

West Bank and Gaza

The Development Challenge: This past year held moments of anticipation and despair for the Palestinian people. Hopeful signs included the establishment of the post of Palestinian Authority (PA) Prime Minister, the implementation of significant PA financial management reforms and the agreement by the Israelis and Palestinians to accept the Road Map. These developments provided a sense of optimism that President Bush's June 24, 2002 vision of a democratic Palestinian state living side-by-side, in peace and security with Israel might soon be realized. Indeed, following the June 4 Aqaba Summit, the U.S. Government (USG) dispatched a senior diplomat to establish the U.S. Coordination and Monitoring Mission to coordinate with the parties on the ground as they fulfilled their Road Map obligations. For a time, both sides undertook limited actions consistent with the Road Map: Israel removed several illegal outposts and withdrew from Northern Gaza; and the PA took measures to exert security control over areas of the West Bank and Gaza (WBG), including negotiating a "hudna", or temporary ceasefire, with Palestinian militants.

The hudna was broken in mid-August and through the end of the reporting period the situation spiraled downhill, with a resumption of suicide bombings, the collapse of Prime Minister Abbas' government, and the stagnation of the PA reform process and consequent impediments to roadmap implementation. The realities of the past 12 months reflect a continued low-intensity conflict, which include a cycle of suicide bombings and Israeli incursions into populated Palestinian areas, followed by periods of perceived calm. The consequences of this on-going conflict are loss of life, severe damage to the economy, restrictions on the movement of Palestinians, and a difficult environment for USAID project implementation.

After several years of steep decline, the gross domestic product (GDP) is estimated to have risen between 3-5 percent in CY 2003. Unemployment remains at close to 30 percent of the workforce. More than 60 percent of Palestinians are living at or below the poverty line of two dollars a day. Some 40 percent of WBG inhabitants are food insecure and an additional 30 percent are on the verge of becoming so.

The Mission faces competing challenges. On the one hand, the immediate needs of the population are quite enormous, with the large amounts of donor emergency assistance viewed as a major reason that a humanitarian catastrophe has been averted in the West Bank and Gaza. On the other hand, the U.S. and others have emphasized the importance of PA political and economic reform that will contribute to the formation of a democratic, market-oriented, independent Palestinian state in the near future. Consequently, during the past three years, the Mission has reallocated more than \$200 million to emergency response programs, while maintaining longer-term programs that promote the development of institution building, infrastructure and human capital.

The political uncertainty and accompanying instability increase the planning and implementation challenges facing the Mission. Within this context, the Mission has developed innovative approaches to ensure that adequate oversight is provided and that U.S. taxpayer dollars are serving the intended purposes and not being provided to terrorist organizations or their affiliates. Per a congressional mandate, the Inspector General is now supervising audits of all on-going projects. USAID engineering staff based in the West Bank and Gaza regularly visit project sites to review progress and identify problems. All local organizations that receive USAID funds, and their key officials, are vetted for terrorist affiliations. The Mission conducts regular project evaluations and funds research analysis to ensure that effective programming tools are utilized and that critical development needs are addressed.

The USAID Program: The goal of the USAID program is to promote stability in the West Bank and Gaza and in the region and to support the development of moderate Palestinian groups. To do this, the Mission implements six programs: Expanded Private Sector Economic Opportunities; Greater Access to and More Effective Use of Scarce Water Resources; Maintaining and Strengthening Key Institutions of a Modern, Inclusive Palestinian Democracy; Increased Access to Higher Education and Training; Improved and Sustained Performance in the Health Sector; and Improved Community Services.

Within the framework of these programs, USAID will use FY 2004 and FY 2005 resources to fund projects within four thematic areas, which respond both to emergency and longer term development needs. First, the Mission will continue to address the basic needs of the Palestinian population through activities that improve and sustain performance in the health care system, create jobs and long term employment on an emergency basis, and provide assistance to rebuild damaged infrastructure and roads. Second, the Mission will fund political and economic policy reforms, including the strengthening of key PA ministries and regulatory agencies, the legislature and the judiciary, and support for Palestinian NGOs that promote democratic values and moderation. The third thematic area is directed at revitalizing the private sector, which includes the repair of damaged small and medium businesses, work with small and medium enterprises on improved management processes, financial restructuring, and the development of appropriate private sector and investment laws and regulations. The fourth area is building essential water infrastructure, including the much-needed Gaza water carrier and desalination plant, and improving human capital through scholarships for study in the United States and the region, and short term training.

Other Program Elements: Other Program Elements: None.

Other Donors: Following a drastic decline in revenue collections (from \$973 million in 2000 to around \$280 million in 2001 and 2002), the PA has become heavily reliant on the donors for budgetary support. Approximately \$1.2 billion (\$532 million in 2001, \$467 million in 2002 and \$216 million in 2003) has been received in budgetary support during the past three years. USAID's principal donor partners are the European Union (EU), the United Nations family (UNRWA, UNDP, WFP, UNICEF, etc.), the World Bank, Germany, Japan, Italy, Norway, and the United Kingdom (UK). For 2004, the PA is seeking \$1.2 billion in total donor contributions, of which \$650 million is requested for budget support.

Donor coordination is highly developed, with several layers of mechanisms. The Ad Hoc Liaison Committee (AHLC) brings together capital level decision makers from key donor organizations. A Local Aid Coordinating Committee (LACC) includes all donors active in the Palestinian Territories. Several Task Forces operate under LACC auspices, including: a) Task Force on Project Implementation, which includes representatives from USAID, the EU, the United Nations and the World Bank and which works closely with Israeli Government officials to facilitate project implementation and field access for the delivery of all forms of assistance; and b) the Humanitarian and Emergency Policy Group (HEPG), which monitors the humanitarian crisis in the WBG and proposes policy approaches to the LACC. A host of sectoral working groups and emergency operation centers share information and facilitate the coordination of assistance on the ground. In 2002 principal donors established the Task Force on Palestinian Reform (TFPR) to monitor and promote progress on Palestinian institutional reform efforts and identify obstacles to reform. Operating in parallel with the AHLC and LACC, the TFPR has both capital-level and local level bodies, with the local level TFPR operating through seven Reform Support Groups.

West Bank and Gaza PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	72,000	74,500	74,558	75,000
ESF - Emergency Response Fund	0	50,000	0	0
PL 480 Title II	0	9,984	0	0
Total Program Funds	72,000	134,484	74,558	75,000

STRATEGIC OBJECTIVE SUMMARY

294-001 Private Sector Development				
ESF	13,601	10,000	13,950	12,500
ESF - Emergency Response Fund	0	4,400	0	0
294-002 Water Resources Development				
ESF	27,725	34,511	22,808	39,500
ESF - Emergency Response Fund	0	3,500	0	0
294-003 Democracy and Governance				
ESF	11,375	10,150	13,350	7,500
294-005 Higher Education and Training				
ESF	205	2,812	2,250	2,500
294-007 Family Health				
ESF	1,369	17,027	6,200	7,000
294-008 Community Services Program				
ESF	17,725	0	16,000	6,000
ESF - Emergency Response Fund	0	42,100	0	0

Mission Director,
Lawrence Garber

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Private Sector Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	294-001
Proposed FY 2004 Obligation:	\$13,950,000 ESF
Prior Year Unobligated:	\$3,557,000 ESF
Proposed FY 2005 Obligation:	\$12,500,000 ESF
Year of Initial Obligation:	FY 1994
Year of Final Obligation:	FY 2006

Summary: USAID is recognized as the lead donor to the Palestinian private sector, an important voice of moderation in the region. The program aims to promote trade and industrial development, revitalize the private sector and support the overall reform effort in the West Bank and Gaza. USAID assistance provides: 1) access to finance through micro enterprise lending, the delivery of non-bank financial services and an emergency loan program which innovatively leverages resources; 2) support for private-public partnerships and representative trade and business associations, leading to increased access to domestic and export markets and increased employment; 3) the promotion of enabling commercial legislation, including a capital markets authority law, and support for selected regulatory institutions such as the Palestinian Monetary Authority (PMA); 4) support for key Palestinian reforms in the areas of financial and commercial accountability through assistance to the Ministries of Finance and National Economy; and 5) 'rapid response' activities to repair and replace damaged private sector equipment, create and preserve private sector jobs, and provide flexible and discrete support for implementation of the Quartet Road Map.

Inputs, Outputs, Activities:

FY 2004 Program:

Increased Access to Finance (\$2,150,000 ESF, \$483,000 ESF Prior Year Unobligated). The Mission will implement a Development Credit Authority (DCA) program to ensure that USAID funds are leveraged to ensure increased access to credit for the private sector. To encourage banks to enter non-traditional lending areas, the Mission is proposing a portfolio guarantee with selected banks to share the risk in lending to targeted small and medium enterprises which are viable but lack access to capital. USAID's contribution is expected to leverage an overall portfolio of around \$20 million in loans from participating banks' capital.

Increased Access to Markets (\$8,050,000 ESF, \$1,947,000 ESF Prior Year Unobligated). USAID will continue to promote economic growth and job creation by improving the performance of 120 small and medium scale businesses. A new activity and two follow-on activities will be implemented. One activity will assist private sector business and industry associations to better represent and serve their members in accordance with their newly adopted strategies. A second activity will help the national trade promotion organization (Paltrade) host the National Trade Dialogue program, which is coalescing as the driving force of private/public policy discussions. Apart from helping to guide and establish industrial strategy in the West Bank and Gaza, Paltrade will continue to arrange trade exhibitions, and champion private sector demands for supportive legal and regulatory reforms. USAID will also build on its existing support for the Palestinian Information and Communications Technology Incubator (PICTI) by providing effective marketing, financial, and technical services, both to management and to tenants of the incubator. The principal implementing partners are: Development Alternatives Inc. (DAI) and Nathan Associates.

Effective Operation of Selected Economic Regulatory Institutions (\$3,750,000 ESF, \$1,127,000 ESF Prior Year Unobligated). Financial transparency and accountability reforms and broader financial and economic policy reforms will continue to be implemented in the Ministry of Finance (MOF), the Ministry of

National Economy (MONE), and the PMA. One important activity, the internal audit capacity building activity within the MOF, will ensure that continuing advances are made in the adequacy and transparency of the West Bank and Gaza's expenditure and public finance systems. A second activity will continue to focus on the introduction of commercial regulations and legislation, which are required to sustain the operations of an effective capital market, mortgage finance, and leasing system. A third activity will assist the PMA's banking supervision department with the implementation of the appropriate capacities, tools, and authorities, which are necessary to maintain the credibility and viability of the Palestinian banking sector. The principal implementing partners are: Deloitte Touche Tohmatsu (DTT), Financial Markets International (FMI), and others to be determined (TBD).

FY 2005 Program:

Increased Access to Markets (\$7,900,000 ESF). USAID intends to continue its support for: 1) creating jobs and improving the performance of an additional 200 micro, small, and medium enterprises; 2) assisting Paltrade to become the national trade promotion organization; 3) assisting PICTI by providing management and marketing tools for existing management and tenants of the incubator; and 4) helping business associations to better serve the commercial interests of their members. The principal implementing partners are: DAI, Nathan Associates, and others TBD.

Effective Operation of Selected Economic Regulatory Institutions (\$4,600,000 ESF). USAID will incrementally fund the ongoing project to reform the Palestinian financial market and the strengthening of the banking supervision capacity of the PMA. The principal implementing partners are FMI, and others TBD. While maintaining its broad strategic thrust, the program also intends to preserve its ability to take advantage of opportunities as they arise and respond to specific U.S. foreign policy priorities.

Performance and Results: To sustain private sector economic opportunities, USAID's efforts have been focused up to now in three main areas. The first is 'increased access to financial resources' where more than \$3.5 million has already been leveraged from the Palestinian banking sector in home improvement loans, thus creating over 150,000 person days of employment. In addition, around \$2 million in private sector funding was secured to prevent the collapse of 22 medium-sized private sector firms. The second focal area is 'increased access to markets' where USAID has supported 15 private sector business organizations, each of which is now widely recognized as being of pivotal importance to the growth and proper functioning of the Palestinian private sector. A recent evaluation confirmed the effectiveness of this program, which has substantially improved the capacity of the supported sector associations to promote the commercial interests of their members and to engage in an effective policy dialogue with the public sector. Furthermore, the value of exports of assisted associations increased by \$24 million during 2003. USAID has also implemented a business revitalization program which is funding private sector infrastructure repair and replacement, and funding for emergency loans. As a result, a substantial number of jobs are being created or preserved at a very low cost to USAID (less than \$10 per person day). The third area of emphasis is 'effective operations of selected economic regulatory institutions'. Through its support to the PMA's banking supervision operations, USAID is contributing to a more stable and transparent Palestinian banking system. USAID's audit capacity building project within the MOF successfully contributed to USG efforts to secure the release of about \$700 million in revenue transfers due to the Palestinian Authority in 2003 from Israel. This played a major role in stabilizing the Palestinian economy, revitalizing the private sector, and staving off a humanitarian disaster in 2003.

US Financing in Thousands of Dollars

West Bank and Gaza

294-001 Private Sector Development	DA	ESF
Through September 30, 2002		
Obligations	0	76,558
Expenditures	0	57,117
Unliquidated	0	19,441
Fiscal Year 2003		
Obligations	1,200	28,044
Expenditures	0	16,427
Through September 30, 2003		
Obligations	1,200	104,602
Expenditures	0	73,544
Unliquidated	1,200	31,058
Prior Year Unobligated Funds		
Obligations	0	3,557
Planned Fiscal Year 2004 NOA		
Obligations	0	13,950
Total Planned Fiscal Year 2004		
Obligations	0	17,507
Proposed Fiscal Year 2005 NOA		
Obligations	0	12,500
Future Obligations	0	12,500
Est. Total Cost	1,200	147,109

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Water Resources Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	294-002
Proposed FY 2004 Obligation:	\$22,808,000 ESF
Prior Year Unobligated:	\$28,505,000 ESF
Proposed FY 2005 Obligation:	\$39,500,000 ESF
Year of Initial Obligation:	FY 1999
Year of Final Obligation:	FY 2007

Summary: USAID's program to improve water resources in the West Bank and Gaza (WBG) includes the construction of wells, pipelines, reservoirs, and water distribution systems in the West Bank; the construction of a desalination plant and a regional water pipeline in Gaza; the construction of a wastewater primary treatment facility in Hebron in the West Bank; training and technical assistance in water system management, including operation and maintenance services and the management of water as a resource; and increased awareness at both the regional and the village level on how to plan, manage, operate and maintain water supply and water distribution systems. The beneficiaries of this program include more than 1,000,000 residents of Gaza and over 500,000 residents of the West Bank.

Inputs, Outputs, Activities:

FY 2004 Program:

Water Supply Increases - Conventional and Non-Conventional Sources (\$20,608,000 ESF; \$28,505,000 ESF Prior Year Unobligated). USAID will use funds for the construction of a well and a water supply system for the northern West Bank. This will mean that potable water is available for the first time in many target villages. Under a 632(b) interagency agreement with the State Department, \$127,000,000 of Wye River Accord funds will be used to support the construction of a regional water carrier and desalination plant in the Gaza Strip. USAID's water projects are fully vetted with the Palestinians and the Israelis before implementation. Support from the Government of Israel (GOI) is critical to project success since GOI assistance is needed to make sure that equipment and material can get to project sites. In addition, prior to construction, USAID ensures that projects will be sustainable and costs can be recovered through implementation of workable user fees and tariff structures. Given the current economic downturn in the WBG, however, some outside assistance will be necessary in the near-to-medium term. The village water project continues USAID's innovative approach begun in Jenin. It will involve village councils in making decisions on how to pay for and maintain the water distribution system. The Mission will also incrementally fund implementation of the bulk water effort to bring more water to the southern part of the West Bank and will fund the construction of a primary wastewater treatment facility for the West Bank city of Hebron. Finally, USAID will also incrementally fund the construction management company that is overseeing these major infrastructure projects.

Integrated Management of Water Resources (\$2,200,000 ESF). USAID has developed an integrated water resources management planning tool to help address the gap between water supply and demand. USAID will strengthen the capability of the Palestinian Water Authority (PWA) to better manage resources and existing infrastructure, as well as the new interventions provided by USAID and other donors. USAID funds will also support program-funded staff, audits, evaluations, and assessments.

FY 2005 Program:

Water Supply Increases - Conventional and Non-Conventional Sources (\$36,695,000 ESF). USAID plans to use FY 2005 resources requested in this Congressional Budget Justification to incrementally fund construction management services for the desalination and water carrier projects in Gaza. Incremental funding will also be available for the construction of water transmission lines and networks in the West

Hebron and Nablus area, through the Village Water program. Construction will begin on the Hebron Wastewater Treatment plant, to reclaim water for agricultural use.

Integrated Management of Water Resources (\$2,805,000 ESF). USAID will use FY 2005 funds to strengthen the capability of the PWA to better manage resources and existing infrastructure, as well as the new interventions provided by USAID and other donors. USAID will also support program funded staffing costs through September 2006 and audits.

Performance and Results: Access to safe water represents one of the most important basic human needs of the Palestinian people and is vital to a growing economy and a healthy population. Better management of available water resources also continues to be critical to promoting stability in the Region. Phase I of the West Bank Water Resources program put into service four major production wells yielding approximately eight million cubic meters of water per year. A USAID-funded village water system in the Jericho area of the Northern West Bank serves another 4,500 Palestinians.

The Phase II program constructed approximately 17,500 meters of water transmission lines in the Hebron/Bethlehem region, with four large booster pump stations. USAID's FY 2003 and FY 2004 program will result in a comprehensive water supply system and utilization of new production wells that will bring water to over 500,000 people in the West Bank.

Since September 2000, border closings have created logistics problems for the water resources portfolio. While USAID continues to achieve results, it has been difficult at times to move personnel and equipment from Israel to the West Bank and Gaza. However, the Mission has regular meetings with the Israeli military which has provided written support for the USAID water program, and special efforts continue to be made to ensure minimal disruption to water infrastructure construction. For example, through the village water program, rural villages will be connected to water networks for the first time and local residents will take responsibility for management of this resource. USAID will also provide assistance to construct a regional water carrier system for Gaza. This will result in potable water for all of the residents of the Gaza Strip -- over one million people -- and free up marginal water sources for agricultural uses. Near Hebron, wastewater reuse will be introduced. Because of water supply damages caused by incursions, the Emergency Water Operations Center provided essential water supplies to communities with over two million people.

Principal Contractors, Grantees, or Agencies: USAID anticipates the continued involvement of key partners in the water sector, including U.S. firms CH2MHILL, Metcalf and Eddy, and Camp, Dresser, and McKee. The Mission will use full and open competition procurement procedures for its upcoming large infrastructure projects, providing opportunities for qualified U.S. contractors.

US Financing in Thousands of Dollars

West Bank and Gaza

294-002 Water Resources Development	ESF
Through September 30, 2002	
Obligations	268,525
Expenditures	228,455
Unliquidated	40,070
Fiscal Year 2003	
Obligations	34,670
Expenditures	26,688
Through September 30, 2003	
Obligations	303,195
Expenditures	255,143
Unliquidated	48,052
Prior Year Unobligated Funds	
Obligations	28,505
Planned Fiscal Year 2004 NOA	
Obligations	22,808
Total Planned Fiscal Year 2004	
Obligations	51,313
Proposed Fiscal Year 2005 NOA	
Obligations	39,500
Future Obligations	39,500
Est. Total Cost	433,508

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Democracy and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	294-003
Proposed FY 2004 Obligation:	\$13,350,000 ESF
Prior Year Unobligated:	\$3,183,000 ESF
Proposed FY 2005 Obligation:	\$7,500,000 ESF
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2006

Summary: USAID West Bank and Gaza (WBG) supports a program of broad-based democratic development through: financial and technical assistance for Palestinian civil society organizations to promote public discourse and improve oversight of public institutions; technical and limited material assistance to the Palestinian Council to improve the capacity and responsiveness of key legislative staff, offices, and committees; and activities that strengthen the rule of law including enhancing prosecutorial capacity, improving the efficiency of Palestinian courts, increasing the use of alternative dispute resolution, and modernizing curriculum and teaching practices of Palestinian law schools. USAID/WBG also provides modest technical assistance to support the eventuality of free and fair Palestinian elections.

Inputs, Outputs, Activities:

FY 2004 Program:

Strengthen local civil society organizations (\$6,850,000 ESF, \$800,000 ESF Prior Year Unobligated). USAID will assist civil society organizations (CSOs) to promote public discourse in the decision-making process and ensure proper oversight of public institutions. USAID will also stimulate and improve local CSO work in the areas of policy analysis, communication, leadership skills, strategic planning, financial management, and conflict resolution. Interventions support reform, promote discourse, and CSO oversight functions. The principal implementing partners are: Chemonics Inc., Academy for Educational Development (AED), Search for Common Ground, International Republican Institute (IRI), and the Palestinian Academic Society for the Study of International Affairs (PASSIA).

Improve the capacity of the Palestinian Council (\$4,200,000 ESF, \$250,000 ESF Prior Year Unobligated). USAID will strengthen the Council's capacity to draft, review and approve legislation, provide oversight of the Executive Branch, improve constituent relations, and strengthen internal administration. The technical assistance to the Palestinian Council will end in July 2004. The Mission will evaluate the activity and design a follow-on activity that focuses on the other entities involved in the legislative process. Future activities may include strengthening the executive branch's capacity to propose legislation and formulate policy, help CSOs monitor the legislative process and oversee the legislative branch. The principal implementing partners are: Associates in Rural Development (ARD) and others TBD.

Strengthen the rule of law (\$2,000,000 ESF, \$2,133,000 ESF Prior Year Unobligated). USAID efforts in the rule of law sector will promote Palestinian reform, an independent judiciary, and broad-based economic growth. USAID assistance will help increase the professionalism of the legal community, build the legal profession, improve the curriculum and teaching capacity in law schools, support constituencies for legal reform, and support alternative dispute resolution centers. The principal implementing partners are: DPK Consulting and others TBD.

Support for free and fair Palestinian elections (\$300,000 ESF). USAID will continue to provide modest technical assistance to strengthen the Central Elections Commission, polling and surveying capacity, and campaign message and management skills. Support for the development of political diversity may also

be programmed. The principal implementing partners are: National Democratic Institute (NDI), IRI, and International Foundation for Electoral Systems (IFES).

FY 2005 Program:

Strengthen local civil society organizations to ensure proper oversight of public institutions (\$4,200,000 ESF). The fully-funded CSO project will continue to provide grants to local CSOs through September 2005. The Mission plans to design, award, and fund a follow-on project.

Legislative Strengthening/the Legislative Process (\$2,200,000 ESF). USAID will design and launch a legislative strengthening project in FY 2004 that will be incrementally funded in FY 2005.

Strengthen the rule of law to promote Palestinian reform, institutional transparency, and broad-based economic growth (\$1,100,000 ESF). USAID will provide incremental funding to its on-going rule of law program.

Performance and Results: USAID is a leader in providing assistance to Palestinian CSOs to strengthen their role in public discourse and in the decision-making process and to increase the capacity of CSOs to provide oversight of public institutions. Over the past twelve months, USAID has provided 97 grants to local CSOs. Specific results include CSO advocacy and support efforts resulting in mainstreaming of disabled youth into families, integration of women into the economy, reinforcing of non-violent solutions to typical problems through popular CSO-designed radio soap and strengthened planning and revenue generating skills for CSOs. USAID is also supporting a variety of channels, including television, radio, town hall meetings, theater, film, and art to facilitate citizen/decision maker dialogue and consultation. USAID has also provided significant support to the Palestinian Council to promote key elements of the reform process. USAID assistance and training has established a comprehensive legislative structure, improved outreach to constituents, and systematized internal processes, procedures, management, and record-keeping. Over the past twelve months, USAID assistance has supported efforts to draft legislation across a wide range of important political, social, and economic issues, including elections, pension reform, independence of the judiciary, and market development. Assistance to Palestinian judiciary has resulted in the development of an automated case-tracking system in twelve Palestinian courts. USAID's efforts make the justice system more effective and efficient by reducing case processing and investigation times and caseload. USAID has provided over 80 Palestinian judges and 70 prosecutors with specialized training across a range of critical areas. Two alternative dispute resolution centers created with USAID support are handling commercial cases, offering non-litigious arbitration and mediation services to the public.

US Financing in Thousands of Dollars

West Bank and Gaza

294-003 Democracy and Governance	ESF
Through September 30, 2002	
Obligations	82,236
Expenditures	59,694
Unliquidated	22,542
Fiscal Year 2003	
Obligations	18,737
Expenditures	11,890
Through September 30, 2003	
Obligations	100,973
Expenditures	71,584
Unliquidated	29,389
Prior Year Unobligated Funds	
Obligations	3,183
Planned Fiscal Year 2004 NOA	
Obligations	13,350
Total Planned Fiscal Year 2004	
Obligations	16,533
Proposed Fiscal Year 2005 NOA	
Obligations	7,500
Future Obligations	7,500
Est. Total Cost	132,506

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Higher Education and Training
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	294-005
Proposed FY 2004 Obligation:	\$2,250,000 ESF
Prior Year Unobligated:	\$716,000 ESF
Proposed FY 2005 Obligation:	\$2,500,000 ESF
Year of Initial Obligation:	FY 2000
Year of Final Obligation:	FY 2007

Summary: USAID's education program is working to increase higher education and training opportunities for Palestinians in the West Bank and Gaza. This initiative responds to the need for a cadre of professional managers and trained leaders to support the economic and political development of the future State of Palestine. Over 90% of the 51 scholars that have completed their Masters degree have honored their commitment to return. A second program, the Presidential Scholarship Program (PSP), will continue the effort. The U.S. and Palestinian University Linkage activity (UPLINK), and the independent Utah State-Arab American University in Jenin Linkage, assisted local higher education institutions in developing capacity through partnerships that were completed this year.

Inputs, Outputs, Activities:

FY 2004 Program:

Higher Education Support Initiative (HESI) (\$1,500,000 ESF, \$226,000 Prior Year Unobligated). USAID has a contract with the Academy for Educational Development (AED) to manage this multi-faceted activity from 2002 to 2005. The goal is to increase Palestinian access to higher education and training. HESI supports 89 Masters' degree candidates (70% male/ 30% female) studying in the U.S. The project funds in-depth reentry follow on, mentoring, and job placement support for scholars returning to the West Bank and Gaza. The HESI program provides local undergraduate scholarships to talented and needy students in fields that support economic, social and political demands on the developing state. Based on the strong demand for training in Information Technology (IT) and other sectors critical to the economic development of the WBG, HESI provides IT and training opportunities based on short term needs. This training takes place in the WBG and in third countries. HESI conducted an in depth needs assessment survey from January to August 2003 to assess long-term local higher education and training needs and help formulate planning for future training activities. This document is being used as a basis to develop a forward strategic plan for the mission's higher education activities and for distribution as a planning tool to Palestinian institutions, other donors, local NGOs and international organizations. The principal implementing partner is: AED.

Program Development and Support (PD&S) (\$750,000 ESF, \$490,000 ESF Prior Year Unobligated). The Program Support Office provides a variety of liaison services for USAID contractors and grantees, including travel permits, customs and visas, and support in immediate emergencies. Funds also cover the work of the public relations staff in the Mission, who provides a vital liaison between the mission and outside interested parties, and links to local and international media. USAID will also fund Program Office staff, other technical staff, evaluations, audits, and other studies and analyses.

FY 2005 Program:

Higher Education Support Initiative (\$731,000 ESF). USAID will provide funding to continue to maintain approximately 30 Masters degree candidates in 2004, who are currently in the U.S., through May 2005 and will select 50 additional candidates for studies beginning in 2005. All participants returning to the WBG during FY 2004 are provided re-entry assistance, mentoring, and job placement support. USAID will continue to strengthen local institutions of higher education by providing undergraduate and

community college tuition scholarships to talented and needy Palestinian students. USAID will also support approximately 150 local information technology (IT) and ten primarily local short-term training opportunities.

Program Development and Support (PD&S) (\$1,769,000 ESF). PD&S is used to fund the Program Support Office, which, given the extenuating circumstances of working in the West Bank and Gaza, provides a variety of liaison services to USAID contractors and grantees, including permits, customs and visas, as well as support in immediate emergencies. Funds also support the Mission's Public Relations Office, which provides a vital liaison between the Mission and outside interested parties, as well as links to local and international media. Funds also support program staff, project evaluations, and technical analyses. Salaries for the Project Support Unit and Public Outreach Office will be funded from PD&S funds. The principal implementing partners are TBD.

Performance and Results: Under the ongoing Master's scholarships program, USAID has provided scholarships to 89 Palestinians as of the end of 2003 for graduate scholars study in the U.S. in areas such as business administration, law, urban planning, information technology, public health, and water resources management. Thirty percent of these scholars were women. Most scholars have adapted well and excelled in their programs, maintaining high grades. Many have received honors, awards, participated in community outreach, internships, and are establishing professional linkages. A major challenge is that scholars returning to the West Bank and Gaza have experienced difficulties in securing employment due to the devastation of the Palestinian economy as a result of the Al Aqsa Intifada. Despite the setbacks, the vast majority (over 90%) honor their commitments to return and seek leadership roles in the development of an economically viable and democratic Palestinian State.

In September 2003, USAID awarded a new contract under the Presidential Scholarship Program to provide U.S.-based scholarships for Palestinian masters level graduate students. The selection of the first batch of scholars is proceeding and is expected to be evenly divided between male and female. Most students will be placed in programs of a one year duration, when possible, and in universities that have demonstrated the ability to insure timely completion and adequate preparation of participants. Those who succeed in receiving these awards demonstrate not only high academic credentials but exceptional leadership qualities.

The seven U.S.-Palestinian university partnership linkages completed their work, with some modifications in approaches and timelines to accommodate on-the-ground challenges including closures, curfews and the continued threat of violence. Nonetheless, despite modifications, few achieved their intended outcomes because of the threats on the ground and faculty unwillingness to travel to West Bank and Gaza. Positive results were achieved in some instances such as the provision of training to key employees of Al Quds School of Public Health, preliminary runs of a hydrological modeling software program at Bethlehem University, and changes to the curriculum at Al Najah University of its Masters Program in Economic Policy Management.

US Financing in Thousands of Dollars

West Bank and Gaza

294-005 Higher Education and Training	ESF
Through September 30, 2002	
Obligations	117,637
Expenditures	103,348
Unliquidated	14,289
Fiscal Year 2003	
Obligations	12,032
Expenditures	0
Through September 30, 2003	
Obligations	129,669
Expenditures	103,348
Unliquidated	26,321
Prior Year Unobligated Funds	
Obligations	716
Planned Fiscal Year 2004 NOA	
Obligations	2,250
Total Planned Fiscal Year 2004	
Obligations	2,966
Proposed Fiscal Year 2005 NOA	
Obligations	2,500
Future Obligations	2,500
Est. Total Cost	137,635

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Family Health
Pillar:	Global Health
Strategic Objective:	294-007
Proposed FY 2004 Obligation:	\$6,200,000 ESF
Prior Year Unobligated:	\$5,689,000 ESF
Proposed FY 2005 Obligation:	\$7,000,000 ESF
Year of Initial Obligation:	FY 1999
Year of Final Obligation:	FY 2006

Summary: USAID's health program in the West Bank and Gaza (WBG) is working to improve and sustain the overall performance within the primary health care system, focusing on overall quality of maternal and child health (MCH) and nutrition services. A second component trains social workers, teachers, and parents to help children and youth cope emotionally with the violent environment. Health programs provide performance improvement in MCH services, emergency medical equipment, supplies, pharmaceuticals, and training in emergency medical and trauma case management. Key beneficiaries are women, children, and youth.

Inputs, Outputs, Activities:

FY 2004 Program:

Maternal and Child Health and Nutrition (\$5,975,000 of ESF, \$1,799,000 ESF Prior Year Unobligated). This flagship primary health care contract seeks to improve the availability of quality MCH and nutrition services including procurement of medical equipment, supplies, vitamins and minerals, the award of sub-grants/contracts to Palestinian NGOs and institutions. Due to ongoing management issues, the Mission is conducting an evaluation to determine whether the existing contract can be modified to perform successfully or whether a new contract will need to be awarded early in FY 2005. The principal implementing partner is: IBM Consulting.

Emergency Medical Assistance (\$590,000 ESF Prior Year Unobligated). USAID will continue its support to improve the Palestinians' capacity to meet emergency health and nutrition needs arising from the crisis. Activities include training, nutrition monitoring and research to ensure the availability of reliable information for decision makers to set policies and priorities, the procurement of medical equipment, supplies, and pharmaceuticals and sub-grants that maintain the operational capacity of local rehabilitation and emergency organizations. The principal implementing partner is: CARE.

Community Psychosocial Support (\$2,500,000 ESF Prior Year Unobligated). USAID will continue its support for improving technical skills of teachers, parents, and social workers in psychosocial support training, counseling and coping behaviors among children and parents who must live in a violent environment. Sub-grants to implement psychosocial support activities will also continue. Pending the results of a mid-term assessment, USAID may provide additional funds for a Phase II community psychosocial support program. The principal implementing partners are: Save the Children and others TBD.

Nutrition (\$225,000 ESF, \$800,000 ESF Prior Year Unobligated). USAID will seek new partnerships to support Palestinian institutions strengthen policies and programs on micronutrient deficiencies which may include supplementation and food-based strategies; national awareness raising campaigns; improving capacity of Palestinian organizations to provide leadership, ensure early detection and appropriate management and case referrals. Given the positive impact of existing food security programs, USAID will continue its support for the distribution of basic food parcels to the most vulnerable non-refugees and food insecure families. USAID's contributions cover operational expenses and local procurement of wheat

flour and olive oil. USAID will continue to support the procurement and distribution of essential vaccines and supplies covering a twelve month period for total coverage requirements estimated by the Ministry of Health. The principal implementing partners are: World Health Organization (WHO), World Food Program (WFP), UNICEF and others TBD.

FY 2005 Program:

Maternal and Child Health and Nutrition (\$6,200,000 ESF). This program will continue under the existing or newly selected contractor. Since this is one of the most important programs supporting provision of health services to mothers and children, it will be continued with modifications suggested by the evaluation being conducted in the second quarter of 2004.

Emergency Medical Assistance (\$800,000 ESF). USAID will continue support to improve the Palestinians' capacity to meet emergency health and nutrition needs. Health and nutrition monitoring and research will continue with an additional focus of integrating monitoring systems into a Palestinian Authority institution -- such as the Ministry of Health -- to ensure sustainability. Based on need, the procurement of medical equipment, supplies, and pharmaceuticals and sub-grants to Palestinian organizations will continue.

Performance and Results: USAID's health programs continue to improve and sustain performance in the health system. Through the end of FY 2003, USAID procured and distributed medical equipment, supplies, and pharmaceuticals worth about \$7 million to approximately 200 non-governmental clinics, hospitals and public health facilities, serving approximately 570,000 women and children. Local pharmaceutical procurement resulted in an economic injection of \$2.5 million to private Palestinian firms. Seventy-six training workshops targeting 657 health workers were conducted to strengthen their counseling skills in educating women on the birth cycle and care for the mother and newborn. In addition, over 60,000 women and children have benefited from health education materials that focus on priority health concerns. Approximately 540,000 of the poorest and most vulnerable persons have directly benefited from food distribution programs that are supported by USAID. A food security assessment found that 70% of Palestinians have difficulty obtaining sufficient food. A repeat nutritional assessment one year later showed that moderate and severe acute malnutrition rates among children ages 6-59 had improved from 7.8% to 3.4%. Data are still being analyzed to guide Mission programs. A psychosocial assessment revealed that 93% of sampled children reported not feeling safe and exposed to attack. More than 22,000 children were beneficiaries of play and art therapy that help children deal with trauma while 40,000 children have benefited from a series of innovative classroom-based sessions in 370 schools and 270 community centers. Over 10,000 parents, teachers, and other caregivers have directly benefited from group sessions and training on how to meet children's basic support needs. An estimated 41,700 children benefited from 200 USAID-sponsored summer camps.

US Financing in Thousands of Dollars

West Bank and Gaza

294-007 Family Health	ESF
Through September 30, 2002	
Obligations	35,237
Expenditures	8,330
Unliquidated	26,907
Fiscal Year 2003	
Obligations	12,880
Expenditures	18,534
Through September 30, 2003	
Obligations	48,117
Expenditures	26,864
Unliquidated	21,253
Prior Year Unobligated Funds	
Obligations	5,689
Planned Fiscal Year 2004 NOA	
Obligations	6,200
Total Planned Fiscal Year 2004	
Obligations	11,889
Proposed Fiscal Year 2005 NOA	
Obligations	7,000
Future Obligations	7,000
Est. Total Cost	74,006

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Community Services Program
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	294-008
Proposed FY 2004 Obligation:	\$16,000,000 ESF
Prior Year Unobligated:	\$1,233,000 ESF
Proposed FY 2005 Obligation:	\$6,000,000 ESF
Year of Initial Obligation:	FY 1999
Year of Final Obligation:	FY 2005

Summary: The goal of USAID's Community Services Program (CSP) is to improve the quality of life of Palestinians in under-served communities in the West Bank and Gaza (WBG). The program responds to the growing gap in the provision of community services through a wide range of interventions. While generating employment opportunities, the program upgrades basic infrastructure, improves the capacity of local entities to provide sustainable community services, and provides humanitarian assistance to disadvantaged groups. Community involvement is the cornerstone of the program. Communities participate in identification, design and implementation of projects, and, in most instances, make substantial contributions in kind or in cash. Municipal/village councils, village development committees and community-based organizations also receive training and technical assistance to maintain and sustain the projects within their communities.

Inputs, Outputs, Activities:

FY 2004 Program:

Upgrade infrastructure for selected needy rural areas and urban neighborhoods in the West Bank and Gaza (\$6,000,000 ESF, \$893,000 ESF Prior Year Unobligated). USAID will fund small community activities focused on the education, health, youth, agriculture and small municipal infrastructure fields to improve the quality of life and provide much needed services while creating employment opportunities. Interventions in the education and health sectors will focus on rehabilitation and construction of schools and clinics resulting in greater access to these needed facilities. Poor areas often suffer from inadequacy or absolute absence of schools and clinics. Typical interventions in this area include construction or expansion of educational and health facilities and training of service providers. Small municipal infrastructure activities will include water projects aimed at the provision of quality water for drinking purposes. Construction of household water cisterns and rehabilitation, and extension of piped water networks will be carried out in water-scarce areas. Support to youth facilities and agricultural land reclamation will continue if resources are available and suitable activities exist. The program and number of partners is expected to decrease as the last of the Wye Accord funds are disbursed. The principal implementing partners are: Save the Children Federation (SCF), Catholic Relief Services (CRS), CARE International, YMCA, American Near East Refugee Aid (ANERA), World Vision International (WVI), Mercy Corps (MC), Cooperative Housing Foundation (CHF), International Orthodox Christian Charities (IOCC), United Palestinian Appeal (UPA), International Youth Foundation (IYF), and the United Nations Development Program (UNDP).

Road rehabilitation (\$8,500,000 ESF, \$340,000 ESF Prior Year Unobligated). USAID will also fund a second phase of highly successful road rehabilitation project, providing much needed jobs and cash into the local economy. The principal implementing partners are CH2MHill and numerous local contractors (TBD).

Providing humanitarian assistance for disadvantaged groups (\$1,500,000 ESF). The aim of humanitarian assistance is to reach out to groups that have fallen on the margins of mainstream donor assistance. These groups include the elderly, physically and mentally challenged youth, needy school children,

internally displaced persons, families with inadequate shelter and other similar groups with urgent needs. Typical interventions in this area will include the distribution of commodities, such as food packages and school supply bags. The principal implementing partner is Associates in Rural Development, Inc. (ARD).

FY 2005 Program:

Upgrade of infrastructure in needy communities in the West Bank and Gaza (\$5,500,000 ESF). Depending on the success of the assistance model for FY 2004 described above, and if additional resources become available, USAID may expand the program into new locations of demonstrable need. Technical assistance could be provided to community councils to enable them to carry out their own needs assessment planning in order to leverage further assistance from local and international organizations more effectively. Such partnerships will be crucial since Palestinian local governments do not have adequate resources to finance desperately needed community infrastructure and services.

Humanitarian assistance (\$500,000 ESF). Humanitarian assistance will be continued where needed.

Performance and Results: USAID's CSP achieved its targets for 2003, which will contribute towards enhancement of services to rural communities in the absence of functioning government structures and the depletion of local economic resources. In 2003, CSP generated over 500,000 person days of employment and extended benefits to more than 2.3 million beneficiaries. By providing new facilities, or expanding existing ones in important sectors like education and health, CSP has provided direct employment and supported the local economy and social sectors. Examples of the CSP's contributions to Palestinian society abound. Since program inception, the CSP has supported projects in about 300 villages, which is almost half of all Palestinian communities. It has been active in every Palestinian governorate creating more than 1.3 million person days of employment. It has financed construction of over 1,300 educational rooms, representing about 30% of total Palestinian needs for increased classroom space and benefiting about 30,000 students. It has also built or renovated 550 youth facilities, constructed or developed nearly 900 water cisterns, increased arable land available to Palestinian farmers by over 750 acres, and constructed interior agricultural access and connecting roads that allow farmers to reach their land and get their products to market. To summarize, the CSP external evaluation stated as its main finding that: "The CSP is an outstanding program that has effectively targeted the poorest Palestinian communities, has utilized creative concepts, and has had a tangible, positive impact on the lives of thousands of Palestinians."

One of the most highly acclaimed activities this year was the Roads Rehabilitation project, funded from monies made available through the FY 2003 Emergency Wartime Supplemental Appropriations Act. The project deserves mention in terms of innovative contracting and implementation, high visibility, and significant impact on the local economy in terms of job generation and local material utilization. In a record five months from contract execution until project completion, 45 kilometers of roads were built in 11 communities throughout the West Bank and Gaza. The program utilized the skills of 11 local contractors overseen by a U.S. architectural design and engineering firm. As a result of this activity, 500 construction and professional jobs have been created in Palestinian communities, \$14 million has been injected into the economy, and tremendous positive media support and good will toward the United States were engendered.

US Financing in Thousands of Dollars

West Bank and Gaza

294-008 Community Services Program	ESF
Through September 30, 2002	
Obligations	196,327
Expenditures	66,420
Unliquidated	129,907
Fiscal Year 2003	
Obligations	63,344
Expenditures	57,626
Through September 30, 2003	
Obligations	259,671
Expenditures	124,046
Unliquidated	135,625
Prior Year Unobligated Funds	
Obligations	1,233
Planned Fiscal Year 2004 NOA	
Obligations	16,000
Total Planned Fiscal Year 2004	
Obligations	17,233
Proposed Fiscal Year 2005 NOA	
Obligations	6,000
Future Obligations	6,000
Est. Total Cost	288,904