

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