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Quarterly Report January-March 2011

Enterprise Development and Investment Promotions Project (EDIP)



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Enterprise Development and Investment Promotions
Project (EDIP)

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

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Executive Summary

The Enterprise Development and Investment Promotion (EDIP), implemented by CARANA Corporation, is a three-year USAID funded project devoted to the development of all Palestinian economic sectors that foster rapid economic growth and employment. EDIP started its operations in October 2008, and will continue until September 2011. EDIP has the capacity to assist institutional development by providing technical assistance, supporting the development of market linkages, encouraging policy reforms and accessing grant funding for individual firms. EDIP's mission is to create partnerships with successful Palestinian private-sector businesses that can quickly advance business growth by benefiting from technology transfers, access-to-market linkages and access to equity capital.

The EDIP project has shown excellent progress toward accomplishing its goals. The team is adept at assessing local companies' capacities to meet the requirements of the global marketplace, and has shown that by providing market assistance, improving the value-chain approach, and making adjustments in packaging, marketing, and moving toward export promotion, Palestinian businesses can be globally competitive. It has also helped Palestinians expand their business relationships and market opportunities by supporting their attendance at trade shows, exhibitions, conferences and business-to-business meetings.

The highlights of the project this quarter include the following:

- Olive Oil demonstration farms were started in Asira Al Shamalia (Nablus) and Arora (Ramallah).
- Eleven farmers in the Jordan Valley continue to harvest tomatoes and peppers for export worth \$508,000 as part of the Agri-Export Supply Chain Development project (AESCD).
- Rapid response actions were taken with the Ministry of Agriculture/PA and USDA to avoid an export ban to the US for herb farmers in the Jordan Valley due to pest control problems.
- Meat and dairy safety gap analysis completed for six of the seven companies EDIP targeted.
- EDIP helped successfully launch and host Apple Days in Ramallah, the first official Apple event in the West Bank.
- The Microsoft Research Center Project continues to gain traction with five Palestinian ICT professionals hired by Microsoft to work on three ongoing projects with members of the Microsoft Innovation Lab.
- EDIP began implementing the Salesforce.com (Foundation) Project with local partner, Idealist Consulting Company, to develop local abilities to deliver Cloud Computing solutions in the Arab market.
- The Marmomacc StonExpo in Las Vegas, NV ended successfully with each of the five Palestinian companies taking in between 80 and 100 business leads, and projected sales over \$3.9 million.
- An AGIP Roundtable was held at the Palestinian Polytechnic University to establish strategic priorities for the stone and marble sector.
- EDIP continues to explore how to address the stone quarrying issue in Beit Fajjar (Area C) in terms of permitting and legal rights.
- EDIP and USAID continued to make a significant contribution to the success of this year's Christmas festivities with a unique transportation initiative linking Arab-Israelis from Nazareth and various communities in Galilee with Bethlehem in the West Bank during the holiday season.
- Mazmoriah and Gilo checkpoints to/from Bethlehem remain open for tourist buses following discussions and input provided by SEMEP, OQR and EDIP.
- EDIP kicked-off its efforts to redefine the Bethlehem Tourism Experience through the formation of a Tourism Working Group to develop a strategic plan for the tourism sector.
- Three new business analysis reports (BARs) worth \$550,000 were presented to the PIP program.
- 394 Greenhouse Units and 294 Drip Irrigation Systems have been installed in Gaza.

Project Goals

The United States Agency for International Development (USAID)/Enterprise Development and Investment Promotion (EDIP) project supports Palestinian companies, private-sector organizations and government institutions to identify new markets for Palestinian products and increase exports to regional and international markets. EDIP follows a market-led strategy, connecting Palestinian firms with global markets, using the ensuing market feedback to identify constraints to competitiveness, and then targeting project resources to provide solutions.

EDIP's overarching goal is to foster partnerships with successful Palestinian private-sector firms that can quickly advance business growth by benefiting from technology transfers, access to market linkages and access to equity capital. The EDIP project is tasked with two specific assistance objectives:

- AO 1 – Increase private-sector productivity
- AO 2 – Improve the business-enabling environment

The main outcome objectives for the project are increased export growth and employment generation in the West Bank as well as the attraction of direct foreign investment.

Approach

EDIP initiatives include partnering with international investors and buyers and pioneering domestic firms to access markets, transfer technical know-how, and increase private-sector production and processing capacity. They also include working with government and private-sector institutions to address policy gaps and providing technical support for firms to meet basic market requirements and achieve international certifications.

EDIP supports Palestinian membership in industry associations and participation in international trade shows to gather market intelligence and network with potential buyers and investors. The project also addresses value-chain constraints, such as the high cost of transport and logistics, and creates financial models for products as they move through the value chain. Lastly, EDIP is working to facilitate access to finance by packaging projects for local banks and other investors and preparing business analyses for grants under the Palestinian Investment Promotion (PIP) program for 35% cost-share financing of fixed assets.

EDIP concentrates its efforts on five critical sectors of the Palestinian economy: agribusiness and specialty food, ICT, pharmaceuticals, stone and marble, and tourism.

Progress by Sector

Agribusiness and Specialty Food Sector

Through their attendance at international trade shows, representatives of Palestine have built strong relationships in recent years with importers and distributors in the US and Europe for products including cherry tomatoes, dates and pickled vegetables. Their market success has translated into a new obstacle: lack of supply to meet the growing demand. EDIP is now focusing project resources on expanding production capacity, assisting new farmers with the transition to greenhouse cultivation and GlobalGAP certification, and structuring financing packages with local investors such as PIF and PalGardens to increase the size of existing operations.



Trainings, workshops and presentations

Agricultural finance

Agri-Export Supply Chain Development (AESCD) Project

As part of its economic growth program, USAID, along with Palestinian agribusiness leaders, has developed a strategy to increase the presence of Palestinian-produced fruits and vegetables in international markets. A key element in exploiting international markets is to develop a consistent, high-quality raw product supply chain. At present, limited volume in the supply chain is the primary constraint to market development.

With this in mind, the Enterprise Development and Investment Promotion (EDIP) launched the Agri-Export Supply Chain Development activity (AESCD) to strengthen the Palestinian fruit and vegetable supply chain by working with growers, packers and shippers to increase produce volumes through increasing farm output directed toward export market channels, improving raw product quality to meet international standards and build trust between stakeholders in the value chain.

The AESCD project activities included meeting with farmers' cooperatives and farmers to present the project and site visits to identify potential beneficiaries. Once beneficiaries were selected, EDIP determined the necessary cost-share and selected a supplier to provide necessary agriculture inputs (tomato chairs, seedlings, compost, bamboo poles, shading nets, plastic boxes, etc.) to grow targeted crops, loose cherry tomatoes (Variety 522) and red and yellow bell peppers (Charisma and Dynamo varieties).

Project agronomists and the manager are currently following-up with technical assistance throughout the plantation cycle, plant maintenance, pre-harvest, harvest and post-harvest periods.

Additionally, EDIP is extending GlobalGap certification for those farmers, who already meet these important export criteria, and is training and preparing those that do not have GlobalGap for certification. The farmers will pay for the actual certification as a cost share to the program.

Progress has been notable despite the lack of rain, with the cherry tomatoes showing good growth and the bell peppers growing rapidly.

The first harvest for export by the eleven farms occurred during the second week of December. With the onslaught of "tuta absoluta" (tomato leaf miner) insects damaging crops in Senegal and elsewhere in competing markets, as well as the early winter in Spain and Europe, large exporters of both bell peppers and cherry tomatoes, EDIP is projecting high yield and elevated prices.

The cherry tomatoes are garnering 6.69 (all inclusive) NIS per kilogram on the international market. Bell peppers should achieve 4.81 (all inclusive) NIS per kilogram on the international market. These prices will provide a large margin and suitable profit for the farmers. The majority of the AESCD crops are being exported to the European Union and Russia. Net success under the first phase of this AESCD pilot project should help alleviate doubts the farmers in the Jordan Valley have had about catering to an export market.

Produce	Export Markets			Local Markets			Total Sales (NIS)
	Quantity (kg)	Avg. Price (NIS/kg)	Total export sales (NIS)	Quantity (kg)	Price (NIS/kg)	Total Local sales (NIS)	
Cherry Tomato	202000	6.69	1352000	26500	2.490566038	66000	1418000
Bell Pepper	26000	4.81	125000	59000	3.98	235000	360000
Totals	228000		1477000	85500		301000	1778000

Partnerships

Jordan Valley Field Visits

In January, EDIP briefed representatives from SEMEP at the American Consulate on its progress to date and major challenges facing the tourism and agriculture sectors. Movement and access issues surrounding tourism development in Bethlehem were explored. In farming, EDIP's price guarantee fund in the Jordan Valley for cherry tomatoes and green peppers is yielding export quality produce for Europe and Russia. SEMEP's Sahar Khoury-Kincannon and EDIP Agriculture Sector Manager Imad Kamahawi visited the Jordan Valley to review the ongoing issue of water access and quality for farmers in Area C.

In February, EDIP and USAID's Ghassan Al Jamal conducted a field visit to the Jordan Valley last week. The objective was to identify locales for future USAID/SEMEP agriculture interventions in Area C in the Jordan Valley. Five areas for interventions were identified: Froush Biet Dajan, Tammon Plains, Jiftlek, Fassaiel and Al Uja. These five areas possess farms that have great potential for further development and production but are hindered by political considerations that prevent access to adequate water, electricity, transport, and permitting.



In March, USAID/WBG PEO Director John Crihfield conducted a field visit to the Jordan Valley with representatives from the EDIP Project. The group visited sites that have received USAID assistance through EDIP and continue to work closely with the project, including: Madico Date Packing Plant, PalGardens Packing Plant, Nusseibeh Farms and Nimer Farms, as well as a desalination unit near Jericho and the Aluja Earth Dam

construction site. Madico received technical assistance from EDIP in the form of a business plan and BRC and Global Gap Certifications, as well as a grant from the Palestinian Investment Partners (PIP) program for washing and sorting equipment.

Area C Farming Issues Discussed

The Head of the Civil Administration Moti Almoz, Agriculture Officer Samir Moadi, Israeli and Palestinian DCO Officers and the Head of the Jericho Agricultural Department, and EDIP representatives took a joint tour of Jordan Valley farms. The tour commenced at Amid Masri's farm followed by a visit to Imad Nussaibeh's farms and terminated at Palgardens. The objective of the tour was to identify Area C-related issues that should be addressed by the Civil Administration. The main issues discussed were permits for fertilizers (dual use), access to the electricity grid, building permits, access roads, movement of export produce at border crossings and the military check points in the Valley. The Israeli delegation assured the Palestinian side that all these issues will be addressed shortly.



Olive Oil Pilot Project

Palestine's geographical location provides an adequate climate that enables farmers to produce high value extra virgin olive oil. To date, Palestinian producers and exporters have been less successful in capitalizing on high value markets (EU, USA and Russia). During the next quarter, EDIP in partnership with Peres Center will support Olive Oil Presses, farmers and agriculture engineer through an intensive training course. The course includes both theoretical and field training along the cultivation cycle from land preparation to post harvest activities. These

courses will assist Palestinian participants to increase export produce to these high value export markets, hence increase their incomes and create jobs.

Training course experiences and knowledge will also be applied at the "Olives and Olive Oil Demonstration Farms" EDIP is organizing. The purpose of the project is to show the effect of specific agriculture inputs on olive production in terms of both quantity and quality. Two demonstration farms will be established in Asira Al shamalia, in the Nablus Governorate and in Arora, Ramallah Governorate. The farming area will be approximately 20 dunums at each location. Farmers in both locations will be trained on applying best practices in olive cultivation leading to an increase in yield and quality resulting in improved production for the local market as well as potential for export.

Pest Control

The Palestinian fresh herb exporters to the US were facing major sanctions but have been given an extension until April 5, 2011 to adhere to APHIS standards. Concern was raised on August 12, 2010 and was then followed by the revised requirements of the USDA on February 16, 2011. APHIS is especially concerned that infested shipments possessing phytosanitary certificates issued by the PA continue to arrive at US ports of entry. EDIP working closely with the Palestinian MoA intervened and worked with the MoA and USDA to find a solution to the pest infestation problem.



In March a critical meeting was held among the Plant Protection and Inspection Services (PPIS) from Ministry of Agriculture and Rural Development (State of Israel), the Ministry of Agriculture (Palestinian Authority) and

EDIP representatives. Ameet Mezrahi from PPIS gave a power point including: the history the export of Israeli fresh herbs to the USA, PPIS system implementation for the Grower, Exporter, Extension, National Plant Protection Organization (NPPO), and the USDA, the technical role and inspection procedure of the NPPO. Currently, the inspection procedure is carried out at the farm level and at the phytosanitary center and the certificate is issued at the port of exit (the packing house in the case of the PA). EDIP is working closely with the Ministry of Agriculture to implement inspection procedures and necessary fumigation measures to ensure compliance with APHIS standards in order to continue export to the US. Based on collective recommendations, the MoA appointed three full-time herbs specialists to follow-up with the three Palestinian exporters. The specialists will physically check farms and produce and issue phytosanitary certificates accordingly.

Trainings, workshops and presentations

Agricultural finance

Meat and Dairy Safety

During this reporting period, gap analysis was completed for six of the seven meat and dairy companies EDIP has engaged to prepare for international certification. Infrastructure upgrades per company based on the initial gap analysis is estimated to be **\$200-500,000** per company to meet international standards. EDIP recently met with the winner of its RFQ for Phase One-Architectural Gap Analysis and Phase Three-Capacity Building. Both phases will be implemented simultaneously and will take up to three months. Phase Two-System Development, will take an extended period of time and will not be completed before EDIP is closed in September 2011. Once the companies complete all three phases they will be eligible for auditing and certification.



EDIP in the News

Goods Exported From Gaza

In late-December, "the first shipment of Gaza sweet peppers together with strawberries and carnations is on its way to Europe," a Dutch statement announced, following long efforts to expand the list of goods permitted for export from the coastal enclave. The 11 loads of goods were grown as part of a Dutch initiative to support cash crop farmers in Gaza. For full story see: <http://www.maannnews.net/eng/ViewDetails.aspx?ID=345359>

Gaza's Cherry Tomatoes Selling in Europe

An-Naja told Ma'an that 10 farmers took the risk this year of growing flowers and vegetables on around 25 dunums in the Gaza Strip, in the hope that Israel would allow them to export the harvest. Much of the produce rotted as farmers waited for permits from Israeli authorities to transport the goods across the border and into Europe. Growing tomatoes on one dunum of land costs roughly \$3000, An-Naja said, adding that the Dutch government helped to finance the farmers. Gaza farmers are keen to export to Europe, where one kilo of cherry tomatoes sells for between \$1-2.50.

Information and Communication Technology (ICT) Sector

With access to broadband services functioning as a key driver of general economic growth across all sectors, EDIP is helping Palestinian wireless companies expand their footprint and increase availability throughout the West Bank. The project is also addressing policy issues in this area by working to achieve open access to the more powerful and more stable WiMAX spectrum (local WiMAX licenses are controlled by Israel) as well as helping the Ministry of Telecommunications and IT to liberalize the telecommunications market. At the same time, EDIP is promoting partnerships between Palestinian ICT firms and multinational firms such as Google, HP, Microsoft and Cisco in order to develop local capacity and provide third-party verification of Palestinians' ability to compete in global markets. The project will also continue to provide support for direct market outreach through trade shows and other B2B events to identify additional outsourcing opportunities.

Exhibitions, trade shows and conferences

Apple Days in Ramallah

In close cooperation with the Minister of IT and Telecommunications, Mashour Abu Daqqa, EDIP hosted *Apple Days* on 29-30 March at the Mövenpick Hotel in Ramallah. An Apple worldwide team traveled to Ramallah to share with local ICT companies, businesses, students, and government agencies the exceptional relevance of the iPad and iPhone for the business environment. Over 300 people attended the event. Apple Europe sent two of its leading trainers to deliver seminars on various topics including the iPad in media and iPad in video markets and how to register with the "Apple store" especially relevant since Palestine is not recognized in the Apple registration system.

Phil Erhart, Apple's Senior BDM pro Markets, who delivered the workshop in Ramallah said, "It was a wonderful opportunity for us to learn more about Palestinian IT firms to discuss possible cooperation with them" adding, "I am really surprised with the level of enthusiasm the Palestinian attendees showed and I am sure we will visit Palestine another time to further possible cooperation with the local IT industry and universities."

This event was part of EDIP's capacity building activities in the ICT Sector aimed at expanding skill sets for different technologies and encouraging Palestinian programmers to learn mobile applications. *Apple Days* also included five presentations on mobile applications designed by Palestinian companies that are currently being sold at the Apple online store. "Monica" the virtual assistant was presented by G-Soft team who explained how "Monica" can help with specific tasks such as reading news, maps or even financial data. NTS showcased 10 mobile applications sold at the Apple store, Ipcreations presented its "shout" sports application, Exalt presented its work with HP (currently sponsored by USAID) and finally Jaffa Company presented its mobile ATM application that helps customers pay for products using their mobile phones.



Topics covered during *Apple Days* also included how to integrate and deploy iOS devices in companies and organizations to leverage new ways of communicating; exploring the world of iPad business applications (Apps) and how they can transform the way people work; how iPad Apps can enhance work flow, business intelligence, and the way employees record and track vital business information; and, how to acquire the skills and knowledge required to take advantage of iOS 4 and the iPad.

Apple's application in the Palestinian market has been limited to date for various external reasons including a lack of official representation and a certified service center. This seminar was the first step in rectifying this situation and further integrating Apple into the local marketplace.

Partnerships

Microsoft

Representatives from USAID, EDIP and PICTI attended a quarterly progress meeting with representatives from Microsoft's Israel Research & Development Center in Herzliya, about the ongoing Microsoft Research Center in Ramallah. The meeting was led by Microsoft IR&DC CTO and General Manager - Technologies Yoram Yaacovi and Innovation Labs Project Manager Gai Merin. Over the last nine months, PICTI, through a grant from EDIP, has screened and identified five qualified Palestinian IT professionals (1 Team Leader, 2 Senior Developers and 2 Junior Developers) who have been hired by Microsoft to work on three projects with members of Microsoft Innovation Labs.

The Microsoft Israel Research & Development Center, one of Microsoft's three strategic Global Development Centers and home to some of the company's most exciting and innovative technologies. The center is comprised of incubations and core product efforts in the areas of telecom, security, online services and entertainment. The Israel R&D Center vision is to harness the talent and innovation of the Israeli high-tech industry (the largest startup community outside the U.S.) and to build global products and technologies in key growth areas. The Center is committed to working with qualified Palestinian programmers and USAID, EDIP and PICTI are creating the bridges for this type of program to continue.

During the meeting, the Israeli team updated the attendees on the most significant project the Palestinian developers have created, called "Home Video X", a face recognition application in still images which can be used to identify people in home videos and provide a tool that helps enhancing the algorithms themselves by what is known as machine learning through user feedback. The "Home Video X" project was recently demonstrated in and created a buzz at TechFest 2011, which is Microsoft's innovation festival in Redmond, WA, that is mainly for Microsoft employees, but has one day open to the public. Microsoft employees and researchers seeing the application for the first time were very impressed, especially with the capability of the application to recognize people looking away from the camera. Check this video <http://channel9.msdn.com/posts/TechFest-2011-Facial-Recognition-in-Videos> for more details.

The meeting concluded with a frank discussion on some of the obstacles and challenges that both Microsoft and PICTI have faced and what all parties need to focus on in terms of follow-up in the remaining months of the existing pilot project and next steps for future collaboration between Microsoft, USAID, EDIP and PICTI.

Putting Palestine ICT on the Map

The emerging information and communications technology industry in the West Bank and Gaza received a high-profile boost in December with the launch of a US State Department initiative to encourage partnerships between Palestinian ICT companies and American multinationals—and an award to [Cisco Systems](#) for pioneering such efforts. Members of USAID's [Enterprise Development and Investment Promotion](#) (EDIP) project, managed by CARANA, attended the ceremony in Washington, D.C., along with some of their frequent partners, including CEOs of five major Palestinian IT companies and the Palestinian IT Association. Cisco won the Secretary of State's Award for Corporate Excellence (ACE), established in 1999 to recognize U.S. businesses for good corporate citizenship.

The company has teamed with EDIP since 2009, most recently on a grant to the [Palestine Information and Communications Technology Incubator](#) (PICTI) to develop its capabilities for entrepreneurship training, seed funding, and project management. The grant will support PICTI's Bedaya Project (“new beginning” in Arabic), offering a comprehensive incubation and mentoring program for ICT start-ups to build innovation ecosystems and hone business skills. At the December event, Clinton also announced the launch of the Palestinian Information Communications Technology Capacity Building Initiative (PITI). Led by the State Department in partnership with USAID, EDIP, and Partners for a New Beginning, PITI will help expand U.S. investment in Palestinian companies and promote new business opportunities in the region. Initial PITI partner companies include Cisco, Google, HP, Intel, Medcor, and Salesforce.com—several of which have also partnered with EDIP on separate efforts to expand Palestinian ICT capacity.

EDIP continues to be the main point of contact for USAID’s ICT initiatives in the West Bank and Gaza—including joining with Salesforce.com to introduce cloud computing to Palestinian start-ups, sponsoring the Apple Days to bring together the region’s public and private sector ICT players, and assisting with a U.S.-sponsored mission to Silicon Valley in early summer.

ICT expansion in Nablus

During this quarter, EDIP visited several Palestinian IT companies working in Nablus to assess their capacities and to assist them in opening new markets. EDIP met with Infinite Tiers Inc., a US-based company from Cincinnati, who employs 40 Palestinian programmers whom according to the CEO Hussam Barqawi “are the best resources in our company compared to the other external teams working in Jordan and China.” Mr. Barqawi welcomed the opportunity to work with USAID/EDIP to create new resources in the market and showed great interest in joining the Palestinian mission going to Silicon Valley in June. Infinite Tiers Inc. has major US clients including Albertsons, Proctor, Gamble and Macys.

Partnering with Salesforce.com to introduce new IT solutions

EDIP finalized arrangements with the Salesforce Foundation and its partner, Idealist Consulting Company, to develop local abilities to deliver Cloud Computing Solutions in the Arab market. EDIP and Salesforce are working with 3-5 Palestinian IT firms to provide tailored IT solutions and services based on Salesforce software solutions. The Salesforce Foundation is currently working with the Palestine Polytechnic University (PPU) to conduct training-of-trainers to provide students with this technology. The outcomes of this project will include: trained IT consultants with the capability to deploy cloud computing solutions (i.e. Salesforce.com and Google Apps); increased employment and access to sustainable tech jobs for Palestinians; opening of new markets and the ability for Palestinian companies to readily sell IT consulting inside or outside their country of origin; the deployment of affordable technology to Palestinian businesses; and completion of a scalable project that can be applied to similar regions.



EDIP met in Hebron with Palestine Polytechnic University Excellence Center officials to finalize the arrangements for the training on the Salesforce platform and the arrangements so far been made. Salesforce Foundation is currently working with the 8 trainers from the Palestine Polytechnic University (PPU) to go through Salesforce training courses and sit down for exams by early May. EDIP has already signed a contract with Idealist Company; an official Salesforce partner specialized in providing services to Non-profit organizations, to help three Palestinian Consulting firms develop their market skills and abilities to penetrate the Arab Gulf region.

Intel in Ramallah

In February, Intel Vice-President John Davies and senior managers from the “Levant and North Arica” division hosted an Intel briefing session and business roundtable in Ramallah for PICTI, PITA, and leading Palestinian ICT companies from the West Bank. Davies explained Intel’s different programs in the region and how the Palestinian entrepreneurs may benefit from them. The companies’ representatives stressed the importance of creating local skills and the possible opportunities for new Palestinian graduates and entrepreneurs through internships positions at Intel’s different centers in the region and possibly the United States.

HP and EDIP

HP with the help of EDIP is planning to continue Phase 2 of their project with the Palestinian companies where it is anticipated of creating around 30 new jobs in Palestinian Areas. HP is looking to continue its strategic decision to outsource to Palestinian companies some of its development work and building new products which will be used around the world. A group of senior managers at HP visited several Palestinian companies located in Ramallah on March 7 and are currently planning for the Phase 2 of the project.

Stone and Marble Sector

In the stone and marble sector, EDIP seeks to promote the export of value-added products directly to international markets rather than through the current channel of Israeli export companies. To that end, the



project is assisting the industry in forming relationships with potential buyers and investors and through attendance at international trade shows. To improve processing techniques and enhance production standards, the project is leading study tours to major markets such as Italy and Turkey and is providing support for companies to achieve ISO 9001 certification. Workforce development issues are also being addressed through financial support to students in the stone and marble diploma program at Palestine Polytechnic University. To address the issue of supply (80% of reserves in existing quarries have been depleted), the project is seeking to conduct due diligence of Beit Fajar (Area C)

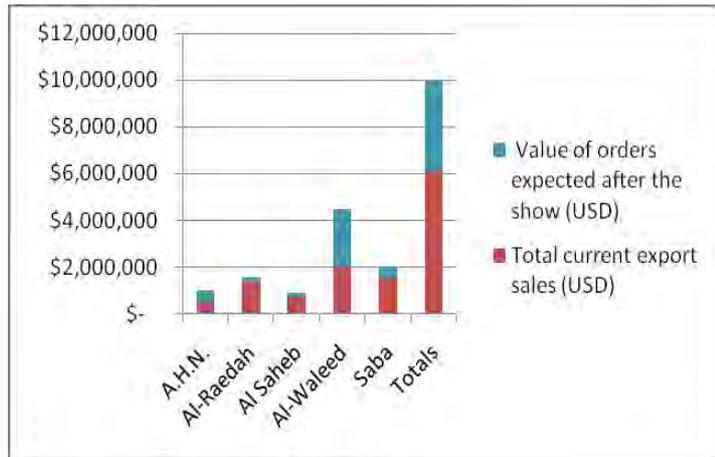
that will provide the industry with data on quarrying, permitting, and the location of untapped stone reserves. The project will also address policy concerns through support for initiatives such as a tripartite conference among the private sector, government and academia to discuss industrial policies for enhanced competitiveness and additional opportunities for collaboration.

Exhibitions, trade shows and conferences

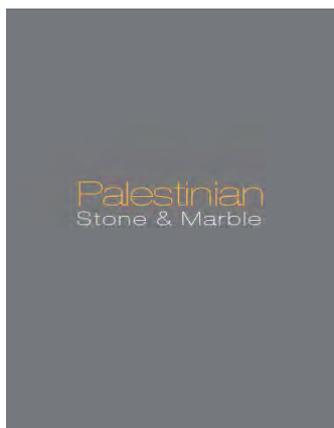
Stone Expo – Las Vegas

Five Palestinian stone and marble companies joined by EDIP representatives opened the Stone Expo/Marmomacc North America 2011 trade show in Las Vegas on 25 January at the Mandalay Bay Convention Center. Previously, sales of over \$8.0 million were made by seven Palestinian companies at the Marmomacc stone and marble trade fair in Verona, Italy. Day one got off to a memorable start. There was steady traffic, and all of the companies reported that most of the customers who stopped to speak with them were serious about what they wanted, asking for very specific items in very specific quantities. As a highlight, the Palestinian Pavilion was the first stop on a tour of select booths at the show conducted by *Veronafiore* as part of a continuing education series for architects and designers. The group included approximately 40 architects and designers from around the world who inspected the stone and asked questions regarding: 1) the location of the quarries; 2) the commercial names of the stone from the West Bank; 3) the engineering specifications/characteristics/properties of the stone (e.g., absorption); and, 4) the colors and finishes available. The Stone Expo will end on 28 January.

StoneExpo/MARMOMACC Americas is one of the premier trade shows for the US stone and marble industry. Co-located with Surfaces, the leading convention for the floor covering industry, the event featured more than 900 exhibitors and thousands of visitors, including retailers, distributors, installers, architects, designers, builders and media representatives. EDIP sponsored the Palestinian pavilion as a continuation of the project’s market-led approach to sector development. StonExpo marked



the third time that EDIP has supported trade show participation for Palestinian stone and marble firms—the second time in the US market—and the benefits of a repeat presence were clear at this show. While Jerusalem Stone is fairly well recognized in the industry, its Palestinian origins are not, and steady appearances at industry events are necessary to educate the importers, retailers, architects and other stakeholders who purchase or influence the purchase of these materials. Regular attendance is also an important factor as Palestinian firms seek to establish and nurture relationships with overseas buyers.



The five companies represented achieved significant results in the form of new business as well as lessons learned about the marketplace, and the pavilion succeeded in raising the profile for Palestinian stone and marble in the US market. The following chart highlights the value of expected new business from the show (a total of US\$3.9 M), with a relative comparison to current exports. See Appendix A for a complete table with a breakdown of information by company. More details on results for each of the exhibiting firms follow the chart.

The StonExpo 2011 trade show in Las Vegas in January was a noteworthy success for the five Palestinian stone and marble companies that participated through EDIP assistance. The exhibition foot traffic at the Palestinian booth and overall inquiries regarding Palestinian stone went beyond expectations.

Sales are forthcoming and a whole new market has been opened up to the Palestinian stone and marble sector. In fact, one of the companies who visited the Palestinian booth recently traveled from the US to the region to visit the company and see the quarry and facilities.

More than 200 companies from around the world participated in the exhibition, and another 4,000 people visited the event. As Waleed Diriye, Director of Al-Waleed Stone and Marble Company said, “The popularity of the Palestinian booth was great - we completed three deals during the exhibition.” Hassan Abdul-Jabbar, EDIP stone manager confirmed the importance of continued participation in international exhibitions to promote Palestinian products. As follow-up, EDIP conducted a short seminar to urge the participating companies to properly track business leads developed during the show.

Thinking Strategically about Stone and Marble

An AGIP roundtable was held on February 17 at the Palestine Polytechnic University (PPU) in cooperation with the TVET Stone Center, the Union of Stone & Marble (USM), and the Office of the Quartet Representative (OQR). The main goal of the roundtable was to set the priorities of the sector along the value chain and to establish guidelines for overall sector strategic development. The AGIP process highlights the importance the trilateral relationship and cooperation among the private, public, and academic sectors.

The roundtable was attended by various leading stakeholders representing private sector companies and quarries, members of USM, academics and technical experts from the TVET Stone Center, representatives from the Ministry of National Economy (MoNE), and donors such as the Quartet, UNIDO, Italian Cooperation, and USAID.



Presentations were made by various organizations including: USM, EDIP, TVET Center, MoNE, as well as Al-Waleed Co, one of the most active private sector stone and marble companies. Discussion and debate followed each presentation as the participants sought to determine priorities for sector expansion and development.

A number of significant recommendations resulted from the AGIP Roundtable including: to hire legal representation, supported by international organizations, to follow-up on recent Israeli measures against quarries in the West Bank in and around Beit Fajjar (Area C); based on the sales success of EDIP's introduction to Coverings/Orlando, Marmomacc/Verona, and StoneExpo/Las Vegas, there is a continued need for a Palestinian presence at international trade fairs to service and open new markets; stone wastage (sludge and powder) in terms of inefficiency and environmental impact are key issues the sector must address; and, the need to move the sector in a more sustainable direction in terms of quarrying and usage of stone, e.g. resin lines.

Mission Director in Bethlehem

USAID Mission Director Harvey and his delegation accompanied by members from the US Consulate conducted a site visit to Bethlehem, touring the Bethlehem Industrial Estate (BIE) and a number of stone and marble companies as well as holding meetings with Governor Abdel Fatah Hamayel and the Union of Stone and Marble (USM).

Director Harvey discussed the BIE with Dr. Samir Hazboun; Chairman of BIE, Saqer Jerashi, Board Member of BIE, and Eilie Shehadeh the Executive Director of BIE. A presentation was made regarding progress on BIE's infrastructure and the challenges facing completion of this important project. USAID is exploring if and how it might support BIE in the future. A roundtable was organized for Director Harvey and the team by EDIP with the USM Board and various stone and marble companies from the governorate.

The companies expressed their appreciation and gratitude to USAID for the work EDIP has done to open new markets and to address Area C issues for the Palestinian stone and marble sector. A presentation was delivered by Dr. Suhail Sultan from PPU/TVET Center about the importance of the sector for the Palestinian economy. The USM Chairman and the company owners emphasized the importance of the role international organizations can play in addressing the permitting issues in Area C and the pending Knesset legislation barring import of "unlicensed" stone from the West Bank.

The visit to Bethlehem was concluded with a tour of Al Halaika Stone's facilities. Al Halaika has benefitted greatly from the EDIP program, expanding sales to the USA and Europe as a result. Director Harvey was shown stone cutting techniques and how stone blocks are transformed into "cut to size" final stone products. EDIP is currently in the process of assisting with ISO 9000 certification for nine Palestinian stone and marble companies.



Partnering

Beit Fajjar Site Visit

As part of EDIP ongoing engagement with the stone and marble sector to address the Beit Fajjar permitting issue, Deputy Special Envoy for Middle East Peace, Mara Rudman, and SEMEP's David Harden, joined by USAID's Scott Kleinberg and the EDIP Team conducted a site visit to various Beit Fajjar quarries. The group met with quarry owners to explore the status of stone quarries in Area "C" and recent Israeli measures taken against the quarry owners. EDIP is conducting due diligence and putting together files and gathering background for a number of companies interested in pursuing permitting cases against Israeli Civil Administration.

Knesset Law and Palestine Quarries

The Israeli Knesset recently approved a draft law during an initial reading designed to impose tough sanctions of up to 300,000 NIS and three years imprisonment for any Israeli citizens who purchases or transfers stone or stone products from unlicensed quarries in the West Bank. The vote passed 57 to 3 and was brought to the floor by three right wing members representing the interests of Israeli settlers in the West Bank. During the session, Knesset member Dr. Jamal Zehalka, Chairman of the Parliamentary Coalition, responded to Ori Oriel (who proposed the law) to the Knesset General Assembly, stating that the real objective of the law is to strip thousands of Palestinian families of their daily income derived from the stone industry in the West Bank.

A meeting was conducted with Knesset members: Dr. Jamal Zehalka and Ms. Hanin Zubi and the USM chairman, board members, and executive staff in addition to representatives from the Palestinian Natural Resources Authority. The meeting discussed the recent law that was proposed to the Knesset and imposes stringent sanctions of up to NIS 300,000 and three years of jail time for anybody who purchases or transfers stone or stone materials from unlicensed quarries in the West Bank.

Dr. Zehalka explained the steps needed to approve the law:

1. The law already passed the initial reading (with approval of the Legislation Committee in the Israeli Government).
2. The law will be presented to the Economic Committee for discussion and modifications.
3. The law will be presented to the Knesset for primary voting.
4. The law will be presented again for a second, third and final readings and final approval.

Dr. Zehalka will be sending the law's articles and other related materials to the USM, and he recommended the following steps be taken ASAP:

1. Translation of the law's articles into Arabic and English and explanations of the details and the meaning by a lawyer.
2. Immediate involvement by international organizations to put pressure on the Israeli government to freeze the law.
3. Media campaign in the Israeli and Palestinian media to explain the consequences and harm on the Palestinian and Israeli economies should this law be passed by the Knesset.
4. Dr. Zehalka and Ms. Zubi will distribute a one-pager to all Knesset members about the dangerous consequences of this law on both economies.
5. Engaging Palestinian and Israeli NGOs and human rights organizations.
6. Engaging the Israeli Chambers of Commerce and the Stone & Marble Union to explain the consequences on the Israeli economy.
7. Mr. Zehalka will consider sending a letter to the Israeli Prime Minister asking him to freeze the law.

Global standards and certifications

ISO 9001 – Stone and Marble

EDIP is in the process of facilitating ISO 9001 certification for nine Palestinian stone and marble companies as well as the TVET Center for Stone and Marble at the Palestinian Polytechnic University (PPU). ISO 9001 certification will guarantee quality standards and allow these firms to access new markets in Europe and elsewhere. Consulting firm, Besco, hired by EDIP to conduct gap analysis as the first phase in the process, recently finished its work. In addition to the results of the gap analysis, a training session was conducted for the participating companies regarding next steps in implementing the ISO 9001 system. During the next quarter a training seminar will be held for participating stone and marble companies regarding accounting and financial auditing required for ISO 9001.



EDIP in the News

Return of the delegation of Stone and Marble Industry, after participating in the “Stone Expo” exhibition in America



The delegation of the stone and marble industry has returned to Palestine after their participation in “stone Expo” exhibition which was held in Las Vegas in the US where five companies participated in this Palestinian show and for the first time in an independent Palestinian Booth. This participation was held from the support of the business development and investment promotion project EDIP and funded by the U.S. Agency for International Development USAID. More than 200 companies around the world participated in the exhibition, and visited by about four thousand people.

Subhi Thawabteh Chairman of the Board of Directors Industry Association of stone and marble said that this participation comes as the overall vision of the Union and its policies in the promotion of active participation in international exhibitions and trade missions in order to open new markets, indicating that the Palestinian stone enters more than 60 countries markets.

As Waleed Diriye director of Al-Waleed stone and marble company, said that the popularity of the Palestinian booth was great, three deals were held in the exhibition.

Yousef Al- Saheb, official marketing for Al- Saheb Company for stones and marble said that the exhibition was successful in all measures, and leave a good impression to visitors.

Hassan Abdul-Jabbar, Director of stone and marble in the development of business and investment promotion EDIP confirmed to the importance of continuous participation in international exhibitions to promote Palestinian products, added that this participation the accession of the participating companies under the Palestinian booth proved the identity of the Palestinian stone and led the importers and engineers for the natural beauty of this stone. From *Al-Quds Newspaper*, March 7, 2011.

The Knesset Approves a Law against Palestinian Quarries

The Israeli Knesset approved during an initial reading yesterday with a majority of 57 votes to three a new law aimed at imposing tough sanctions of up to three hundred thousand shekels and three years of jail time for

anybody who purchases or transfers material from unlicensed quarries in the West Bank. The law was presented by three members from the "Right Wing" who represent settlers in the West Bank. The three members are Ori Oreil, Jacob Katz from the National Union Party and Yeriv Levin from Likud.

During the session, Knesset member Dr. Jamal Zehalka, Chairman of Parliament Coalition, responded to Ori Oriel who proposed the law to the Knesset General Assembly. Zehalka said that the real objective for the law is to strip thousands of Palestinian families from their daily income that depends on the stone industry in the West Bank. "The Israeli law is not applicable in the West Bank and not even in Area C under full Israeli control, and accordingly these quarries cannot be obliged to have Israeli licenses."

Zehalka pointed out the organizations standing behind this campaign against the Palestinian quarries such as "Green Now"; an organization that takes advantage of the environmental issues to undermine Palestinian rights in the occupied territories since 1967. It is currently working on all Israel land even the territories that belong to the Palestinian Authority. Also, another organization, Ragavim, submitted a petition to the Israeli High Court to close down Beit Fajjar quarries under the excuse that they are not licensed and use State land. The Ragavim organization declared that their goal is to protect "national land."

Zehalka said, "According to you, everything is allowed to hurt Palestinians, and you are taking advantage of the environment against them. This law has nothing to do with the environment; it is a 'settler's law' aiming to take the land and to hurt the original land owners in their daily living."

During the session, heated discussions took place between Zehalka and Oriel. The Knesset Chairman kicked out Zehalka. Oriel filed a complaint against Zehalka with the Knesset committee as he described him as a "thief and looter." Zehalka commented on that saying, "I emphasize what I have said that he and his settlers are thieves who stole the land and local people's living." From *Al-Quds Newspaper*, February 17, 2011

Tourism Sector

EDIP is working to raise Palestine's profile as a top destination for faith-based, cultural and experiential tourism, while working with local providers to develop additional products targeting these niches. In collaboration with the Ministry of Tourism and Antiquities (MOTA) and private-sector tourism providers, EDIP supports attendance at targeted industry trade shows and hosts regular familiarization (FAM) tours to acquaint international tour operators and travel media with the country's spectacular tourism product. To drive demand from both tour operators and consumers, the project has supported membership in leading niche tourism organizations such as the World Religious Travel Association and has pursued an aggressive media strategy resulting in promotions through diverse outlets ranging from online newsletters to travel television and webcasts. EDIP is also working in Bethlehem to create a pilot public-private partnership to develop a strategic action plan for the tourism sector.

Exhibitions, trade shows and conferences

Bethlehem Shines

This year, tens of thousands of tourists thronged Bethlehem for the annual Christmas holiday festivities. Official turnout is shaping up to be the largest influx of pilgrims and tourists since pre-Intifada 2000. Bethlehem's 2,750 hotel rooms were fully booked for Christmas week and the New Year's period. EDIP and USAID made a significant contribution to the success of this year's Christmas festivities with a unique transportation initiative linking Arab-Isrealis from Nazareth and various communities in Galilee with Bethlehem in the West Bank during the holiday season. Between December 15, 2010 and 20 January, 2011, a total of 42 EDIP-sponsored buses travelled to Bethlehem from the North carrying 2,100 visitors from Galilee this Christmas season. Christian leaders from the Anglican, Roman Catholic, Orthodox, Coptic, Melchite, and Syrian Churches embraced and supported this important religious, cultural, and heritage "bridge" connecting



communities outside the West Bank to Bethlehem. To enhance the reach of the transport initiative and generate widespread support for the Bethlehem festivities, EDIP also launched an integrated marketing campaign to promote the holiday festival for local and international attendance, distributing 20,000 calendars in English and Arabic, erecting 20 billboards and banners in target locales, and placing 500 posters and 100 roll-ups at hotels, information centers, and churches throughout Jerusalem, Nazareth, and Bethlehem. Newspaper advertisements were also run in *Al Quds*, *Al Ayyam*, *Kol Al Arab* (in Israel) as well as

radio spots broadcast on *Radio Aiyal*, *Raya FM*, *Mawwal*, *Bethlehem 2000* and *Al Shams Radio* in Nazareth.

These outreach efforts clearly had an impact, as visitors participated in Christmas activities at a record pace, marking Bethlehem's return as a relatively safe and secure holiday destination. As part of EDIP's nascent efforts to upgrade the visitor experience in Bethlehem, two "permanent signs" welcoming visitors to the city and Manger Square will be erected in early 2011. "Turn-out was remarkable – church leaders from Galilee, whether Catholics or the Orthodox and Coptic Christians jumped at the opportunity to promote the connection to Bethlehem. It is so important to stay connected to Palestine and the West Bank and given an opportunity people will continue to pilgrimage to Bethlehem (and Jerusalem) – I am sure that upwards of 100 buses could have been filled," said Bishop Riah Abu El Assal from the Anglican Church in Nazareth. This year's Christmas festival program support is part of EDIP's ongoing efforts to promote the growth and sustainability of tourism in the West Bank.

Bethlehem is the leading destination for pilgrims and tourists alike in the West Bank and demand for travel to Palestine is on the rise. Future activities seek to define the "Bethlehem experience" and build on the success of this year's festivities.

New Tourism Info Center Opens in Bethlehem

In January, under the auspices of the John Paul II Foundation – Middle East and the Bank of Palestine, a new interactive *Visitor Information Center* was opened on Manger Square by Tourism and Antiquities Minister Daibes. These are exactly the types of targeted, infrastructure and informational upgrades designed to enhance the tourist, pilgrimage and visitor experiences to Bethlehem, the city of the nativity and one of the holiest sites in Christendom that will spur future growth and development.

Concluding the Partnership with Galilee

In February, EDIP's Brian McCotter and Roman Ponos held a debriefing session in Nazareth with Bishop Riah of the Anglican Church and Bishop Marcuzzo of the Roman Catholic Church to mark the completion of their collaborative efforts for the 2010-2011 Christmas Festival in Bethlehem. They were joined by 15 clergy from the Catholic, Melkite, Orthodox, and Anglican parishes in Galilee who were instrumental in assisting with the transport initiative. EDIP was pleased to learn that its transportation initiative from Galilee to Bethlehem inspired the local parishioners to pool resources to pay for an additional 10 buses to supplement the 42 buses financed by USAID carrying an additional 500 people.

Bethlehem Action Plan Kick-off

On March 3, over fifty leading stakeholders, including government officials from the five municipalities that compose the main tourism area of Bethlehem, the Governor of Bethlehem, and leading stakeholders from the hotel sector, tour operators, alternate travel agencies, tourism police, tour guides union, NGOs, and others, gathered at the Bethlehem Hotel under the auspices of the Ministry of Tourism and Antiquities and the

Bethlehem Chamber of Commerce and Industry to discuss and begin the process of drafting a strategic plan for redefining and developing the “Bethlehem Tourism Experience.”

This workshop was organized and supported by EDIP with the assistance of the Office of Quarter Representative and local partner ABS. The half-day workshop resulted in consensus surrounding the need for a “Bethlehem Action Plan” and the formation of a Working Group to liaise directly with stakeholders to craft an inclusive and actionable plan. The Working Group will meet monthly to prioritize short, medium and long-term needs and interventions, including: how to increase revenue from current demand, longer overnight stays in Bethlehem (more nights), higher rates of return from accommodation rates (hotel modeling), and diversify product and revenue sources: special events, meals, culture/adventure/experiential tourism, etc. The group will also determine how to improve offerings and services (information access, customer service, operations), identify upgrades in infrastructure (signage, information points, cleanliness, beautification, etc.), and highlight promotions and marketing needed to overcome lingering security concerns.

As Minister Daibes stated, “This is an opportunity for us to come together and make the changes necessary to grow our city and the tourism sector. The time is right for Bethlehem and this is a process that can then be replicated elsewhere in Jericho, Hebron and other places.” Twelve organizations were nominated to serve on the Working Group to be coordinated by a technical committee composed of EDIP, ABS, and the Bethlehem Chamber of Commerce. By 12 March each organization will have nominated a representative and the first Working Group meeting will be held prior to 20 March. It is envisioned that the final Action Plan will be ready by the end of July.

Preparations are underway for the first meeting of the Bethlehem Tourism Working Group to develop an Action Plan for enhancing and improving the tourism experience in the city to generate more revenue and business. Meetings were held with the Bethlehem Chamber of Commerce and Industry and ABS, both EDIP partners in the process. A briefing was also conducted with the Quartet and the Portland Trust, both of whom have been active in tourism development and promotion. The 12 representatives of the Working Group are scheduled to meet on 25 March in Bethlehem to begin the first stages in the needs assessment and prioritization process.

Partnering

Bethlehem Access and Movement

Access and movement for tourists in-out of Bethlehem remains a lingering issue. During the holiday season wide access was granted by the IDF to Bethlehem via four open checkpoints. Forty-four EDIP sponsored-buses from Galilee reported minor delays but no major problems with access and movement. However, following the close of the Christmas holiday season, the Office of the Quartet Representative (OQR) recorded that tourist access has once again become limited and is bottlenecked at Rachel’s Crossing checkpoint.



On 2 February the Israeli Ministry of Tourism announced that tourism buses traveling between Jerusalem and Bethlehem can now pass through Mazmorah (Beit Sahour) and ‘the Tunnels Crossing’ in addition to Rachel’s Crossing. EDIP recently verified with Net Tours, one of the larger tour operators, and HLITOA that tourist buses are moving freely through the three checkpoints and delays in and out of Bethlehem have been greatly reduced. This new access and movement regime will be a boon to the tourism industry for Bethlehem and should improve both day-tourist access and the ability of tour operators to utilize Bethlehem as a base to explore Jerusalem, Bethlehem, and Jericho.

Access and movement for tourists in-out of Bethlehem was limited and bottlenecked at Rachel's Crossing checkpoint. The existing access and movement regime hindered the growth of tourism revenue for Bethlehem by limiting day tourist access and the ability of tour operators and travel agencies to utilize Bethlehem hotels as a base. However, the Israeli Ministry of Tourism issued a release on February 2 announcing, "Tourism buses traveling between Jerusalem and Bethlehem can now pass through Mazmoriah and 'the Tunnels Crossing' in addition to Rachel's Crossing." EDIP is verifying the implementation of this new regime. If fully enacted,

Through a combination of direct monitoring of recent bus traffic and interviews with tour companies, EDIP and the USAID Trade Facilitation Project confirmed that tour operators are taking advantage of the improved access and report improvement in flexibility and time saved. Some tour operators, however, still may not be aware of the change. *Nearly 30% of bus traffic is using the new crossings within first two weeks of the announcement* - on the weekend of February 25-26, 387 tour buses entered Bethlehem through the three crossings, while 380 exited. Of these, 29 percent used the Tunnels and Mazmouriah crossings (18 percent and 11 percent, respectively), and most of those (60%) left in the direction of Jerusalem.

The Bethlehem Experience

Bethlehem is the preeminent tourism destination in the West Bank. Tourism demand has recovered to pre-2000 *Intifada* levels in the West Bank and the question now remains how to maximize return on existing demand through diversifying revenue streams such as increased overnight stays, longer day visits, and expanded shopping, dining, and event business. However, Bethlehem's most significant tourism challenge is predicated on movement and access through Israeli checkpoints and this remains a troubling aspect of the city's tourism offering.

There is enormous demand for the Bethlehem tourism product. As evidenced by the 2010 Christmas Festival's and overall visitor rolls for 2010, a record number of tourists visited the city. The question remains how to maximize revenue generation and retention for hotels, tour operators, restaurants, souvenir shops and other private businesses in the West Bank city. EDIP is currently working closely with the OQR, the Ministry of Tourism and Antiquities, and the Bethlehem Chamber of Commerce and Industry to develop a public-private action plan for Bethlehem to be "kicked-off" with a stakeholder workshop in late-February.



EDIP held a series of meetings with the Bethlehem Chamber of Commerce and Industry, Alternate Business Solutions, the Ministry of Tourism and Antiquities, and the OQR regarding the planning and logistics for the "kick off" meeting for the Bethlehem Action Plan for tourism development. Invitees and dates are being finalized as well as a draft agenda. EDIP plans to hold this event the first week of March, prior to the ITB in Berlin, one of the larger global travel trade shows. This is pending any political fallout stemming from the resignation of the PA Cabinet.

Hotel Sector Market Analysis

EDIP continues to explore the challenges faced by the hospitality and accommodation sector in Bethlehem and East Jerusalem. Discussions were held with Diyaha Hospitality Management Consulting Group regarding conducting market research and data analysis regarding the hotel industry including room capacity and quality, leading obstacles to sector expansion, pricing structures and models, and projects for future growth.

The overall goal is to ensure that the tourism value chain is predicated on accurate and up-to-date data to inform strategic planning for the sector.

USAID Tourism Site Visit

EDIP recently hosted a “Tourism Day” in Bethlehem for the USAID Mission Director Michael Harvey and the USAID Private Enterprise Office Team and representatives from the Economic Section of the US Consulate General. Meetings were held at the Ministry of Tourism and Antiquities with Minister Khoulood Daibes and her staff and a tour was taken through Bethlehem visiting the main tourist sites, the Church of the Nativity, Manger Square, and Shepherd’s Field.

Chairman of the Bethlehem Chamber of Commerce, Samir Hazboun, joined the Minister, USAID, and EDIP for the tour as well. The group also visited a new Tourist Information Center (TIC) on Manger Square funded by the John Paul II Foundation and the Bank of Palestine. 2010 was a notable year for the significant rebound registered by the Palestinian tourism industry and specifically Bethlehem. Projections not yet fully verified have 1.5-1.8 million tourists visiting the West Bank in 2010. Demand is extremely high at the moment – the number of visitors will surpass pre-2000 (Second Intifada) levels. Likewise, overnight stays in the West Bank will surpass 450,000 for the year, according to the Palestinian Tourism Police. Overall, Israel will register 3.4 million tourists in 2010 although most experts believe this is an overestimate based on loose definitions for tourists. Clearly, with improving perceptions of the region abroad and general safety and stability on the rise, the number of visitors is surging.

This surge in demand is in keeping with the “boom and bust” cycle that has traditionally characterized the region’s tourism since the 1980s. There is overwhelming demand for visitors, whether Muslim, Jewish or Christian pilgrims, or cultural and historical travelers, to come to the Holy Land. When there is peace and perceived security, the tourism industry booms; when there is political tension and conflict, tourism grinds to a halt.

Currently, Russia, Ukraine, and Poland comprise the fastest growing tourism markets for the region (and are also willing to overnight in Bethlehem). Established markets like Italy, Spain, France, and Portugal continue to provide a steady stream of tourists.

During the visit to Bethlehem and a subsequent meeting held in Jerusalem with the Office of the Quartet Representative (OQR), discussions were held regarding how to enhance the existing tourism experience through targeted and cost-effective interventions. The goal is to increase revenue based on current demand through longer stays in Bethlehem (more overnights), higher rates of return from accommodation rates (hotel modeling), and diversify product and revenue sources: special events, meals, culture/adventure/experiential tourism.

In doing so, the industry hopes to better define the “Bethlehem Experience” and move away from the “day visitor” that dominates the tourism market in Bethlehem (upwards of 70% only visit for 4-5 hours).

To capture more revenue and define the Bethlehem experience, hotels, guides, restaurants, and sites need to improve product and services (information access, customer service, organization), upgrade infrastructure (signage, information points, cleanliness, etc.) and continue to dispel negative stereotypes about safety and security in the region.

Lastly, on the highest political levels, including with OQR and Special Envoy for Middle East Peace (SEMPEP), the issue of access and movement in and out of Bethlehem hinders the growth of Palestinian tourism. While access into Bethlehem has improved as of late, check-point delays out of Bethlehem namely at the Rachel’s

Tomb crossing limits its use as a base to explore the region, e.g. Jerusalem, Hebron, Herodium, Jericho, and the Dead Sea. Without the ability to move in and out of Bethlehem overnight stays will remain stifled. Easing of delays and opening of the three remaining check points to tourists, as the IDF does during the Christmas season, would be a boon to Palestinian tourism and future growth.

EDIP in the News

The traditional birthplace of Jesus is celebrating its merriest Christmas in years, as tens of thousands of tourists thronged Bethlehem on Friday for the annual holiday festivities in this biblical West Bank town.

Officials said the turnout was shaping up to be the largest since 2000. Unseasonably mild weather, a virtual halt in Israeli-Palestinian violence and a burgeoning economic revival in the West Bank all added to the holiday cheer.



By nightfall, a packed Manger Square was awash in red, blue, green and yellow Christmas lights. Merrymakers blasted horns, bands sang traditional Christmas carols in Arabic, Boy Scout marching bands performed and Palestinian policemen deployed around the town to keep the peace. A group of 30 tourists from Papua New Guinea, all wearing red Santa hats, walked around the nearby Church of the Nativity, built on the site where tradition holds Jesus was born. Both church officials and the Palestinian president voiced hopes for peace. Pat Olmsted, a 64-year-old teacher from Sugar Land, Texas, was celebrating her first Christmas in Bethlehem and broke into tears as she stood in Manger Square. "It just gives me a whole true meaning of the Bible. As I read the pages, it will mean so much more to me," she said.

Bethlehem used to attract tens of thousands of tourists from around the world for Christmas celebrations, but attendance dropped sharply following the outbreak of the second Palestinian uprising in 2000. As the fighting tapered off over the last five years, attendance steadily climbed. The town's 2,750 hotel rooms were booked solid for Christmas week, and town officials say more hotels are under construction. Israeli officials have said they expect about 90,000 visitors in Bethlehem during the current two-week holiday season, up from 70,000 last year. But the bloodshed has left its mark. Visitors entering the town must cross through a massive metal gate in the separation barrier Israel built between Jerusalem and Bethlehem during a wave of Palestinian attacks last decade.

The Roman Catholic Church's top clergyman in the Holy Land, Latin Patriarch Fouad Twal, crossed through the gate in a traditional midday procession from Jerusalem. Later, he celebrated Midnight Mass, the peak of the holiday's events in town. In his homily, Twal issued a conciliatory call for peace between religions and urged an "intensification" of dialogue with Jews and Muslims. "We need to unite and integrate the many values we have in common: prayer, piety, fasting, almsgiving, and ethical values," he said.

"Our hope for Christmas is that Jerusalem not only becomes the capital of two nations, but also a model for the world, of harmony and coexistence of the three monotheistic religions," he added. "During this Christmas season, may the sound of the bells of our churches drown the noise of weapons in our wounded Middle East, calling all men to peace and the joy." The crowds continued to swell throughout the day. By Friday night, Israeli military officials, who coordinate movement in and out of the West Bank, said the number rose to some 70,000 people on Christmas Eve alone, compared with 50,000 last year.

Raed Arafat, the 40-year-old owner of the Stars and Bucks Cafe, played Christmas songs over loudspeakers and handed out free Arabic coffee at his shop near Manger Square. Tourists snapped photos and bought mugs emblazoned with the cafe chain's green logo, modeled after the American Starbucks company.

"There are more people this year," an ecstatic Arafat said. "Christmas this year is not like every year because now there is quiet (peace)." The holiday had its surreal moments. Many visitors were local Palestinians, including a large number of Muslim women whose faces were covered by veils. The loud Muslim call to prayer from a mosque next to Manger Square briefly drowned out the celebrations.

"Because of the hard situation and the pressure we are living in, we take advantage of any joyful moment and bring our children to play," said Khitam Harazallah, a veiled Muslim housewife from the nearby Deheishe refugee camp who came with her two young children.

Today, just one-third of Bethlehem's 50,000 residents are Christian, down from about 75 percent in the 1950s. The rest are Muslims. The Christian population throughout the Middle East has shrunk in recent decades as people flee violence or search for better opportunities abroad. Christians make up roughly 2 percent of the population in the Holy Land. With the end of fighting, the West Bank has undergone an economic revival in recent years, illustrated by new shopping malls and widespread construction projects in the bustling city of Ramallah. For complete article see: <http://www.washingtonpost.com/wp-dyn/content/article/2010/12/24/AR2010122401092>

Eastern Christmas in Bethlehem

Greek Orthodox, Coptic, Assyrian and Ethiopian Christians gathered in Bethlehem on Thursday to welcome their Jerusalem patriarchs, celebrating the birth of Christ on the Eastern Calendar. In staggered receptions, Palestinian scouts marched in the heads of each church, with the Ethiopian cleric dancing in with a delegation of faithful from the Jerusalem parish. This was broadcast live on satellite by Ma'an partner Mix TV. For the complete article see: <http://www.maannews.net/eng/ViewDetails.aspx?ID=348825>

Tourism Growth 15% GDP

The Chairman of the Arab Hotel Association, Mohamed Moussa, recently explained the importance and the need to support and develop the tourism sector in Palestine. Moussa noted in *Al Quds* that the Palestinian tourism sector witnessed a growth in the volume of investment and development in services by 15% in terms of gross domestic product, according to statistics, while in 2009 it was only 9%. The report published by the Ministry of Tourism showed the development in the tourism sector in Palestine during the last year, was up significantly compared with 2009. For the complete article see: *Al- Quds Newspaper* 17 January 2011.



Media FAM Still Going

In June, EDIP organized a media familiarization trip to Palestine and Israel for faith-based media from the US and Canada. This visit continues to generate widespread positive media coverage, even six months after the event, for tourism and the region. An article entitled, "Travel to the Holy Land" recently ran written by FAM participant Ted Ries in the fall edition of *Tobias*, a national quarterly magazine for Catholics published by Bayard USA.

Hotels in Bethlehem

Tourism is up in the Holy Land, big time. During 2010, an estimated two million people visited Bethlehem, a record year for the biblical destination. But, like Mary and Joseph so many centuries ago, most of the pilgrims could find no room at the inn. Because of the severe lack of hotel rooms - Bethlehem, for instance, has just under 2,000 hotel rooms - very few Christian pilgrims spend the night in Palestinian towns that host some of the Bible's most important landmarks. So, while tourism numbers are up, the Palestinians aren't seeing much increased revenue as most visitors move on to locations in Israel before they have a chance to spend any money. For the complete story please see: <http://www.travelujah.com>.

Bethlehem Visits

Minister of Tourism Dr. Khoulood Daibes met the Head of Mission of the U.S. Agency for International Development Mike Harvey yesterday, in the presence of Waleed Al-sharif, the Assistant Secretary of Tourism, and staff from the U.S. Agency for development in Bethlehem. Minister Daibes welcomed the guests to Bethlehem and wished USAID Director Harvey success in his new assignment in Palestine and expressed thanks for the U.S. Agency for International Development's marketing programs, promotion of tourism, conservation programs, and restoration of archaeological sites. She spoke about what the ministry is doing to promote Palestine as an independent tourist destination, and the obstacles the Palestinian tourism industry is facing due to the occupation, adding that in spite of the difficulties Palestinian tourism has had significant growth in recent years. She also spoke about the Ministry's plan for the coming period, which will focus on the importance of prolonging the length of stay of tourists and pilgrims in Palestine and the importance of the use of tourist facilities to raise the level of interest and revenue from the tourism sector. Through programs that develop tourism services, the performance of the private sector, and the opening of a number of museums, especially in Bethlehem, tourism will continue to expand. The Minister of Tourism confirmed the role of the partnership with the Palestinian private sector, especially through the representative associations of this sector, as the experience of the Ministry is very rich in this regard and there is considerable cooperation in all fields. Harvey expressed his happiness at visiting Bethlehem, referring to his readiness to continue cooperation and to continue supporting and funding the programs that the Ministry considers important for the tourism sector. From *Al Quds Newspaper*, 14 January 2011



New Museum in Jericho to Open

A museum funded by Russia collecting hundreds of ancient Palestinian artifacts is preparing to open its doors in Jericho, over a year after church officials in the city donated a track of land for the project. Municipal officials said the project, the result of cooperation between the Jericho Municipality and the Russian Embassy, would be the first Palestinian venue for the display of local antiquities, acting as a place "where the Palestinian story can be told. With a tourist industry yet to recover from the blow of the *intifadas*, Jericho merchants hope the museum will bring tourists back to the city in large numbers, adding to the ruins of Hisham's Palace, the ancient city of Jericho and the cable car to the monastery on the Mount of Temptation. For complete article see: <http://www.maannews.net/eng/ViewDetails.aspx?ID=345794>

Saving Mosaics in Jericho

Near the growing tourism destination Jericho, Swiss architect Peter Zumthor is creating a masterpiece of his own in a bid to save the Middle East's biggest mosaic. Recruited by the Palestinian Authority and UNESCO, the 67-year-old has developed a unique shelter that should both protect the stunning mosaics inside Hisham's Palace and keep them accessible to tourists. The work comes as the city of Jericho celebrates its 10,000th year of habitation, marked with the opening of a new Russian museum on Wednesday, and a new excavation at the site of the palace inaugurated one week earlier. For complete article see: <http://www.maannews.net/eng/ViewDetails.aspx?ID=352657>

Uncertainly Clouds Building in East Jerusalem

Israel's demolition of the Shepherd Hotel in East Jerusalem was a snub to international efforts to achieve peace, head of Jerusalem Affairs for the PLO Ahmad Qrei'a said Monday. The hotel was leveled to make way for 20 luxury Jewish-only homes. US President Barack Obama's administration urged Israel not to proceed with the demolition when plans for the building were announced in 2009. Secretary of State Hillary Clinton on Sunday condemned the demolition, saying it "contradicts the logic of a reasonable and necessary agreement between the parties on the status of Jerusalem." For full-story see: <http://www.maannews.net/eng/ViewDetails.aspx?ID=349892>

Palestine in Catholic Digest

In June, EDIP organized a media familiarization trip to Palestine and Israel for faith-based media from the US and Canada. This visit continues to generate widespread positive media coverage, even six months after the event, for tourism and the region. The February edition of *Catholic Digest* features a 10-page pictorial/article as well as an on-line supplement on the Catholic Digest website. *Catholic Digest* has the largest circulation, over 350,000, of any Catholic paid-subscription publication in the US. For complete coverage see: http://www.catholicdigest.com/photo_gallery.html

Media Interest in West Bank Tourism

EDIP informally assisted Joshua Hammer, former Jerusalem Bureau Chief for Newsweek, on a tour of Ramallah. Hammer is now a free-lance journalist who is visiting the West Bank, examining the tourism potential of the region and pondering the potential effect- on Israeli-Palestinian reconciliation among other things - of a developing tourism industry. He spent seven days driving and walking around Bethlehem, Hebron, Nablus, Abraham's Path, Jenin, Ramallah, other sites. EDIP was connected to Hammer through *Conde Nast Traveler* who participated in the VIP FAM trip organized in June surrounding the Palestinian Investment Conference (PIC) in Bethlehem.

Pharmaceuticals

EDIP was supporting local manufacturers of generic drugs to achieve Good Manufacturing Practices (GMP) certification in order to provide potential access to US and European markets. The team worked with four leading Palestinian pharmaceutical manufacturers, and was coordinating visits to international conferences and trade shows to enhance direct market linkages with firms in these regions. However, based on the timeframe and cost of achieving GMP and a reluctance on the part of Palestinian pharmaceutical companies to co-finance GMP until there was more definite interest from the US and European markets, EDIP has discontinued its support to the pharmaceutical sector.

Palestine Investment Partnership (PIP)

The Palestine Investment Partnership (PIP) supports established, medium-sized, private businesses with cost-sharing grants of up to 35% for new equipment to expand their businesses. Businesses are selected for the grants based on a number of factors: actual and projected sales, export potential, job creation, positive cash flow, creativity and innovation. The PIP does not support infrastructure or working capital, and all equipment purchases must come from the USA, Europe, Turkey, Israel or Palestine. Grants are awarded in amounts between \$80,000 and \$350,000 (with a total investment of \$240,000-\$1,000,000). There are two committees for the PIP: EDIP receives and screens online applications, then forwards recommended company candidates to the USAID grant committee.

PIP's accomplishments include the following:

- Total BARs presented by EDIP: 59
- Total budget for PIP program: \$8,250,000
- Total amount (obligated & committed (38 BARs) equal to \$8,159,129 includes \$611,000 for the Jenin Initiative Project for Greenhouses
- Total BARs rejected: 7 (one for vetting issues)
- Total BARs declined: 11 (unable to get bank loans, refused to sign ATS certificate, or change of plans)



From January through March, three BARs were presented and approved (totaling \$550,000), including:

- 2 BARs were rejected (one for environmental issues and the second for lack of sufficient funds)
- 1 BAR was approved
- 38 grants have been signed
- 16 companies out of 38 have received and installed machines and equipment

Gaza Program

The Gaza component of EDIP was designed as a humanitarian relief and early recovery effort. It addresses acute food insecurity for the Gazan population by promoting production of fresh vegetables for families to meet their own consumption needs. An additional, expected outcome of the activity was to introduce surplus produce into the local Gaza market, to help compensate for shortages of fresh, healthy vegetables.



Currently, the EDIP project is directly benefiting over 6,500 people and indirectly benefiting over 31,000¹ people, making an economic difference and positive impact on the lives of many of Gaza's neediest residents. By activity end, EDIP will install 400 greenhouse units and 600 open field drip irrigation systems as well as provide related technical assistance to beneficiaries. By the end of the Gaza component, over 860 households will have received greenhouses, open field drip irrigation systems or both, representing 115 acres of productive agricultural land in urban Gaza, one of the most densely populated places on

earth. As of March 31, 2011, a total of 2,205 permanent and temporary jobs have been created by the EDIP project in Gaza, leading to increased household income for greenhouse and open field drip irrigation beneficiaries.

The successful delivery, installation and productivity of the EDIP greenhouses and open field drip irrigation systems are achieving USAID's goal of the recovery of agricultural livelihoods and addressing acute food insecurity in Gaza.

Activities

As of 31 March 2011, EDIP completed the procurement and successful delivery stage of 400 greenhouse units to Gaza. While 400 greenhouse units were delivered, including over 4,300 steel arches and other greenhouse accessories to Gaza, due to some damage to arches and accessories during the transportation, one more truck with replacement arches and accessories still needs to be delivered. Damages accounted for less than 1% of all items delivered. As a result, 394 of the target 400 greenhouse units have been installed by Netafim/Kian. The six remaining greenhouses will be installed as soon as replacement arches and accessories are delivered to Gaza.



By the end of March 2011, a total of 550 drip irrigation systems had been assembled and successfully delivered to Gaza. EDIP was waiting on the identification, vetting and COGAT approval of a large amount of beneficiaries, which was not received by the end of the quarter. As a result, no new drip irrigation systems were installed by Saqqa & Khoudary.

¹ The first calculation is based on multiplying the 860 beneficiaries by 7.6, the average number of family members per household, which totals 6,536. The second is based on multiplying the 6,536 direct beneficiaries by 5, which includes the number of families that beneficiaries will either give produce to (extended family, neighbors) or sell produce to at the local market.

Greenhouse Units - Running Totals by Quarter				
	9/30/10	12/31/10	3/31/11	% Completion
Number of trucks	36	105	131	
GH units Delivered	99	313	400	100.00%
GH units Installed	98	309	394	98.50%
Drip Irrigation Systems - Running Totals by Quarter				
	9/30/10	12/31/10	3/31/11	% Completion
Number of trucks	17	28	41	
DIS Delivered	172	350	550	91.67%
DIS Installed	64	294	294	49.00%

Reporting

By the end of the quarter, EDIP has submitted eleven bi-weekly Greenhouse installation reports with beneficiary names, coordinates and pictures and six bi-weekly Drip Irrigation installation reports.

Job Creation

According to EDIP monitoring and verification records, a total of 2,205 permanent and temporary jobs been created throughout the EDIP Gaza Project, distributed as follows:

(A) Temporary:

A total of 272 temporary jobs been created so far for social workers, skilled/unskilled labors and engineers to support Selection, Preparation, Supervision, Monitoring and Training activities of the project and hired by the project.

A total of 145 temporary jobs created for community farming laborers (skilled/unskilled) and hired by beneficiaries (farmers) and/or contractors to perform farming and harvesting activities.

A total of 1,100 temporary jobs (may also be considered permanent, but part-time) created for family members of project beneficiaries (sons, daughters, wives, husbands) to assist in planting and farming activities (household income)

(B) Permanent:

A total of 688 permanent jobs have been created for the farmers benefited from the greenhouses and drip irrigation systems.

Training

EDIP and its implementing partner in Gaza, Save the Children, conducted two phases of training for greenhouse and drip irrigation beneficiaries during this quarter.



The first phase of training targeted the northern area of Gaza Strip (Beit Lahia and Beit Hanoun) with total number of 176 beneficiaries (103 of them received greenhouses units (GH) and 42 received Drip Irrigation Systems (DIS), while 31 of them received both GH & DIS). A total of 175 out of 176 farmers benefited from the training program in this phase. The participants received 25 training hours (TH) in total, of them, 15 TH were in classroom training sessions and 10 TH were practical in-field training sessions.



In the 1st part of second phase training, seven (7) training courses were conducted in the middle and south area of the Gaza Strip; two courses were implemented each week in the middle while in the south area (Khan Younis) three courses were implemented each week.

Each training course was planned to benefit 20 beneficiaries (on average) depending on many factors like the number of beneficiaries in the locality, geographical distribution inside the locality, and sometimes the type of benefit for them.

131 out of 143 beneficiaries (91.61% attendance rate) participated in the training sessions during this round. These 7 training courses were implemented to benefit beneficiaries from Al-Nusseirat, Bureij, Az Zawayda and part of Khan Younis.

PMP Results (through March 2011)

Indicator Code	Code	Type	PE Name	Indicator Name	FY 2011 (Planned)	FY 2011 (Actual)
OPE0051	4.2.2	OP-std	Trade and Investment	Number of firms receiving capacity building assistance to export	50	37
OPE0053	4.2.2	OP-std	Trade and Investment	Number of trade and investment capacity building diagnostics conducted	10	46
TIC0017	4.2.2	Mgmt	Trade and Investment	Value of exports for assisted non-agriculture firms (disaggregated by industry)	\$5,000,000	\$1,562,000
OPE0056	4.5.2	OP-std	Agricultural Productivity	Value agriculture exports from assisted firms	\$10,000,000	\$16,000,000
OPE0057	4.5.2	OP-std	Agricultural Productivity	Number of agriculture related firms benefiting directly from USG interventions	50	61
OPE0058	4.5.2	OP-std	Agricultural Productivity	No. of vulnerable households benefiting directly from USAID assistance	0	450
OPE0059	4.6.2	OP-std	Private Sector Capacity	No. of firms receiving USG assistance to invest in improved technologies	10	23
PSC0012	4.6.2	Mgmt	Private Sector Capacity	Number of firms assisted through all EDIP interventions	100	162
PSC0013	4.6.2	Mgmt	Private Sector Capacity	Number of jobs created in firms directly resulting from project activities (disaggregated by gender and industry)	300	70

PSC0014	4.6.2	Mgmt	Private Sector Capacity	Number of policies and regulations created or improved to enhance the role of the private sector	2	5
PSC0015	4.6.2	Mgmt	Private Sector Capacity	Number of workshops and trainings conducted by business and industry associations	15	15
PSC0016	4.6.2	Mgmt	Private Sector Capacity	Number of assisted firms achieving international industry standard certifications	10	10
MEP0018	4.7.3	Mgmt	Strengthen Micro-Enterprise	Number of applications submitted for the Fixed Capital Financing Component	3	6
MEP0020	4.7.3	Mgmt	Strengthen Micro-Enterprise	Number of firms receiving BDS technical assistance including marketing, accounting, product development, management and quality control	50	78
MEP0021	4.7.3	Mgmt	Strengthen Micro-Enterprise	Number of assisted firms participating in market linkage activities (e.g. trade shows, conferences, etc)	24	140
OPE0065	4.7.3	OP_cust	Strengthen Micro-Enterprise	No. of jobs created and sustained by the Fixed Capital Financing Component	400	115
OPE0066	4.7.3	OP-cust	Strengthen Micro-Enterprise Productivity	No. of Palestinian firms accessing financial services through assisted financial institutions	0	0

EDIP News and Developments

- EDIP Strategic Communications Director Brian McCotter attended the USAID Public Affairs Branding seminar in Jerusalem.
- EDIP's Brian McCotter and M&E Specialist Eyad Anabtawi met with USAID GEO-MIS Coordinator Tayseer Edeas at the EDIP offices in Ramallah to review EDIP's GEO-MIS reporting and to jointly refine reporting categories.
- EDIP M&E Specialists Youssef Zalatimo and Eyad Anabtawi participated in advanced training for GEO-MIS REPORTING at the ENERA office in Jerusalem.
- Program Specialist Emre Cilem traveled to Ramallah for a TDY to support the upcoming Stone Expo/Marmomacc 2011 Trade Show in Las Vegas, USA and to finalize a project video on the Beit Fajjar stone and marble sector.
- Program Specialists Emre Cilem and Sara Engleka participated in the Marmomacc StonExpo Trade Show in Las Vegas in support of the Palestinian delegation and booth.
- EDIP's Brian McCotter attended the International Tourism Conference Jerusalem 2011.
- EDIP Case Leader Bill Phelps visited the project from CARANA Headquarters in Arlington, VA to review progress and to hold consultations with USAID in Tel Aviv.
- EDIP Office Manager Maha Miikhail left the project to pursue other interests.