

Data Sheet

USAID Mission:	West Bank and Gaza
Program Title:	Private Sector Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	294-001
Status:	Continuing
Planned FY 2005 Obligation:	\$7,649,000 ESF
Prior Year Unobligated:	\$15,165,000 ESF
Proposed FY 2006 Obligation:	\$23,000,000 ESF
Year of Initial Obligation:	1994
Estimated Year of Final Obligation:	2007

Summary: The program promotes economic and financial sector reform, business development, and trade in the West Bank and Gaza. USAID assistance supports: 1) access to microenterprise lending; 2) non-bank financial services and an emergency loan program which leverages commercial resources; 3) private-public partnerships and representative trade and business associations that increase employment and market access; 4) legal and regulatory reforms, including reforms in financial and commercial accountability; and 5) 'Rapid Response' activities in the private sector to repair damaged equipment, preserve jobs, and provide flexible and discrete support for disengagement and forward progress toward the President's two-state vision.

Inputs, Outputs, Activities:

FY 2005 Program: Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress (\$1,872,000 ESF; \$1,348,000 ESF Prior Year Unobligated, \$7,900,000 ESF Wye). In FY 2005, USAID will provide about \$1.5 million in loans to more than 3,000 women micro-entrepreneurs. A Development Credit Authority loan portfolio guarantee program will share the risk of financing small and medium scale enterprises (\$500,000). The principal grantees are: Save the Children, FATEN (a Palestinian non-governmental organization), and others to be determined.

Increase Private Sector Growth (\$4,577,000 ESF; \$5,822,000 ESF Prior Year Unobligated). USAID will continue to promote economic growth and job creation by improving the performance of 320 small and medium businesses. Two new activities will be implemented. The Palestinian Agribusiness Partnership Activity (PAPA) is a public-private sector alliance that will replace and improve agricultural infrastructure; reduce dependence on food imports and labor exports; improve food security; and raise rural incomes, exports, and employment. A second new activity, the Palestinian Enterprise Development (PED) program, will expand exports, create jobs, and generate income by supporting Small and Medium Enterprises and business and trade associations. The PED will also address legal and regulatory reforms by providing technical assistance and training to the key economic ministries. The Private Enterprise Revitalization (PER) initiative will, with a two-year expansion, provide technical assistance to 250 small firms. The targets include creating an additional 300 permanent jobs, protecting 3,000 existing jobs, and extending about \$5 million in loans through commercial banks. USAID will continue support for PalTrade, the national trade promotion organization. PalTrade sponsors Palestinian companies' participation in trade fairs and trade missions, conducts training, and increases the export readiness of Palestinian firms. Trade promotion activities are targeted to generate more than \$5 million in sales. A second phase of the Palestinian Information and Communications Technology Incubator (PICTI) program is implementing public private-partnerships to provide effective marketing, financial, and technical services and to create a not-for-profit seed fund and a for-profit venture capital fund. Principal contractors are: Nathan Associates, Development Alternatives Inc. (DAI), and others to be determined.

One of the areas the Mission is actively exploring is development of vocational education programs that are directly linked to private sector needs. Currently, many such programs are working with outdated equipment and are too short and have too little credibility to attract students into professions, such as construction, that have a strong future. The mission is working with Palestinian businesses to determine what their workforce needs are, and how USAID can help them meet these needs.

Improve Economic Policy and Governance (\$1,200,000 ESF, \$95,000 ESF prior year unobligated). The Mission will implement: 1) the Financial Markets Reform program to continue work on land titling and registration, and technical assistance to the business schools at Al Najah and Birzeit University; and 2) the Internal Audit Capacity Building project to assist the Palestinian Customs and Excise department in organizational improvements and restructuring so that it can become more efficient in collecting revenues. The principal contractors and grantees are: Financial Markets International (FMI) and Deloitte Touche Toumatsu.

FY 2006 Program: Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress (\$1,500,000 ESF). With additional funds the mission will maintain support to women micro-entrepreneurs. The mission will continue plans with the Development Credit Authority loan portfolio guarantee facility launched in 2005. The principal partners are Save the Children, FATEN, Bank of Jordan, and others to be determined.

Increase Private Sector Growth (\$4,000,000 ESF). USAID intends to continue its support for: 1) creating jobs and improving the performance of an additional 320 micro, small, and medium enterprises; 2) assisting PalTrade to become the national trade promotion organization; and 3) PICTI, by providing management and marketing tools for existing tenants of the incubator. PER will assist 300 firms creating 350 jobs and mobilize \$6 million in financing. Principal contractors are Nathan Associates, DAI, and others to be determined.

Increase Agricultural Productivity (\$13,000,000 ESF). The mission is developing PAPA, a major agriculture revitalization initiative that will establish private sector partnerships and linkages with Israeli marketing firms to increase agricultural production and exports to regional and international markets. The principal contractors and grantees are to be determined.

Improve Economic Policy and Governance (\$4,500,000 ESF). USAID will incrementally fund the ongoing Financial Market Reform project to continue work on pending legislation, the movable properties registry, and a pilot land registration program in the West Bank and Gaza. The PED program will continue to support selected associations and reforms that enhance private sector development, job creation and exports. The mission is planning to develop an initiative that would support development of a state of the art business school at one of the universities in the West Bank. The principal contractors and grantees are FMI and others are to be determined.

Performance and Results: Private Enterprise Development activities achieved significant results in 2004 in terms of business development, employment creation, credit delivery, institutional reform, and business training. Since inception, the program has achieved the following major results: 1) non-bank financial instruments have been introduced, including a bond issue for private placement with the Palestinian Mortgage Housing Company; 2) more than 60,000 loans worth over \$24 million have been extended to Palestinian women entrepreneurs; 3) USAID has helped increase private sector exports, market share, sales, and employment opportunities in the West Bank and Gaza; and 4) economic reforms have been advanced, such as the Law on Encouragement of Investment, the consolidation of two drafts of the Companies Law, and final drafts of the Irrevocable Power of Attorney Law and Capital Markets Authority Law.

Working in partnership with the leading national business, industrial, and public policy institutions, USAID has assisted Palestinian firms to become more competitive in local and international markets. Remarkable progress was made in the growth of private sector institutions in developing their programs and service delivery and policy advocacy, which in turn has led to an increase in their membership base. As a result of USAID's business revitalization activities, more than 7,500 skilled and non-skilled jobs were created in the West Bank and Gaza. Each USAID dollar brought another four dollars in loans as part of a home improvement program. In total, 2,600 loans amounting to \$12 million were disbursed to 2,700 families, creating more than 350,000 person days of employment. The program's partner banks provided more than \$8 million in loans, bore the full risk of their share, and participated in servicing the loans.

US Financing in Thousands of Dollars

West Bank and Gaza

	DA	ESF
294-001 Private Sector Development		
Through September 30, 2003		
Obligations	1,200	103,472
Expenditures	0	76,803
Unliquidated	1,200	26,669
Fiscal Year 2004		
Obligations	0	9,443
Expenditures	921	17,790
Through September 30, 2004		
Obligations	1,200	112,915
Expenditures	921	94,593
Unliquidated	279	18,322
Prior Year Unobligated Funds		
Obligations	0	15,165
Planned Fiscal Year 2005 NOA		
Obligations	0	7,649
Total Planned Fiscal Year 2005		
Obligations	0	22,814
Proposed Fiscal Year 2006 NOA		
Obligations	0	23,000
Future Obligations	0	12,500
Est. Total Cost	1,200	171,229