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Palestinian Enterprise Development (PED) Project

Quarterly Report (July 1 – September 30, 2007)

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Eighth Quarterly Report

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EIGHTH QUARTERLY REPORT

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

EXECUTIVE SUMMARY

During this quarter DAI/PED successfully arranged for Mr. Mark Ward's visit, *Senior Deputy Assistant Administrator for the Asia and the Near East Bureau*, which took place on August 15, 2007. Mr. Ward met with Palestinian public sector represented by ministers Dr. Samir Abdallah, Mr. Riyad Malki, Mr. Kamal Hassouneh, in addition to Mr. Naser Tahboub and Mr. Maher Masri. Later, Mr. Ward met with the Palestinian private sector represented by Mr. Mazen Sinokrot, Mr. Talal NassrEddin, Ms. Maha Abu Shusheh, Mr. Mohammed Takrouri and Mr. Hasan Abu Libdeh. In addition, Mr. Ward visited Birzeit Pharmaceutical Company.

A total of USD 467,751.00 in grants was awarded during this quarter. Three (3) grants were awarded under the Institutional Development Program to the Association of Banks in Palestine (ABP), the Hebron Association for Agricultural Products (HAAP), and to Al Majd Women Association. One (1) grant was awarded under the Services Program to the Palestine Trade Center (PalTrade).

DAI/PED's Business Development Services (BDS) unit continued this quarter to deliver technical assistance to a number of small businesses, start ups and cooperatives. A total of ten (10) firm level letters of agreement (FLs) were closed by submitting deliverables to the clients. Delivery of technical assistance continued for another eight (8) firms mainly in the pharmaceutical industry. Furthermore, the financial facilitation task was activated through engaging with Al Rafah Bank to identify possible cooperation by working on a micro cases referred by the bank.

DAI/PED witnessed a quarter with a lot of activity related to the Employment Generation Program. Three (3) Graduation Days were held for around 207 apprentices that completed the one-month training with EGP programs with the ABP and PITA in the West Bank and Gaza Strip. Also, the EGP-PFI was launched in both the West Bank and Gaza, where a total of ninety-six (91) apprentices are expected to be complete their training under this program.

DAI/PED lead by the CoP held meetings with USAID CTO to discuss the project direction and proposed a work plan after the lift of the no contact policy with the Palestinian government. To this end, DAI/PED received a formal letter from the *Palestinian Minister of Health*, Dr. Fathi Abu Mughli, requesting assistance in building the capacity of the Drug Registration and Control Department in the Ministry. Several meetings were held with related parties to work out the details of this program.

During this quarter DAI/PED re-engaged with the Palestinian American Chamber of Commerce (PACC) through conducting a fruitful meeting with Mr. Douglas Walles and Mr. Suhail Gedeon, in which they discussed restructuring and capacity building programs.

This quarter was marked with a significant momentum of a number of in-country STTAs including:

- Mr. Alan James, *Communications and Marketing Expert*, who supported DAI/PED staff in developing the project communications and PR tools, designed and launched a number of activities with client institutions including the Union of Palestinian Pharmaceutical Manufactures (UPPM) and the Palestinian Federation of Industries (PFI).

- Dr. Arun Walvekar, *Industrial Consultant*, who supported the process of building the capacity of PFI/IMC to manage the center services program and assisted DAI/PED and IMC staff with preparing and conducting some of the training material for EGP-PFI
- Dr. Charles Krakoff, *Private Enterprise Assessment Team Leader*, Dr. Rob Dressen, *Microfinance and Banking expert*, and Dr. Ulrich Ernst, *Economist*, a team who worked with the M&E unit on the Enterprise Development Assessment initiative aiming to assess the status and needs of the Palestinian private sector.
- Mr. John Clapham and Mr. Philip Nicolini, *Validation Consultants*, continued to work on phase II of the Pharmaceutical Validation Consultancy Program, providing the local pharmaceutical companies in the West Bank with technical assistance.
- Ms. Karen Campbell, *Senior Grants Consultant*, worked with DAI/PED on overseeing and reviewing the grant process and the grants manual to ensure compliance with USAID requirements.

PROGRESS BY COMPONENT

Component 1: Improving the Business Operating Environment

During the period between July and September, 2007 the Business Development Services (BDS) Unit was engaged in the following activities.

1. Firm Level Technical Assistance and Training

- The BDS Unit continued to deliver firm level technical assistance to a number of vetted companies in the West Bank and Gaza Strip. Ten (10) firm level letters of agreement (FLs) were closed that involved ISO 9001:2000 Gap Analyses, Business Plan and Feasibility Studies deliverables. Delivery of technical assistance continued to another eight (8) firms mainly in the pharmaceutical industry.

2. Financial Facilitation

- DAI/PED provided the National Hotel in Jerusalem with a Business Plan to facilitate external financing of USD 8 million. The National Hotel is a USD 23 million planned business, providing different hotel services, restaurants, office space for rental, and many other services.
- During this quarter the BDS unit advisors conducted several meetings with Al Rafah Bank to identify possible cooperation by working on a micro cases referred by the bank. Al Rafah anticipates referring larger cases to PED (> USD 10,000) to provide technical assistance services for financial facilitation purposes. As to initiate this cooperation the BDS unit advisors assisted Al Rafah Bank loan officer to conduct an in depth analysis of the loan proposal for a carpentry business.

3. Employment Generation Programs (EGP)

- During this quarter, DAI/PED continued to work with the seven (7) institutional clients implanting EGP programs in the WBG. The following are the main highlights of the program:
 - **EGP-ABP:** Total employment under this program so far is thirty-six (36) apprentices, of which twenty-three (23) are employed in banking institutions, and thirteen (13) are employed in other sectors.
 - **EGP-PITA:** Seventy-nine (79) apprentices, forty-two (42) in the West Bank, and thirty-seven (37) in Gaza Strip were trained and Graduation Ceremonies were held in Ramallah on August 2, and in Gaza on August 16. Two (2) "*ICT Business Leadership Day*" were organized by DAI/PED in cooperation with PITA, for the fresh graduates selected as apprentices in the EGP-PITA program in WBG. The events were attended by CEOs and leaders of IT industry and private IT companies.
 - **EGP-PalTrade:** On August 9, eighty (80) apprentices in the West Bank completed their training under this program. The Curriculum Vitas of the apprentices were compiled, and a CV book was produced to facilitate the process of placing the trained apprentices in private sector firms.

- **EGP-WIU:** Total employment under this program so far was increased to fifty-four (54) apprentices (13 female and 41 male). DAI/PED management met with WIU team on September 25, to review the grant and evaluate the performance, results achieved, the challenges, and next steps. Moreover, the program second evaluation process, which, included evaluation by apprentices, clients, and project coordinator was completed and WIU submitted an evaluation report to DAI/PED.
 - **EGP-PCIU:** Total employment under this program so far was increased to fifty-two (52) apprentices. DAI/PED management met with PCIU team on September 25, to review the grant, and to evaluate the performance, results achieved, challenges, and next steps.
 - **EGP-PFI:** The program was launched in the WBG on September 2 and 27, 2007 for ninety-four (94) apprentices. DAI/PED staff worked with PFI on the selection process, scheduling the training program, following up on logistics, as well as preparing the training material, and conducting the training workshops.
- The BDS unit, in cooperation with the clusters unit, started the process of designing the Employment Generation Training Program targeting 1500 fresh graduates. The training program covers several areas such as: finance, marketing, operations, design and association management.

4. Small and Underserved Business Support Services (SUBS)

- The BDS unit is still receiving inquiries requesting services from the Small Business Support Center. The BDS unit made a rapid primary assessment for the assistance needed, and gathered the vetting information for additional potential DAI/PED clients. This increased the number start-up and existing businesses in the pipeline to a total of eighty-four (84). Providing technical assistance for these clients is pending vetting clearance.
- **Programs with Women Cooperatives**
 - ***That Al Nitaqain Women Cooperative of Aseera Al Shamaliyyah (TANWA):*** The BDS unit followed up on the procurement process under the in-kind grant given to the association, to assure compliance with DAI/PED and USAID regulations. Some equipment was already delivered to the, however the kitchen equipment procurement is still pending waiver approval from USAID.
 - ***Hebron Association for Agricultural Products (HAAP):*** A number of items under the in-kind grant were delivered to the association including glass door, kitchen cabinets, computer, printer, and the digital camera. Purchasing the rest of the equipment is pending waiver approval from USAID.
 - ***Al Majd Women Cooperative:*** a) The Technical Assistance and Capacity Building Program governed by LoA-PED-GZ0043 was completed by submitting a number of deliverables including cost analysis, institution profile, and website design. b) The training component governed by the Institutional Development In-kind grant awarded to this organization was completed. DAI/PED team delivered five (5) workshops, attended by around twenty (20) employees of the association, covering Basic Network, Essentials and Office Management (ICDL), Proposal Writing and Fundraising, Business Communication and Writing Skills and Effective Office Management. c) A number of items governed by the Institutional Development In-kind grant were delivered to the

association including Furniture, Water Tank Stand and decorations. Purchasing the rest of the equipment is pending waiver approval from USAID.

4. Institutional Development (ID) Program with Business Institutions

- ***PITA ID Program*** - A new Letter of Agreement (LoA) was signed with the Palestinian Information Technology Association of Companies (PITA) for “Institutional Capacity Upgrade Program”. Several meetings were conducted with the association Executive Director and team to work out details of the activities and agree on an implementation schedule. Work is in progress in developing a number of deliverables under this agreement are expected to be delivered to the association in the coming months.
- ***PCIU ID Program*** - DAI/PED Institutional Development Advisor has been working with PCIU team on developing ToRs for PCIU website and product catalogue as well as on developing a questionnaire to collect data for the product catalogue. DAI/PED management met with PCIU team on September 25, to review the grant and evaluate the performance, results achieved, the challenges, and next steps. The office furniture governed by the ID In-kind grant awarded to PCIU was delivered to the union. Purchasing the equipment is pending waiver approval from USAID.

Component 2: Supporting the Growth of Competitive Industry Clusters

During the period between July and September 2007, the Clusters Unit was engaged in the following:

- **Pharmaceutical Validation Program**
 - Phase II of the Pharmaceutical Validation Consultancy Program, which came as a result of the successful completion of phase I of the program, was completed in September. Two (2) Validation Experts, Mr. John Clapham and Mr. Philip Nicolini from Pharmaceutical Services Corporation (PSC) provided the five (5) local pharmaceutical companies in the West Bank with technical assistance in various validation areas including on-sites visits and review and setting approved validation formats.
- **Private Hospitals Assessment Study**
 - DAI/PED completed the Palestinian Private Hospitals Assessment Study covering fourteen (14) hospitals in West Bank and Gaza Strip, which was conducted by ID Management Consultants. The study aimed at understanding the existing strengths, weaknesses, and potentials of this private sector to grow, provide and sustain better quality health care services to Palestinian people on the basis of free market dynamics. A comprehensive report on the sectoral level of this study was Submitted to USAID.
- **Ministry of Health (MoH) Capacity Building:**
 - This quarter marked the activation of contacts with the Ministry of Health. DAI/PED staff held several meetings with MoH to discuss Good Manufacturing Practices (GMP) certification for local firms, improving the GMP inspection mechanism, the GMP manual prepared by the Ministry and its suitability with the current industry status. In addition, DAI/PED along with Dr. Fathi Abu Mughlhe, *Minister of Health*, explored possibilities of

building capacity in the MoH in areas of GMP inspection mechanisms through the assistance of Mr. Alan Parks, *GMP Expert*.

▪ **Institutional Capacity Building Program with the UPPM**

- DAI/PED Institutional Development Advisor continued to work with the union Board of Directors and Executive Manager on implementing various activities associated with the institutional capacity building program. To this end a breakthrough meeting with the UPPM BoD took place aimed at presenting and discussing the developed Best Practices systems and procedures for UPPM. Received feedback was positive and the system was approved and adopted by the union.

▪ **Medicines Consumption and Supply Study**

- DAI/PED completed the Medicines Consumption and Supply Study designed to serve as a baseline for studying the local pharmaceutical market in terms of consumption needs, key indicators and trends for medicine, and their coverage by local manufacturers. A total of 277 pharmacies (181 West Bank and 96 Gaza Strip) were visited during this study for data collection. A comprehensive report of the findings and recommendation of this study was submitted to USAID.

▪ **Programs with the Palestinian Federation of Industries (PFI)**

- **PFI - ID Grant:** During this quarter, work is in progress for a number of activities associated with this grant, including:
 - Formation of a standing committee of the board members “Institutional upgrading committee” to follow the progress achieved on this front.
 - Developing and presenting a number of modules for organization charts and functional areas of performance. To this end, PFI Board adopted a new organization chart and a team was assigned from PFI supported by DAI/PED to review and develop PFI’s Best Practice Systems.
 - Conducting two-hour awareness workshop on Brands Management for PFI staff as part of their image building activity. The workshop was lead by Mr..Alan James, *Communications and Marketing expert*.
 - Purchasing office furniture for PFI offices in the West Bank and Gaza Strip, while equipment procurement is still pending waiver approval from USAID
- **PFI IMC Grant -** During the this quarter, a wide range of activities were conducted with PFI/IMC staff members, in cooperation with BDS unit and the STTA Dr. Arun Walvekar, *Industrial Consultant*, including:
 - Conducting four (4) “Awareness Workshops on IMC in Services” in Nablus, Bethlehem, Ramallah and Gaza, aiming to provided an overview of the IMC Services Program and introduced the importance of competitiveness for business survival and growth. The total number of participants in these workshops is more than 145 managers and owners of different SMEs.
 - Building the capacity of PFI/IMC in both the managerial and technical aspects of running a technical assistance services program.

Component 3: Energy Sector Policy Reform

- Under PED's modified SOW, this component and its corresponding tasks were suspended.

Component 4: Design and Manage a PED Grant Fund

The Grants Management Unit (GMU) was engaged in the following activities this quarter:

- DAI/PED awarded a total amount of **USD 2,350,238.00** in the following grants categories:
 - 1. In-Kind Grants: Institutional Development Programs** - Three (3) grants worth USD 82,905.00 were awarded under this category to the following institutions:
 - a. A grant worth USD 25,000.00 to the Hebron Association for Agricultural Products (HAAP) which was signed on July 7, 2007.
 - b. A grant worth USD 10,905.00 to Almajd Women Association in Gaza, which was signed on July 7, 2007.
 - c. A grant worth USD 47,000.00 to the Association of Banks in Palestine (ABP) which was signed on September 24, 2007.
 - 2. Standard Grants: Service Programs** - One (1) grant worth USD 384,846.00 was awarded to the Palestine Trade Center (PalTrade), which was signed on July 18, 2007.
- This quarter the total of reimbursements went up to USD 486,740.00 after several reimbursed for the benefit of different grantees, bringing the grants burn rate to 20.29 percent.

Component 5: Private Sector Monitoring and Assessment

During this quarter the Monitoring and Evaluation (M&E) unit was engaged in the following activities:

1. Humanitarian Crisis Monitoring Activity

A meeting with Mr. Lorenz Pohlmeier, *Temporary International Mechanism (TIM) representative*, was held on July 12, to discuss the RS and HS survey results.

The Food Retailers and Other Critical Consumables Monitor Survey (RS) - Phase 2: Upon a request from USAID, additional rounds of the RS survey were conducted in Gaza Strip to monitor the impact of the recent events on the prices and availability of basic goods. The following are the details:

- RS 26 was conducted on July 1, 2007. A report was produced and submitted to USAID on the same day.
- RS 27 was conducted on July 8, 2007. A report was produced and submitted to USAID on the same day.
- RS 28 was conducted on July 15, 2007. A report was produced and submitted to USAID on the same day.
- RS 29 was conducted on July 19, 2007. A report was produced and submitted to USAID on the same day.

The Household Monitor Survey (HS): The Household Survey (HS) report was produced by Dr. Douglas Krieger, *Senior Economist*. The report was submitted to USAID after being circulated among PED staff for review. The survey that included 1,600 households, in the West Bank and the Gaza Strip, was conducted in May, 2007. The main focus areas of the survey include: income, education, employment, coping strategies, and donor assistance.

2. **The Enterprise Development Assessment**

The Enterprise Development Assessment is a new task undertaken by DAI/PED aimed at assessing the status and the needs of the private sector, exploring possible opportunities for growth and development, and coming up with suggested interventions and programs to USAID. The activity started by the arrival of Dr. Ulrich Ernst, *Principal Economist at DAI Headquarter*, on July 18. Dr. Ernst worked with M&E staff on the following:

- Reviewing of DAI/PED's original and modified work plans, the impediments, and the results up to date.
- Reviewing of various publications and reports from other institutions and projects such as the World Bank and USAID.
- Conducting several meetings and visits to institutions, companies, and agencies from the private and public sectors in order to conduct the Macro level assessment.

During the month of August, the assessment team concluded the second phase of the Enterprise Development Assessment mission. The assessment team consisted of: Mr. Charles Karkoff, *Team leader*, Mr. Rob Dressen, *Microfinance and Banking Expert*, and Dr. Ulrich Ernst, *Economist*. In the light of the team's findings, a skeleton of the final assessment report was designed, including a draft financial section which was circulated to DAI/PED staff for review and discussion. Finally in September, Mr. Charles Krakoff, *Private Enterprise Assessment Team Leader*, drafted the Enterprise Development Assessment report on the team's findings, and held a meeting with USAID on September 12, to present the report and brief them on the assessment.

3. **Businesses Relocation Survey**

DAI/PED, in response to a request from USAID, continued to assist the Mission in monitoring the impact of the latest conflict on the availability and prices of basic goods through conducting four rounds of the Retailers Survey in Gaza Strip. Also, DAI/PED produced and submitted to USAID a report on Business Relocation analyzing data gathered on forty-three (43) firms in the West Bank and Gaza Strip in response to the current economic crisis. A sub-report focusing on the garment and textile industry was also produced and submitted to USAID.

4. **Other Activities:**

- A meeting with the USM director and board members was held on July 25. The meeting aimed at discussing the problems facing the Stone and Marble sector and its needs. To this end, it was agreed to re-visit the related section on the Stone and Marble Industry in DAI/PED's Cluster Competitiveness Assessment Report in order to initiate a discussion on potential future cooperation.
- During this DAI/PED intensively worked on developing the project communications and PR tools including a website and a brochure. Both the website and brochure were sent to USAID to obtain approval before officially launching the website or printing the brochure.