsive business environments including government regulations and policies are a major obstacle in developing thriving businesses. Associations, cooperatives, unions and other enablers play an important role in representing the interests and issues of the private sector, advocating for a conducive business environment, and providing services that benefit the sector and the economy overall.

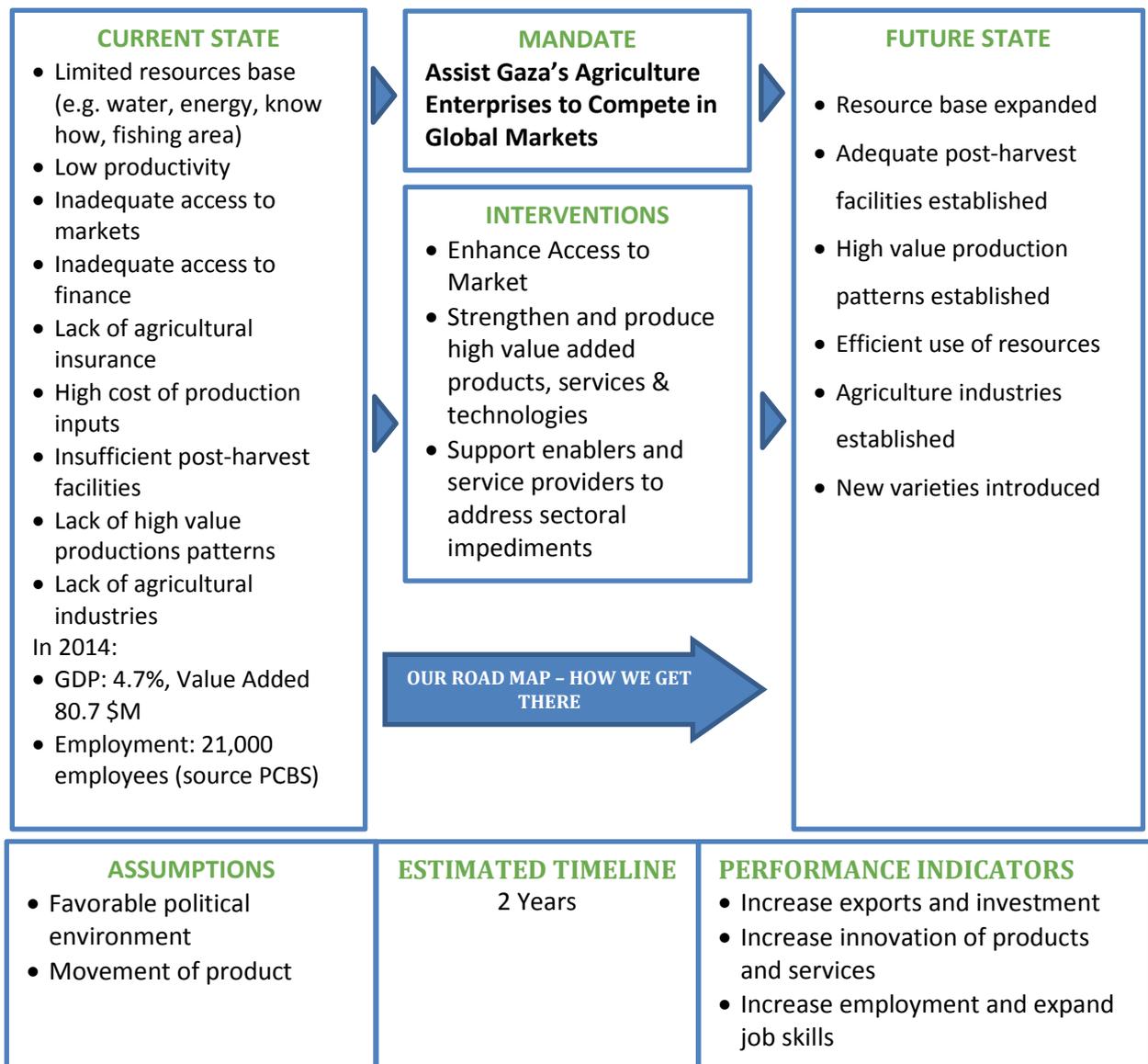
Illustrative activities proposed to support enablers and support services include the establishment of a laboratory for minimum residue testing of pesticides. Such a lab would strengthen the agricultural sector's competitiveness in regional and global markets.

The program will also support the targeted subsectors with access to water through an assessment of the status of the artesian wells that are available, the rehabilitation of the wells as needed, and the rehabilitation and installation of water collection structures and irrigation networks.

USAID/Compete will also support subsectors with the development of financial business plans for renewable energy alternatives, and will support the installation of renewable energy systems as needed and feasible.

The extent of the assistance is directly proportional to the clearly identified risks through an *appropriate* cost share to offset these risks. Furthermore, USAID/Compete deliberately targets women, youth and the poor throughout its strategic interventions.

Figure 1, below, shows the strategic plan for Agribusiness. It shows interventions planned to reach the projected future state of the targeted subsectors (strawberry, fresh herbs and fresh vegetable).



**Figure 1. Strategic Plan for Agribusiness**

## Work plan – Agribusiness

The table below presents the interventions and illustrative activities planned to address the common challenges and market failures of the Agribusiness subsectors (strawberry, fresh herbs and vegetables).

Challenge	Interventions	Illustrative Activities
Access to water	<p>Provide technical assistance to select firms to enhance access to water.</p> <p>Provision of equipment/ inputs to enhance access to water.</p>	<ul style="list-style-type: none"> <li>• Assessment of current artesian wells status.</li> <li>• Rehabilitate around 40 artesian wells.</li> <li>• Rehabilitate/install water collection structures.</li> <li>• Rehabilitate irrigation networks.</li> </ul> <p><i>(These can be addressed through FLAP or a separate technical assistance program)</i></p>
Access to Energy	<p>Provide technical assistance to enhance access to alternative energy sources.</p> <p>Provision of equipment/ inputs to enhance uptake of renewable energy sources where feasible.</p>	<ul style="list-style-type: none"> <li>• Develop financial business plans for renewable energy alternatives.</li> <li>• Support installation of renewable energy systems (packing houses/cooling rooms).</li> </ul> <p><i>(These can be addressed through FLAP or a program)</i></p>
Restrictions on inputs (dual-use and border closures)	Support local alternatives to restricted inputs.	<ul style="list-style-type: none"> <li>• Work with nurseries to produce seedlings, provide grafting training.</li> <li>• improve composting techniques.</li> </ul>
Lack of skilled workforce	Enhance capacity and skills among agribusiness workforce.	<ul style="list-style-type: none"> <li>• Conduct training/employment programs.</li> </ul>
Lack of quality standards	Help sector actors upgrade their quality standards.	<ul style="list-style-type: none"> <li>• Provide trainings and awareness programs.</li> <li>• Support the uptake of new quality systems such as Global Gap and ISO standards.</li> </ul>

### **Expected Results – Agriculture**

The table below presents the indicators and planned FY5 values, developed as part of the program’s monitoring and evaluation (M&E) plan for the agriculture sector. The values presented as targets for FY 5 represent the expected cumulative gains within each subsector.

Separate listings of these indicators, with the expected values *per subsector* are listed in each following subsector chapter.

<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Value of exports of targeted agricultural commodities as a result of USG assistance	OP	\$6,000,000
Number of hectares under improved technologies or management practices as a result of USG assistance	OP	200
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	OP	120
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	OP	15
Number of new markets accessed by assisted Palestinian agribusiness firms	MNG	2
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new jobs created as a result of USG assistance	MNG	70

## **AGRIBUSINESS SUBSECTOR WORK PLANS**

The agribusiness subsectors to be targeted for support include strawberry, fresh herbs and vegetables. Sector area analysis and proposed interventions are discussed below.

### **1. a. Strawberry Subsector**

Gaza is well known for the quality of the strawberry variety it produces for export. Up to two thousand, five hundred tons (2,500) were once produced in Gaza for export on over 1,800 dunums (2003-2005). Most of the production was exported to Europe, Israel and the West Bank. Since 2007, this sector is on the decline, where only 500 dunums are now planted and very little export is materialized. The crop was damaged during hostilities, which means less export and less revenue.

In November 2014, Israel announced economic relief for the Gaza Strip — including allowing the export of strawberries from Gaza to the West Bank, after having banned these exports for several years. Gaza farmers have exported 239 tons to the West Bank and international markets from November 2014 to February 2015. The relief period did not last long, strawberry exports to the West Bank were once again banned in mid-January, after the Israeli authorities found Palestinian strawberry cartons smuggled from the West Bank into Israeli markets and sold at a cheaper price than the Israeli product.

#### **Challenges**

In addition to the common challenges faced by the targeted subsectors as a whole the strawberry faces many specific challenges including:

- 1- Loss of key markets;
- 2- Lack of a strategic marketing company;
- 3- Lack of high value productions patterns
- 4- Very fragmented small farms that are managed by weak cooperatives that lack the capacity and the connections to maintain or reach out to new markets;
- 5- Lack of proper post-harvest packing and cold chain facilities.

#### **Strategic Approach**

USAID/Compete intends to strengthen the strawberry sector in Gaza by introducing high production patterns through technology, equipment and inputs, providing support to marketing firms, upgrading post-harvest facilities, introducing new processing facilities, and upgrading existing farms.

The program will introduce computerized hanging strawberry and indoor strawberry pilots in order to enhance production patterns. It is envisioned that with the introduction of new technology, the fruit yield per dunum ratio will increase. With support from USAID/Compete the sector will have established proper post-harvest facilities, and will have high-value production patterns established with more efficient use of resources. The program will also work with cooperatives to help develop their productivity and performance.

USAID/Compete will provide enterprises with technical assistance and equipment and/or inputs to enable more access to new markets and to address gaps inhibiting the growth of the strawberry sector as a whole.

The program will work to improve the ability of agriculture businesses to market directly to the West Bank and to regional and international markets, and to strengthen their presence in the local market as well. USAID/Compete may organize road shows, and support beneficiary participation in trade shows. The program may also support the food industry to introduce new, high value agricultural products (such as frozen fruits and jams).

Post-harvest facilities are weak among several subsectors in Gaza. USAID/Compete will introduce solutions including cold chains, packing house, and shock freeze techniques.

To address the lack of sufficient agricultural land, USAID/Compete will introduce new technologies such as hanging systems, soilless cultures, and green houses to upgrade the productivity of available land.

Figure 2, below, shows the strategic plan for the strawberry subsector. It shows interventions planned to reach the projected future state of this subsector.

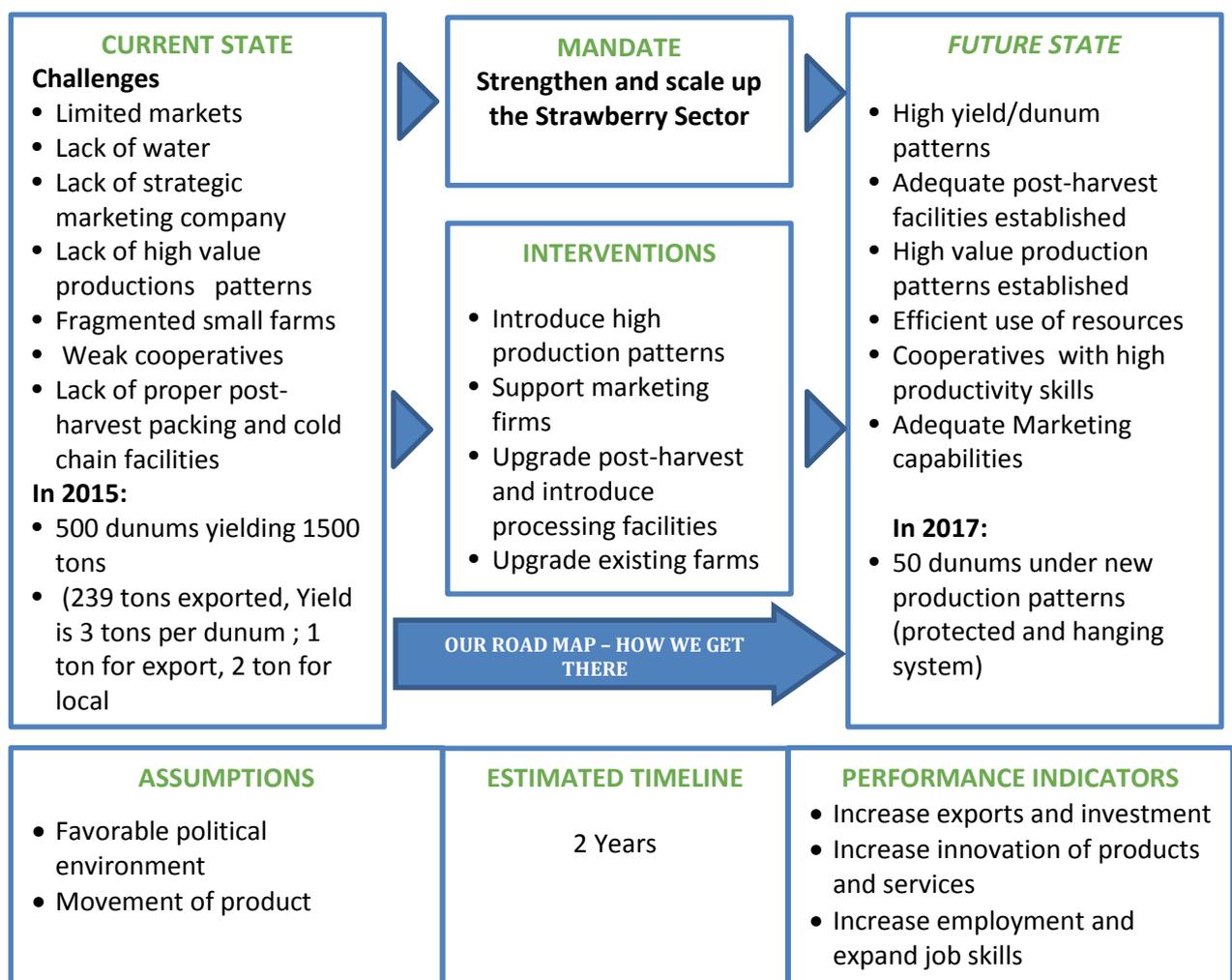


Figure 2. Strategic Plan for the Strawberry Sector

## Work Plan- Strawberry Subsector

Interventions and illustrative activities that are planned to address the common challenges and market failures of the strawberry subsector are detailed in the table below.

Challenge	Interventions	Illustrative Activities
Lack of high value productions patterns	Introduce high production patterns	<ul style="list-style-type: none"> <li>• Develop business plans.</li> <li>• Introduce computerized hanging strawberry.</li> <li>• Introduce indoor (green house, tunnels) strawberry pilots.</li> <li>• Scale up successful pilots.</li> </ul> (This will be addressed through an announced pilot program)
Lack of strategic marketing company	Support marketing firms	<ul style="list-style-type: none"> <li>• Capacity building of existing exporters and cooperatives.</li> </ul> (This will be addressed through FLAP).
Lack of proper post-harvest packing and cold chain facilities.	Upgrade post-harvest facilities and introduce freezing/processing facilities	<ul style="list-style-type: none"> <li>• Upgrade cooperatives' cooling rooms to support freezing and support strawberry industry facilities.</li> </ul> (This will be addressed through FLAP).
Weak farm management	Upgrade existing farms	<ul style="list-style-type: none"> <li>• Assess current farms status.</li> <li>• Develop an upgrade program, for example upgrade irrigations network.</li> </ul>

## Expected Results – Strawberry Subsector

This table lists the indicators developed as part of the program's M&E plan, designed to measure progress in achieving results within the *strawberry subsector*.

Indicator Name	PMP Ind. type	Gaza Planned Value for FY5
Value of exports of targeted agricultural commodities as a result of USG assistance	OP	\$3,500,000
Number of hectares under improved technologies or management practices as a result of USG assistance	OP	60
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	OP	50
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	OP	2
Number of new markets accessed by assisted Palestinian agribusiness firms	MNG	1
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new jobs created as a result of USG assistance	MNG	25

### **1. b. Fresh Herbs Subsector**

Growing herbs began in Gaza in 2012 by one cooperative in Khan Younis. The herbs farms are based in an evacuated Israeli settlement that has gradually grown from ten dunums to 30 dunums. They are focusing currently on three crops (chives, basil and mint) and are marketing all their production through the Israeli company ARAVA, to Europe and the United States. Cultivating fresh herbs makes more sense economically because they require less water, grow more quickly, cost less to ship and are always in high demand. The subsector faces fewer problems than other subsectors in exports via Israel.

#### **Challenges**

In addition to the common challenges faced by the targeted subsectors as a whole the fresh herbs subsector faces the following specific challenges;

1. Lack of high value productions patterns;
2. Low quality;
3. Lack of proper post-harvest packing and cold chain facilities.

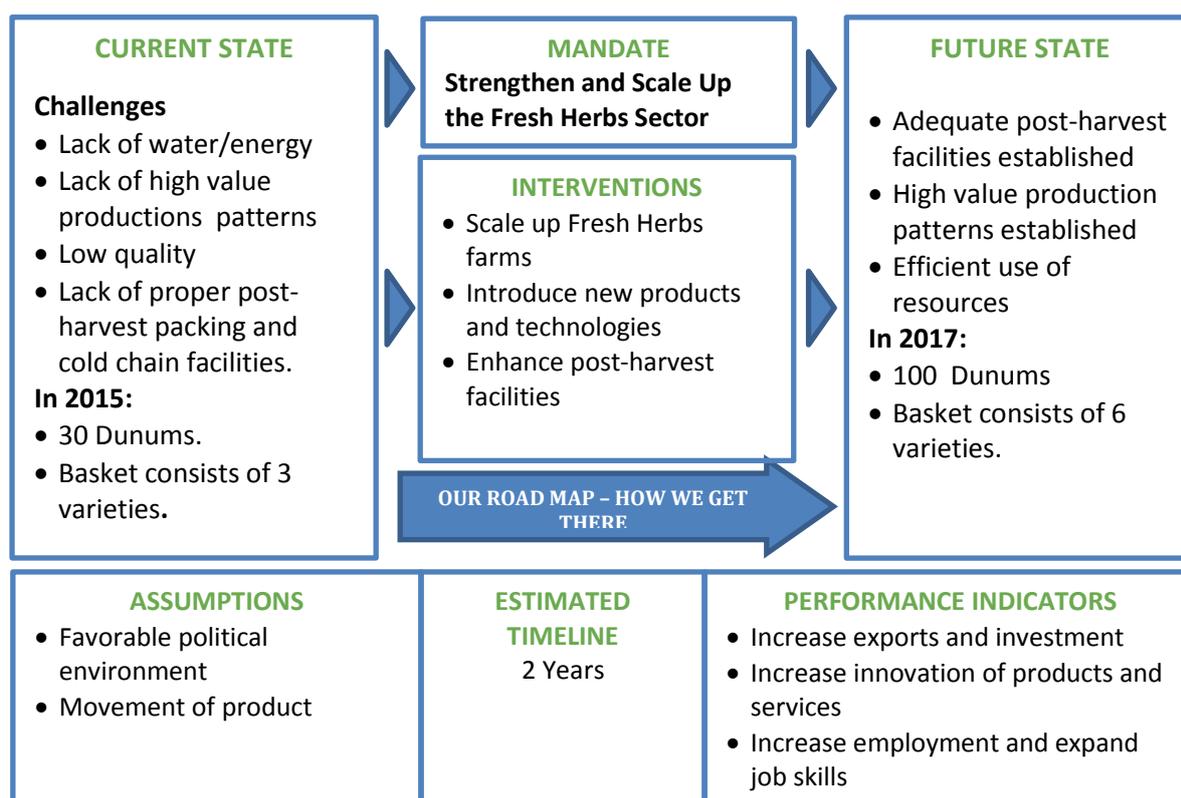
#### **Strategic Approach**

USAID/Compete intends to strengthen the fresh herbs sector in the coming period by scaling up fresh herbs farms, introducing new products and technologies and by enhancing post-harvest facilities.

Through firm level technical assistance, the program will support fresh herb farms with the supplies, equipment, and other inputs needed to scale up the farms and introduce new crops.

USAID/Compete will help develop high value production patterns amongst fresh herb farmers by introducing new technologies such as computerized irrigation systems, upgrading nurseries, and by supporting the enhancement of post-harvest packing houses and cold rooms so as to allow for the proper storage of all types of herbs.

Figure 3, below, shows the strategic plan for the fresh herbs subsector. It shows interventions planned to reach the projected future state of this subsector.



**Figure 3. Strategic Plan for the Fresh Herbs Subsector.**

### Work Plan – Fresh Herbs Subsector

Interventions and illustrative activities that are planned to address the common challenges and market failures of the fresh herbs subsector are detailed in the table below.

Challenge	Intervention s	Illustrative Activities
Insufficient supply and incomplete herbs basket	Scale up Fresh Herbs farms and introduce new crops	<ul style="list-style-type: none"> <li>• Scale up fresh herbs farms and introduce new crops (This will be addressed through FLAP)</li> </ul>
Lack of high value productions patterns	Introduce new technologies	<ul style="list-style-type: none"> <li>• Introduce computerized irrigation systems</li> <li>• upgrade nurseries (This will be addressed through FLAP).</li> </ul>
Lack of proper post-harvest packing and cold chain facilities	Enhance post-harvest facilities	<ul style="list-style-type: none"> <li>• Assess current status of post-harvest facilities</li> <li>• Develop business plans</li> <li>• Upgrade existing facilities</li> <li>• Introduce new facilities (This will be addressed through FLAP).</li> </ul>

## Expected Results – Fresh Herbs Subsector

This table lists the indicators developed as part of the program’s M&E plan, designed to measure progress in achieving results within the *fresh herbs subsector*.

Indicator Name	PMP Ind. type	Gaza Planned Value for FY5
Value of exports of targeted agricultural commodities as a result of USG assistance	OP	\$500,000
Number of hectares under improved technologies or management practices as a result of USG assistance	OP	6
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	OP	20
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	OP	6
Number of new markets accessed by assisted Palestinian agribusiness firms	MNG	0
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new jobs created as a result of USG assistance	MNG	20

### 1.c. Fresh Vegetables

Gaza has historically been known for its vegetable exports, including tomato, pepper and other products sent to Israel, Europe, Jordan and the Gulf market. A decline in production and exports was witnessed in 2007, as has been the case for other value chains. In March 2015, vegetables grown by Palestinian farmers in Gaza entered Israel for the first time since 2007. Since November 2014, Gaza farmers exported almost 6,698 tons; 48.5% to the West Bank, 25% to the international markets and 26% to the Israeli markets. The overwhelming majority of exported vegetables are tomatoes (66% of all exported products).

### Challenges

In addition to the common challenges faced by the targeted subsectors as a whole the fresh vegetables subsector faces many specific challenges including:

1. Lack of high value productions patterns
2. Low quality
3. Lack of proper post-harvest packing and cold chain facilities.
4. Lack of vegetable industries

## Strategic Approach

USAID/ Compete plans to strengthen and scale up the fresh vegetable sector by introducing new products and technologies, enhancing post-harvest facilities, and by establishing new vegetable industries.

The lack of high value production patterns among the sector will be remedied by upgrading existing greenhouses that will produce products specifically for export. An export assistance program will be developed for this sector, and forward contracts will be introduced.

Post-harvest packing houses and cooling rooms will also be enhanced, to ensure optimal storage of the vegetable products prior to shipment. The sector will also be scaled up through the introduction of new vegetable industries.

Figure 4, below, shows the strategic plan for the fresh vegetables subsector. It shows interventions planned to reach the projected future state of this subsector, within a two year time frame.

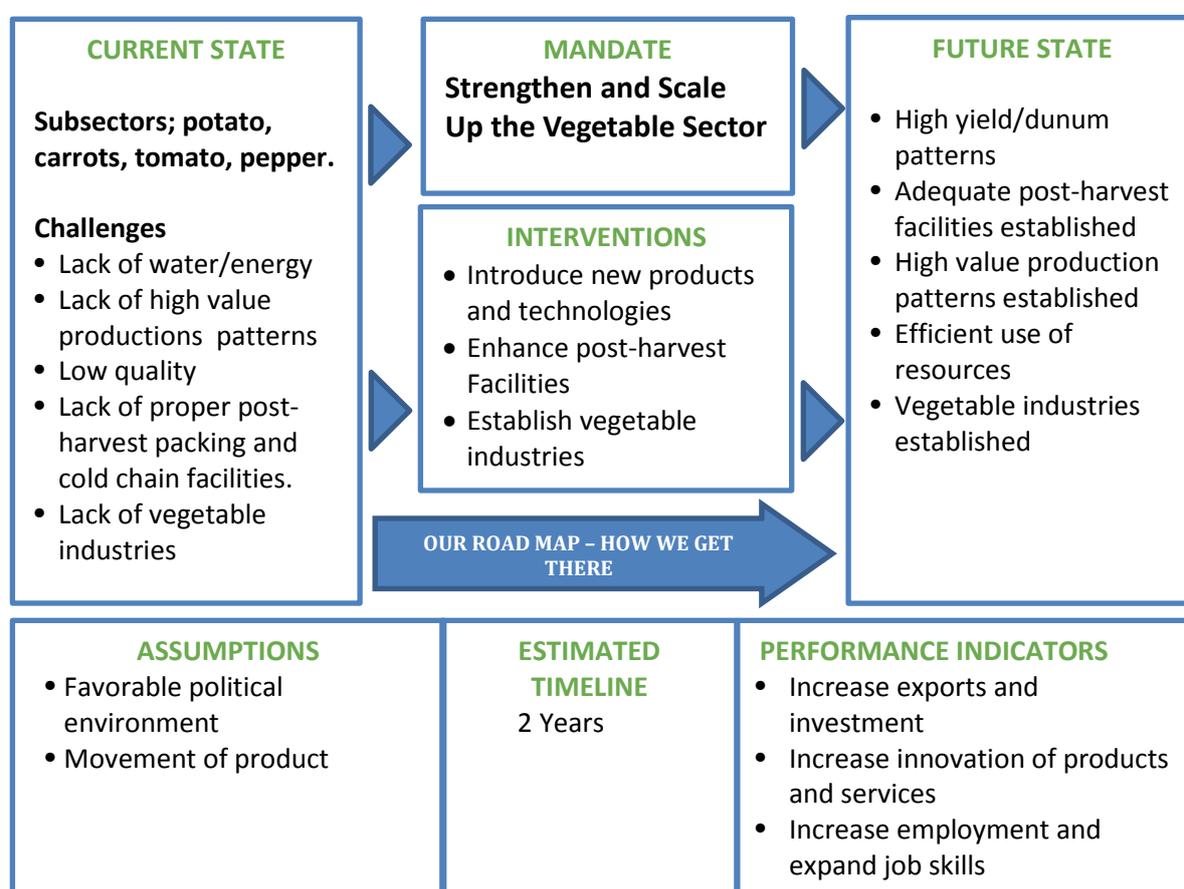


Figure 4. Strategic Plan for the Fresh Vegetables subsector.

## Work Plan – Vegetables Subsector

Interventions and illustrative activities that are planned to address the common challenges and market failures of the vegetables subsector are detailed in the table below.

Challenge	Intervention s	Illustrative Activities
Lack of high value productions patterns	Introduce new products and technologies	<ul style="list-style-type: none"> <li>• Introduce forward contracts.</li> <li>• Upgrade existing green houses that target export. This will be addressed through an export assistance program</li> </ul>
Lack of proper post-harvest packing and cold chain facilities.	Enhance post-harvest Facilities	<ul style="list-style-type: none"> <li>• Assess current status of post-harvest facilities.</li> <li>• Develop business plans</li> <li>• Upgrade existing facilities.</li> <li>• Introduce new facilities. (This will be addressed through FLAP).</li> </ul>
Lack of vegetable industries	Establish Vegetable industries	<ul style="list-style-type: none"> <li>• Identify and asses relevant vegetable industries.</li> <li>• Develop business plans</li> <li>• Support the establishment these industries. (This will be addressed through FLAP).</li> </ul>

#### Expected Results – Vegetables Subsector

This table lists the indicators developed as part of the program’s M&E plan, designed to measure progress in achieving results within the *fresh vegetables subsector*.

Indicator Name	PMP Ind. type	Gaza Planned Value for FY5
Value of exports of targeted agricultural commodities as a result of USG assistance	OP	\$2,000,000
Number of hectares under improved technologies or management practices as a result of USG assistance	OP	134
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	OP	50
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	OP	7
Number of new markets accessed by assisted Palestinian agribusiness firms	MNG	1
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new jobs created as a result of USG assistance	MNG	25

## **2. FISHING SECTOR**

The current production of the Gaza fishing sector is about 4500 tons, coming mainly from the sea by fishermen and three fish farms that use sea water on land and that produce about 250 tons. Gaza consumption is 20,000 tons, imported from different sources. This sector currently employs around 2000 people and faces many challenges in both sea and on-land farm productions.

The development of a sea based fish farm has recently been proposed, and has so far been approved in principle by the Israeli Ministry of Defense and Ministry of Agriculture and welcomed by the Palestinian Ministry of Agriculture and Palestinian Civil Administration. A potential investor has been identified and the environmental study is underway by the Israeli MOA. The investor is preparing for the required permits and the business plan. This joint project shall conclude the required planning and permits phase in the next three months, and the target date for operation is April, 2016. The first planned farm shall produce 500 tons per year.

### ***Challenges***

The main challenge for expanding fishing is the five mile radius they are authorized to operate within, and the interruption of fishing due to security measures which results in the further decline of production. This sector currently employs around 2000 people and faces many challenges in both sea and on-land farm productions.

The main challenges facing this subsector are inadequate ports and facilities, the lack of maintenance materials for boats and inadequate fishing kits and tools.

Challenges specifically facing off-shore fish farms include:

- 1- Securing the required permits;
- 2- Training of the staff;
- 3- Inadequate port facilities.

Challenges specifically facing on-shore fish farms include:

- 1- Interruption of electricity;
- 2- Lack of fingerlings;
- 3- Lack of capital.

### ***Strategic Approach***

USAID/Compete will work to strengthen and scale up the fishing sector by building the capacity of sea fishermen, scaling up on shore fish farms, and supporting the development of in-sea fish farms.

The program will support sea fishing by providing fishermen with the tools, nets and spare parts needed to enhance their capacity and productivity, and will help to establish boat maintenance shops.

The lack of fingerlings is a major limitation on the productivity of on shore fish farms. While fish feed and other inputs are available in Gaza, USAID/Compete will focus on helping to introduce fingerling

production to strengthen and support on shore farming. The program will also work to establish in sea fish farms through training, provision of equipment and establishment of needed infrastructure.

Figure 5, below, shows the strategic plan for the fishing sector. It shows interventions planned to reach the projected future state of the subsector within a two year time frame (sea fishing, onshore and off shore).

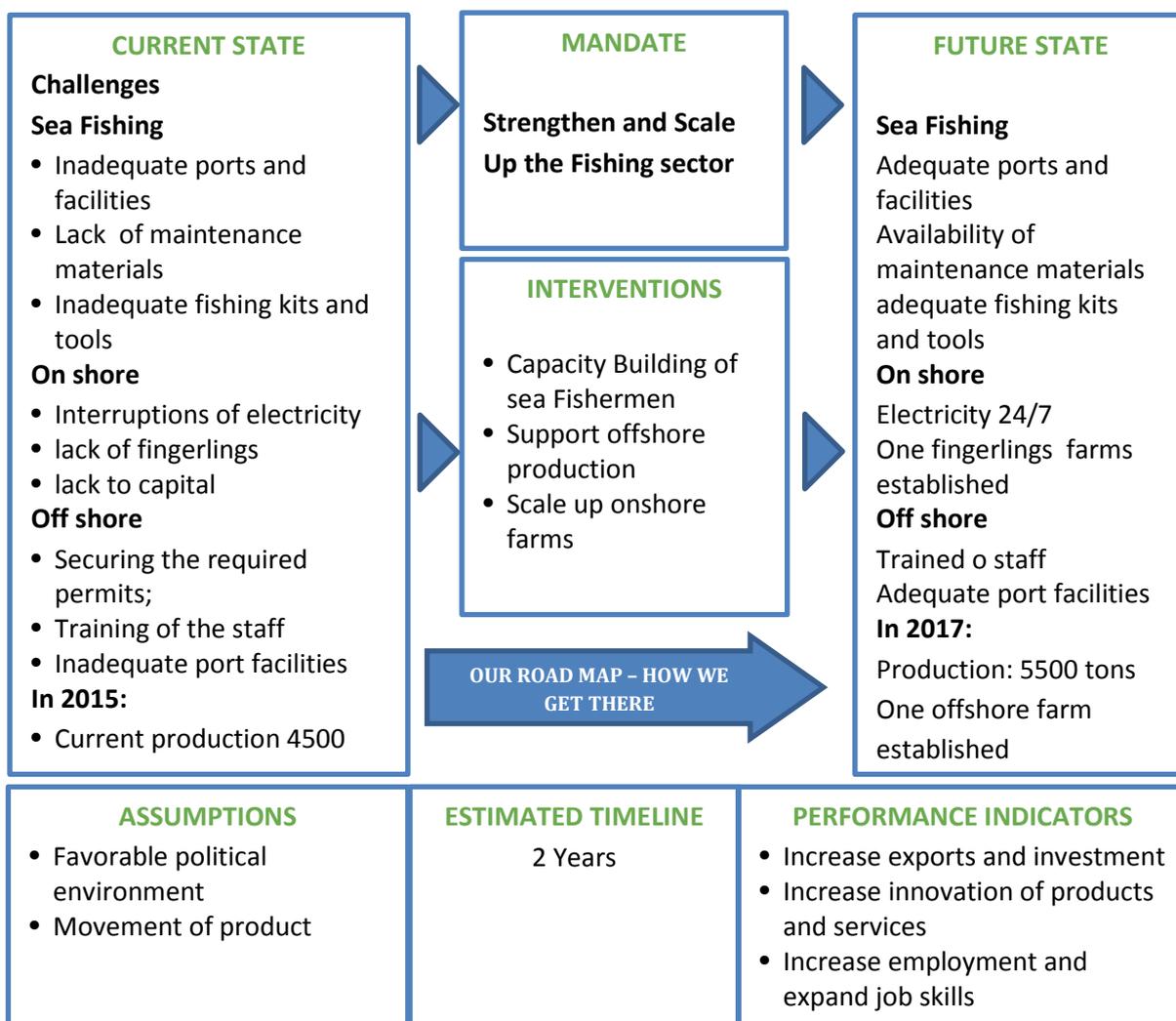


Figure 5. Strategic Plan for the Fishing Sector

### Work Plan – Fishing Sector

Interventions and illustrative activities that are planned to address the common challenges and market failures of the Fishing Sector are detailed in the table below.

Challenge	Interventions	Illustrative Activities
Inadequate ports, facilities, fishing kits and tools for sea fishing and lack of maintenance materials for boats.	Provide sea fishermen the tools and facilities needed to strengthen and support productivity.	<ul style="list-style-type: none"> <li>Provide sea fishermen with tools, nets and spare parts.</li> <li>Establish boat maintenance shops.</li> </ul>
Lack of fingerlings and lack of access to capital for on shore fish farms.	Strengthen and support on shore farming	<ul style="list-style-type: none"> <li>Develop business plans.</li> <li>Scale up onshore farms.</li> <li>Introducing fingerling production.</li> </ul>

Difficulty in securing the required permits for in sea fish farms, lack of training for staff, and inadequate port facilities.	Support the establishment of off shore farms	<ul style="list-style-type: none"> <li>• Support offshore production (training, equipment, infrastructure)</li> </ul>
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### ***Expected Results – Fishing Sector***

This table lists the indicators developed as part of the program’s M&E plan, designed to measure progress in achieving results within the *fishing sector*.

<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Value of exports of fish products as a result of USG assistance	MNG	\$500,000
Number of new or improved Palestinian products produced by assisted Palestinian fishing firms	MNG	2
Number of new markets accessed by assisted Palestinian fishing firms	MNG	0
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new jobs created as a result of USG assistance	MNG	30

### 3. INFORMATION AND COMMUNICATIONS TECHNOLOGY SECTOR

The ICT sector in Gaza has managed to maintain some linkages with international markets despite the deleterious conditions for private sector development on the ground. Several companies have been successful in capitalizing on personal relationships and contacts abroad, to facilitate business inflow to Gaza. The services provided are primarily centered on outsourcing with the primary market being the Gulf countries. Software product companies sell their solutions within the local market, mainly through international donor interventions, and to the global market through limited diaspora channels and B2B partnerships.

The startup eco-system is suffering from funding gaps, since the Gaza strip is flagged as high risk and investors are shying away from directing angel and seed funding to the area's start-ups. Currently, there is infrastructure for incubation and acceleration, but without having the subsequent funding available, Gazan startups are put at risk if they are unable to generate enough revenues once they graduate. Gazan startups try to maneuver in the local market to sell services, which has complicated the situation for these entrepreneurs even further.

One of the main challenges Gaza is facing is the public infrastructure interruptions, especially electricity. Stable energy supply is fundamental for the growth of ICT companies, and daily interruptions have forced company owners to invest in power generation solutions. These solutions carry heavy capital and operational prices – diminishing the price advantage Gaza can offer to the global ICT market. The unstable power supply also limits productivity and makes for an unsuitable work environment.

There are nearly 1,000 graduates annually in Gaza across a number of ICT specializations, many of whom seek to build startups as entrepreneurs. According to a 2013 report, most of the ICT market is saturated, with only 5% recent graduates employed by the ICT sector, and 15% in ICT roles outside the ICT sector. There is limited local demand for ICT workers, leaving opportunities for both sector-wide engagement to build the capacity and innovation within existing ICT companies and those companies which hire ICT-skilled workers, as well as better matching of existing capabilities to new options for employment. Generally gender-agnostic and less traditional, the ICT sector tends to employ more women – in 2013, an estimated 31% of Palestinian ICT employees were women.

There are many past and ongoing initiatives that can be built upon to influence sector development and enhance capacity either at the firm or sector levels, primarily at the acceleration and workforce development stages.

#### **Challenges**

The ICT sector in Gaza is currently facing several challenges including:

- 1- Business instability due to public infrastructure, market disconnect and weak business tools
- 2- Lack of qualified workforce
- 3- Limited access to market
- 4- Limited pipeline for startups

## ***Strategic Approach***

The mandate of USAID/Compete's work in the ICT sector in Gaza is to increase the competitiveness of the sector to facilitate regional international expansion, and increase the number of new entrants in the software sector (see figure 6 below).

Strategic priorities will center around:

*Technical Assistance to stabilize operations;* Compete will provide technical assistance to firms in need to stabilize power supply to its infrastructure, to increase business productivity, and lower operational cost.

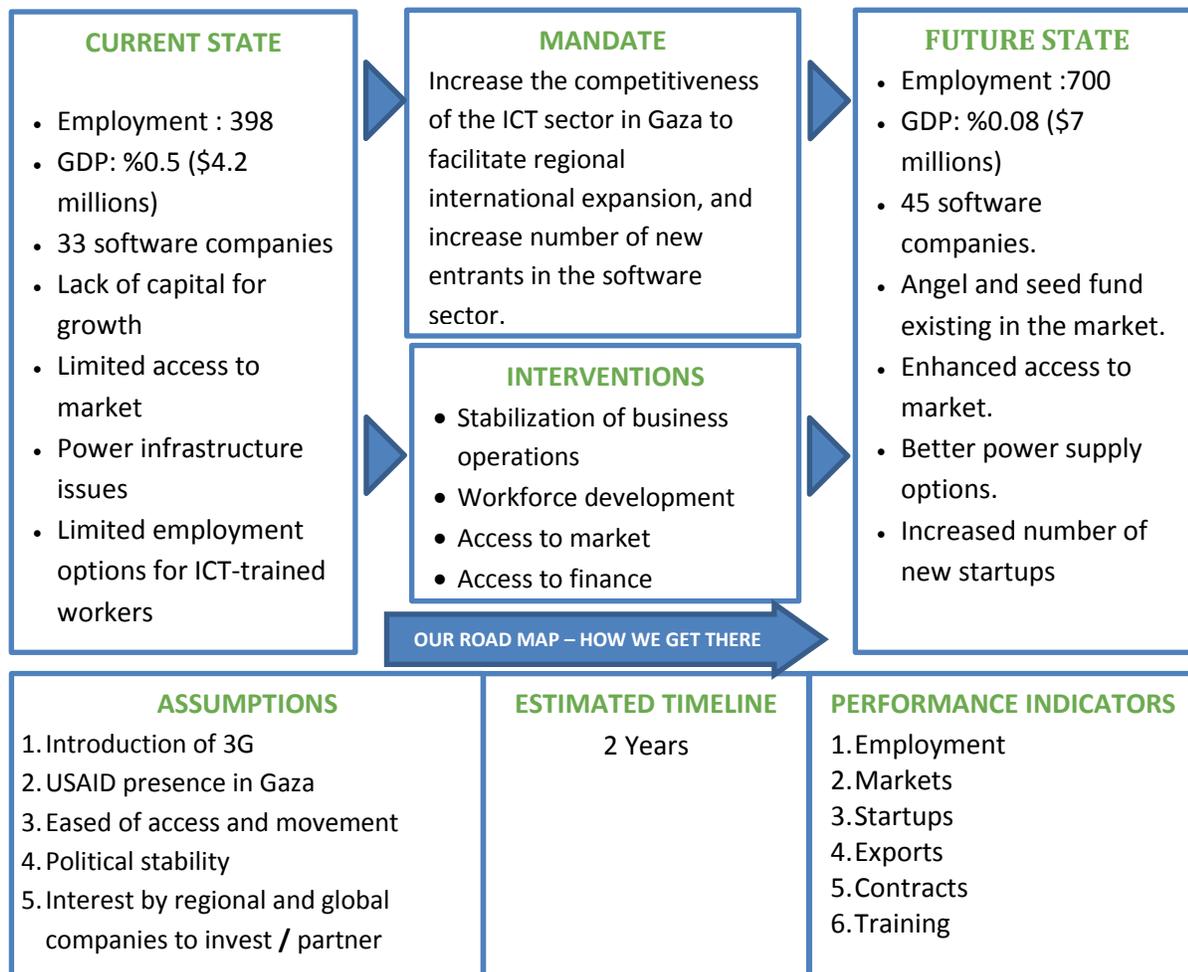
*Enhance access to market;* the objective under this strategic priority is to provide support to select firms to enhance access to market. Illustrative activities include an export market development program, facilitating access to international exhibitions, and image building.

*Strengthen the capacity of targeted firms/sectors to produce high value products and services;* the objective under this strategic priority is to provide firm level technical assistance to support stabilization of business operations. The program will address the critical challenges facing the sector by providing technical assistance to alleviate business growth constraints, including hardware and software provision, and quality system upgrades.

*Develop workforce skills and introduce new technologies;* the objective is to enhance availability of a talented and skilled workforce through a training and technical assistance program. Illustrative activities include an in-house apprenticeship program, a business management skills program, and targeted development of current training centers in Gaza, as well as mentorships for start-ups.

*Provide business enhancement and institutional development support.* The objective under this priority area is to enhance access to capital through support to incubators and accelerators. Illustrative activities include providing support to existing incubators and accelerators to increase quality of start-ups, creating angel groups and/or facilitate connections of start-ups to existing angel groups, and incentivizing partnerships between startups and existing companies.

Figure 6 below presents the current status of the sector, the main planned interventions and the planned outcomes of the program's interventions within a two-year time frame.



**Figure 6: Strategic Plan for the ICT Sector**

**Work Plan – ICT Sector**

The table below lists the key challenges facing the ICT sector in Gaza, to be addressed via the proposed interventions and illustrative list of activities. Some of these activities are identical to those to be implemented in the West Bank, and some are specific to Gaza conditions.

Challenge	Interventions	Illustrative Activities
Business instability due to public infrastructure, market disconnect and weak business tools	Provide technical assistance to stabilize operations	<ul style="list-style-type: none"> <li>• Provision of equipment to compensate for power failure</li> <li>• Upgrade company infrastructure to stimulate business ( Quality systems, Software, Hardware )</li> </ul>
Lack of a qualified workforce	Provide workforce development	<ul style="list-style-type: none"> <li>• Support in-house apprenticeship programs to increase employment</li> <li>• Upgrade the capacity of training centers to offer new skill sets in the markets</li> </ul>

		<ul style="list-style-type: none"> <li>• Provide business and management skills training</li> </ul>
Limited access to market	Enhance access to market	<ul style="list-style-type: none"> <li>• Launch Export Market Development Program in Gaza</li> </ul>
Limited Pipeline of startups	Provide Technical Assistance to help increase start-ups.  Enhance access to finance at seed funding level	<ul style="list-style-type: none"> <li>• Provide technical support to incubators / accelerators in Gaza to increase quality of startups</li> <li>• Create Business Angel Group for Gaza and/or facilitate linkages with existing groups</li> </ul>

### **Expected Results - ICT**

The table below presents the key performance indicators, the type of the indicator (OP/MNG) and the targeted results for the ICT sector in Gaza.

Indicator Name	PMP Ind. type	Gaza Planned Value for FY5
Number of ICT assisted start-ups that have developed products or signed contracts	OP	3
Value of exports of targeted ICT firms as a result of USG assistance	MNG	\$1,000,000
Percent increase in sales of assisted Palestinian firms	MNG	15%
Number of new markets accessed by assisted Palestinian Information and Communication Technology (ICT) firms	MNG	2
Number of new jobs created as a result of USG assistance	MNG	50
Number of New ICT Start-up companies established	MNG	3
Total number of start-up capital raised by youth	MNG	\$50,000

## **Group B – Tourism, Furniture, and Textile and Garment**

The following section details the strategic approach to be taken in working with the tourism, furniture, and textile and garment sectors in Gaza, and includes a description of the specific challenges facing these sectors, as well as the interventions and activities to be carried out by the program.

USAID/Compete’s approach in working with Group B sectors will necessarily be limited to the provision of support to up to 45 firms, that have the capacity to serve local market needs, and that exhibit growth potential for possible expansion into export markets. USAID/Compete will work to build the capacity of these sectors, will provide training to enhance skills and create jobs, and will provide limited support to the sectors’ unions and associations, allowing them to better serve their affiliates.

Under the Firm-Level Assistance Program USAID/ Compete will when necessary and feasible, help to develop strategic business and management plans, enhance production and quality systems, work on marketing and sales, and introduce new technology and critical inputs. The program will also provide training in areas critical to improving performance, and will implement tailored apprenticeship programs that will offer specialized entry level positions in a group of firms.

These sectors are currently experiencing significant restraints and impediments to expansion. All three sectors are disconnected from their markets, have devolved quality assurance and management systems, are suffering from the lack of a skilled and qualified work force, and have limited support from what are essentially very weak business institutions.

### ***Strategic Approach***

To address these challenges, USAID/Compete will identify a core group of between 10 and 15 firms per each of the three Group B sectors, for targeted firm level technical assistance, support in institutional capacity building, workforce development and training as well as support to the sectors’ associations, cooperatives and unions to enhance their ability to represent their members.

Specifically, the challenges to be addressed amongst the three Group B sectors include:

- 1) Loss of access to market,
- 2) Lack of quality assurance and management systems,
- 3) Lack of qualified and skilled workforce and
- 4) Weak support institutions (associations, cooperatives and unions).

### ***Enhancing Access to Market***

Group B sectors have to various degrees, become disconnected from their local, regional, and international markets. This is due to a variety of factors including severe export restrictions, limitations on important inputs, equipment and tools, and competition with low-priced imports.

Firm level technical assistance will be provided to select tourism, textile and garment, and furniture firms, to support access to market. While perhaps unable to significantly influence the restriction on inputs, USAID/Compete will work with to improve firms' ability to produce specially designed products for target markets by introducing new technology, designing software and promoting partnerships.

The program will also work to improve public perception of locally produced products to mitigate against the loss of market to imports, and will help to improve local producers' access to cheaper raw materials to enhance production.

Given the restrictions on production inputs and exports, USAID/Compete will also tackle some of the aforementioned impediments by providing technical assistance and capacity building to the local firms and sector unions/associations to enhance their performance and to create new market opportunities locally and in West Bank and/or Israel.

One critical challenge facing the tourism sector (as well as other sectors) is the lack of a stable electricity supply. USAID/Compete will work to introduce new technologies to militate against power shortages, by introducing alternative energy sources, such as solar panels and generators, where feasible.

#### ***Management Capacity Building for Select Firms***

USAID/Compete will identify select firms in need of targeted management capacity building and through its export development program, introduce new technology and equipment, develop and supply quality assurance systems, and lead select firms to potential sources of operating and investment capital.

USAID/Compete will also work with select firms in Group B sectors to help support the development of proper and efficient management systems, boost design and production capacity, and expand product offerings.

Management capacity building will be delivered primarily through the firm level assistance program.

#### ***Workforce Development***

The workforce currently serving the tourism, textile and garment and furniture sectors are lacking in the required qualifications and skills. USAID/Compete will work to improve technical and management skills, through targeted capacity building and training programs targeting the specific skill areas where gaps have been identified. This includes training in management, marketing, customer service, and hotel services.

The program will assess the possibility of supporting apprenticeship programs or vocational training initiatives, and support to sector enterprises in strengthening marketing / promotion capacities.

### **Capacity Building for Business Associations and Service Providers**

As part of the program’s Component B, USAID/Compete will work to strengthen business associations in Gaza to enhance their ability to service and represent their respective sectors. The program will work to support select associations and unions, with a variety of institutional capacity building support. The program will also work to enhance the capacity of business service providers, to enable them to more aptly fulfill the service needs of targeted sectors.

### **Work plan - Tourism, Furniture, and Textile and Garment Sectors**

The following table presents the challenges, planned interventions and illustrative activities for the tourism, furniture and textile and garment sectors in Gaza.

Challenge	Interventions	Illustrative Activities
Lack of access to market	Enhance access to market for select firms	<ul style="list-style-type: none"> <li>• Firm level technical assistance to support select firms in reconnecting to their local, regional and International markets.</li> <li>• Improve firms’ ability to produce specially designed products for target markets.</li> </ul>
Lack of quality assurance and management systems	Build management and quality capacity of select firms	<ul style="list-style-type: none"> <li>• Launch Export Development Program to build quality and production capacity of potential export firms.</li> </ul>
Lack of qualified and skilled workforce	Carry out workforce development for select firms	<ul style="list-style-type: none"> <li>• Provide targeted capacity building and training programs targeting the specific skill areas where gaps have been identified.</li> <li>• Assess the possibility of supporting apprenticeship programs or vocational training initiatives.</li> </ul>
Weak support institutions	Capacity Building for Business Associations and Service Providers	<ul style="list-style-type: none"> <li>• Assess the institutional capacity of private sector institutions and service provider supporting those sectors.</li> <li>• Offer tailored capacity building program to improve services offered to private sector firms.</li> </ul>

### ***Expected Results – Tourism***

This table lists the indicators developed as part of the program’s M&E plan, designed to measure progress in achieving results within the *tourism sector*.

<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Number of new jobs created as a result of USG assistance	MNG	30
Percent increase in sales of assisted Palestinian firms	MNG	10%

### ***Expected Results – Furniture***

This table lists the indicators developed as part of the program’s M&E plan, designed to measure progress in achieving results within the *furniture sector*.

<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Number of new jobs created as a result of USG assistance	MNG	15
Percent increase in sales of assisted Palestinian firms	MNG	15%
Value of exports of targeted furniture firms as a result of USG assistance	MNG	\$3,000,000

### ***Expected Results – Textile and Garment***

This table lists the indicators developed as part of the program’s M&E plan, designed to measure progress in achieving results within the *textile and garment sector*.

<b>Indicator Name</b>	<b>PMP Ind. type</b>	<b>Gaza Planned Value for FY5</b>
Number of new jobs created as a result of USG assistance	MNG	15
Percent increase in sales of assisted Palestinian firms	MNG	15%
Value of exports of targeted textile and garment firms as a result of USG assistance	MNG	\$1,000,000

## SECTION V: MONITORING AND EVALUATION

USAID/Compete has devised outcome and output indicators to measure progress of planned interventions towards meeting the intended targets. The program will be focusing its first year of operations in Gaza on building a solid foundation to enhance production capacity amongst targeted sectors, and on buttressing the infrastructure required to enable exports.

Performance Indicators also feed into the program's result framework and measure progress towards achieving the program's three intermediate results: 1) exports and investment increased 2) innovation of products and services increased, and 3) employment increased and job skills expanded.

Expected results include increases in the volume of incremental sales of USAID/Compete supported firms, with targets set at 10% for the tourism sector, and 15% for all other sectors. Other indicators are designed to measure sector growth and expansion influenced by USAID/Compete interventions, including the value of exports among targeted sectors, employment growth, number of new markets accessed, and for the agriculture sector in particular, the number of hectares under improved technologies or management practices.

For more detail, please see the proposed indicator matrix for Gaza, detailed in **ANNEX A** below.

Highlighted intended results include:

- Upgrade 40 wells and provide them with alternative energy options to enable 300 farmers to cultivate over 200 hectares;
- Support the fishing sector by establishing fingerlings production locally to support on shore and off shore fish farms. To increase local production by over 1000 tons;
- Support Herbs and Fresh vegetable sectors by establishing the nurseries needed to produce required varieties locally;
- Support establishing the packing houses and cold storage facilities to enable exports;
- Provide direct assistance to 200 firms across all sectors to improve productivity and quality;
- Provide training and internship programs to 250 persons;
- Value of exports to reach 11.5 million among all six Gaza sectors;
- Create 210 professional jobs and 1000 seasonal jobs;
- Create 3 new startups in the ICT sector.

## ANNEX A: PROPOSED PERFORMANCE MEASURES– GAZA

MI or OP	Indicator Name	Indicator Type	Data Disaggregation	Agribusiness	Fishing	ICT	Tourism	Textile and Garment	Furniture	Aggregates
OP	Value of exports of targeted agricultural commodities as a result of USG assistance	Outcome	-Type of products -Location	\$6,000,000	NA	NA	NA	NA	NA	\$6,000,000
OP	Number of hectares under improved technologies or management practices as a result of USG assistance	Outcome	-Type of products -Location	200	NA	NA	NA	NA	NA	200
OP	Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	Output	-Sex -Age -Location -Training Topic	120	NA	NA	NA	NA	NA	120
OP	Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	Output	-Type of products -Women-owned/managed firms -New / improved -Location	15	NA	NA	NA	NA	NA	15
OP	Proportion of female participants in USG-assisted program designed to increase access to productive economic resources (assets, credit, income or employment)	Outcome	-Type of economic resource -Age -Sector -Location	24%	NA	24%	24%	24%	24%	24%
OP	Number of ICT assisted start-ups that have developed products or signed contracts	Outcome	-Age -Women-owned/managed firms -Location	NA	NA	3	NA	NA	NA	3

MI or OP	Indicator Name	Indicator Type	Data Disaggregation	Agribusiness	Fishing	ICT	Tourism	Textile and Garment	Furniture	Aggregates
			-Type of products							
MI	Percent increase in sales of assisted Palestinian firms	Outcome	-Sector -Age -Women-owned/managed firms -Location	15%	15%	15%	10%	15%	15%	15%
MI	Value of exports as a result of USG assistance	Outcome	-Sector -Age -Women-owned/managed firms -Location -First time exporters	\$6,000,000	\$500,000	\$1,000,000	NA	\$1,000,000	\$3,000,000	\$11,500,000
MI	Number of new jobs created as a result of USG assistance	Outcome	-Sector -Age -Women-owned/managed firms -Location	70	30	50	30	15	15	210
MI	Number of new ICT start-up companies established	Output	-Age -Women-owned/managed firms -Location -Type of products	NA	NA	3	NA	NA	NA	3
MI	Total number of start-up capital raised by youth	Output	-Age -Women-owned/managed firms -Location	NA	NA	\$50,000	NA	NA	NA	\$50,000

MI or OP	Indicator Name	Indicator Type	Data Disaggregation	Agribusiness	Fishing	ICT	Tourism	Textile and Garment	Furniture	Aggregates
			-Type of products							
MI	Number of new markets accessed by assisted Palestinian firms	Outcome	-Sector -Women-owned/managed firms -Location	2	0	2	0	0	0	4
MI	Number of new or improved Palestinian products produced by assisted Palestinian firms	Output	-Sector -Type of products -New / improved -Location	15	2	NA	NA	NA	NA	17
MI	Number of youth gaining employment or better employment as a result of participation in USG-funded programs	Output	-Sector -Age -Women-owned/managed firms -Type of products	20	10	20	20	10	10	90
MI	Number of assisted private sector organizations and private sector service providers receiving USG assistance.	Output	-Women-owned/managed firms -Location	5	0	1	1	1	1	9
MI	Number of new services provided by targeted business service providers and business service organizations to targeted sectors by the project.	Output	-Women-owned/managed firms -Location	3	1	2	2	1	1	10
MI	Increase in exports and/or sales by women-owned/managed businesses and cooperatives as a result of U.S.		-Sector -Women-owned/managed firms -Location -Age							\$50,000

## ANNEX B: GAZA ANNUAL WORK PLAN SUMMARY, YEAR 1

Sector	Challenge	Interventions	Activity	Start date	End date	Estimated Budget (\$)
Agriculture-Cross Cutting	1. Access to water	1.1 Provide technical assistance to select firms to enhance access to water.	1.1.1 Assessment of current artesian wells status	Q1	Q1	██████
		1.2 Provision of equipment/inputs to enhance access to water.	1.2.1 Rehabilitate 40 artesian wells	Q2	Q4	████████
			1.2.2 Rehabilitate/install water collection structures	Q2	Q4	██████
	2. Access to Energy	2.1 Provide technical assistance to enhance access to alternative energy sources.	1.2.3 Rehabilitate irrigation networks	Q2	Q2	██████
			2.2 Provision of equipment/inputs to enhance uptake of renewable energy sources where feasible.	2.1.1 Develop financial Business plans for renewable energy alternatives	Q1	Q2
	3. Restrictions on inputs (dual-use and border closures)	3.1 Support local alternatives to restricted inputs.	2.2.1 Support installation of renewable energy systems (packing houses/cooling rooms)	Q2	Q4	██████
			3.1.1 Work with nurseries to produce seedlings, provide grafting training	Q1	Q3	██████
	3.1.2 Improve composting techniques					
	4. Lack of skilled workforce	4.1 Enhance capacity and skills among agribusiness workforce.	4.1.1 Conduct training/employment programs	Q1	Q3	██████
	5.1 Lack of quality standards	5.1 Help sector actors upgrade their quality standards.	5.1.1 Provide trainings and awareness programs	Q1	Q3	██████
5.1.2 Support the uptake of new quality systems such as Global Gap and ISO standards						

<b>Agriculture- Strawberry</b>	1. Lack of high value productions patterns	1.1 Introduce high production patterns	1.1.1 Develop business plans	Q1	Q1	████
			1.1.2 Introduce computerized hanging strawberry	Q4	Y2/Q4	████
			1.1.3 Introduce indoor (green house, tunnels) strawberry pilots	Q1	Q4	████
			1.1.4 Scale up successful pilots.	Q4	Y2/Q4	████
	2. Lack of strategic marketing company	2.1 Support marketing firms	2.1.1 Capacity building of existing exporters and cooperatives.	Q2	Q2	████
	3. Lack of proper post-harvest packing and cold chain facilities.	3.1 Upgrade post-harvest facilities and introduce freezing/processing facilities	3.1.1 Upgrade cooperatives' cooling rooms to support freezing and support strawberry industry facilities.	Q1	Q2	████
	4. Upgrade existing farms	4.1 Upgrade existing farms	4.1.1 Assess current farms status	Q1	Q4	████
			4.1.2 develop an upgrade program, for example upgrade irrigations network			
<b>Agriculture- Fresh Herbs</b>	1. Insufficient supply and incomplete herbs basket	1.1 Scale up Fresh Herbs farms and introduce new crops	1.1.1 Scale up fresh herbs farms and introduce new crops (This will be addressed through FLAP)	Q1	Q3	████
	2. Lack of high value productions patterns	2.1 Introduce New technologies	2.1.1 Introduce computerized irrigation systems. (This will be addressed through FLAP).	Q1	Q3	████
			2.1.2 Upgrade nurseries			
	3. Lack of proper post-harvest packing and cold chain facilities.	3.1 Enhance post-harvest facilities	3.1.1 Assess current status of post-harvest facilities and address gaps. For example; cooling rooms to accommodate all herbs varieties (This will be addressed through FLAP).	Q1	Q4	████
			3.1.2 Develop Business Plan			
			3.1.3 Upgrade Existing facilities			
3.1.4 Introduce new facilities						

<b>Agriculture- Fresh Vegetables</b>	1. Lack of high value productions patterns	1.1 Introduce new products and technologies	1.1.1 Introduce forward contracts.	Q1	Q1	████
			1.1.2 Upgrade existing green houses that target export. This will be addressed through an export assistance program	Q2	Q3	████
	2. Lack of proper post-harvest packing and cold chain facilities.	2.1 Enhance post-harvest Facilities	2.1.1 Assess the current status of the facilities	Q1	Q3	████
			2.1.2 Develop business plan			
			2.1.3 Upgrade existing facilities			
			2.1.4 Introduce new technologies			
	3. Lack of vegetable industries	3.1 Establish Vegetable industries	3.1.1 Identify and asses relevant vegetable industries.	Q1	Q1	████
			3.1.2 Develop business plans	Q1	Q4	████
			3.1.3 Support the establishment these industries (This will be addressed through FLAP).			
	<b>Total</b>					

<b>Sector</b>	<b>Challenge</b>	<b>Interventions</b>	<b>Illustrative Activities</b>	<b>Start date</b>	<b>End date</b>	<b>Estimated Budget (\$)</b>
<b>Fishing</b>	1. Inadequate ports, facilities, fishing kits and tools for sea fishing and lack of maintenance materials for boats.	1.1 Provide sea fishermen the tools and facilities needed to strengthen and support productivity.	1.1.1 Provide sea fishermen with tools, nets, spare parts.	Q1	Q4	████
			1.1.2 Support one boat maintenance shop to be able to provide services to fishermen.			
	2. Lack of fingerlings and lack of access to capital for on shore fish farms.	2.1 Strengthen and support on shore farming	2.1.1 Develop business plan.	Q1	Q4	████
			2.1.2 Scale up onshore farms.			
			2.1.3 Introducing fingerling production.			
	3. Difficulty in securing the required permits for in sea fish farms, lack of training for staff, and inadequate port facilities.	3.1 Support the establishment of off shore farms	3.1.1 Support offshore production (training, equipment, infrastructure)	Q1	Q2	████
<b>Total</b>						████

Sector	Challenge	Interventions	Illustrative Activities	Start date	End date	Estimated Budget	
ICT	1. Business instability due to public infrastructure, market disconnect and weak business tools	1.1 Provide technical assistance to stabilize operations	1.1.1 Provision of equipment to compensate for power failure	Q1	Q4	██████	
			1.1.2 Upgrade company infrastructure to stimulate business (Quality systems, Software, Hardware )	Q1	Q4	██████	
	2. Lack of a qualified workforce	2.1 Provide workforce development	2.1.1 Support in-house apprenticeship programs to increase employment	Q1	Q4	██████	
			2.1.2 Upgrade the capacity of training centers to offer new skillsets in the markets	Q1	Q4	██████	
			2.1.3 Provide business and management skills training	Q2	Q4	██████	
	3. Limited access to market	3.1 Enhance access to market	3.1.1 Launch Export Market Development Program in Gaza	Q1	Q4	██████	
	4. Limited Pipeline of startups	4.1 Provide Technical Assistance to help increase start-ups.	4.1.1 Provide technical support to incubators / accelerators in Gaza to increase quality of startups	Q2	Q4	██████	
			4.2 Enhance access to finance at seed funding level	4.2.1 Create Business Angel Group for Gaza and/or facilitate linkages with existing groups	Q2	Q4	██████
	<b>Total</b>						██████

Sector	Challenge	Interventions	Illustrative Activities	Start date	End date	Estimated Budget (\$)
<b>Tourism, Furniture, Textile and Garment</b>	1. Lack of access to market	1.1 Enhance access to market for select firms	1.1.1 Firm level technical assistance to support select firms in reconnecting to their local, regional and International markets.	Q1	Q3	██████
			1.1.2 Improve firms' ability to produce specially designed products for target markets	Q2	Q4	██████
	2. Lack of quality assurance and management systems	2.1 Build management and quality capacity of select firms	2.1.1 Launch Export Development Program to build quality and production capacity of potential export firms.	Q1	Q3	██████
	3. Lack of qualified and skilled workforce	3.1 Carry out workforce development for select firms	3.1.1 Provide targeted capacity building and training programs targeting the specific skill areas where gaps have been identified.	Q1	Q3	██████
			3.1.2 Assess the possibility of supporting apprenticeship programs or vocational training initiatives,	Q2	Q4	██████
	4. Weak support institutions	4.1 Capacity Building for Business Associations and Service Providers	4.1.1 Assess the institutional capacity of private sector institutions and service provider supporting those sectors.	Q1	Q2	██████
			4.1.2 Offer tailored capacity building program to improve services offered to private sector firms.	Q1	Q2	██████
	<b>Total</b>					