

A.1 BACKGROUND

The Palestinian economy deteriorated sharply following the onset of the September 2000 Intifada. In West Bank and Gaza (WBG), real per capita GDP fell to less than \$1,000, and unemployment doubled¹. The ability for most to maintain, let alone grow a business, was restrained in a practical sense. Nearly all economic activity levels were adversely affected. As reported by one West Bank municipality, by the end of 2004, applications for new construction permits had fallen to 15 percent of 2000 levels. Nationally, average personal incomes declined by more than a third. Nearly half of all Palestinians now live below the poverty line.

Two key constraints led to negative Palestinian economic growth over the past four years: 1) limited private sector competitiveness due to encumbered movement of Palestinian commercial, agricultural, and industrial goods destined for domestic and export markets, resulting in higher costs of doing business, diminished capacity to import needed production inputs, increased unemployment, and lost business, and 2) the restrictions and complications of the current border regimen with Israel have a direct impact on the ability of Palestinian exporters to ensure reliable, cost efficient, and timely exports to their trade partners and have a discouraging effect on export development as a whole. Both factors have had significant and adverse effects on jobs and personal income, as well as business growth, development and investment.

Israel's economy has also suffered during this time. Practical security concerns over civilian targets in Israel followed by IDF incursions into WBG essentially decimated the region's tourism industry. By the end of 2002, tourist arrivals in Israel alone fell by more than 64 percent of 2000 levels. A ripple-affect of the downward turn of tourism in Israel (hotels, restaurants, guides, facilities fees, gifts, etc.), combined with declines in Israel's software and manufacturing industries, led to negative economic growth in 2001 and 2002 and no real growth in 2003². Per capita GDP fell 3 years straight (2001-2003), mirroring negative per capita private consumption expenditures³. Israel's unemployment rate reached more than three times historical levels and gross wages per work hour declined in each of the last three years. Palestinian and Israeli economies are at least to some extent interdependent; tourism in West Bank also declined significantly along with demand for consumable items.

GOI's announced and approved disengagement plan from Gaza now includes areas in the West Bank. Formerly a unilateral process, overtures from new PA leadership have activated a process of Palestinian and Israeli officials constructively engaging in discussions concerning Gaza and West Bank. New and positive developments are occurring nearly on a weekly basis. Many stakeholders appear very cautiously optimistic. However, perceptions do not easily change regardless of the context. The continued construction of the GOI security fence and wall remains an open issue with the PA, as will other issues remain open, such as 40 passenger "gates"⁴ being constructed in disputed territories.

Within this context, deep levels of frustration and pessimism are difficult to give way to incremental movement in positive directions. Yet, "the needs of the Israeli and Palestinian business sectors and the mutual dependence that developed over many years, have been stronger than the security situation, the terror, the cessation of political relations, the hostility and even the security-oriented restrictions imposed on both sides – all severe burdens to mutual trade. In one manner or another, both sides have found ways

¹ USAID/WBG

² Central Bureau of Statistics, GOI

³ Ibid.

⁴ Interview 14 February 2005 with Yoram Shapira, Deputy Director General, Border Terminals & Domestic Airports, and Israel Airports Authority.

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to overcome the physical, administrative and security obstacles and to continue to conduct business with each other.”⁵ Time will tell whether peace between the PA and GOI is good for business and if business is good for peace.

A.2 TITLE

Palestinian Integrated Trade Arrangement (PITA) Project

A.3 OBJECTIVE

The objectives of the United States Agency for International Development for West Bank and Gaza’s (USAID/WBG) Palestinian Integrated Trade Arrangement (PITA) Project is to provide a combination of short- and long-term advisory services, technical assistance and procurement of security equipment and technology to address supply chain management in critical trade corridors with a focus on commercial cargo transport into and out of the West Bank and Gaza.

PITA is a three-year activity—with a possible extension up to five years—designed to accelerate the speed, efficiency, and security of Palestinian commercial flows into and out of the WBG. It is a response to a Congressional earmark to support Israeli border crossing security and management infrastructure for the transit of people and goods. The objectives of this project are to facilitate the movement of Palestinian commercial, agricultural, and industrial goods destined for domestic and export markets, penetrating and capturing new market share, promoting new production, and generating employment to offset the reduction of Israeli work permits issued to Palestinians living in West Bank and Gaza.

The Contractor shall work with private sector associations to improve cargo transport and supply chain management and security by analyzing the Palestinian transport industry and improving the Palestinian public-private sector dialogue. The Contractor shall work with other donors and the Palestinian private sector to support industrial estate development in the West Bank and Gaza. Additionally, the Contractor shall support the development of a strong Palestinian Customs Authority and PA institutional capacity for trade data collection and analysis. A credible customs authority will give the PA the ability to monitor and regulate imports and exports into and out of the Palestinian Territories, help establish the PA as a legitimate verifier of cargo security, and play a role in future trade facilitation efforts with the GOI. Internal PA institution building efforts will include extensive consultations with the GOI to assure that its concerns and expectations are adequately taken into account.

This Statement of Work prescribes PITA activities which include two major project components, 1) the Consensus Building and Institutional Development Component and 2) the Security Enhancement and Implementation Component. Technical and cost proposals are required for both components and all activities. This Statement of Work was prepared at a time when most of these issues were being discussed and negotiated by the PA and GOI and other US assistance efforts. The situation was/is very fluid and, as such, is recognized in the form and structure of this Statement of Work.

The funding level of PITA’s Consensus building and Institutional Development Activities is estimated at \$10 million. Subject to the Contractor’s continuing progress toward these project objectives, funding availability, successful implementation of Israeli disengagement from Gaza and some West Bank areas, and the situational relevance at the time of project implementation, up to an additional \$46 million may be made available to further implement Security Enhancement Project Activities in support of PITA

⁵ Moshe Nahum, “Industry and Disengagement”, The Industrialists, January 2005, Manufacturers Association of Israel.

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objectives. Furthermore, the PITA program may be extended with up to two years total funding of \$150 million, subject to satisfactory performance, achievement of program objectives, availability of funding, and continued relevance of this program to USAID's mission objectives. Offerors will not address such possible extension in proposals. Implementation of project activities in support of these components should, where appropriate, be designed and executed where support from other donors and/or private investment can be leveraged and/or complemented. In executing all project components, the Contractor will have regular contact with the PA, officials from other jurisdictions, such as Israel, Jordan and Egypt, other active donors, such as The World Bank and Government of Canada and, in particular, the private sector. The use of appropriate Palestinian and Israeli subContractors is anticipated and will be strongly encouraged.

The Contractor must be prepared to implement all activities, for which funds are made available. The Contractor will begin implementation of the PITA toward the achievement of the primary objectives of the project within 15 days of contract award.

A.4 STATEMENT OF WORK

The Contractor shall execute the following tasks and implement the program herein as prescribed and approved under the Contractors' Technical Proposal, Section 1.0 and Annex C dated September 15, 2005, and the Contractor's Technical Clarifications dated September 26, 2005 and September 28, 2005.

PITA Components:

PITA has two key components: 1) Component One - Consensus Building and Institutional Development, and 2) Component Two - Security Enhancement and Implementation. Where used throughout, the term "PITA" is also to be interpreted as "the Contractor" where appropriate in addition to "the Project." The Contractor shall provide the technical assistance and training and related required support and services necessary to successfully implement and execute each element of work as described herein.

1. Component 1: Consensus Building and Institutional Development

The project's Consensus Building and Institutional Development component will be designed to achieve each program objective in two phases. In the first phase - the "Commitment Phase" - the Contractor shall facilitate a dialogue between the Israeli and Palestinian governments, while assuring a balanced and sustained effort to achieve consensus and compromise between the two parties, and effect coordination with the other donors. PITA will also provide for the establishment of a Project Steering Committee (PSC) responsible for setting out the improvements in procedures, management and facilities and for the procurement of equipment and infrastructure. The PSC will consist of participants from the Government of Israel, Palestinian Authority, USAID and the PITA Contractor, and possibly the World Bank and the Canadian International Development Agency (CIDA) and other co-financiers, and the private sector in certain instances. In the second phase - the 'Development Phase' - cargo inspection and border management procedures and technology, and information and communication systems for supply chain management and infrastructure improvements are to be fleshed out.

The elements of the two phases of the Consensus Building and Institutional Development Component, which are to be accomplished by the Contractor, are as follows. **Note that these two phases are to be implemented simultaneously throughout the period of the contract**, at each stage, the Contractor must facilitate a consensus among the parties, and then proceed to implement that consensus:

Phase I – Dialogue with and commitments by the parties

The Contractor shall promote a dialogue between the two parties with a view to developing a shared commitment to security and trade facilitation in both directions, recognizing that efficient and secure cross-border cargo movement is in the mutual interest of the parties. The Contractor shall further promote reforms on both sides to eliminate unnecessary and inefficient procedures which add to costs, create opportunities for corruption, and thus undermine security. The ultimate objective should be a smooth door-to-door flow of merchandise from originator to final destination, with as few impediments as possible, consistent with the current security situation.

The Contractor shall secure the following commitments from the Palestinian Authority:

- Designate a PA organization and a person to work as partners with GOI, and USAID to support PITA objectives.
- Accept the risks in handling cargo
- Participate in securing the border crossings including providing properly trained border security personnel, establishing a security envelope on the Palestinian side of the border, and coordinating security efforts with the Israeli security forces.
- Support efforts to increase transparency in border procedures
- Promote the role of the private sector in providing logistics services to facilitate cross-border movements.

The Contractor shall secure the following commitments from the Government of Israel:

- Accept and address the problem of border crossings from a total management perspective and work to achieve service standards based on international best practice
- Expand the security envelope to the Palestinian side of the border through cooperation with Palestinian border security
- Support efforts to increase transparency in border procedures
- To the extent possible, coordinate the introduction and implementation of cross-border procedural changes with the PA in order to minimize their adverse impact on trade flows
- Develop security and trade facilitation from a corridor perspective
- Promote the role of the private sector in providing logistics services to facilitate cross-border movements.
- Participate in testing and demonstration of the effectiveness of new procedures.

The Contractor shall coordinate with USAID and the Donor Group that is currently involved in the dialogue with the PA and the GOI in securing these commitments. Once these commitments have been reached, the Contractor will identify and obtain agreement between the Palestinian Authority and the Government of Israel on new procedures to facilitate movement of cargo across the borders and within the corridors that cross over these borders. The Contractor will act as the secretariat for and assist the

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GOI, PA, USAID and other donors in establishing a Project Steering Committee. The Project Steering Committee (PSC) will facilitate these agreements and assist the Contractor in implementing these agreements.

Phase II – Development of cargo inspection and border management procedures and technology, and information and communication systems for supply chain management and infrastructure improvements

The procurement, purchase, delivery and installation of technology, and coordination with the providers of infrastructure and related construction, will follow agreement on the necessary procedures, technology and facilities and will be accomplished under Component 2. **PITA, itself, will not fund infrastructure or other construction.** Procurement related to ‘short-term outcomes’ could proceed in tandem with work on developing longer-term measures.

While the project will focus on the border crossings, improvements are to be linked to the activities upstream and downstream of the crossing where improvements to the corridor would include changes in transport and trade logistics services. The Contractor shall provide recommendation for and establish the changes in management and monitoring of performance necessary to ensure that these investments provide significant improvements in trade facilitation. Some of these longer-term initiatives would include the introduction of new transport facilities for which the project could finance feasibility studies.

The technical tasks to be carried out under the Consensus Building and Institutional Development component fall under three sub-components:

1.1. The Contractor shall Improve Cargo Consolidation, Transport, Routing Cargo Traffic, Inspection and Supply Chain Management Efficiencies

a. The Contractor shall analyze the Supply Chain to include Cargo Handling, Management and Transport Industry in Targeted Corridors

Security requirements and technologies aside (e.g., scanners, sniffers, eye and facial recognition technologies, etc.), current procedures at crossing points are inconsistent. As Palestinian markets (destination and supply) are revitalized, finding ways to make the transportation process more efficient will reduce transaction and security costs. A more efficient cargo transport system is required to increase commercial flows in WBG, while still providing for an adequate security inspection.

- The Contractor shall work to significantly improve cargo transport and supply chain management efficiencies in key trade corridors. i.e., Gaza to/from Israel and the World and Tulkarem to/from Israel and the world and Gaza to/from the West Bank. Other corridors may be subsequently identified and added, as necessary. The Contractor will also develop and introduce procedures and technology (smart containers, for example) to improve overall container/truck transport security and efficiency. Work on this component will focus on reducing the amounts of time required to transport Palestinian products within, from, and between West Bank and Gaza as well as to and from Israeli and other international destination markets, especially Jordan and Egypt.
- The Contractor shall identify and present to the PA and GOI specific changes to improve the efficiency of cargo handling through Karni in Gaza and Tulkarem in the WB. Former and current PA Ministers of National Economy have identified improving efficiencies in the cargo transport process as a high priority.

The realities of having to pass through a myriad of checkpoints and crossing points and the required unloading of cargo from one truck for customs inspections and subsequent reloading on another truck (“back-to-back” shipping) are time-consuming and costly. Required “back-to-back” processes involve setting up cargo drop-off points and the use of forklifts or small cranes to transfer freight from one truck to another. The Palestinian stone and marble industry has made arrangements so that special equipment is onsite at cargo transfer points in order to avoid causing damage to products in transit. Smaller shippers typically do not have the resources for this type of arrangement, regardless of the item being shipped.

- The Contractor shall analyze the prospects for the development of freight consolidation terminals, perhaps to be centrally located or located within close proximity of existing and/or planned WBG Industrial Estates (IEs) and manufacturing/agricultural centers.

The Palestinian trucking industry needs to find greater efficiencies regardless of if or when “back-to-back” shipping requirements are eliminated. The Israeli government has recently stated that it will not require back-to-back transshipments for containerized cargo that can be securely scanned. With these requirements still in place, however, secure handling, freight consolidation and containerization could help to reduce cargo transport time. Improved freight management, cargo consolidation nearer the point of origin, and more efficient use of trucks, can simplify the logistics of border crossing, and speed cargo to its final destination, regardless of the crossing point used. The private sector can play a crucial role in achieving these freight-management efficiencies.

The Contractor shall accomplish the following tasks for Supply Chain and Transport Industry Analyses

In consultation with the PA, the Contractor shall study, develop and recommend new cost effective procedures for cargo handling, containerization, and transport (especially the trucking sector) strategies that will significantly enhance security and reduce the amount of time required to transport Palestinian products within, from, and between West Bank and Gaza, as well as to Israeli and other international destination markets.

The Contractor shall also undertake a study of the commercial Palestinian trucking industry. A study of possible truck-train links may also be required if the Gaza-West Bank territorial connection should take the form of a rail link. The study will consider key cost elements and evaluate the efficiency of, availability and participation by the Palestinian operators. In practical and commercially viable terms, this analysis will demonstrate how greater efficiencies and security can be achieved in the WBG transport sector. The Contractor shall:

- ❖ prepare proposals to establish a freight terminal to serve smaller trucking companies near a specific IE or manufacturing center;
- ❖ identify and develop a prospective private investor group or groups to establish, or refurbish existing trucking companies that specialize in container deliveries and consolidation of smaller shipments;
- ❖ develop cargo handling, management and transport procedures that improve efficiency and enhance security throughout the supply chain.
- ❖ Pilot test of new truck and trailer alternatives (smart trailers), and

- ❖ An analytical review of transport routing patterns in the West Bank, with a view to facilitate the parties' dialogue on progressive removal of check points.

b. The Contractor shall work with selected Business Associations to Strengthen Capacity to Propose and Advocate Reforms which facilitate trade and improve Public-Private Sector Dialogue

The Contractor shall facilitate regular, frank, and constructive dialogue between public and private stakeholders within the Palestinian territories and with its neighbors to achieve the following objectives:

- ❖ The Contractor, in close coordination with the Palestinian Shipping Council, shall facilitate, manage, and moderate a monthly business roundtable meeting of public and private sector stakeholders in Palestinian territories (eventually to include Israeli, possibly Jordanian and Egyptian guests, etc.). Other donors involved with IEs and cargo crossing point issues should be invited to attend regularly-held roundtable meetings. Participants could also include PalTrade, a public-private trade promotion organization, the Palestinian Investment Promotion Agency (PIPA), the Palestine Industrial Estates Free Zone Authority (PIEFZA), and the like. USAID/WBG envisages the Palestinian Shippers Council (PSC) leading the business roundtable by the end of the project.
- ❖ The Contractor shall coordinate with the EU technical cooperation team and provide any additional support needed in the development of a Palestinian Shippers Council (PSC), already in formation, and in establishing a working relationship with counterpart organizations in Egypt, Israel and Jordan. A Palestinian trade consultant reported that GOI favors this approach and even offered to provide office facilities at the Port of Ashdod⁶.

In implementing the two previous tasks, the Contractor shall consider the viability and usefulness of communication alternatives (through an interactive website and electronically) so that those who are unable to attend the monthly meetings can have access to topics discussed, and possibly provide input for future meetings.

The Contractor shall design these forums to strengthen the Palestinian industry's ability to raise, discuss, and possibly resolve issues affecting the accelerated revitalization of WBG commerce. PITA will promote constructive and ongoing dialogue between representatives of Palestinian shippers, government officials, importers and exporters, as well as their Israeli, Egyptian counterparts.

1.2 The Contractor shall strengthen Institutional Development and Capacity Building within PA Ministries

The Contractor shall support policy analyses, institutional development, and capacity-building activities within the Ministry of Finance (MOF) while strengthening the Palestinian Customs Authority and the Ministry of National Economy (MNE) toward trade data collection/analysis office. The Contractor also shall assist the Ministry of Transport (MOT) in its policy development unit on policies and programs that will increase efficiencies and security throughout the supply chain.

Customs – Background Information

The centerpiece of government revenue raising at this stage in Palestine's development is to increase own-source revenues through improvements in customs. Disengagement raises very substantial questions

⁶ Mohamad Khader, Managing Director, Lausanne Trade Consultants.

requiring a close working relationship between the Israeli and Palestinian customs authorities. It is not yet clear whether the customs union between Israel and Palestine will be abrogated with respect to Gaza. Israel has stated that it plans to do so, and Palestine and the donor community are objecting strenuously. It is clear that a continuation of Gaza's participation in the customs union will require substantially increased Israeli confidence in the capabilities of the PA Customs Authority. **The issue of customs is a separate issue from the PA's ability to guarantee the physical security of cargo.**

In any event, Israeli full responsibility for the management of customs activities will come to an end in Gaza. This change has major implications and very substantial challenges for the administration of customs activities by the Palestinian Ministry of Finance (MOF). In Gaza, Palestinian customs officials will need to be trained to take over those border management matters that Israeli customs officials have previously been carrying out. Depending on whether the customs union between Palestine and Israel is abrogated, additional customs management activities may need to be carried out between Gaza and either the West Bank or Israel. The latter two entities are expected to remain in a customs union in any event. Moreover, with the departure of the settlers from Gaza, certain eased entry points into the West Bank/Israel will also disappear.

The prior USAID economic governance activity in Palestine has included a substantial effort to raise additional revenues through support for improved customs activities carried out by the Ministry of Finance. Other donors such as the World Bank have also been involved in the customs reform effort. There is a need on the part of Palestine to become fiscally sustainable as donor finance that increased several-fold during the second Intifada begins to decline in the future.. Thus, the PA's own source of revenues must rise substantially with the goal of eventually financing the operating budget of the government including debt service. In this context, the Contractor will execute a program which addresses the following issues in addition to those concerns outlined above.

Part of any improved training and strengthening of customs activities will include an ongoing effort with the Customs Department to reduce or eliminate customs officials who have been interested in collecting economic rents. Careful procedures also need to be put into place, and training provided to customs brokers, to discourage diversion of customs revenues.

The MOF goal is to ensure that all customs revenues go to the Ministry of Finance to be placed in its single treasury account and not diverted to other purposes. Moreover, Customs needs to train its staff and customs brokers on a large-scale to carry out the expected customs procedures and implementing regulations, including eventual scaling up customs requirements and enforcement to meet international standards. Customs equipment, buildings, vehicles, and appropriate location at the borders of well-trained Customs Department teams are necessary preconditions for successful collection of revenues at key customs points. Customs posts will have to be established and strengthened at the border in Gaza, continuing to be supplemented by major customs offices in the major cities.

The goal is that the Customs Department should have the lead on examination and collecting duty as required by law on the entrance and exit of goods at border posts under their jurisdiction. These activities include seizure of goods where appropriate. Palestine needs to move to a system of sole leadership by the MOF at the border for customs inspection, valuation, collection, deposit securely, and if necessary seizure of goods.

In the division of labor among the various donors, USAID has taken a lead regarding support to the Ministry of Finance in its management of customs activities, and has also taken the lead with respect to supporting increasing control and revenue collection regarding customs activities at the border and in the cities in the West Bank and Gaza where there are to be customs clearance activities. USAID expects that

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its supportive role will continue. Other donors including the United Nations (through its simplified computer based ASYCUDA system) are also actively engaged with the MOF customs activity.

USAID is developing an institutional strengthening and economic reforms project --Support for Financial and Economic Institutions and Reforms (SEFIR) -- which will be working with the Ministry of Finance. Careful collaboration and coordination is expected between the technical assistance, training, and commodities customs work supported under this contract and the comparable work supported under PITA. PITA will provide technical assistance to persons within the PA on logistics management, customs procedures, security, and other related areas.

The Contractor shall accomplish the following tasks for Institutional Development and Capacity Building:

The Contractor shall carry out an institutional development and capacity assessment, identifying technical assistance and specialized training needed within the PA Ministries of Finance, National Economy, and Transport supporting trade facilitation. The Contractor shall develop an action plan based on this assessment which identifies and provides for technical assistance and training while developing and executing the implementation schedule and timeline.

The Contractor shall:

- ❖ Recommend PA trade policies and procedures consistent with international customs norms. These would coincide with new GOI policies and procedures.
- ❖ Assess the needs of the Palestinian Customs Authority and provide the needed technical assistance for modernization of its facilities, and procedures consistent with WCO and WTO requirements.
- ❖ Promote trade corridor(s), which conforms to Palestinian trade patterns and minimizes travel costs and time by connecting trade to transportation arteries in a manner that advances economic development. The elements of trade corridors may include: promoting a seamless, efficient transportation link providing cost-effective and safe movement of goods and people; linkages of major commercial population centers; and a complete logistics approach by linking infrastructure development with technology.
- ❖ Provide ongoing training to PA personnel, and in the future jointly with GOI border security personnel (eventually to include Egyptians and Jordanians) who will work to harmonize policies and procedures and increase coordination between Palestinian and Israeli Customs.
- ❖ Review and evaluate policies and procedures within the PA Ministry of Transportation (MOT) on freight truck requirements for licensing and safety regulations. Assess regulatory issues concerning the establishment and licensing of a prospective freight consolidation terminal or terminals to be privately owned and managed.
- ❖ Develop policies and programs, in cooperation with the MOT, which will increase efficiencies and security throughout the supply chain. The PITA will seek to improve regulatory issues concerning the establishment and licensing of private sector owned and managed freight consolidation facilities, with the goal of increasing industry participation in the transport sector.

1.3 The Contractor shall support Institutional Estate Investment Link to Trade Facilitation Efforts

PITA will build upon previous and extensive work undertaken by USAID/WBG and the World Bank in collaboration with PIEDCO and PIEFZA involving support for IEs⁷. PITA does not intend to replicate engineering and financial feasibility analyses. Rather, there is evidence that local and regional market conditions have changed since 2000⁸. It is possible that product mixes previously projected in appealing IE business models in WBG differ from today's realities. Dating back to the early and mid-1990s, a number of USAID/WBG and World Bank studies of IEs and crossing points⁹ were undertaken in WBG. These were updated at least once and in some instances multiple times. In 2000, IE activities were suspended. Efforts towards revitalization of the IEs were re-started and by December 2004 USAID/WBG and the World Bank updated some IE and cargo transfer studies. In later studies, USAID/WBG and the World Bank also added the dimension of technologies that could be used to satisfy security concerns and reduce cargo transfer times.

Based on discussions with the Ministry of National Economy, the PA's current priority for IE development is Erez IE, Gaza IE, and Jenin IE. (However, this situation may change during the ongoing negotiations and the Contractor may be required to work at other locations as well). At present, the PA will only approve IEs located in Area A and nothing located in a "Ghost Zone"¹⁰, also known as a seam zone. (Seam zones are West Bank territories that fall east of the Green Line, but West of the GOI-constructed security wall.) The current Minister of National Economy has also expressed interest in the development of an agribusiness QIZ (Qualified Industrial Zone) in Gaza and the Jericho region within close proximity of the Allenby Bridge¹¹. In July 2005, the PA Prime Minister passed a decree declaring all agricultural settlements in Gaza as Qualified Agricultural Zones (QAZs) and invited donors and investors to invest in these areas after the disengagement. Locating sites for the development of IEs however, does not need to be exclusively located at crossing points; other areas could have greater availability of natural and human resources. In this, USAID/WBG expects that the PITA efforts will complement The World Bank and Canadian Government discussions on ways to build upon existing analytical work,¹² including cargo crossing points, such as Karni and Sufa in Gaza.

The Contractor shall accomplish the following tasks to support Institutional Estate Investment Link to Trade Facilitation Efforts

The Contractor shall interact with the following entities to accomplish those tasks identified below: appropriate PA Ministries and Municipalities in WBG, as well as PIEFZA, the World Bank, KFW

⁷ USAID/WBG and The World Bank have funded numerous and highly detailed engineering, market, and economic feasibility studies since the early 1990s and as recently as December 2004. These are, for the most part, available at USAID/WBG.

⁸ As a result of WBG closures, Israeli imports of Palestinian products has diminished and considerable Palestinian labor has been supplanted by foreign workers. "Estimates of the number of foreign workers in Israel range between approximately 200-300,000, many of them without work permit. They hail from an array of third world countries including Romania, Philippines, Thailand, Ghana, Nigeria, Colombia and Jordan.", Ha'aretz, 27 February 2005.

⁹ In particular, a report developed under the Prizm Project in September 2004 and entitled, "Critical Commercial Transport Routes and Border Cargo Management – Draft for Discussion" sets out a number of recommendations that could be updated and adapted in a relatively short period of time.

¹⁰ 13 February 2005 interview meeting with then Ministry of National Economy and Trade Maher Masri.

¹¹ 25 February 2005 Meeting interview with Minister Mazen T. Sinokrot, Ministry of National Economy and Trade, PA.

¹² 25 February 2005 Meeting with the World Bank.

Bankengruppe (the German Development Bank), and other relevant donors and financial institutions which are interested in IE development in the West Bank and Gaza; the GOI Ministry of Industry, Trade, and Labor and counterparts in Egypt and Jordan, and respective private sectors. These tasks to be undertaken by the Contractor are 'as a minimum' and may be expanded by the Contractor subject to USAID/WBG approval.

In terms of the development of industrial estates, the Contractor shall undertake the following tasks:

- ❖ Assist the PA in transfer and interim management of the Erez Industrial Estate (EIE),
- ❖ Develop alternatives for private sector involvement in the development and operation of the EIE,
- ❖ Identify the most appropriate model (Based on international successful practice) to coordinate with the private sector in this area,
- ❖ Assist the PA in developing and managing the tender process for the selection of the IE operator,
- ❖ Develop the legal agreement between PIEFZA and the developer/ operator,
- ❖ Evaluate plans for expansion.
- ❖ Assess EIE enterprises: Most businesses will not be “going concerns” by the time of disengagement. Many businesses have already moved productive assets out of the EIE. The purpose of setting up at the EIE was, for many businesses, dependent on the special circumstances of the EIE. That is, the EIE provided an extremely unregulated business environment, a steady, low wage workforce, and unfettered access to the Israeli market. This access will end with disengagement and it is questionable whether the business model of many of the Erez enterprises will hold up under the new scenario.
- ❖ Analyze legal issues and advice. The Palestinian investors in EIE have “rights and obligations” based on a contractual arrangement with the GOI which is holding the land and granting concessions. However, the Palestinian investors in the EIE need to continue uninterrupted operation without jeopardizing the rights of possible original Palestinian owners. Accordingly, the Contractor will provide legal advice on the following issues: 1) What legal arrangements for maintaining the operation of the investors need to be put in place including the role of PIEFZA; , 2) What is the best approach with the original Palestinian owner of the land; 3) What leasing or rent arrangements would the PA put in place with Palestinian investors who already made required payments to the Government of Israel; and 4) What is the status of this land after disengagement?
- ❖ Accomplish comparison of IEs in Gaza. A comparison between the EIE and the Gaza Industrial Estate (GIE) should be undertaken to help in decision-making about priority investment and clean-up. It is important to note differences between the GIE and the EIE. These two IEs did not have the same governance structure nor were they “interchangeable” for investors. Where the EIE was “virtual Israel” (with free access to Palestinian labor), the GIE was always a Palestinian industrial estate. The cost structure, regulation, and access to Israeli markets are different. Now that the EIE would be in the same position as the GIE, its value to investors is considerably changed.

- ❖ Study of truck transport routes, assessment of the need for freight consolidation terminals, and analyze containerization issues and prospects.
- ❖ Update market information used in previous studies in order to analyze and reassess product mixes for proposed IEs. Identify export products that have grown significantly since 2000 and that can recapture export market share lost since 2000.
- ❖ Identify IE export products that have grown significantly since 2000 and that can recapture export market share lost since 2000.
- ❖ Assist the Palestinian Investment Promotion Agency (PIPA), PIEDCO and PIEFZA in their IE investment promotion and development efforts.
- ❖ Review possible alternative uses for the EIE and provide an analysis of the opportunity cost of keeping it as an industrial estate.
- ❖ Undertake an assessment for the likely utilization of existing assets and the willingness of investors to consider deploying new resources at the EIE and provide supporting evidence. Some analysis should be done on Palestinian global competitiveness in the types of industries likely to use the EIE.

2. Component 2: Security Enhancement and Implementation

Considering the GOI and the PA have not yet reached a consensus regarding exact locations of the border crossings and the types of security infrastructure that is required at these crossings, the Contractor in collaboration with the PSC will work with both sides until they reach a mutually satisfactory arrangement. Subject to the level of available funds and the operational environment, the following security enhancement project component may be implemented under the PITA project.

2.1 Border Crossing Technology

The U.S. Congress has earmarked \$50 million to support Israeli border crossing, security and management infrastructure. Offerors are expected to thoroughly review studies conducted by the World Bank and USAID on this subject, evaluate various plausible options for border crossing security infrastructure and management needs and submit the most feasible, preferred, technical option which will have the greatest positive impact on Palestinian trade.

Offerors shall submit a cost proposal for their identified preferred technical option. The minimum specifications which shall be met for this border crossing technology and an illustrative budget of border crossing technology are provided at Table 3 and Table 4. These specifications cite the minimum requirement for the key functional parameter of penetration for both the Relocatable and Mobile X-ray Scanners.

The Contractor shall deliver, install, operate, warrant and train both Palestinian Authority and Government of Israel personnel in the operation of the system (the selected technology) to include the initial training upon system lay-in and reinforcement training, on an as-needed basis, throughout the duration of the contract.

The Contractor shall coordinate the installation and operation of delivered border crossing technology/equipment with the Government of Israeli contractors (Table 2) currently involved in the construction, operation and maintenance of the border crossings facilities. PITA, itself, will not fund infrastructure or other construction.

Offerors shall demonstrate in their proposal competence in (1) delivering, installing, operating and training on their elected technology as well as in (2) cargo handling, transport and security infrastructure and logistics area.

2.2 Security and Cargo Transfer Measures and Logistics Management Systems, and Technology Improvements.

The Contractor shall improve security and cargo transfer measures with modern logistics management systems and technology improvements. The Contractor (PITA) shall assist the PA in organizing border enforcement teams, integrated intelligence, and GOI/PA joint training and exercises. PITA will improve alternative technology inputs and logistics procedures at one or more of these crossing points. Technology inputs could include truck/container scanners (mobile 6MEV and relocatable 9MEV), palette scanners, sniffers, tamper-proof container seals, manifest bar-coding technologies and the like.

For example, a mobile container scanner system would provide the capability of scanning large containers. This can be done with a high-energy x-ray system built into a self-propelled vehicle that can perform inspections by driving past an object (the truck and container/tractor-trailer), which fits between the x-ray source and detector. A fully-loaded 20-foot container on a truck can be inspected at maximum penetration and spatial resolution in less than 30 seconds, plus several more minutes to analyze imaging. Such a system would eliminate the need to specify size and weight of pallets at bridge crossings. Newer scanning technologies would also eliminate the need to off-load pallets for scanning, and then reload the pallets. Presently, Allenby requires that imports be off-loaded onto conveyor scanners. Sizes (height and weight capacities) for individual pallets are pre-specified so that they will fit on the scanner conveyor. Scanners presently used at Allenby are not much larger than airport luggage scanners.

Israel is constructing a cargo terminal at Sha'rr Ephraim (near Tulkarem), a major commercial crossing for the West Bank. Israel is also constructing a cargo terminal at Erez, a very important crossing for Gaza, due to its significance in emergency situations as an alternate to Karni, and to provide direct, speedy movement of cargo from the Erez Industrial Estate. Israel is also planning to build a people and cargo terminal at Turkumia, a potential site for the future West Bank-Gaza road/rail link.

The Damiya and Allenby Bridges in the West Bank, as well as the Rafah Crossing in Gaza, are presently the only direct gateways to Arab markets for Palestinian products. The Sufa Crossing is an indirect gateway, as are Karni, the ports of Haifa and Ashdod, etc. Each crossing has a different set of procedures and inconsistent policies. The settings are rife for corruption by Palestinians and Israelis working at these ports of exit.

Newer technologies, such as tamper-proof container seals, would provide for a significant new time-saving process without sacrificing security where such technologies are considered more secure. However, technology is not an end unto itself, but rather a means to an end. The crossing point management system needs to be function in order to take full advantage of technologies designed to increase security and decrease handling and logistics times.

The practical impact of higher penetration is the ability to produce an image of the contents of virtually all cargo containers. Almost any system can inspect an empty container, because the x-ray or gamma-ray beam must only penetrate the thin metal walls and the air inside. As a container is more heavily filled, greater penetration is required for the beam to travel through the cargo. Inspection of containers and trucks filled with dense material poses the greatest challenge to a cargo inspection system and requires a system with the highest penetration. If a container in the US is targeted for inspection and there is a blank area in the image of the cargo, the container must be physically inspected. Therefore, an underpowered inspection system with inadequate penetration nullifies the advantage of non-intrusive inspection. The need for intrusive inspections and back-to-back procedures at major Palestinian crossing points can be greatly reduced with a modern logistics management system support with more advanced technologies.

It is believed that non-intrusive inspections are secure and consume significantly less time than current procedures in place, such as at Allenby and all other Palestinian crossing points. Such technology should be made available for Palestinian crossing points as well as a proposed future roll-on-roll-off ("RO-RO") port facility in Gaza.

2.3 Compliance

The Contractor will accomplish the tasks identified above and in Section VI to Improve Security and Cargo Transfer Measures with Modern Logistics Management Systems and Technology Improvements. The Contractor shall be responsible for complying with all applicable United States export controls and any Government of Israel import restrictions.

TABLE 2: GOVERNMENT OF ISRAEL CONTRACTORS AT BORDER CROSSINGS

RAFAEL	(DG) Yedidya Yaari	Tel- 972-4-8794777	<u>DIDYA@RAFAEL.CO.IL</u>
ELBIT	(DG) Yossi Akerman	Tel- 972-4-8315526	<u>DP16520@ELBIT.CO.IL</u>
MER	(DG) Haim Mer	Tel- 972-3-5572555	<u>MERHAIM@MER.CO.IL</u>
NESS	(DG) Raviv Zoller	Tel- 972-3-7666810	<u>RAVIVZOLLER@NESS.COM</u>
BYNET	(DG) Alon Ben-Zur	Tel- 972-50-5528052	<u>ALON@BYNET.CO.IL</u>

TABLE 3: MINIMUM SPECIFICATIONS FOR BORDER CROSSING TECHNOLOGY REQUIREMENTS

General Requirements

1. All devices generating ionizing radiation shall meet the respective regulations of the Government of Israel (GoI).
2. The systems will be based on the territory of GoI.
3. The highest priority threats are explosives and weapons such as rifles and pistols.
4. Scanners must have capability of industry standard (for cargo/pallet scanning) telecommunications, image processing and archiving, and data base functions.
5. Scanners must have normal operator comfort features (A/C, etc.).
6. The appropriate number of analyst/operator workstations must be supplied to reasonably meet the throughput capacity that is bid.
7. Contractor shall warranty and provide full maintenance service for five (5) years from date of acceptance by USAID.
8. Contractor's costs shall include installation, acceptance test at factory where appropriate and final acceptance test at site in Israel.
9. Contractor's costs shall include shipment to and installation at respective deployment site in Israel.

Relocatable X-ray Scanner (minimum 4 units)

- Minimum penetration shall be 350mm steel equivalent.
- Spatial resolution in center of target region shall be 1.0mm diameter round steel wire or better.
- Minimum demonstrated throughput shall be 15 trucks per hour
- Gantry and pull-through transport mechanisms allowed.
- Scanner must be capable of a scanning speed of at least 0.3m/second. Penetration and spatial resolution performance criteria must be done at this speed.

Mobile X-ray Scanner (minimum 4 units)

- Minimum penetration shall be 300mm steel equivalent.
- Spatial resolution in center of target region shall be 1.0mm diameter round steel wire or better.
- Minimum demonstrated throughput shall be 15 trucks per hour
- Mobile scanner must be fully mobile within the border crossing site. Must have ability to start scanning in 10 minutes or less if used within past 2 hours. Must be able to reposition itself 500m within 10 minutes.
- Scanner must be capable of a scanning speed of at least 0.3m/second. Penetration and spatial resolution performance criteria must be done at this speed.

Vapor and Particulate Explosive Detection Systems - Sniffer (4 units)

- Equipment must detect explosives with high detection probability and acceptably low false alarm rate.
- Equipment must be capable of both vapor and particulate explosive detection.
- Equipment must be field portable

TABLE 4: ILLUSTRATIVE BUDGET OF BORDER CROSSING TECHNOLOGY REQUIREMENTS

Sites	in 000's USD
Sha'ar Efraim	\$11,500
Erez	\$11,500
Tulkarem	\$11,500
Karni	\$11,500
TOTAL 4 Sites	\$46,000

Equipment per site	
9MEV Relocatable scanner	\$6,000
Mobile 4MRV Scanner (^MEV)	\$3,903
Sniffers	\$117
Total Equipment	\$10,849
Contractor Costs of Procurement	\$651
Total Including Contractor Procurement	\$10,671

*Offerors shall record in their proposal the individual unit cost for each item which reflects the costs of the equipment, of installation, of a 5-year warranty and maintenance fee, including G@A with a total not to exceed \$46.0 million.

Anticipated Program Results

The Contractor will achieve the following program results in addition to those related to any Contractor proposed additional activities.

	Component 1			Component 2
Sub-component 1	Sub-component 2	Sub-component 3		
<ol style="list-style-type: none"> 1. Improved competitiveness of the trucking industry. 2. Develop practical ways to reduce transport time and cost. 3. Develop and implement ways to ensure security in the supply chain in targeted trade corridors. 4. Attract investment in commercial transport sector. 5. Institutionalize monthly stakeholder roundtable meetings. 6. Support a viable PSC. 7. Disseminate accurate cargo related news in a timely manner. 8. Facilitate policy/procedure changes as corrective action. 9. Increased trade volumes in targeted corridors 	<ol style="list-style-type: none"> 1. Identify policies and procedures, or the absence of policies and procedures, negatively affecting commercial cargo flows. Identify public and private sector stakeholders. 2. Assist the DOT in developing new transport policy and procedures that ensure supply chain security and reduce transport costs in targeted trade corridors. 3. Assist the PA Customs Authority in compliance with WCO/WTO guidelines and customs management procedures. 4. Design and implement a Container Security Initiative (CSI). 5. Improved effectiveness of PA customs 	<ol style="list-style-type: none"> 1. Update IE market studies. 2. Discover ways to leverage new and rehabilitative infrastructure funding. 3. Assist in IE investment development. 4. Reduce transport time in targeted trade corridors. 5. Increased investment in the IEs 6. Increased employment at the IEs 		<ol style="list-style-type: none"> 1. Identify security infrastructure needs at select border crossings 2. Secure agreement from both GOI and PA on border security infrastructure needs. 3. Procure and install border security infrastructure. 4. Reduce border transit time and cost. 5. Increased trade volumes at targeted crossings 6. Smart borders 7. Attract investment in commercial transport sector.

Establishment of Monitoring and Evaluation (M&E)

The Contactor will design, develop and apply a project progress monitoring and evaluation system (M&E) consistent with the annual work plan. The M&E methodology should enable monthly collection of highly relevant data throughout the life of the project. In conjunction with approved annual work plans, these data will be independently analyzed on a quarterly basis in order to evaluate project accomplishments as well as to identify possible areas of correctable project deficiencies.

The goal of M&E is to measure change in project-identified variables over time. M&E is intended to be a management tool that will help to quantify project developments based on a quarterly analysis of data collected monthly by project personnel. Ongoing analysis of project-identified variables approved in each annual work plan over the life of the project will enhance the Team's ability to measure change in quantifiable terms and in the context of achieving anticipated

project results. Ongoing analysis of these data will also provide USAID/WBG with a reliable instrument with which proposed results-based matters can be evaluated

To provide both USAID/WBG Mission management and the Contractor with practical, up-to-date information on the usefulness and effectiveness of the assistance provided, and expected results both at mid-term and at the end of the program, the Contractor will establish a comprehensive Performance Monitoring and Evaluation (M&E) System. The M&E System is intended to clarify and focus project objectives, serve as an early warning system and a forecasting and reporting tool, promote discussions as to project scope and direction, and aid in effective decision making.

To meet these objectives the M&E System must be a robust management information system, i.e., there must be systematized procedures in place to provide needed and reliable information to both the Contractor and to Mission management in a timely and efficient manner. The M&E Plan will be comprised of a range of meaningful benchmarks, quantifiable indicators, reasonable targets, and empirical data to track outputs and outcomes for all project assistance.

- The Contractor shall develop a preliminary M&E plan in the technical proposal that specifies the overall benchmarks and indicators needed for performance monitoring and evaluation of PITA components and sub-components. Within two months of program start-up the Contractor will submit to USAID for approval a final performance monitoring system. The specific mechanisms for defining the content and delivery of monitoring and evaluation information will be developed in the Annual Work Plan (AWP) described in the sections below.
- Attention should be paid by the Contractor to developing baseline, benchmarks and indicators that identify and measure changes in the movements of goods (trade volume) in targeted border crossings. The Contractor shall maximize the use of web-based systems for program reporting, by maintaining an up-to-date web site that allows users to access information including the status of program deliverables and results, key program components, and functional links to all program partners.

Proposed benchmarks and targets for both day-to-day operations and broader impact will be linked directly to the USAID/WBG Mission new Strategic Plan. Performance reporting by the Contractor will be done both in the context of the USAID/WBG Strategic Objectives, and in other monitoring and reporting formats suitable and appropriate for overall Mission and USAID results reporting.

Illustrative Monitoring and Evaluation Indicators

Throughout this scope of work, illustrative tasks are identified for the various task areas. Based on these, the Contractor is expected to develop and identify specific tangible results, benchmarks and indicators that will measure the progress and success of the specific approach and program of assistance proposed.

To develop specific, quantitative benchmarks and indicators, the Contractor shall build on the following overall illustrative indicators corresponding to expected PITA Program results:

- 1) Simplified border crossing procedures developed and implemented
- 2) Reduction in transit time at border crossings
- 3) Reduction in losses of perishable exports
- 4) Increased trade volume (at targeted border crossings)

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- 5) Increased number of private companies using smart container technology
- 6.) Improved and expedited customs clearance
- 7.) Increased customs revenues
- 8.) Reduced transaction costs for Palestinian businesses

Whenever possible, the Contractor shall propose specific quantitative indicators and benchmarks that can be accurately measured. Where this is not possible, reasonable qualitative indicators will be acceptable, e.g. in assigning credit to policy reform achievements where multiple stakeholders are active in policy advocacy over various time periods.

Early PITA Benchmarks

The Contractor shall achieve the following benchmarks as specified.

1. Submission of the first Annual Work Plan (AWP), to include an M&E Plan, within 50 days of the contract award for review and approval of USAID/West Bank/Gaza CTO.
2. Establishment of the Project Steering Committee (PSC) within 30 days of contract award.
3. Commencement of Monitoring and Evaluation activities and reporting within 60 days of contract award.
4. Submission of a Commodity Procurement Plan within fifteen days (15 days) and issue a competitive solicitation for procurement within two weeks of the contract award.
5. **Delivery of approved, procured Commodities for Border Crossing Technology within ten (10) months of Procurement Plan approval.**

PITA Staffing

The following listing is illustrative of the expected Contractor's staffing. Where identified as "Key Personnel", the associated position(s) is/are mandatory and subject to USAID/WBG substantial involvement.

1. Long Term Advisors (180 person months)

Chief of Party (36 months) (expatriate position) – Key Personnel

The Chief of Party (COP) should be an expatriate professional and hold at least a master's degree, preferably in business. Candidates should have a minimum of 20 years of successful international business experience, a substantial portion of which should be in transition markets. Candidates must have highly seasoned professional skills to enable ongoing contacts with high-ranking public sector officials in the PA and GOI. Candidates must also have a high level of interpersonal and diplomatic skills as well as successful experience working as COP in challenging economic and security-challenged environments.

The COP will be responsible for providing overall leadership and will manage the successful implementation of project activities. This individual will also need to be prepared to manage security enhancement activities, subject to funding availability and situational relevance.

The COP will be the principal liaison for PITA with USAID, be responsible for conforming PITA activities to the USAID/West Bank/Gaza Mission strategy, and ensure that all reporting requirements are met fully and in a timely

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manner. The COP will serve as the PITA representative in public and private meetings in WBG and Israel and will be required to meet with leaders and representatives of private and public sectors to promote PITA objectives.

Previous resident work experience in WBG, Israel or the Middle East, while very useful, is not required. However, having a high level of leadership, management and technical skills, and abilities to take a fresh look at complex problems is extremely important.

References for the last ten years of work experience are required and will be verified. Fluent English is required. Arabic and Hebrew would be an important advantage, but are not required.

Transport & Infrastructure Specialists (36 months) (2 Palestinian Positions) – Key Personnel

Candidates for the two Transport & Infrastructure Specialist positions will have graduate degrees in transport economics, engineering, or other related degree. Candidates should have a minimum of 15 years of successful experience, some of which would preferably be in a commercial transport or related multi-industry environment. Candidates must have a high level of interpersonal and diplomatic skills as well as successful experience working professionally in challenging economic and security-challenged environments.

These individuals will be leaders for the detailed aspects of PITA's analytical work in the transport sector and implementation of market and technical studies. They will report to the COP, however they will need to be able to work extensively in the field. Ideally, they will be familiar with conditions in West Bank/Gaza and be able to travel throughout West Bank and Gaza. Both individuals should be able to obtain permits for travel through Israel as well.

Previous resident work experience in WBG and/or Israel is required. Having a high level of technical skills and abilities to take a fresh look at complex problems is extremely important. References for the last ten years of work experience are required and will be verified. Fluent Arabic and English are required. Hebrew would be an important advantage, but is not required.

Candidates need to be aware they need to maintain highest level of confidentiality of all sensitive information provided them during the tour of duty.

Industrial/Commercial Real Estate Development Specialist (36 Months) (local position) – Key Personnel

Candidates will have at least a graduate degree in business. They should have a minimum of 15 years of successful professional experience, some of which would preferably be in an industrial and commercial real estate development involving multi-industry investments. Candidates must have a high level of interpersonal and diplomatic skills as well as successful experience working professionally in challenging economic and security-challenged environments.

This individual will lead detailed aspects of PITA's IE work involving real estate and business investment development. S/he will be part of the analytical team implementing the feasibility studies. S/he will report to the COP, however s/he will also need to be able to work somewhat independently in the field. Ideally, s/he will be familiar with conditions in West Bank/Gaza and be able to travel throughout West Bank and Gaza. Candidate should be able to obtain permits for travel through Israel as well.

Previous resident work experience in WBG and/or Israel is required. Having a high level of financial analysis skills and abilities to take a fresh look at complex problems is extremely important. References for the last ten years of work experience are required and will be verified. Fluent Arabic and English are required. Hebrew would be an important advantage, but is not required.