



USAID
FROM THE AMERICAN PEOPLE

COMPETE PROJECT FINAL REPORT

JANUARY 2019



January 2019

This publication was produced for review by the United States Agency for International Development. It was prepared by DAI.

COMPETE PROJECT FINAL REPORT

JANUARY 2019

Program Title: USAID/Compete Project
Sponsoring USAID Office: Economic Growth and Infrastructure
Contract Number: AID-294-C-12-00001
Contractor: DAI
Date of Publication: January 30, 2019
Author: Compete Project Staff

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

ABBREVIATIONS	VI
EXECUTIVE SUMMARY	8
PROJECT BACKGROUND	14
THE CONTEXT	15
THEORY OF CHANGE	16
PROJECT IMPLEMENTATION	19
ASSESSMENTS	19
MARKET SYSTEMS APPROACH	21
FIRM-LEVEL ASSISTANCE PROGRAM	22
IMPLEMENTATION GUIDING PRINCIPLES	23
MONITORING, EVALUATION, AND LEARNING	26
LOGICAL FRAMEWORK	27
LOGICAL FRAMEWORK—WEST BANK	28
LOGICAL FRAMEWORK—GAZA	28
COMMUNICATIONS	29
ACCOMPLISHMENTS BY SECTOR: WEST BANK	31
AGRIBUSINESS	32
ICT	59
TECHNOLOGY	65
TOURISM	68
STONE AND MARBLE	75
ACCOMPLISHMENTS BY SECTOR: GAZA	80
AGRIBUSINESS	83
FISH	88
ICT	90
TOURISM	97
TEXTILE AND GARMENT	99
FURNITURE	103
PROGRAM OPERATIONS—STAFFING, FINANCE, AND SECURITY	105
STAFFING	105
OPERATIONAL MANAGEMENT	106
SECURITY	109
LESSONS LEARNED AND RECOMMENDATIONS	110
ANNEX I: MANAGEMENT INDICATORS	115
ANNEX II: OPERATIONAL PLAN INDICATORS	116

ABBREVIATIONS

BFTA	Bethlehem Fair Trade Artisan
BRC	British Retail Consortium
BSP	Business Service Provider
BSO	Business Support Organization
CLAD	Certified LabVIEW Associate Developer
CIBER	Competitiveness Impact of Business Environment Reform
COP	Chief of Party
DAI	DAI Global, LLC
FLAP	Firm Level Technical Assistance Program
FAO	UN Food and Agriculture Organization
GDP	Gross Domestic Product
GEW	Global Entrepreneurship Week
Geo-MIS	Geographical Management Information System
Global GAP	Global Good Agriculture Practices
HLITOA	Holy Land Incoming Tour Operators Association
ICT	Information and Communications Technology
iOS	Internet Operating System
ISP	Internet Service Provider
MSA	Market Systems Approach
MOA	Ministry of Agriculture
MOTA	Ministry of Tourism and Antiquities
MoU	Memorandum of Understanding
NI	National Instruments
NIS	New Israeli Shekel
NM	Nautical Miles
PalTrade	Palestine Trade Center
PCBS	Palestinian Central Bureau of Statistics
PIP	Palestinian Internship Program
PITA	Palestine Information Technology Association
PPP	Public Private Partnership
PPR	Performance Plan and Report
PPU	Palestine Polytechnic University
RFP	Request for Proposal

SMEs	Small and Medium Enterprises
TWW	Treated Waste Water
UAE	United Arab Emirates
USAID	United States Agency for International Development
USDA	United States Department for Agriculture
USM	Union of Stone and Marble
WB	West Bank

EXECUTIVE SUMMARY

DAI is pleased to present the final report for the USAID-funded Enterprise Development for Global Competitiveness (EDGC) (Compete) program.

Since 2012, this flagship USAID project has weathered political uncertainty and violence to consistently and effectively support the transformation of targeted sectors within the Palestinian economy into globally competitive industries. Beyond achieving — and, in many cases, exceeding — its contractually mandated targets, USAID/Compete has, through its innovative approach to implementation, developed a new model for building the sustainable capacity of firms in both the West Bank and Gaza, providing tailored solutions that have addressed critical impediments to competitiveness.

The Compete Project activities fell into one of two components:

Component A: Assist Palestinian Enterprises to Compete in the Global Market
Component B: Support to Business Service Organizations and Service Providers

Throughout, the project team worked hand-in-hand with local partners and targeted beneficiaries with the potential for growth and export, delivering a broad range of assistance across four key industries in the West Bank (WB): agriculture, information and communications technology (ICT), tourism, and stone and marble. In Gaza, the project delivered a broad range of assistance across four key industries: agriculture, fishing, ICT, and textile and garment. Initial assistance to selected firms in Gaza's tourism and furniture industries was halted after it became evident that these sectors were not economically feasible.

A Snapshot of USAID/Compete Impact

All told, more than 1,797 firms received assistance — 1,381 in the WB and 416 in Gaza. Combined, these firms:

- Increased sales by \$383 million, with \$308 million of that amount generated in the WB and \$75 million generated in Gaza.
- Increased exports by \$254 million, with \$223 million of that amount generated in the WB and \$31 million generated in Gaza.
- Created 6,932 jobs, with 5,438 of those generated in the WB and 1,494 generated in Gaza.
- Leveraged \$105 million in private-sector investment, with \$97.6 million of that amount invested in the WB and \$7.5 million invested in Gaza.
- Introduced new technologies to 3,320 hectares, with 2,890 hectares of that land in the WB and 430 hectares of it in Gaza.

These gains resulted in impressive returns on USAID's investment, with each job created costing \$4,104 on average and each dollar allocated generating \$14 in sales, nine dollars in exports, and three dollars in mobilized investment.

Clear-Eyed Theory of Change

These results traced to the project's singular and clearly define objective — a critical mass of competitive Palestinian firms. Getting there required an equally streamlined theory of change, one that predicated systemic transformation of the Palestinian economy, wherein an interconnected ecosystem of firms and business support organizations could successfully compete, upon pairing **committed stakeholders** across sectors with a range of **dynamic assistance packages**. These packages, in turn, would promote innovation and creative thinking — all with an eye to scaling up new market entrants and offsetting risk.

To set clear metrics for the Palestinian economy's evolution, Compete sought to shepherd industries through four stages: 1) promising, 2) growing, 3) developing, and 4) developed. To accurately gauge where firms fell along this continuum, Compete conducted assessments at the sector, subsector, value chain, and firm levels. As this report will demonstrate, Compete chose either a subsector or a value chain implementation approach based on the structure of the respective sector. The subsector approach worked well when the ecosystem for a given industry was largely the same. Meanwhile, the value chain approach was used when the product, production method, and market varied significantly within the same sector. As such, the project's Implementation Guiding Principles included incorporating a **cost share**, addressing **workforce development** and specific labor flow challenges that were directly linked to the market, giving special consideration to **women-run** businesses and startups, integrating high-quality **science and technology** solutions, supporting the establishment of **partnerships with ICT multinationals**, coordinating among **donors, focusing on Area C**, and ensuring that project activities were **environmentally** safe and sound.

Regardless of the approach, project assistance to a given subsector or value chain was channeled through the project's Firm Level Assistance Program (FLAP), which included assistance in three broad areas: technical solutions and assistance, introduction of new technology and critical inputs, and workforce development.

Monitoring, Evaluation and Learning

To understand, learn from, and communicate the impact of its activities, Compete developed an annual Monitoring, Evaluation and Learning (MEL) plan to design activities that best support the achievement of the expected results and the project's main objectives. As part of this effort, during Year 7, DAI mobilized a cloud-based business visualization system — the Power Business Intelligence (PBI) tool — which delivered key insights enabling decision-makers to visualize and analyze data in a single view and creating interactive reports for deeper analysis in a matter of minutes.

To tie together the project's strategic principles, interventions, and partnerships, Compete developed a results framework as a planning, communications, and management tool, providing a foundation for work planning and performance monitoring. This conveyed the development hypothesis implicit in the program's goal and objectives as well as the cause-effect relationships among key results areas, program intermediate results, and program objectives. The five strategic priorities framing the project's work to facilitate private-sector competitiveness were:

1. Enhancing access to market, both locally and internationally, to maximize value and profit.
2. Strengthening high value-added products and services.
3. Developing workforce skills and introducing new technologies to generate employment.
4. Providing access to finance and investment to build sustainable business development.
5. Supporting enablers and service providers to address sectorial impediments.

To capture and communicate the project's initiatives and impact on the sectoral level in the WB and Gaza, Compete also developed a communications strategy to reflect several important objectives for its programming in both the territories. Additionally, the communications role was to ensure that all activities, publications, and events were properly branded and marked according to USAID policies.

Sectors

Agriculture. The Agriculture sector was addressed through a value chain approach, using a participatory methodology with stakeholders. The selection criteria of the value chains were based on their growth potential and readiness for either local and or international market expansion.

To enhance access to markets, the project designed interventions tailored to meet the needs of the targeted value chain to ensure that offered products and services met the demand for quantity and quality of local and/or export markets. These interventions included, among others, market linkages, assistance in hiring export managers, trade show participation, and international quality system certifications.

Compete also assisted firms in identifying high value-added products and services that enjoy local or international market demand while also assisting them with required technology transfer, training, and, in some cases, partial coverage of the cost needed to acquire those technologies or equipment. The assistance included introduction of new production patterns, micro-herbs, and baby cucumbers; enhancing packaging designs; introducing supplementary and computerized irrigation; and supporting the establishment of post-harvest facilities and cooling rooms, local production of mushroom mycelium, and new production patterns.

Furthermore, Compete assisted the sector's service providers, cooperatives, and organizations to strengthen their capacity to address sectoral gaps, environmental concerns, and needs — be they in the market or the government. The assistance included supporting packing houses and high-tech facilities to produce high value-added new products.

In the WB, the project worked with 12 value chains that have growth potential and readiness for either local and or international market expansion, including fresh herbs, olive oil, dates, dried herbs, avocados, guava, strawberries, grapes, almonds, mushrooms, potatoes, carrots, and hot peppers.

The project assisted a total of 1,115 firms and farmers, created 4,452 new jobs, contributed to the development of 2,890 hectares of agriculture land, generated \$250 million in sales, increased exports by \$170 million, and leveraged \$54 million in investment.

In Gaza, the project worked with the strawberry, fresh herbs, and vegetable value chains. The project was able to assist a total of 346 firms and farmers, created 855 new jobs, assisted 430

hectares of agricultural land, generated \$45 million in sales, generated \$22 million in exports, and leveraged \$3 million in investment.

ICT and Technology. Compete work in the ICT sector focused on the software subsector. The project helped Palestinian IT firms scale their services to new markets, such as the Gulf Cooperation Council (GCC and, Europe, and strengthened their business relationship with major multinational IT companies such as CISCO, Intel, and Microsoft. The project supported entrepreneurship that enabled the creation of more startups, assisted in developing seed funding initiatives, and provided technical support and mentorship to acceleration projects. In the technology sector, the project's main focus was to create a machine manufacturing subsector to create local business solutions improving productivity and quality. To this end, the project entered into partnerships with National Instruments (NI) and Palestine Polytechnic University (PPU) in Hebron. The partnerships resulted in certifying eight university professors to take a leadership role; establishing the National Instruments Academy, fully equipped with a machine design lab and ten design engineer students; designing four machines; and manufacturing two prototypes for a vegetable sorting machine for baby cucumbers.

In the ICT and technology sector in the WB, the project was able to assist 97 beneficiaries, create 610 new jobs, generate \$16 million in exports, add \$17.3 million in sales, and leverage \$18.4 million in investment.

In Gaza, where Compete began engagement in June 2015, the project assisted 25 beneficiaries, created 296 new jobs, generated \$1.5 million in exports, added \$2.6 million in sales, and leveraged \$1 million in investment

Tourism. In the Tourism Sector_the Project focused its interventions in areas that restore market confidence and address key market failures, such as access to market, product diversification, and quality workforce standards. The project implemented a number of activities to address these challenges, including intensive participation in international trade shows, marketing support through collaborative efforts with the relevant industry associations, capacity-building of hotel management and operations through workforce development training, firm-level assistance to provide necessary management information systems, and identification of new markets to increase their commercial sales. At the supply level, the project's assistance included the development of a successful classification system for hotels, rolling out an in-service training program, and working very closely with the Ministry of Tourism in implementing cross-cutting activities and site renovation initiatives such as the Burqin Church and the northern section of Abraham's Path.

In Gaza, the assessment of the sector revealed it is economically infeasible to provide a broad range of assistance in tourism. Hence, selected firms were assisted to develop strategic business and management plans, enhance productivity and quality systems, and provide training in areas critical to improving performance.

In the tourism sector in the WB, the project assisted 122 beneficiaries, leveraged \$10.6 million in investment, created 152 Jobs, classified 46 hotels based on a start system, and renovated 21 sites.

In the tourism sector in Gaza, the project assisted five firms, leveraged \$0.6 million in investment, and created 10 jobs.

Stone and Marble. In the stone and marble sector, Compete assisted two key subsectors, namely traditional stone and decorative stone. In the traditional subsector, the project, in collaboration with the sector representative, the Union of Stone and Marble (USM), supported a total of 20 companies to participate in international trade shows to enhance their market access to the U.S. and United Arab Emirates (UAE). Furthermore, the project took a leadership role in trying to solve the broad sector impediment of stone waste. This intervention included a sector-wide study and survey to assess the filter press machines at the firm level that require maintenance so that solid waste could be easily disposed of and utilized later for new product development. Following the study, the project conducted maintenance for 15 filter press machines in the Hebron Industrial Zone.

In the decorative subsector, the project supported seven beneficiaries that focused on promoting decorative stone, finished tiles, and products with higher value-added in global markets. Focused on creating decorative stone from stone waste, the project conducted a market assessment and disseminated the results to the stone industry. Following the assessment, the project provided support to three Palestinian firms that were able to create a number of new products from stone waste. The project also supported the establishment of the first state-of-the-art decorative stone factory capable of delivering, at mass production, fully fabricated and finished decorative architectural stone. The project also assisted the factory to hire an export manager in Dubai and to participate in international trade shows, including Project Qatar in Qatar, Saudi Stone in Saudi Arabia, and Design and Architecture in Israel.

In the stone and marble sector, the project assisted 47 firms, generated \$38.32 million in sales, generated \$37.12 million in exports, created 224 new jobs, and leveraged \$14.86 million in investments and new technology.

Fishing. The Palestinian fishing sector is centered in Gaza along the Mediterranean coast. Its market failures include lack of consistent electricity needed to grow fish, restrictions on offshore fishing that have varied from five to nine nautical miles (NM) during project implementation, lack of renewable energy as source of electricity, and lack of locally produced fingerlings. The project supported four onshore fish farms to scale up pond production, resulting in an additional 350 tons of fish per annum and with a consistent and reliable supply of solar-generated energy. To ensure a consistent supply of fingerlings, the project supported the creation of two hatchling lab farms, where 400,000 fingerlings were produced annually, scaling up fish production in Gaza.

The project also supported the preparation of a business plan for an offshore fish farm. Unfortunately, the beneficiary could not secure the necessary permits from the Israeli Coordination and Liaison Administration (CLA) to operate within a certain distance from the shoreline. As a result, this initiative was not completed.

In the fishing sector, the project assisted a total of five beneficiaries, created 39 new jobs, generated \$7.5 million in sales, added \$0.8 million in exports, and leveraged \$2 million in investment

Textile and Garment. Compete assistance to the textile and garment sector was coordinated with the Garment and Textile Union and included support to 35 garment firms. On the sector level, the project provided technical assistance to the union to provide better services to their members. For the firms to meet quality standards and commercial quantities needed by potential markets, the

project provided technical equipment, targeted vocational trainings, and apprenticeship programs. Compete also hired an Israeli firm as part of the project's export market development program to support the establishment of long-term and commercial partnerships between Gazan companies and Israeli wholesalers and retailers.

Moreover, the project undertook work with ancillary industries along the value chain, such as producers of embroidery and washing services. Compete supported two service providers to improve their services and provide better quality to garment companies. In the textile and garment sector, the project assisted 35 beneficiaries, created 294 new jobs, generated \$18.4 million in sales, added \$5.8 million in exports, and leveraged \$1.3 million in Investment

Furniture. Compete targeted export-ready furniture firms and the Palestinian Wood and Industries Union. The project conducted a needs assessment of 20 export-ready firms to assess their sales and exports to the Israeli and West Bank markets, partnerships, production capacity, material requirements, and marketing information. However, the increased Israeli restrictions on the type of solid wood allowed into Gaza forced the project not to engage with the firms in competitiveness programs, as it became evident that they were economically infeasible. As for the union, the project supported it in obtaining strategic plans, governance policies, an operational plan, a monitoring system, and an accounting system. Compete also assisted in hiring one accountant to manage the system and develop a new website.

"The project's innovative ideas, offering practical solutions for strategic interventions, resulted in significant savings for USAID and better engaged the private sector to use and expand its existing infrastructure and mobilize investments to develop export production capacity in partnership with USAID."

Excerpt from USAID Year 5 Contractor Performance Assessment Report (CPAR) for the Compete Project

PROJECT BACKGROUND

The Compete Project is a United States Agency for International Development (USAID)-funded program launched in November 2011 to facilitate rapid expansion in critical sectors of the Palestinian economy that show the most potential for employment and export growth. The program has done this by providing technical assistance to companies and expertise on how to maximize the value of their products. Originally a five-year project focused only in the West Bank, it was extended for an additional two years and expanded to Gaza. It has had two components:

Component A: Assist Palestinian Enterprises to Compete in the Global Market

Compete developed planned interventions for Palestinian enterprises within promising sectors and value chains that have market presence and potential for growth and export to regional and international markets. The subsectors and value chains that were targeted for support in both the West Bank and Gaza were selected according to the following criteria:

- Potential for competitiveness: improve efficiency (cost), product differentiation (quality), and taking advantage of change in demand (innovation)
- Economic impact: impact on income, job creation, and sales growth potential
- Impact on cross-cutting issues: gender, youth, energy, water, and environment
- In the agriculture sector, subsectors engaged in plant (as opposed to animal) production.

Component B: Support to Business Service Organizations and Service Providers

Component B is designed to support Component A, which is the main driver of the project's competitiveness approach to address general capacity building of private-sector firms and institutions. The project put greater emphasis on building the core capacities of partner private-sector associations across all targeted sectors. Component B has greater emphasis on building the capacity of business service providers (BSPs) to fuel competitiveness and enable the subsectors and value chains to emerge. These BSPs include accelerators, incubators, universities, and private-sector firms that play a key role in value chains and subsector growth, such as packing houses, aggregators, fingerlings producers, and packaging material producers. Component B also addressed various sector-specific impediments, such as E-government processes, hotel classification, or general policy issues (e.g. placing advisors in the Ministry of National Economy or advising the Ministry of Finance on the transfer of customs responsibilities).

Working closely with local partners and stakeholders through the Compete Project, USAID has strengthened the competitiveness and export potential of key sectors in the Palestinian economy. Through targeted activities, innovative solutions to unique constraints, training, and technical assistance, the project began by targeting Palestinian "anchor" firms with good potential for growth and helping to expand the territories' export revenues, increasing job opportunities that strengthen the Palestinian economy.

Compete implemented an industry-wide approach that leverages USAID's past investments and "crowds in" other interested businesses to link into, actively participate in, and benefit from sector-wide economic growth and development activities. By increasing the flow of information, products,

and technology in these sectors, Compete has empowered firms to perceive and take hold of the opportunities available to them.

Through this crowding in, the project has achieved an extremely impressive level of results, especially in light of the restrictive environments in the West Bank and Gaza. By the end of January 2019, through the Compete Project, USAID had assisted 1,797 firms in the agriculture, fishing, Information and Communications Technology (ICT), garment and textile, tourism, and stone and marble sectors; 6,932 jobs had been created; and exports had been increased by over \$254 million across the targeted sectors. After more than seven years of implementation, the Compete Project had leveraged over \$105 million in private-sector investments through its innovative cost share program to scale-up and enhance the ability of firms to improve product quality and meet new market demand.



Participants in the November 2017 Pioneers Day celebration, which honored 28 USAID/Compete beneficiaries for being trailblazers in their respective sectors. The event, which featured exhibitors from the agriculture, stone and marble, textile and garment, tourism, and ICT sectors, was attended by approximately 350 people, including officials of the Palestinian Authority and representatives of the U.S. Consulate and USAID.

The Context

The private sector in the Palestinian territories of the West Bank and Gaza is comprised of mostly small- and medium-sized enterprises (SMEs). For the most part, these SMEs are not exposed to real competition, are largely family-owned, and operate in isolation from regional and global markets. A casualty of the decades-long Israeli occupation, these firms are constrained in the movement of both people and goods. The volatile political situation translates into uncertainty and worsening

investment risk, a situation that affects smaller firms more drastically, as they are not as resilient during times of economic distress due to their lower assets and capital.

Unsurprisingly, unemployment is a major challenge. According to the Palestinian Central Bureau of Statistics (PCBS), the unemployment rate across the territories rose to 31.7 percent in the third quarter of 2018 from 29.2 percent in the same period the preceding year. Unofficial unemployment may be higher. The unemployment rate in the Gaza Strip was 54.9 percent compared with 17.3 percent in the West Bank, while the unemployment rate for males was 25.5 percent compared with 54.0 percent for females. The highest unemployment rate was 49.3 percent among youth aged 20-24 years. The public sector employed 20.3 percent of those in employment; 35.1 percent of these employed workers were in the Gaza Strip, and 15.3 percent were in the West Bank.

Nevertheless, USAID has nurtured a critical mass of empowered business leaders who have a newfound ability to influence the future of individual enterprises, Palestinian competitiveness, and the overall economy. Significantly, the past few years have seen increasing contributions to growth of Gross Domestic Product (GDP) by the sectors supported by USAID through its Compete Project. These include robust increases in the information technology (IT) sector as well as increases in agriculture, tourism, and stone and marble value chains. Of special note, the agriculture sector remains a dominant — and growing — segment of the Palestinian economy, employing 74,000 people in 2014. In times of difficulty, the sector has acted as a buffer that absorbs scores of workers who lost their jobs in Israel or in other local sectors of the economy. This stands to reason: given the climatic variation in the West Bank, the region is able to supply the majority of the food needed by the local population and is a significant export earner.

The growth in the project's targeted sectors is the result of improved competitiveness, which in turn owes to increased labor productivity, improved use of technology, and improved branding and product diversification and differentiation, among other reasons — all of which have enabled Palestinian enterprises to compete effectively and gain greater market share.

Theory of Change

Consistent with the World Economic Forum's definition, USAID/Compete defines competitiveness as the ability of a firm or nation to offer products and services that meet local and international quality standards at competitive prices that provide adequate returns on resources employed or consumed in producing them. To bring a structured approach to competitiveness promotion, Compete has sought to achieve a clearly defined outcome, namely a critical mass of competitive firms. The project's theory of change to achieve this outcome argues that, to achieve systemic transformation in the Palestinian economy — wherein a fully functional and interconnected ecosystem of firms and business support organizations can successfully compete in the local, regional, and international markets — committed stakeholders must be identified to leverage resources and collaborate across sectors through the delivery of dynamic assistance packages that promote innovation and creative thinking to scale up new market entrants and offset risk. The project has simplified this to the following set of concepts: commitment, dynamism, and, ultimately, critical mass. Each component is described below.

Commitment

When a potential subsector or value chain is identified in the targeted sectors — either via a firm’s application, a buyer or market, or the project’s own value chain analysis — the Compete Project begins work in the value chain by assessing, establishing, and building the commitment of a core set of anchor firms or farms to work together in the implementation of a market-driven approach. As commitment grows, a value chain upgrading strategy is collaboratively developed and iteratively adjusted and improved. The emphasis of the upgrading strategy is on “coopetition” — cooperating to be competitive — and the willingness of anchor firms to put their own capital at risk through a cost share contribution as a concrete demonstration of their commitment to engaging in new markets or pioneering new approaches or technologies. If no firms or farms in the value chain are willing to commit adequate resources to a cost share, the project drops the value chain from further consideration.

Dynamism

Working hand in glove with commitment, firms must not only show they are financially committed (e.g. through cost share), but also that they possess the dynamism and willingness to effectively compete. Through active and strong participation and interactions with project staff, firms must show they are serious about adopting new ideas and innovations, adhering to the requirements and standards of new buyers and markets, and improving efficiency — by improving capital flows, developing labor flow, and adopting and transferring new technologies and know-how.

In addition, the subsector or value chain itself must demonstrate that it is dynamic. This is sometimes impossible in the West Bank and especially so in Gaza, where the movement of both goods and people into and out of either area is controlled and restricted. For example, items deemed to be of potential “dual use” — having both peaceful and possible military applications — are not allowed into Gaza. In the furniture sector, this has included both wood pieces over a certain size and even paint, limitations on which made supporting the implementation of a realistic upgrading strategy for the furniture sector in Gaza impossible.

Once commitment and dynamism have been substantiated within a subsector or value chain, Compete has moved forward with a pilot project to verify the economic feasibility of the upgrading strategy at the firm level. In close collaboration with the firm or firms, Compete has calculated the return on investment, using actual costs and sales revenue. If there has been an adequate return, the project has developed a program open to any interested firms in the value chain (see Critical Mass below). If the return has been inadequate, the value chain has been dropped from further support. Once a pilot concept has been proven, a standardized package of assistance has been offered to numerous firms as part of a specific program activity, with a higher level of cost-share required of participants than was used in the pilot.

Critical Mass

Bringing systemic change to the Palestinian economy requires a fully functioning ecosystem of stakeholders to support and work with each other to successfully compete in international markets. Significantly, a value chain or subsector must reach a certain level of scale to attain its full market potential as well as be sustainable and maintain the changes fostered by a donor project (e.g. new

approaches or new technology) without the need for ongoing donor support. Through both direct assistance and indirect crowding in of dynamic and committed firms, the competitiveness of a given industry, and by extension the Palestinian economy at large, will become greater, driving increases in sales, jobs, and exports.

PROJECT IMPLEMENTATION

Early involvement of private sector partners at the project’s design phase informed the private sector early on about planned programs and allowed them to provide critical feedback and direction to inform programming. Private sector input was a critical element of Compete’s approach, whether the project was conducting subsector analysis or designing a value chain. The project’s approach has been demand-driven and included private-sector input to ensure stakeholder commitment as a key driver. Interventions were designed to address obstacles and opportunities to graduate industries from “promising” to “developed.”



USAID/Compete assisted Palestinian sectors to develop along a carefully defined continuum designed to lend targeted technical assistance as needed.

Where the subsector or value chain is promising, the program supported pilot efforts and market assessments; where growing, the program employed technical assistance to increase scalability, created job opportunities, and assisted in growth planning; where developing, Compete supported marketing, productivity, and export linkage efforts to enhance the subsector’s competitiveness. Once these efforts were successful, the subsector’s status became developed. Through these interventions, the program was able to sustainably expand employment, improve the quality of goods and services, and facilitate market penetration.

Assessments

Assessments were conducted at three levels — sector, subsector, and value chain — as explained below.

Sector Level: Competitiveness Impact of Business Environment Reform (CIBER) analysis was used for understanding the sectors and identifying opportunities and constraints in the West Bank. CIBER combines intensive stakeholder-driven advocacy with rigorous economic analysis to advance key reforms in the business environment for a particular sector. The approach relies on sector stakeholders to identify what elements of the business environment cause the most harm and what should be done to tackle these constraints. The scope of CIBER is broad since it examines, not just laws and regulations, but also administrative practices. CIBER is not limited to analysis, however. Rather, it should be seen as a process stressing the development of a comprehensive strategy for addressing these constraints and engineering changes that directly improve the competitive performance of the sector in either domestic or export markets (or both). On USAID/Compete, CIBER allowed for early engagement and commitment from sector stakeholders, identifying key constraints that could be tackled immediately and revealing impact at a firm level, across sectors, subsectors, and value chains. By beginning with the identification of issues and solutions by private-sector stakeholders, CIBER has looked to them as champions of reform.

In Gaza, the project conducted a thorough assessment that identified six sectors (agriculture, ICT, garments, fishing, furniture, and tourism) that offered opportunities for growth and job creation. Given the varied capacities and market standing of the six targeted sectors, the project divided the six sectors into two groups (A and B) and employed varied program implementation approaches for each. The first approach was a full-scale, value chain approach to enhancing competitiveness among key sectors (Group A), whereas with Group B, the program addressed challenges among select targeted firms that had some capacity and with potential to grow and serve local and or export market needs.

From the six sectors identified by USAID/Compete, the agribusiness, ICT, and fish value chains were classified as Group A and were best suited for full-scale USAID interventions given the current operating environment in Gaza. There has been a recent ease on border restrictions by Israeli authorities, giving way for an increase in exports to both West Bank and international markets. Compete expanded its West Bank FLAP (see Firm Level Assistance Program below) targeting these sectors and proceeded with a comprehensive package of support interventions to build the foundation and infrastructure needed to enhance export potential and expand to new markets.

The three other sectors, (tourism, textile and garment, and furniture), were not enjoying the same market presence in Gaza and were classified as Group B. Critical inputs and skills were lacking in these sectors, causing impediments to expansion into export markets and, in some cases, not allowing the sectors to serve local market needs. The textile and furniture sectors were particularly vulnerable to restrictions on inputs classified as “dual use” items and to border restrictions on exports. As a result, the sectors have lost their market presence both locally as well as in the West Bank and Israel and have lost their local production capacity. The program identified a select group of up to 45 firms among Group B sectors and provided training and technical assistance, worked to enhance workforce skills, and job creation, provided technical equipment and inputs, and provided limited support to the sectors’ representative unions and associations to improve their ability to serve the needs of their members. After six months of the project’s engagement with Group B, the textile and garment sector was moved to Group A as a result of the easing of the border restrictions, while in the tourism and furniture sectors, only selected firms were supported and no competitiveness programs were devolved as it became evident that they are economically infeasible.

Subsector Level: Expert assessments were conducted as needed to better understand the main constraints for growth. The focus of these expert assessment reports was on areas where the Compete team needed assistance to design relevant programs to address the needs for those subsectors, such as ICT software developers, tour operator companies, garment producers, and hotel operators.

Value Chain Level: The decision to select a specific value chain could follow from a client request, project research, or request from a buyer. The project’s process relied on a solid understanding of how the ecosystem or the market system worked for that value chain. Starting with a market system map or a market system analysis as needed, the project then identified opportunities to confirm commitment and dynamism to grow an industry’s critical mass. This approach has proven to be flexible, responsive, and risk-mitigating for both the client and the project. Every value chain begins with a road map that lays down the steps of addressing the key market failures identified and a pilot project to test assumptions, not only in production, but also in the market response and potential

for market growth. The pilots demonstrated the viability and feasibility of a given value chain, and then shared a business plan with the wider value chain components to disseminate lessons learned and methodologies to scale the intervention.

Market Systems Approach

The Compete Project has used a Market Systems Approach to correct identified market failures that hinder the competitiveness of the projects' six target sectors in the West Bank and Gaza. The systems approach, reflecting USAID's latest thinking on value chain development, recognizes the complex inter-relations among market actors, market and household systems, environmental considerations, policy environment, and sociocultural factors, including poverty and gender. It focuses on inclusion, acknowledging the importance of market forces to bring economic growth benefits to the most vulnerable populations. Through its Compete Project, USAID has refrained from being an active direct participant in the targeted sectors' value chains, instead remaining an outside facilitator that supports systemic change.

The risk profile for doing any kind of business in the West Bank and Gaza is extremely high. Conditions — including rules for import and export — can change quickly, unexpectedly, and non-transparently. In this unique and challenging socio-political environment, Compete has succeeded by addressing a wide range of business risks — especially at the firm level — to unlock the investment needed to nurture real competitiveness.

Based on the structure of the sectors, Compete has selected either a subsector approach or a value chain approach. The difference between the two is grounded in market drivers.

The subsector approach has worked well when the ecosystem for the industry has been largely the same. For example, in ICT, the project used a subsector approach focused on software development and service delivery based on the project's analysis of the mechanics of the regional and relevant international markets, the nature of services needed, and the human or workforce required to drive it. The type of interventions needed for these firms or organizations were generic in nature and largely required training, equipment inputs, energy solutions, and workforce assistance, which was similar in approach to the garment and tourism sectors' needs and was largely addressed at the firm level. In each of these sectors, the type of services or products being offered were of a largely similar nature, targeted similar markets, and required similar inputs. The subsector approach did not prevent the project from addressing sector-wide constraints, including building business associations' capacity, supporting service providers, or working on sector-wide policy issues as long as these support the key drivers for competitiveness and support initiatives under consideration.

The value chain approach was used when the product, production method, and market varied significantly from one portion of a sector to another. A good example is the agriculture sector. In this sector different types of farmers require different types of cultivation methods and equipment, target different markets at different times of the season, and require different types of financing methods (i.e. the ecosystem for each product is different). This drove Compete to identify different value chains within the sector and apply unique program interventions, including by supporting the production of fresh herbs, strawberries, potatoes, carrots, baby cucumbers, etc.

Regardless of the approach, once the assessment of a subsector or value chain was completed and conformed to the three components of competitiveness (commitment, dynamism, and critical mass), the project's assistance to this subsector or value chain was channeled through the Firm Level Assistance Program (FLAP) described below.

Firm-Level Assistance Program

The project launched the Firm Level Assistance Program (FLAP) as a platform to channel its technical assistance and address market failures. FLAP seeks to improve opportunities for individual Palestinian firms — especially SMEs — to increase sales and revenue in markets in which they are active or trying to penetrate — whether locally, regionally, or internationally. Opportunities under FLAP are announced publicly to the private sector (e.g. through associations or unions), are open to any qualifying firm in the targeted sectors regardless of size, and always require a cost share from the participating firms.

FLAP offers assistance in three broad areas: technical solutions and assistance, the introduction of new technology and critical inputs, and workforce development. FLAP interventions include, but are not limited to:

- Building management and financial capacity.
- Developing sales and marketing plans.
- Adopting quality systems to improve operations.
- Providing support to train and employ key staff.
- Tailored apprenticeship projects to build capacity of the sector and address workforce development needs.
- Providing limited equipment and inputs.

Utilizing a cost-share mechanism, the project has provided the space to address key market failures at the company level, bolstering the sector as a whole while ensuring ownership and sustainability through partnered investment. Special considerations have been given to women-owned businesses and female and youth entrepreneurs.

In addition to the assistance tailored to individual firms, Compete has used grants for initiatives that benefit multiple actors in the value chain. For example, a cooperative may receive a grant, and a grant may be used to support the establishment of a processing factory that benefits multiple firms and farms.

To ensure wider outreach, Compete deployed all or part of the following instruments, taking into consideration the size and sophistication of the target group:

- 1- Workshops targeting subsectors, value chains, and regions where the program is introduced: these workshops discussed an activity's goals, methodologies, financial commitment, timeline, and all relevant information regarding how to apply
- 2- Announcements on the Compete website of project activities, goals, and procurements
- 3- Announcements through partner organizations' websites and mailing lists
- 4- Announcements in the newspaper

5- Project team field visits

The formal application process starts with a simple form through the project website, and in those cases where beneficiaries do not have access or they cannot apply themselves, the project accepts applications through cooperatives. Alternatively, Compete team members will go to the field and personally assist in entering an applicants' information into the system. The project's approach has been "first come, first served" to ensure transparency.

Implementation Guiding Principles

Cost Share. The project utilized a cost share mechanism throughout the design and implementation of its activities. This mechanism ensured ownership and sustainability through partnered investment and demonstrated beneficiaries' commitment. In the West Bank, the project's share of technical assistance and workforce development costs reached 60 percent while the program's share of new technological equipment and critical inputs reached up to 40 percent. For implementation in Gaza, the program modified the design of the cost share program due to the financial hardships facing the sectors, such that USAID's share of technical assistance and workforce development reached 70 percent, and the program's share of new technological equipment and critical inputs reached up to 50 percent. The beneficiaries not only committed to the mandatory cost share, but further investments were made above and beyond this shared amount. The investment leveraged over the course of the project exceeded \$105 million.

Workforce Development. Although it was not a stand-alone component, workforce development was one of the guiding principles in the implementation of Compete. Workforce development was analyzed as labor flow, a key variable in successfully growing private-sector enterprises, especially as they must respond to market forces and changing demand to increase productivity through technology and human capital. . Through the FLAP, firms were assisted to address specific labor flow challenges that were directly linked to the market. Compete did not focus exclusively on subsidizing employment — through cost-shared internships, for example — but placed the highest priority on providing assistance for firms and farms to increase sales and market share, interventions that may or may not require direct workforce-related assistance. When a firm was successful in increasing sales, however, this also resulted in job creation. An added bonus is that these jobs are market-driven and therefore sustainable, as they are fully the responsibility of the client firms and farms. By September 2018, the project had created over 6,932 jobs.

Women. Special considerations were given to women businesses and startups, where the cost share contribution by Compete could reach 80 percent based on the specifics of the particular activity and its impact targets. Interventions taken by Compete were shaped and informed by the guiding principles outlined in the project's 2013 gender strategy aimed at promoting gender equality, integration, empowerment, and participation among women in the Palestinian Territories. These include the 1) promotion of the success of women in business in the Palestinian Territories, especially those operating within project sectors; 2) identification of new entry points for women within the project's value chains; 3) encouraging private-sector support for the economic participation of women through financial and technical cost-share models and incentives; and 4) expanding efforts to increase the full participation of women in training and capacity-building programs. Over the course of the project, 79 women-owned businesses were assisted, creating 318

jobs, generating \$2.67 million in sales — of which \$625,000 were in exports — and leveraging \$4.27 million in private investment.

Science and Technology. Over the course of the project, Compete discerned that, across different sectors in the Palestinian economy, there was a persistent demand for high-quality technology solutions (including machinery and equipment) to increase the efficiency of production, a challenge the local market has not been able to sufficiently address. Hence, technology was an important parameter in the development of the Compete work plan.

The project brought together a wide range of stakeholders throughout the broader technology field, from youth to professors at local universities, the private sector, and the best-in-class engineering talents to create innovative solutions. National Instruments (NI) and Palestine Polytechnic University (PPU) were identified as the international and local technology partners, respectively, to develop solutions to issues facing different Palestinian industries and sectors. The partnership between PPU and NI has resulted in eight university professors and ten students earning the NI Certified LabVIEW Associate Developer (CLAD) designation as well as the design of four machines and the production of two prototypes of cucumber sorting machines by local manufactures. These sorting machines were also tested by two packing houses, enabling the final design with all modifications to be completed. The availability of a locally produced baby cucumber sorting machine has resulted in expanding the number of small baby cucumber farmers to more than 500 and increasing exports by \$5 million per annum.

Furthermore, the project supported the Palestinian Authority Cabinet's decision to move forward with e-government services development. The program hired an experienced international firm to develop the bidding documents needed for the first 10 government services, which were identified by the private sector. This activity has the potential to mobilize investments, increase the capacity and experience of the private sector, and create more jobs.

Partnerships with ICT Multinationals. Palestinians have long faced the challenge of integrating into international markets. USAID, through Compete, has supported the establishment of multinational partnerships with exporting companies to increase exports and market access. The goal of this initiative was to develop professionally trained human resources, raising the overall quality of programmers and managers to international standards. In particular, USAID has established a series of partnerships with the Israeli branches of Microsoft, Intel, Thompson-Reuters, Cisco Video Technologies (formerly NDS), and others to support R&D projects, create specialized software programs, and establish Palestinian research centers. USAID also supported the Palestinian Internship Program to place Palestinian engineers in Israeli and multinational companies in Israel and partnered with Tel Aviv University and Northwestern University in Chicago to deliver management courses tailored for Palestinian middle managers in software companies.

Donor Coordination. USAID, through Compete, has undertaken a preliminary mapping of donors working to support private-sector development in Gaza and worked closely with these agencies to identify opportunities to leverage resources, coordinate efforts, and maximize the value of programmatic interventions. Two key players operating in Gaza were DFID's Palestinian Market Development Program (implemented by DAI) as well as the Food and Agriculture Organization (FAO). USAID, through Compete, began strategic engagement with both as part of the development of the program's work plans on a year-to-year basis.

Focus on Area C. Area C covers 60 percent of the West Bank, inhabited by approximately 300,000 Palestinians. Israel has retained almost complete control of this area, including security matters and all land-related civil matters, including land allocation, planning and construction, and infrastructure. Access to water resources in Area C is very limited, inhibiting the expansion of agriculture land and, hence, production.

To transform the Palestinian agribusiness sector into a globally competitive industry, USAID, through Compete, worked sector-wide within Area C with stakeholders, local authorities, the Israeli government, and key actors to help farmers and agribusinesses access and maximize the use of current resources and technologies to increase and sustain competitiveness. USAID, through Compete, worked on several fronts to ensure quality water was available for irrigation to improve both the quality and quantity of Palestinian agricultural products, including the introduction of treated wastewater for irrigation and increased wells utilization. Over the course of the projects, 245 farmers were assisted, creating 1,778 jobs generating \$85 million in sales (of which \$31 million were in exports), and leveraging \$22 million in private investment. The total area planted was approximately 569 hectares.

Environment. The project team, subcontractors, and grantees took all necessary measures to ensure that project activities were environmentally safe and sound as well as compliant with USAID regulations. The activities, including, grants, subcontracts and procurement, were reviewed for environmental effects prior to the obligation of funds. Environmental compliance activities began at startup during the design of proposed activities and continued throughout implementation of the project and through closedown.

MONITORING, EVALUATION, AND LEARNING

Monitoring, Evaluation and Learning (MEL) is critical to understanding, demonstrating, learning, and communicating the results of a project at all levels (impact, outcome, output, process, and input) and contributes to accountability and informed decision-making at both the program and policy levels. Compete developed a MEL plan every year to guide the project and USAID in designing activities to best support achievement of the expected results and the project's main objectives; to serve as a management tool for planning, assessing, and reporting progress toward achieving the projects outcomes and results; and to describe how performance data was to be collected and used. The MEL plan included a systematic collection process for performance data, including qualitative and quantitative information to measure progress and to ensure that expected results are being met.

The Compete MEL approach was built on project intervention outputs, outcomes, and results described in each component in the technical approach. Each performance indicator is linked to a Compete outcome. All indicators in the MEL plan lead to the project's high-level goal, resulting in expanded job opportunities for Palestinian women, men, and youth.

During Year 7, DAI mobilized a cloud-based business visualization system, the Power Business Intelligence Tool (PBI), which delivered insights throughout the project, enabled decision-makers to visualize and analyze data in a single view, and created interactive reports for deep analysis in a matter of minutes. It connected to hundreds of data sources, simplified data preparation, and developed ad hoc analysis. It enabled decision makers to dig deeper into data and find patterns they may have otherwise missed. It also helped to develop quick measures, grouping, sorting, forecasting, and clustering to produce professional reports. This data visualization had three main impacts. First, it made responding to requests for information from USAID a simple, quick, and accurate process, with the added benefit of being able to answer requests without diverting technical and management staff from their technical work. Second, the visualization improved data quality; errors in data collection were identified easily and quickly. This directly improved the regular Data Quality Assessments (DQAs) conducted by USAID. Third, the system enabled access by the USAID Contracting Officer's Representative (COR) and related team members, allowing them to monitor results and to disseminate information among stakeholders.

Compete also developed **management indicators** in addition to the **Performance Plan and Report (PPR) indicators** that were set by USAID to measure progress of planned interventions toward meeting the intended targets. **PPR indicators** also fed into the program's results framework and measured progress toward achieving the program's three intermediate results: 1) exports and investment increased, 2) innovation of products and services increased, and 3) employment increased and job skills expanded.

During the life of project, Compete reported against 11 PPR indicators and 39 management indicators relevant to project activities as listed in Geo-MIS. Some of these were changed and modified based on proposed interventions and workplans.

The combination of all indicators, augmented by additional performance information—such as survey data, trend analysis, special assessments, and technical reports—allowed Compete’s senior managers to “roll-up” performance achievements from the activities to the Performance Indicator Reference Sheets (PIRS) and then to the contract objective. In addition to the approved indicators, Compete tracked the cost effectiveness per job and the cost per additional million dollars’ worth of sales to ensure that cost effectiveness is considered from the outset of the engagement.

Logical Framework

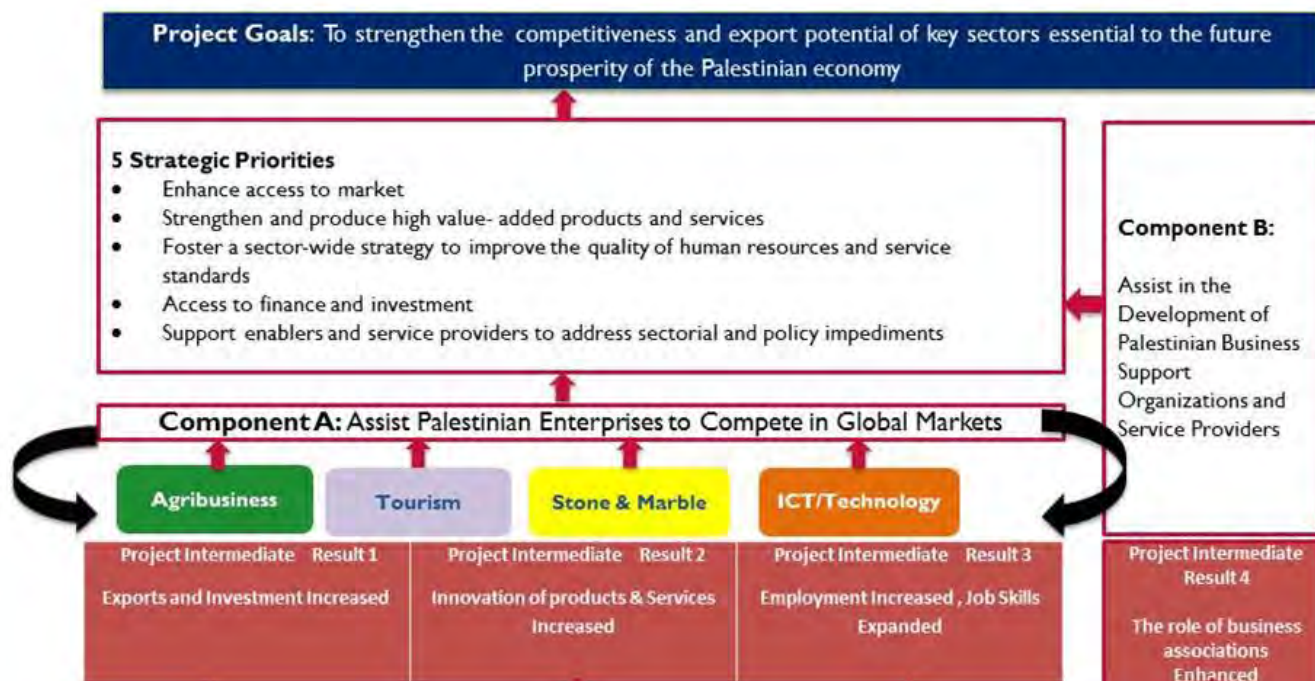
To tie together Compete strategic principles, interventions, and partnerships, the project developed a results framework (presented below) as a planning, communications, and management tool, providing a foundation for work planning and performance monitoring as shown in the figures below. This conveyed the development hypothesis implicit in the program’s goal and objectives as well as the cause-effect relationships among key results areas, program intermediate results, and program objectives. The project’s five strategic priorities, which framed the program’s work to facilitate private-sector competitiveness, were:

- Developing workforce skills and introducing new technologies to generate employment.
- Strengthening high value-added products, services, and technologies to facilitate growth.
- Enhancing access to market, both locally and internationally, to maximize value and profit.
- Supporting enablers and service providers to address sectorial impediments.
- Providing access to finance and investment to build sustainable business development.

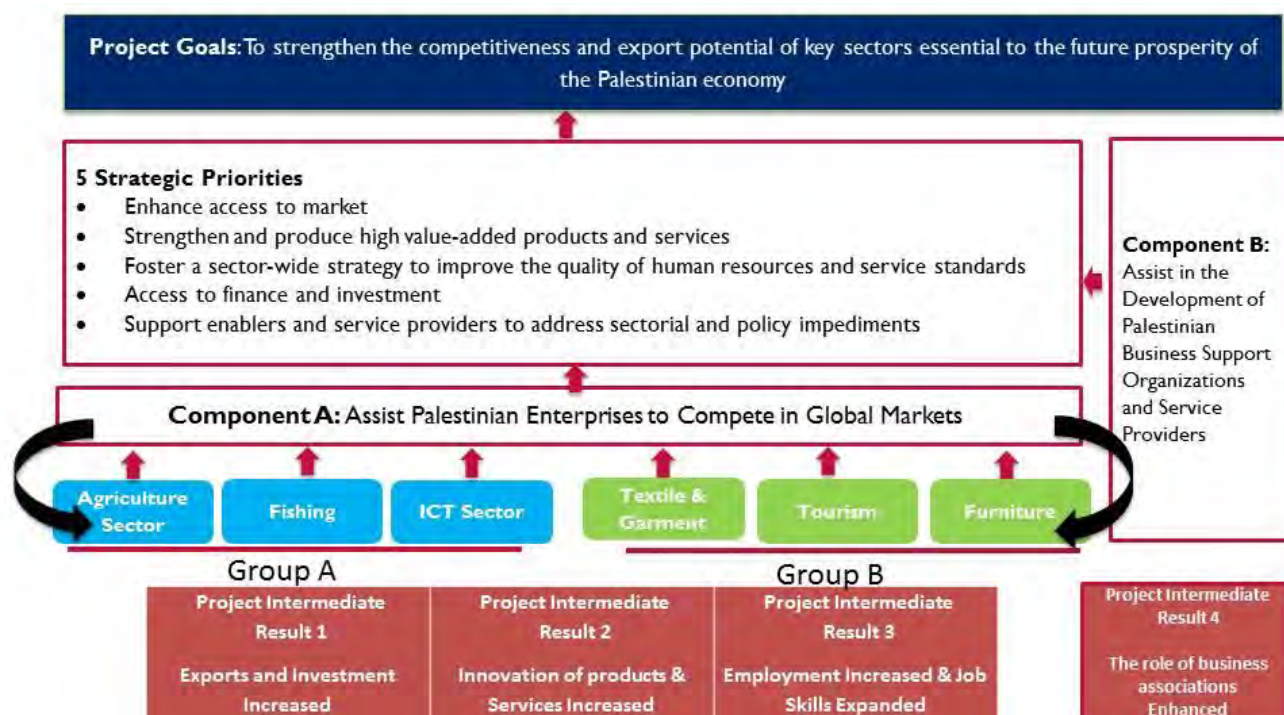
Across sectors, Compete employed an iterative feedback loop process to build on successive stages of value chain development, from pilots to targeted export market development initiatives. Starting with the activity design phase, program staff provided individual attention to each client and supported company leaders in the development of business plans, market analysis, and financial management for new or scaled products. From quality systems introduction to the provision of specialized equipment and improved production methods, the project identified technical assistance interventions, particularly through FLAP, that created lasting change for these companies and their ability to continue building successful businesses. The program developed activities that increased the knowledge and skills of the Palestinian workforce, designing initiatives and partnerships that built sector-wide capacity to generate lasting employment solutions.

In addition to direct support to firms in the six sector areas, Compete provided assistance to Palestinian Business Support Organizations (BSOs) in ways that strengthened their role as enablers. Component B, as shown in the project logical framework below, was designed to support Component A, which was the main driver of the project’s competitiveness approach and not a standalone component to address general capacity-building of private sector institutions. Compete has put greater emphasis on building the core capacities of partner private sector associations across all targeted sectors in the first three years in the West Bank and the first year in Gaza. Beyond that, the project provided support to the programs within those associations that emerged as the sectors evolve over time, where the nature of those programs were more toward marketing and policy work. So naturally the support to general capacity-building diminished over time since capacity can be built once, after which it should be sustainable.

Logical Framework—West Bank



Logical Framework—Gaza



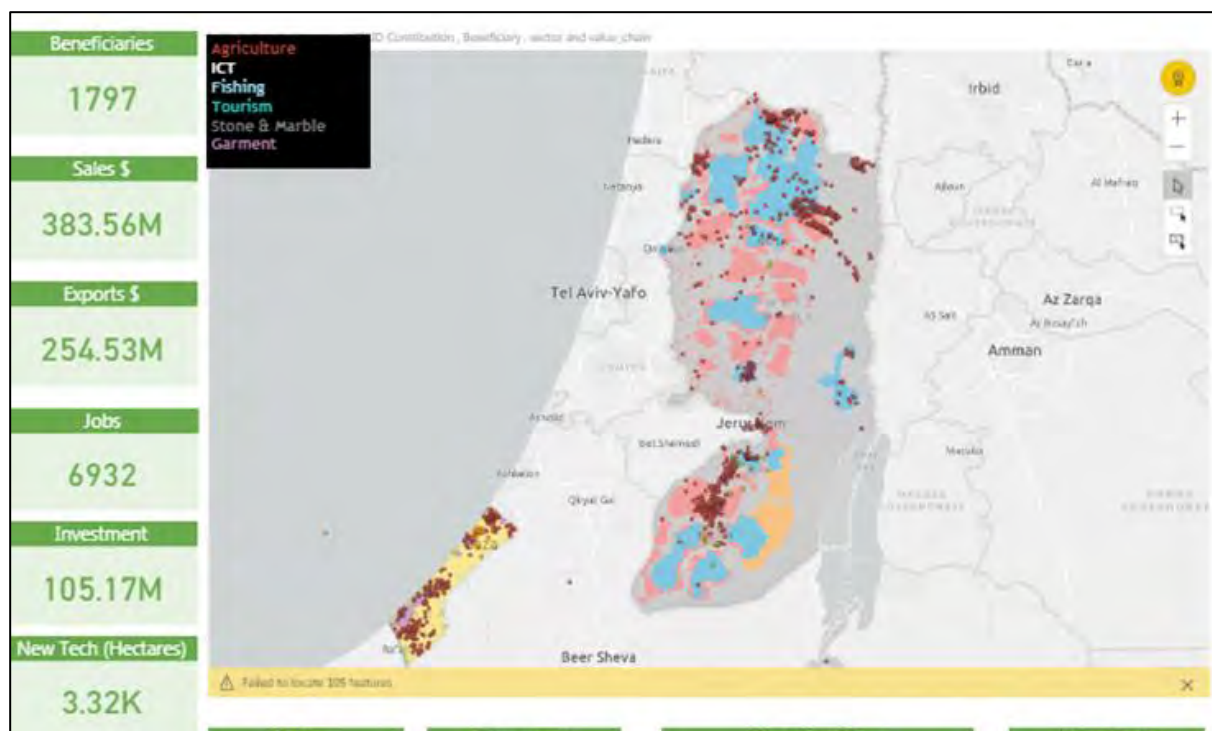
COMMUNICATIONS

To ensure capturing and communicating the project’s initiatives and impact on the sectorial level in the West Bank and Gaza, Compete developed a communication strategy to reflect several important objectives for its programming. These objectives included the creation of positive perception and dialogue in the media on Compete interventions; outreach to stakeholders to ensure their buy-in and engagement; support of stakeholder efforts in building their marketing capacity; highlighting the social, human, environmental, and economic impact of Compete work; and highlighting increased job creation, export, and investments increases, the introduction of technology and innovation, and quality improvement of Palestinian products and services. Additionally, Compete communications ensured that all activities, publications, and events were properly branded and marked according to USAID policies.

Moreover, the communication aspect played an essential role in the learning process. Project-level adaptive learning was iterative, ongoing, and included regular meetings between the Compete management, M&E, communications, and technical teams as well as with clients. These meetings enabled clients to exchange success stories and best practices by value chain and location. All told, 37 success stories were developed and shared with USAID and the clients to share their experiences and lessons learned for any future programming.

Results Achieved

The following offers a snapshot of results achieved over the life of the project.

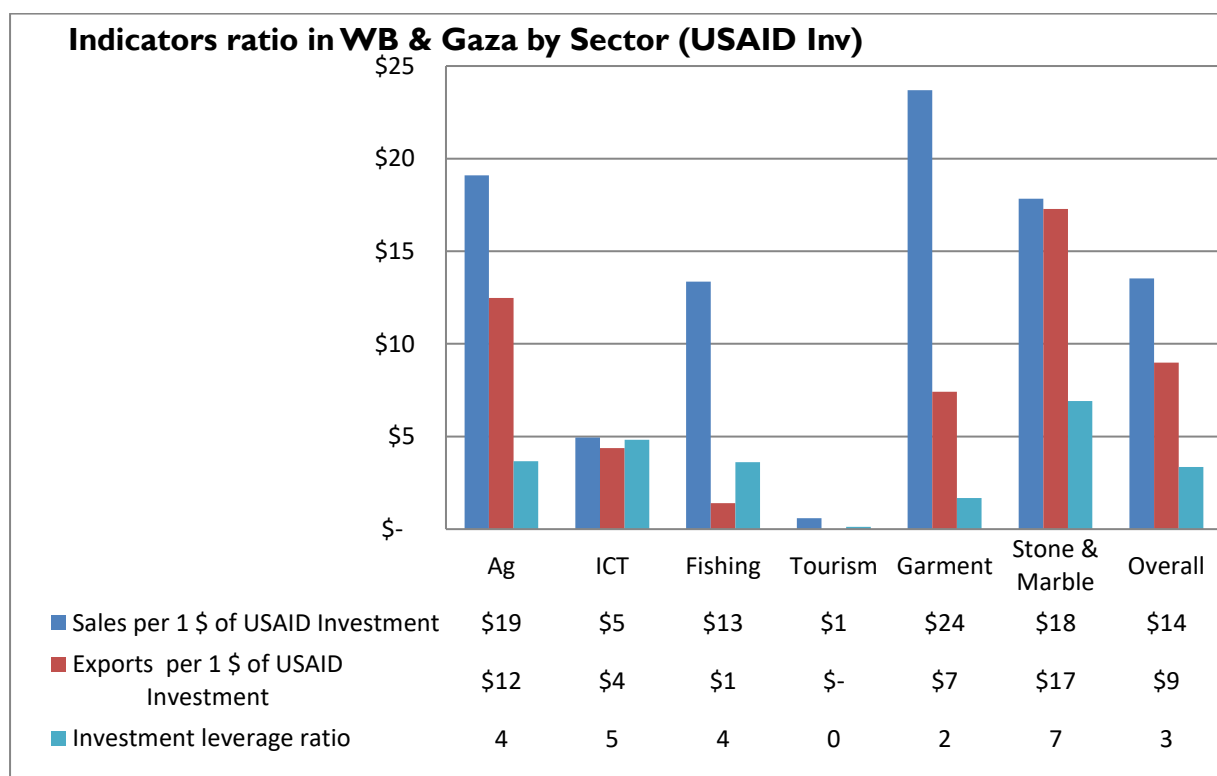


The figure above from the PBI visualization system presents the distribution of assisted firms across the West Bank and Gaza, showcasing achievements, efforts made and strength of the project covering a wide geographical landscape in both West Bank and Gaza. Compete achieved an extremely impressive level of results, especially in light of the restrictive environments in the West Bank and Gaza. Through the project’s lifetime and across all sectors, there were a total of 1,797 assisted beneficiaries, 6,932 jobs created, an increase of \$254 million in exports, an increase of \$383 million in sales, and an increase of \$105 million in investments leverages. These results positively impacted beneficiaries across 3,320 hectares of agricultural fields. A yearly breakdown of progress toward the Operational Plan and Management Indicators is presented in Annex I.

Highlights of USAID’s return on investment through its Compete Project include:

- Cost per job: \$4,104
- Increased sales: \$14 for every \$1 spent
- Increased export: \$9 for every \$1 spent
- Leveraged investment: 3X

The figure below shows the overall and by sector USAID investment returns.



ACCOMPLISHMENTS BY SECTOR: WEST BANK

USAID/Compete facilitated rapid expansion in critical sectors of the Palestinian economy that show the most potential for employment and export growth by providing technical assistance to companies and expertise on how to maximize the value of their products. In the West Bank, Compete worked within the agribusiness, ICT, stone and marble, and tourism sectors, with a special focus on working with the service providers in these sectors, to enhance their cost structures, improve supply chain efficiencies and facilitate trade. The project utilized a Market Development Approach to correcting identified market failures that hinder the progress of all West Bank targeted sectors and also used the Firm Level Assistance Program (FLAP) as the primary vehicle through which support to these sectors was provided.

In the West Bank, Compete worked to fulfill four strategic priorities:

- A. Enhancing access to market
- B. Strengthening high value-added products, services and technologies
- C. Supporting enablers and service providers to address sectoral impediments
- D. Workforce development

A. Enhance Access to Markets

Access to markets was identified as one of the critical barriers to the competitiveness of all sectors. Accessing new markets and expanding in existing markets is an ongoing challenge for Palestinian businesses. Over 80 percent of all businesses in the project's sectors are family-owned, a situation that presents complex challenges of its own. During the project's option period, the project's emphasis on SMEs aimed at increasing their capacity to grow their local market share, expand in existing export markets, and enter new markets with clear plans that guide their investments and leverage the resources provided by USAID to achieve sustainable results. The project placed a premium on the identification of potential export markets and ensuring that offered products and services were feasible and meet the demands of the market in terms of quantity and quality. Programs tailored to meet the needs of targeted sectors have opened the door for many enterprises to benefit from USAID through Compete Project interventions aiming at enhancing their capacity and linking them with local service providers, financial institutions, and relevant private sector institutions that could add value to their businesses.

B. Strengthen and Support the Production of High Value-Added Products and Services

Palestinian businesses have been evolving slowly. The volatile political situation translates into high financial and market risks for developing new products and adopting new technologies. Compete

assisted firms in identifying high value-added products that have a market demand locally or internationally and assisted them with required technology transfer, training, and in some cases, partial coverage of the cost needed to acquire those technologies or equipment, thus offsetting potential business risks.

C. Support Enablers and Policy Providers to Address Sectoral and Policy Impediments

Environmental factors of competitiveness, such as lack of water, affect primarily the agricultural, tourism, and stone and marble sectors but also act as a hindrance to the entire economy. Furthermore, lack of responsive business environments, including government regulations and policies, are a major obstacle in developing thriving businesses. Member-based business associations and service providers, known as enablers (many of them established through USAID assistance in the last 10 years), are major stakeholders in representing the interests and issues of the private sector, advocating a conducive business environment, and providing services that benefit the sector and the economy overall. In the option period, Compete advanced its current engagement with these representative organizations to strengthen their capacity to address sectoral gaps, environmental concerns, and needs — whether in the market or the government.

D. Workforce Development

For the purposes of the project, workforce development was analyzed as labor flow, a key variable in successfully growing private-sector enterprises that must respond to market forces and changing demand. Labor flow is part of a larger productivity equation that includes investment, technology, and human capital. Compete assistance was directed at addressing specific labor flow challenges linked to the market and did not solely focus on subsidizing employment. The highest priority was to provide assistance that helped firms and farms increase sales and market share, which may or may not require direct workforce-related assistance. USAID, through Compete's work in the West Bank, has delivered excellent results, supporting 1,381 beneficiaries; achieving a \$308.29 million increase in sales, a \$223.49 million increase in exports, and a 5,438 increase in jobs; leveraging \$97.64 million in investment; and introducing new technologies to beneficiaries across 2,890 hectares of agricultural land.

Agribusiness



Agriculture remains a dominant and growing sector of the Palestinian economy. It represented 3.1 percent of the economy's GDP and employed 72,000 people in 2016, according to PCBS. In times of difficulty, the agricultural sector has acted as a buffer that absorbs thousands of unemployed people who lost their jobs in Israel or other local sectors of the economy. Furthermore, the agricultural sector supplies the basic food needs for the majority of the local population and is a major export earner for the Palestinian economy.

To transform the Palestinian agribusiness sector into a globally competitive industry, a dynamic bottom-up approach with a keen focus on building up the pillars and infrastructure of the sector's value chains is a must to pave a clear path for the sector to prosper. A unified effort that involves the sector to work collectively is imperative and should be done at an early stage to get the buy-in of industry stakeholders, associations and decision-makers along targeted value chains. During project inception, Compete conducted a sector-wide industry assessment, which was immediately followed by the CIBER assessment for the agriculture sector. From that point on, the agriculture sector, along with committed value-chain stakeholders, identified short-term and long-term interventions with the consequent methodology and approach needed to tackle market failures and address them through interventions aimed at building the sectors' infrastructure to compete both locally and globally.

Previously, sporadic activities by the donor communities to support companies' growth plans led to some successful companies reaching the global market while others struggled to make it in the local market. At the same time, when Compete was launched, the agriculture sector suffered from insufficient water resources, inadequate access to finance, challenges in accessing Area C land, high cost of production inputs, low volume and value of produce, lack of agricultural insurance, limited access to global markets, and other market failures that makes it almost impossible for the sector to compete.

Value Chain Development

Compete engaged with the Ministry of Agriculture (MOA) at an early stage to present the project's strategic interventions, discuss key market failures and methodologies, and secure initial buy-in from the ministry, which has been supportive of the project, including through a Memorandum of Understanding (MOU). Compete concentrated its efforts and resources using a participatory approach with stakeholders to nurture cash crop value chains with a competitive edge. Workshops and regular meetings were conducted with key stakeholders to obtain their buy-in and strategically target the project's assistance for sustainable development. A consensus vision was established for economic growth and sustainable business investment, challenges to competitiveness and opportunities were identified for future business growth, and actions aimed at addressing those obstacles and opportunities were determined.

Initially, the key value chains identified with strong potential for generating employment, exports, and investments were dates, fresh and dry herbs, fresh produce, and olive oil; however, based on the value chain approach, additional sub-sectors were targeted for scalability, including mushrooms, strawberries, potatoes, sweet potatoes, baby cucumbers, avocado, grapes, and guava.

The selection criteria for the value chains were based on their growth potential and readiness for either local and or international market expansion. The value chains' growth potential was determined on the basis of their related international market growth, competitive position, and recent performance. Despite severe competition, the international market trends for the selected value chains have been expanding and showing encouraging signs of continued growth. The value chains' competitive position included niche products, proximity to international markets, and offseason production. Furthermore, the selected value chains had the potential to compete locally

and globally on both price and quality. The challenges to competitiveness and opportunities for future business growth were identified, and actions were designed to address the obstacles and opportunities to graduate industries from “promising” to “developed.”

In the West Bank, Compete worked with 12 value chains, including fresh herbs, olive oil, dates, dried herbs, avocados, guava, strawberries, grapes, almonds, mushrooms, potatoes, carrots, and hot peppers. The support to value chains firms was provided based on three strategic interventions: 1) enhance access to markets, 2) strengthen and support the production of high value-added products and services, and 3) support enablers and service providers to address sectorial and policy impediments. These are detailed below.

I. Fresh Herbs

The fresh herb sector in the Palestinian Territories has been a rapidly growing sector with potential to scale up and quickly reach new markets. There are approximately 18 producers of fresh herbs in the West Bank. The majority of them (81 percent) are large producers with more than 50 dunums devoted to herbs. Approximately 13 percent are medium-sized producers with agricultural land between 20-50 dunums, and the remainder are small producers with fewer than 20 dunums in agricultural fields. The most common fresh herbs produced for export are sweet basil, mint, and chives (accounting for 30 percent of the total), followed by rosemary, sage, and oregano. Fresh herb production is similar in many ways to production of fresh vegetables such as tomatoes and peppers, and many producers use the same facilities for both. However, fresh herbs are considerably more sensitive to changes in temperature and quality of inputs and require special pre-and post-harvest techniques and machinery. Domestic inputs in the fresh herbs value chain are water and land, yet nearly all other inputs — from seedlings to equipment — were imported, primarily from Israel.

Approximately 85 percent of exports are shipped through Israeli companies via Ben Gurion Airport, although there are limited cases in which Palestinian producers have established direct linkages with foreign clients and export directly through Queen Alia Airport in Jordan. A small remainder of herbs that are rejected at Ben Gurion are sold into the Israeli market.

The fresh herb sector faced constraints and market failures that prohibited the growth of the sector in a competitive way. Key market constraints included lack of Integrated Pest Management (IPM) and quality systems, lack of traceability and packaging, lack of proper market access, availability of cold chains, restrictions in mobility, limited branding, and the fact that the sector is scattered, making it much more difficult for the sector to uniformly work together.

Still, although the fresh herb sector was considered “developing” in 2012, USAID, through Compete, has assisted it to become “developed” through the below strategic interventions:

Enhance Access to market. Enhancing access to market allowed for a stream of export-ready companies and companies supported by the project to target global markets, increasing their revenue, growth plans, and job creation. Compete upgraded fresh herb facilities to comply with IPM and United States Department of Agriculture (USDA) requirements, which helped targeted beneficiaries adhere to country regulations. The project also supported the participation of both export-ready companies and companies who were supported by the project to become export-

ready to take part and exhibit in international trade shows, including Fruit Logistica in Germany, world food in Russia, and Gulfood in UAE, where they met buyers and established direct linkages while increasing their exports and competitive edge.

Strengthen and produce high value-added products and services. USAID, through Compete, supported the first micro-herbs (baby herbs) producer, one of 20 producers worldwide and a pioneer in his sector. This entrepreneur established a state-of-the-art facility producing 12 different varieties of micro-herbs, coupled with a post-harvest facility including cooling rooms. Compete supported firms to adopt new techniques, such as chives production, through computerized systems using soilless growing patterns. Not only did this increase yield and enhance quality, it also reduced water consumption by 30 percent, thus helping conserve a scarce commodity in the Palestinian market. The project created an outlet for Class B fresh herbs that are not exportable by channeling produce to a West Bank salt company (a project beneficiary), who creatively integrated the product to produce high-end gourmet herbal line of salts. This was an excellent example of how Compete supported enablers and service providers to address sectoral and policy impediments.

Support enablers and service providers to address sectoral and policy impediments. Under Component B — supporting business service providers, unions, and associations — Compete helped to create the core infrastructure of the fresh herbs organization HEPCO to adapt a protocol of best practices in order to help firms satisfy international market standards, meet buyers' needs, and adopt quality systems such as USDA-APHIS requirements. The project also supported several companies to adopt standards and certifications such as GLOBALGAP, ISO 22000, and those of the British Retail Consortium.

Exemplary Beneficiary:

Daraghmeh Herbs Company, established in 2013 and located in Tubas governorate, is currently producing fresh herbs and built a post-harvest facility for export. The company owns 120 dunums of fresh herbs in green houses, in addition to 300 dunums of open fields planted with vegetables. The business owner, Mohammed Daraghmeh, wanted to take his business to another level and decided to invest and specialize in niche crops that could compete in international markets. In its aim to support new products with higher value-added and promising export potential, Compete assisted the Daraghmeh Herbs Company to set up the first micro-greens farm in the Middle East and North Africa (MENA) region.



A sampling of Daraghmeh Herbs Company products.

As a result, Mohammed has achieved the following impact while continuing to find venues to scale up:

- Increased sales by \$6.7 million
- Increased exports by \$6.6 million
- Leveraged investments of \$749,000
- Added 44 new employees

All told, this USAID-supported fresh herbs value chain has delivered excellent results, supporting 21 beneficiaries, increasing sales by \$50.16 million, increasing exports by \$49.25 million, and adding 112 jobs. Additionally, the fresh herbs value chain has leveraged \$4.092 million in investment and new technology.

2. Dates

Medjool dates are one of the most popular and expensive dates sold in the world. Since this product is of high value and attractive globally, it has become one of the popular products to grow in the agriculture sector concentrated in Jericho, Al-Oja, and Jiftlik areas. In 2010, the majority of dates grown in the Palestinian market were consumed domestically, and demand continues to outstrip supply. Forecasts based on production estimate that the sector will produce close to 22,000 tons on an annual basis by 2022, which is more than double the current production. Today, there are 19 packing houses working in the Medjool dates sector, with four of these operating with the highest technological standards in sorting, packing, and cooling technologies, and the rest operating with relatively basic facilities.

Dates production requires a lot of water while cultivation is complex and very labor intensive. Moreover, investment is significant; date palm trees take five years of cultivation before they begin to bear fruit, a high input cost that yields high prices on the world market.

Israel is the largest producer and exporter of Medjool dates, representing nearly 60 percent of world supply. Major Israeli producers have approximately 14,000 dunums planted in the Jordan Valley, producing about 20,000 tons in 2012 and are expected to continue expansion.

The EU is the largest date importer in the world in terms of value, with rapid growth in imports in the US, France, the UAE and Turkey. These four regions import more than 80 percent of Palestinian exports.

The dates sector faces constraints and market failures that are prohibiting the growth of the sector in a competitive way. Key market constraints include lack of IPM and quality systems, lack of traceability and packaging, availability of cold chains, fear of crop damage by red palm weevil, restrictions in mobility, limited branding, and the fact that the sector is scattered, making it much more difficult for firms to uniformly work together.

Although USAID/Compete assisted this sector to also move from “developing” to “developed,” in 2015, the project decided to exit the sector, as it became apparent that Palestinian dates may pose a threat to California dates producers. The strategic interventions included:

Enhance access to market. USAID, through Compete, supported the participation of export ready companies and companies who were supported by the project to become export ready to exhibit in international trade shows, including Gulfood in the UAE, Fancy Food in USA, World Food in Moscow, and Fruit Logistica in Germany, to meet buyers and establish direct linkages and, by doing so, increased their profit margins and competitive edge. Also, Compete assisted firms to hire export managers in targeted markets to increase exposure and exports. The project supported companies to adopt global certifications, including ISO22000, Global Gap and BRC, for both the farms and packing houses. The project also assisted Nakheel Company with a testing laboratory to ensure the product quality and other companies had access to this service.

Strengthen and produce high value-added products and services. Compete supported sector firms by enhancing packaging designs on a one-to-one basis. This intervention helped sector firms increase awareness and strengthen the positioning of finished packaged products, in preparation to scale up or go global. The project supported companies through a cost sharing scheme and adopted equipment critical to scale up operations and sorting dates based on specifications that helped build their infrastructure and capacity.

Support enablers and service providers to address sectorial and policy impediments. Under Component B and through the Dates Union, to address the sector-wide concern regarding red palm weevil, Compete supported sector-wide firms with red weevil traps to maintain quality Medjool dates.

Exemplary Beneficiary:

Nakheel Palestine, a leader and pioneer in the agriculture sector, has established a reputable name both in the local market and globally. They invested at an early stage in Medjool dates and now they own the largest farms (3,200 dunums) among date producers. The company has adopted all necessary certifications for international market requirements and ISO22000 and is now the leading Palestinian Medjool dates exporter. Compete supported Nakheel to obtain quality certifications, exhibit in international trade shows, and adopt lab equipment for testing. Nakheel Palestine increased sales and exports by \$2.36 million, leveraged \$1.32 million in investment, and added six new employees.



Workers sort dates at a Nakheel Palestine facility.

The Compete Project has worked with the dates value chain to deliver excellent results, including 11 beneficiaries supported, a \$43 million increase in sales, a \$35.71 million increase in exports, and an increase of 101 jobs. Furthermore, the dates value chain has leveraged \$8.8 million in investment and new technology.

3. Dried Herbs

Dried herbs in the Palestinian market are considered one of the historic value chains with traditional home-made products that have evolved over time to become popular in international cooking and cuisines. Traditional dried herbs generally include manually drying fresh herbs, creating spice mixes, and hand packaging them for local market use; however, the most popular and main dried herb in the Palestinian market is za'atar (thyme). There are around 300 za'atar farmers cumulatively producing between 2,500 — 3,000 tons of za'atar on an annual basis. Za'atar is one of the most popular Palestinian products known in several markets due to its quality and taste; however, with recent market trends and focus on specifications, packaging, branding and positioning, the sector has had to adapt to market requirements to compete. Attractive markets for the dried herbs value chain include the Gulf region and U.S., with a focus on cities with Middle Eastern populations.

The dried herbs sector faces constraints and market failures that are prohibiting the growth of the sector in a competitive way. Key market constraints include lack of IPM and quality systems, lack of traceability and packaging, lack of an accredited lab, limited branding, and the fact that sector producers sell independently and historically in bulk.

In 2012, a Compete assessment determined that the dried herbs value chain was “promising,” and Compete has transformed this value chain into a “developed” value chain through the below strategic interventions:

Enhance access to market. Compete supported the participation of export-ready companies and companies supported by the project to exhibit in international trade shows, including Foodex in Saudi Arabia, to meet buyers and establish direct linkages and, by doing so, increasing their profit margins and competitive edge. Additionally, Compete supported seven post-harvest facilities.

Strengthen and produce high value-added products and services. Compete supported firms to cost-share equipment critical to their growth plans, proper packaging, scaling up, and obtaining of quality certifications — all of which will help better position the finished product in global markets. The project also assisted firms within the value chain seeking to use herbs in their product packaging, a distinctive way of mixing za'atar with salt and creating this new product, which helps diversify the sub-sector portfolio and increase sector competitiveness.

Support enablers and service providers to address sectoral and policy impediments. Under Component B and through the Aqaba Village Women Association, Compete supported the cooperative with equipment used to create herbal tea bags in addition to marketing activities to enhance their skills and capacity.

Exemplary Beneficiary:

Mu'ta Mills Trading Company, a family-owned business located in Qalqilya, transformed its operations from a rigorous, hand-made production process, unique in its way but not consistent in terms of export or meeting market demand, into a viable business ready to grow, meeting market demand in terms of quality and consistent packaging standards. Compete supported Mu'ta Mills Trading Company with a thyme drying and packaging line to improve product quality and packaging standards, which enabled it to private-label package for other farmers. Mu'ta Mills built a new factory

to become one of the sector's major players and to be ready to scale up easily. Mu'ta sales increased by \$1.38 million, its exports increased by \$123,000, and it leveraged \$243,000 in investment. Moreover, it added 11 new employees, and it will be diversifying its business to explore other dried herb subsector opportunities.

All told, the dried herbs value chain has supported 10 beneficiaries, increased sales by \$7.1 million, increased exports by \$5 million, and added 54 new jobs. The dried herbs value chain has leveraged \$1.87 million in investment and new technology.



A sampling of Mu'ta Mills Trading Company za'atar.

4. Olive Oil

Olive Oil in the Palestinian market is considered one of the oldest sub-sectors and a traditional luxury commodity that has a symbolic connection to the land. Families take pride in cultivating olive trees on an annual basis, and buyers buy it for its quality. In the agricultural sector, olive trees represent around 50 percent of the total cultivated land, with around 11 million trees and olive oil production of around 17,000 tons. The governorates of Nablus, Jenin, Ramallah, and Tulkarem combined represent around 70 percent of planted olive trees. In the Palestinian market, there are approximately 11 olive oil production lines and cooperatives. The sub-sector was previously supported by other donor projects and organizations. Olive oil is exported in different sizes to Gulf markets, the U.S., and Europe, with a focus on Middle Eastern communities.

The olive oil sector faces constraints and market failures that are prohibiting the growth of the sector in terms of scalability, product brand, and positioning -- all of which affects the sector's overall competitiveness. Key market constraints include the lack of IPM and quality systems, lack of traceability and packaging, lack of an accredited lab, limited access to water, limited branding, and the fact that sector producers sell independently and historically in bulk, which makes it even more challenging to intervene on a sector-wide basis.

In 2012, the olive oil sector was considered “developing,” and, with USAID support, has become “developed” through the below strategic interventions:

Enhance access to market. USAID, through Compete, assisted export-ready companies and companies supported by the project to become export ready, to exhibit in international trade shows, including Fancy Food in the U.S. and Gulf Food in the UAE, to meet buyers and establish direct linkages. Other interventions included supporting firms with Halal certification essential for regulations in Islamic markets accompanied by other marketing activities, including familiarization (FAM) trips with potential buyers and hiring export managers to facilitate connections and market growth globally. Marketing campaigns in key markets were another outlet supported by the project for well-established companies with high capacity to increase exposure and facilitate exports.

Strengthen and produce high value-added products and services. Compete supported firms to cost-share equipment critical to their growth plans and proper packaging, which helped them increase production and scale up. Additionally, global standards training to sector export-ready and non-export ready firms took place to increase awareness, capacity-building, and adoption of better operational standards. Compete also supported 60 farmers with supplementary irrigation equipment in a variety of geographical locations to help farmers manage crops mainly in rural areas without having to wait for rain and higher water productivity — a new technology that will alleviate the cost of water and increase sector competitiveness. Eye-opening results were achieved in some areas with trees that previously produced two liters yielding an astounding 18 liters.

Exemplary Beneficiary:

Canaan Fair Trade is a true pioneer in the agribusiness sector. Located in the village of Burqin, it provides high-end packaged agricultural products ranging from olive oil, za’atar, almonds, honey, maftoul, freekeh, almonds oil, and carob syrup. Canaan Fair Trade has developed a critical mass of farmers in various sub-sectors that feed into their factory and production lines, ensuring sustainability of products and longevity of farmers and families that rely on this enterprise. The company works with 1,700 farmers and is organized into 43 farmers’ cooperatives, nine women’s cooperatives, and 52 almond aggregators.

USAID, through Compete, supported Canaan’s expansion plans, scalability, market access, technical assistance, and provision of equipment.

Activities included global standards training, trade show participation at Fancy Food USA and Gulf Food in the UAE, hiring of two export managers in the U.S. and the UAE markets, introducing a unique almonds seed mill processing line, and providing technical assistance along with branding and



A Palestinian farmer harvests olives.

packaging assistance. Canaan gradually scaled up their operations into different sub-sector value chains, developed a unique brand of exquisite Palestinian fine food that is sold in a number of international markets, with the U.S. being their top importer.

With USAID's support, sales have increased by \$17.56 million and exports by \$15 million. In addition, Canaan leveraged \$1.6 million in investment, added 36 new employees, and will be diversifying its business to explore other subsectors.

The olive oil value chain reported:

- 65 beneficiaries.
- \$18.35 million increase in sales.
- \$15.6 million increase in exports.
- 36 new jobs.
- \$1.65 million in leveraged investment and new technology.

5. Avocado and Guava

The city of Qalqilya is one of the most important food-producing areas in the West Bank due to its superb agricultural climate, availability of large water aquifers, and fresh, moist soil. Avocado and guava are both farmed in Qalqilya, and the produce is of high quality that sells almost exclusively in the local Palestinian market.

The 2012 guava season was the first time Palestinian producers attempted to export guavas to Jordan. The attempt was unorganized, and the high-quality produce was nearly stopped at the border due to lack of proper packing and labeling for export products. Not wanting to see this opportunity lost, USAID, through Compete, intervened to support 300 farmers within this sub-sector value chain.

The avocado and guava sector faces some constraints and market failures that are prohibiting the growth of the sector in a competitive way. Key market constraints include lack of IPM and quality systems, and poor branding and packaging owing to the unavailability of a packaging house.

In 2012, the avocado and guava sector was considered “growing” and is now considered “developed” thanks to the below strategic interventions:

Enhance access to market. Compete encouraged guava producers to form the Green Qalqilya Company, acting as an aggregator for the Qalqilya guavas and avocados sub-sector, which included 36 farmers. The project supported establishing a packing house with washing, packaging, storing, grading, and cooling facilities, which ensured the guavas, avocados, and other produce would be export grade. In 2013, the guava exports to Jordan tripled, from 500 to about 1,500 metric tons with a value of \$3 million.

This process provided sustainability to farmers and helped organize the sector. In addition, the new packaging designs and carton supply costs will become more reasonable with time, which means that the sub-sector will become more competitive and grow with time.

Support enablers and service providers to address sectoral and policy impediments. Under Component B, USAID, through Compete, encouraged guava producers to form the Green Qalqilya Company, acting as an aggregator for the Qalqilya guavas and avocados sub-sector, which represents 36 farmers.



To prepare the guava and avocado sector for exporting, USAID/Compete supported producers with packaging design and supplied 300 farmers with printed cartons to expedite the process.

Exemplary Beneficiary:

Green Qalqilya Company, a start-up business located in Qalqilya, with the support of USAID, established a packing house hub acting as a true service provider representing a critical mass of 36 guava and avocado farmers. This dynamic business model allows for a systematic approach of delivering quality finished products from farm to market with consistent packaging standards. Green Qalqilya Company is now one of the sector leaders in packaging fresh produce and ready to scale up based on future market needs. Its sales increased by \$5.6 million, and its exports increased by \$5.45 million. In addition, it leveraged \$573,000 in investment and added 15 new employees.

USAID /Compete's work in the guava and avocado value chain delivered a \$5.6 million increase in sales, a \$5.45 million increase in exports, and 15 additional jobs. Additionally, the guava and avocado value chain has leveraged \$573,000 in investment and new technology.

6. Potatoes and Carrots

In 2012, red industrial potatoes and carrots were not among the agriculture basket of fresh produce. Carrots and red potatoes were supplied to the local Palestinian market from Israel or imported from neighboring countries. Compete saw an opportunity for creating and developing a new Palestinian value chain that could be scalable and competitive.

The potatoes and carrots value chain constraints and market failures revolved around not having adequate packing houses to process, wash, package, and store fresh produce in cooling rooms. Compete immediately intervened to support the creation of two vibrant new sub-sectors within the agricultural basket -- potatoes and carrots. Strategic interventions included a dynamic move of supporting the establishment of high-tech packing houses with washing, packaging, storing, grading, and cooling chains.

In 2012, the potatoes and carrots sector was considered “promising,” and Compete transformed it to become “developed” through the below strategic interventions, which yielded a 12:1 leverage ratio:

Enhance access to market. Compete supported farmers with irrigation systems, trunk lines to reach remote areas, and cooling rooms to store produce to avoid market over-flood, control prices, and maintain consistent supply to buyers. The project connected farmers with buyers through forward contracts. Forward contracts remove many of the risks that farmers face selling their products on the open market, where prices can fluctuate. By signing a contract for a specific amount of produce at an agreed-upon price, farmers can predict their income for the year, which gives them the confidence needed to experiment with new products, increase the land area under production, and invest in quality improvements on their farm. The buyer on the other hand guarantees sustainable flow of inputs with pre-defined specifications. Furthermore, to meet buyers’ needs, Compete supported a group of farmers to establish a packing house (Tupak) to handle both potatoes and carrots. This transformative approach created a critical mass of farmers supplying packing houses which are selling to local and international markets under a competitive price structure benefiting all value chain stakeholders. This series of interventions allowed the farmers to reach regional markets (mainly Jordan), which in turn led to scaling up of their operations.

In order for the buyers to handle and process the huge increase of potatoes output, Compete assisted Al-Salam Group, the sector’s main buyer, to expand their processing capacity of frozen french-fries production and increase its forward contract value.

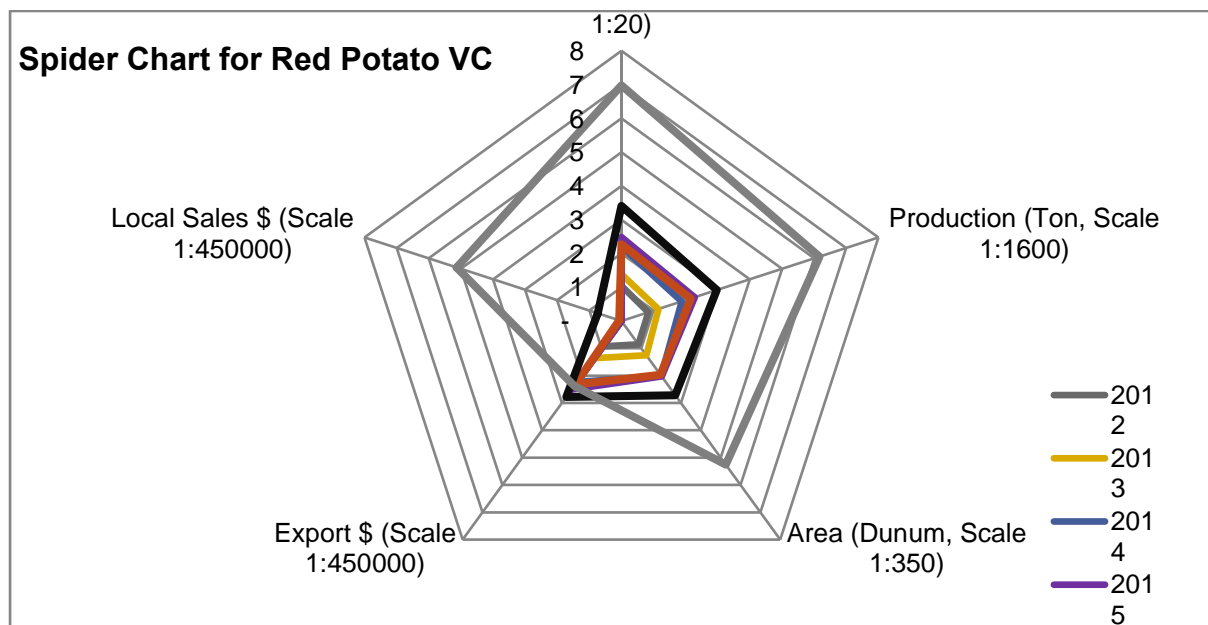
Strengthen and produce high value-added products and services. Compete began working on the red potato value chain with the aim of meeting the demand of local buyers for industrial potatoes as well as addressing volatile market prices, especially for white potatoes grown in the West Bank, through introducing new varieties of potatoes.

To address this, the project examined the possibility of introducing red industrial potatoes using forward contracts with positive pilot results. For export, mainly to Jordanian markets, the potatoes

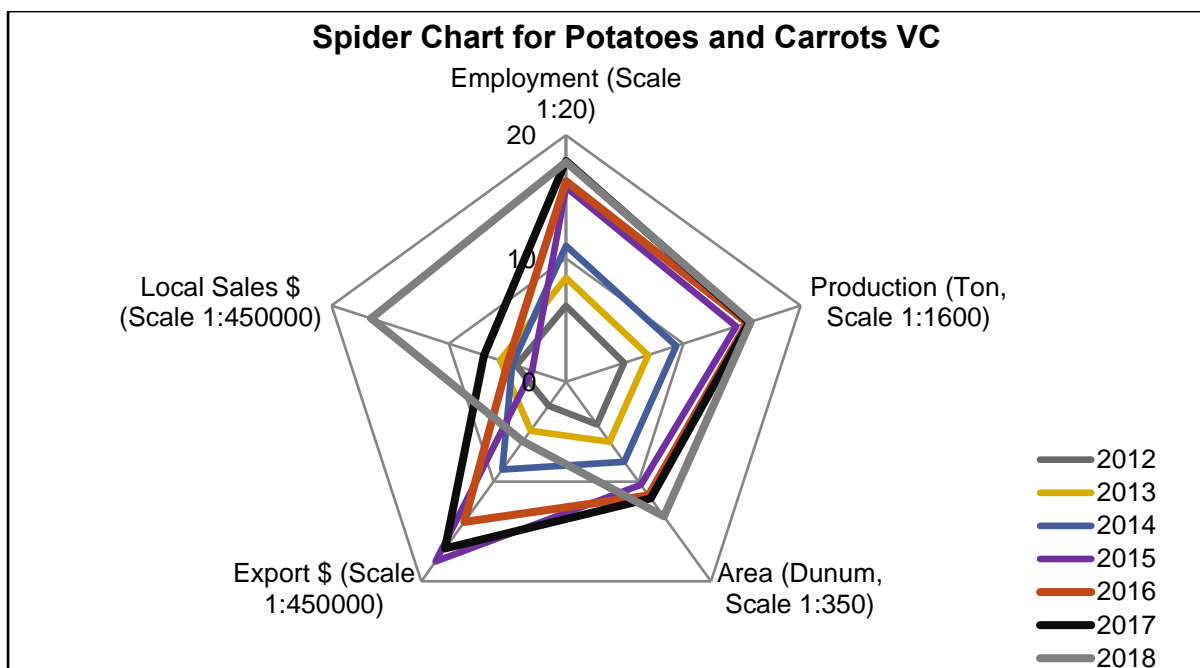
needed to be washed and packed. The group of six farmers (consisting of 50 percent of the total volume of the potato market) came together, with project support, to create a packing and sorting house, which would also provide cool storage facilities. This led to dramatic increases in land used to grow new varieties of potatoes as well as other products, meeting local and export demands.

Compete introduced industrial red potato in 2012, with an area of 300 dunums, and managed to produce 1,340 metric tons (MT). By 2017, red potatoes produced with assistance from Compete, spread across 1,668 dunums with a production of 5,415 MT.

The figure below shows that the red potato agricultural area is directly proportional to the increase of employment and production. It also shows that there is a major increase in local sales in 2018 due to the fact that Al-Salam Co. invested in a high production potato line. This value chain was export-oriented until 2017, when it became export and locally oriented.



This spider chart shows the red potato value chain's progress by year, including total sales, local sales, production, employment, and area in the West Bank.



This spider chart shows the potato and carrot value chains' progress by year, including local sales, production, employment, and export in the West Bank. (Note: 2018 data is incomplete, as there is a second white potato season from October to December.)

Exemplary Beneficiary:

Compete supported Al-Salam Group in Hebron, which specializes in frozen products such as french fries and vegetables. It was the first beneficiary of the forward contract growing structure that the project initiated with local farmers to produce various diverse crops to provide year-round supply to the factory and to substitute over 80 percent of raw material imported by the processing plant. Compete supported Al-Salam with a peeling line for potatoes as part of a frozen french fries factory. Supported by the project, Al-Salam Group leveraged over \$2 million in an advanced peeling production line and upgraded the laboratory for food safety and quality. Al-Salam is considered the largest agribusiness company in terms of processing produce, packaging, cooling, and production capacity.

In 2012, Al-Salam Group captured a market share of less than 2 percent; however, after Compete support, the company slowly substituted imported products and has now captured a market share of close to 40 percent.

In addition, an annual contract was signed between Top Field Co., Al Forat Co., and Al Salam Group in Hebron for 1,000 tons of red potatoes, 200 tons of carrots, 50 tons of broccoli, and 50 tons of cauliflower, for a total value of \$401,389. Al-Salam Group sells in the local market but is also expanding into Israeli and regional markets, increasing employment to approximately 15 male workers. Al-Salam Group has become one of the sector leaders in processing, packaging, and storing in cold chains, ready to keep growing based on market needs. Its sales increased by \$3.8 million and its exports by \$260,540. In addition, it leveraged \$3.81 million in investment, adding 50 new employees.



USAID/Compete supported Al-Salam Group in Hebron, which specializes in frozen products such as french fries and vegetables.

The Compete Project achieved the following in the potato and carrot value chain:

- Eight beneficiaries supported
- \$73 million increase in sales
- \$45.75 million increase in export
- 1,136 increase in full- and part-time jobs
- Leveraged \$22.52 million in investment and new technology within the potato and carrot value chain.

7. Mushrooms

Prior to USAID's intervention, Amoro Company, located in Jericho, was the only local mushroom producer, averaging 40 tons per year with a market demand of at least 200 tons annually. Amoro was established in 2014 and supplied the local market, though it did so inconsistently, leading to persistent unmet demand. Amoro could not sustain its business due to high losses, which were a result of the high cost of buying mycelium (mushroom seeds) and mushroom compost from an Israeli company. This, in turn, was because Amoro could not import full containers of mycelium and compost since their production capacity could not handle an input of full containers. In addition, the Israeli supplier, being a mushroom producer himself, only supplied Amoro when there was an excess of both mycelium and compost that it did not require for its own production.

It was evident that, in order to develop the Palestinian mushroom sub-sector functioning, the main market failure -- namely, the production of mycelium and compost locally -- needed be resolved. To produce mycelium and compost, know-how transfer, equipment, and production facilities were necessary.

In 2014, the mushroom sector was considered “promising” and by the end of 2018, the sector transitioned to becoming “growing.” By mid-2018, with Compete support, mycelium and compost were being produced locally by Mushroom House Company, thanks to the below strategic intervention:

Strengthen and produce high value-added products and services. Compete immediately intervened and addressed the lack of know-how by supporting the Palestinian company to undergo training and knowledge transfer in Belgium and the Netherlands. Compete addressed the major market failure, the production of mycelium and compost, by establishing a comprehensive production facility including necessary machines, equipment, lab and sterilization equipment, in addition to controlled growing rooms. This dynamic and critical investment will be the catalyst for the transformation of the mushroom sector in the Palestinian market. It is planned that Mushroom House Company will exceed their needs of mycelium and compost and thus can supply other growers, including Amoro Company, with competitive and consistent supply of both mycelium and compost, which will guarantee the growth of the sector. The availability of mycelium and compost will catalyze the growth of the sector, scaling up the production of mushrooms and providing input at reasonable prices.

Exemplary Beneficiary:

Mushroom House Company, a start-up in the agribusiness sector located in Safa, which is one of Ramallah’s villages, wanted to produce quality mushrooms along with the critical input needed for the sector to flourish — mycelium and compost. Its drive for success was shared by young entrepreneurs, including a female biological science expert named Adleen Karaja. Mushroom House has leveraged \$697,700 in investment so far and has plans to hire seven new employees once fully operational.

8. Grapes

Whether seeded in Hebron and Bethlehem governorates or seedless in the Jordan Valley or the northern West Bank, the grape sub-sector has been identified as one of the important sectors that have room to diversify their produce and grow. The grape sector is the second-largest, fruit-based crop, after olive-trees, and one of the largest sources of employment — estimated at over 15,000 individuals.

Southern West Bank Seeded Grapes. Hebron governorate produces the most grapes at 58 percent of total production in the West Bank, followed by Bethlehem governorate at 27 percent, and Jenin governorate at 6 percent. The average monthly income from grape production is ranked on the lower end of the spectrum when compared with the standard basket of Palestinian agriculture goods. Grapes produced in the south, mainly Hebron governorate, are rain-fed, known for their

higher glucose content and special taste. This production is valued at \$2.9 million per year, which covers local market need, but could also be exported.

Prior to 2007, the West Bank grape sector primarily exported to Gaza and Israel. Following border closures and the cessation of trade with Gaza after 2007, the West Bank grape sector was adversely affected.

The grape sector also has untapped potential for increased production of processed commodities, as noted by the Hebron-based West Bank Grapes Council in interviews with Compete. Of the five main products that can be produced, all are currently being produced at low quantities (less than five tons per month) and bring relatively high prices in the local market (around \$7 per kilogram). These products include molasses, malban (akin to “grape leather”), jam, vinegar, and raisins.

Seeded grape market failures include lack of proper market access and the utilization of excess grapes for the creation of new products.

Jordan Valley and Northern West Bank Seedless Grapes. Seedless grapes, a small sub-sector, have the greatest export and local market potential. Some individual attempts have been made to grow seedless grapes in the northern West Bank but with no proper follow-up. In addition, producers were not using well-developed growing patterns, such as netting houses. Nevertheless, the demand for seedless grapes remains high.

The seedless grape sub-sector’s market failures include availability of packing houses, cold storage, access to market, and new technology.

In 2013, the grapes sector was considered “promising,” and Compete assisted it to become “growing” through the below strategic interventions:

Enhance access to markets. Enhancing access to market was the main drive behind supporting the grapes value chain. Several reasons contributed to this decision, including an over-flow of seeded grapes in the south of the West Bank. Also, to become competitive in the sector, export and growth were inevitable as there was clear regional market demand. In the case of grapes, there was a critical mass of producers, the sector was knowledgeable about grapes, and the northern part of West Bank had adequate water supply; however, the sector needed new technology and product diversification to find its way to export. Compete supported beneficiaries in Hebron to produce new products from seeded grapes for local market use as well as beneficiaries in Nablus and the Jordan Valley to produce seedless grapes through adequate growing patterns that are optimized for exporting to regional markets.

Strengthening and producing high value-added products and services. In the south of the West Bank, Compete, using a cost-share model, supported 291 grape farmers with hanging systems across 842 dunums and supported the establishment of demonstration farms of new seedless grape varieties, including red, pink, and black varieties. This effort was complemented with the introduction of hanging systems and supplementary irrigation programs, as it is imperative for seedless grapes to be irrigated and hanged to insure high productivity and good quality.

In the north of the West Bank, Compete supported 196 farmers under a cost-sharing model with hanging and or netting systems across 953 dunums, scaling up their harvest of seedless grapes and export post-harvesting. The project also supported a facility that included a shock freeze system for ensuring a longer lifecycle for shipping seedless grapes to regional markets.

Support enablers and service providers to address sectorial and policy impediments. Under Component B, Compete saw an amazing opportunity to generate development and competitiveness by supporting a group of four cooperatives in Hebron. To this end, the project installed a new line of grape byproducts production, and the cooperatives joined forces to establish their first automatic high-tech facility to produce high value-added new products from seeded grapes, including molasses, malban, jam, vinegar, and raisins.

Exemplary Beneficiary:

Dawalina Company for Agricultural Manufacturing is a start-up in the agribusiness sector located in Hebron comprised of four cooperatives (Dura Cooperative Society for the Development of Irrigated Farming, Dura Cooperative Association for Agricultural Processing, Cooperative Association for Providing and Lending, and Cooperative Association for Marketing and Agro-Processing in Halhoul). These four cooperatives joined forces, creating a company fully dedicated to creating new products using seeded grapes as its main input, marketing new products in the local market, and increasing the income of small-scale women and men grape producers in Hebron. Supporting this effort, Compete installed a new line of grape byproducts for the production of molasses, jam, vinegar, raisins, and malban.



USAID/Compete assisted the Palestinian grapes sector to become "growing."

USAID's support to the grapes value chain resulted in:

- 509 beneficiaries supported.
- \$11.37 million in sales.
- \$431,000 in exports.
- 1,740 part- and full-time jobs.

All told, the grapes value chain has leveraged \$2.54 million in investment and new technology.

9. Strawberries

Strawberries constitute a small sub-sector within the Palestinian agriculture value chain, with approximately 60 dunums (15 acres) planted in 2013 in open fields that yielded close to 120 tons of fresh produce. It was estimated that local market demand for strawberries was around 1,500 ton per year, a quantity made worse by the closure of Gaza. As such, the West Bank market was left with limited amounts of strawberries. Compete saw an opportunity and supported five farmers to pilot hanging strawberries located in Tulkarem and Jenin through supplying PVC canals, polystyrene containers, a computerized irrigation head control, and soilless culture. Given the pilot's success, the project designed a program to scale up the production of strawberries.

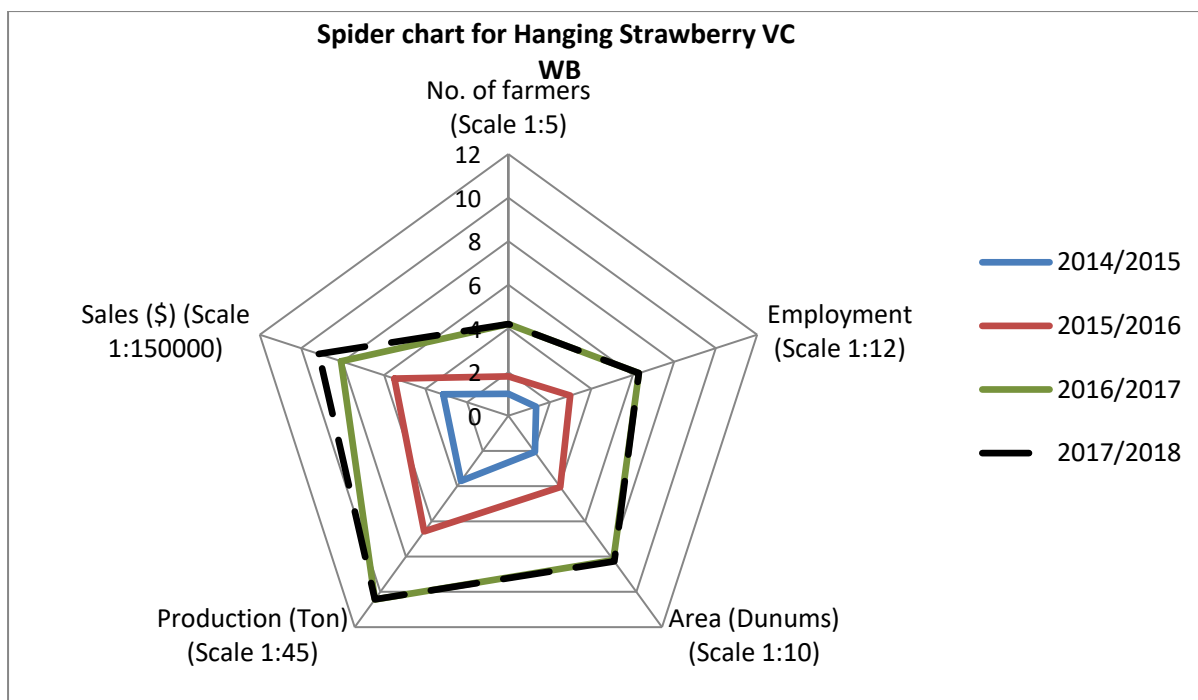
The strawberries sector market failures included a lack of know-how and new production techniques, a lack of computerized irrigation systems, and a lack of cooling rooms and access to markets.

In 2013, the strawberries sector was “promising,” and Compete assisted it to become “developing” through the below strategic interventions, which yielded 2X leverage in new technology.

Enhance access to market. Compete designed a program to improve the productivity of strawberry farmers and scale up production through providing computerized irrigation systems and hanging systems, connecting producers to local buyers and processors.

Strengthening and producing high value-added products and services. Compete Project a scalable program to support the production of quality strawberries. Based on its success, the project launched a program benefiting 21 farmers with computerized irrigation systems and additional hanging materials based on their scalability. This promising value chain is expected to grow to cover most of the local demand and potentially export to regional markets.

The chart below represents the spider diagram of the strawberry value chain, representing growth across the main indicators over time, which is clear from the increase of the production area from 21 dunums in 2015 to 83 dunums in 2017. Sales have grown from \$472,350 in 2015 to \$1.4 million in 2017. Currently, the value chain employs over 77 workers.



This spider chart shows the hanging strawberry value chain’s progress by year, local sales, production, employment, and export in the West Bank.

Exemplary Beneficiary:

Osama Abu Rub, a farmer located in Qabatya, Jenin, plants and cultivates fresh produce and was keen on piloting strawberries during the initial piloting phase. Abu Rub was one of the first five farmers to participate in the Compete pilot. The project supported his farm with a new irrigation infrastructure, hanging system, and a cooling room to be able to store and distribute fresh strawberries. Abu Rub also received isolated packing house panels and a heating system, all of which helped him scale up production of quality strawberries. Abu Rub invested in new crops, scaled up operations, and is becoming the leader in this value chain. Abu Rub’s sales increased by \$499,450 while his exports increased by \$41,440. He leveraged \$190,000 in investments and added six new employees.



USAID’s impact on the strawberries value chain included:

- 21 beneficiaries.
- A \$4.2 million increase in sales.
- A \$147,000 increase in exports.

- A 107 increase in jobs.
- \$1.64 million in leveraged investment and new technology.

10. Baby Cucumbers

Cucumber production in the Palestinian market is considered one of the main sources of fresh produce and is popular in the northern West Bank; however, baby cucumbers have historically been produced in small quantities, mainly by Kufr Dan Cooperative.

One of the biggest market failures and challenges facing mini cucumber farmers in the West Bank was access to regional markets. This limited farmers' ability to meet market demands and resulted in a low rate of return on sales. This was especially challenging because mini cucumbers are farmed specifically for pickle factories with large production capacities that West Bank farmers cannot meet. When Israeli factories' demand for cucumber increased, Kufr Dan Cooperative seized the opportunity to introduce a new breed of mini cucumber that is best used for making pickles. To successfully sell this type of cucumber, the cooperative had to modernize its sorting production line; however, access to new technology was another market failure that faced farmers. Hand sorting the cucumbers by size was labor intensive, susceptible to human error, and resulted in high rejection rates.

In 2014, the baby cucumber sector was considered "promising," and Compete transformed it to become "developed" through the below strategic interventions, which yielded a leverage ratio of 1:1.

Enhance access to markets. Compete encouraged Kufr Dan Cooperative by scaling up their operations to meet the market demand of Israeli factories through a series of interventions. To scale up operations, the project supported a critical mass of baby cucumber farmers in seven clusters located in Tulkarem, Jenin, and the Jordan Valley with netting systems for their greenhouses to increase productivity during the growing season and off-season. By 2018, the seven clusters planted 1,530 dunums, produced 4,707 tons and increased sales to \$6.1 million, of which \$5.4 million were exports.

Furthermore, Compete supported Kufr Dan Cooperative with cooling rooms to accommodate the tremendous increase in baby cucumber production, controlling the production process and ensuring consistent supply.

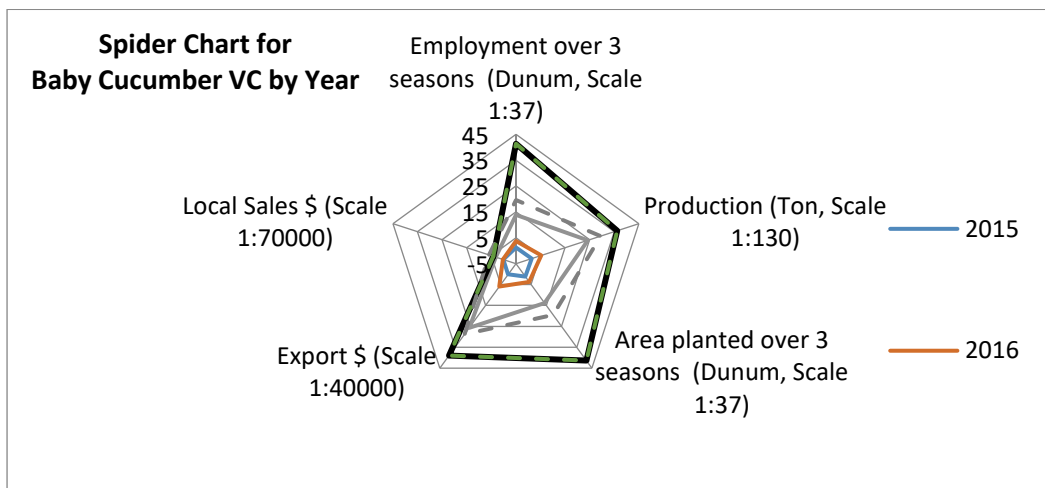
Strengthening and producing high value-added products and services. Compete supported Kufr Dan Cooperative, Torab Company, and Mr. Mahmoud Abdul Razeq in Der Abu Dai'ef with an automated sorting line production machine. The sorting line is able to grade baby cucumbers, supporting the growth of the value chain, unleashing market potential, eliminating human error from manual sorting, and transforming the sector to become competitive. This intervention will guarantee the growth of the sector to supply local, Israeli and regional pickle factories with consistent quality and pre-determined sizes of baby cucumbers.

The chart below represents the spider diagram of the baby cucumber value chain, illustrating the growth across the main indicators over time. It is evident that the pilot project of 24 dunums in

2015 expanded to 15,130 dunums in 2018. Meanwhile, exports have grown from \$94,000 in the first season of 2015 to \$5 million in the second season of 2018.



Effectively, all baby cucumber farmers in the West Bank have been supported by Compete, whether through direct assistance or indirect assistance through their aggregates, which are direct beneficiaries of the project. The seven aggregates work with 920 farmers and produced 4,474 tons of baby cucumber in the second season of 2018.



This spider chart shows the baby cucumber value chain's progress by year, including local sales, production, employment, and export in the West Bank.

Exemplary Beneficiary:

Kufr Dan Cooperative, established in 2011 and located in Jenin, specializes in the production of baby cucumbers along with other fresh produce. It acts as an aggregator working with baby cucumber farmers in different clusters and is a pioneer in the industry. Compete supported them with a sorting line, cooling rooms, and a netting system. Scaling up Kufr Dan's operations and capacity, along with supporting the growth of baby cucumber farmers, resulted in outstanding results, including a \$3.63 million increase in sales and \$3.25 million increase in exports as well as \$83,600 in leveraged investment. This investment also contributed to the addition of 101 new employees.

By 2018, there were seven clusters planting 1,530 dunums and produced 4,707 tons that reached \$6.1 million in sales and \$5.4 million in exports.

Compete has had the following impact on the baby cucumber value chain:

- 429 beneficiaries supported
- \$10.47 million increase in sales
- \$9.22 million increase in exports
- A 932 increase in jobs.

Additionally, the baby cucumbers value chain has leveraged over \$1 million in investment and new technology.

11. Hot Peppers

Jamal Khalaf is a farmer from Burqin who is involved in the production of open field vegetables and thyme. He also has a small packing facility and a cooling container for packing cultivated vegetables. In 2014, Khalaf planted five dunums of hot peppers as a trial under forward contract with a client from the U.S. market. The objective of the trial was to cultivate special varieties of super-hot pepper under weather conditions to identify the hottest varieties to plant later. As the only hot peppers farmer in the Palestinian market, market failure and constraints included accessing new technology and building a facility for drying and packing the peppers for export.

In 2013, the hot peppers sector was "promising," and Compete assisted this sector to become "growing" through the below strategic interventions:

Strengthening and producing high value-added products and services. Compete supported farmer Jamal Khalaf with an automated drying and packing production line. The sorting line can dry and pack high-value hot peppers in a properly designed package suitable for export. This intervention supported the development of the red pepper value chain, encouraged farming, and stimulated others to replicate this successful approach.

Exemplary Beneficiary:

Jamal Khalaf Farm, established in 2013 and located in Burqin, is involved in the production of open field vegetables and thyme. It also has a small packing facility and a cooling container for packing

cultivated vegetables. In 2014, Khalaf planted five dunums of hot peppers and decided to scale up to meet U.S. market demand. Compete encouraged this value chain by supporting Khalaf with a production machine required to properly dry and pack peppers for export. Results included a \$195,000 increase in sales and exports, \$249,390 in investment leveraged, and three new employees.



In 2013, the hot peppers sector was “promising,” and Compete assisted this sector to become “growing.”

12. Almonds

In the Palestinian market, almonds are grown on a small scale in many villages and consumed mainly on the local market. Compete supported Canaan Fair Trade, a previous beneficiary, with scaling up exports of Palestinian products. Canaan saw a need to produce almond oil for the U.S. market to complement the portfolio of products that it already exports. Compete supported Canaan with an almond oil production line to package concentrated exportable oil.

Market failure and constraints included accessing new technology and machines needed to produce exportable almond by-products.

In 2013, the almond sector was considered “growing,” and Compete transformed this sector to become “developed” through the below strategic intervention:

Strengthening and producing high value-added products and services. Compete supported Canaan Fair Trade with an almond oil production line to package concentrated exportable oil. This production line is supporting Canaan to produce almond by-products that are exportable to diversify its profile with existing customers and grow its exports.

Exemplary Beneficiary:

Canaan Fair Trade (also highlighted in the olive oil value chain) has developed a critical mass of farmers in various sub-sectors that feed into their factory and production lines, ensuring the sustainability of these products and the sustainability of farmers’ income. Canaan works with 1,700

farmers, organized in 43 farmers' cooperatives, nine women's cooperatives, and 52 almond aggregators.

Compete supported Canaan with an almond oil production line to better support farmers. The line has been in use since May 2015.

Cross Cutting Interventions

Strategic Water Resource Management. Compete worked closely with the MOA to address the challenge of access to water for agricultural irrigation, particularly in Area C. As noted above, this area covers approximately 60 percent of the West Bank, affecting about 300,000 Palestinians. Water resources in Area C are very limited, inhibiting the expansion of agriculture land and, hence, directly affecting production.

In Jenin and Nablus, Compete developed two pilot projects as demonstration sites to introduce and adapt the practice of using treated wastewater (TWW) to irrigate agriculture fields. In November 2015, the Jenin pilot was completed on a 100 dunum site planted with avocado, mango, olive, almond, and apple trees. In 2017, the project completed another 195 dunums pilot in Deir Sharaf using the treated wastewater from Nablus municipality after securing the necessary permits. The pilot project in Deir Sharaf included a pump station that is operated by Nablus Municipality, in addition to the water tank, irrigation systems, and seedlings that are managed by Deir Sharaf Agricultural Society. The 295 dunum demonstration sites introduced and adapted the practices of wastewater reuse for irrigated agriculture. Compete continued technical support to the farmers through June 2017 to ensure that proper irrigation and plant maintenance best practices were applied.

Compete facilitated the permit for the reuse of TWW from Deir Sharaf Plant to irrigate over 7,000 dunums.

Enhance Capacity and Skills of Agribusiness Workforce. Compete designed the Agronomists Capacity Building Program to assist firms in implementing good agricultural practices, adopting quality management systems, integrating new technologies, and improving documentation systems. Compete paid 50 percent of the stipends for trained agronomists for a period of three to five months, thus directly assisting different farms to improve their production and sales. In all, 28 youth agronomists received training, six of which are women. Since the training, 18 were hired by firms.

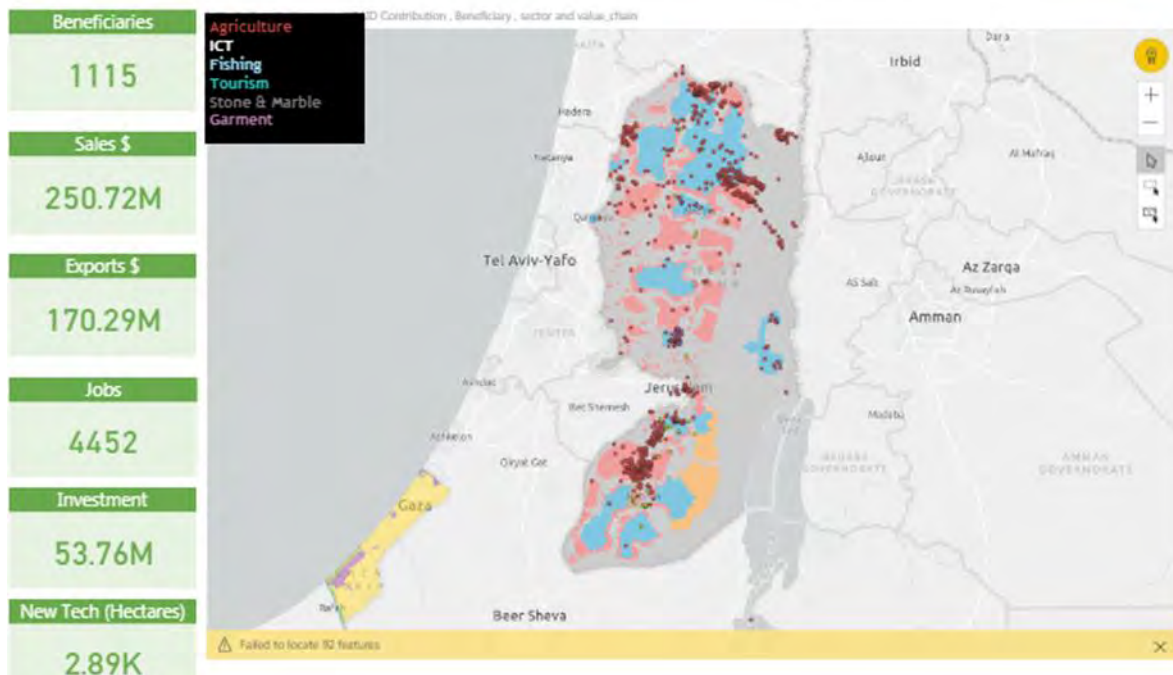
Achievements

Through its work with the agricultural sector, Compete was able to:

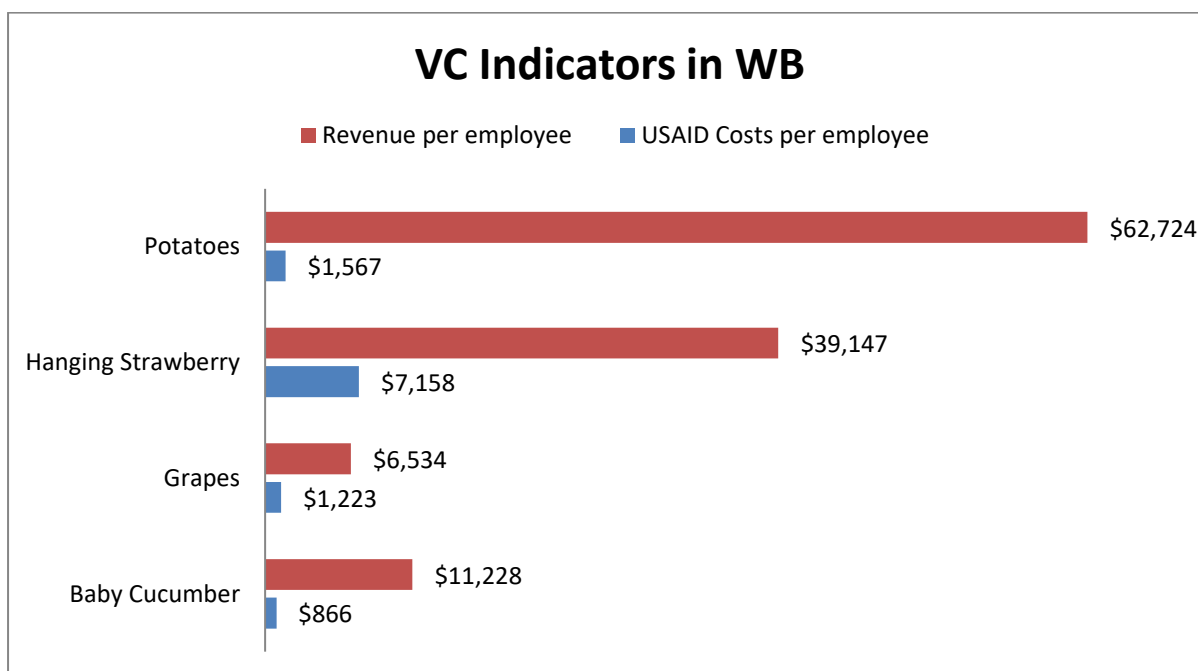
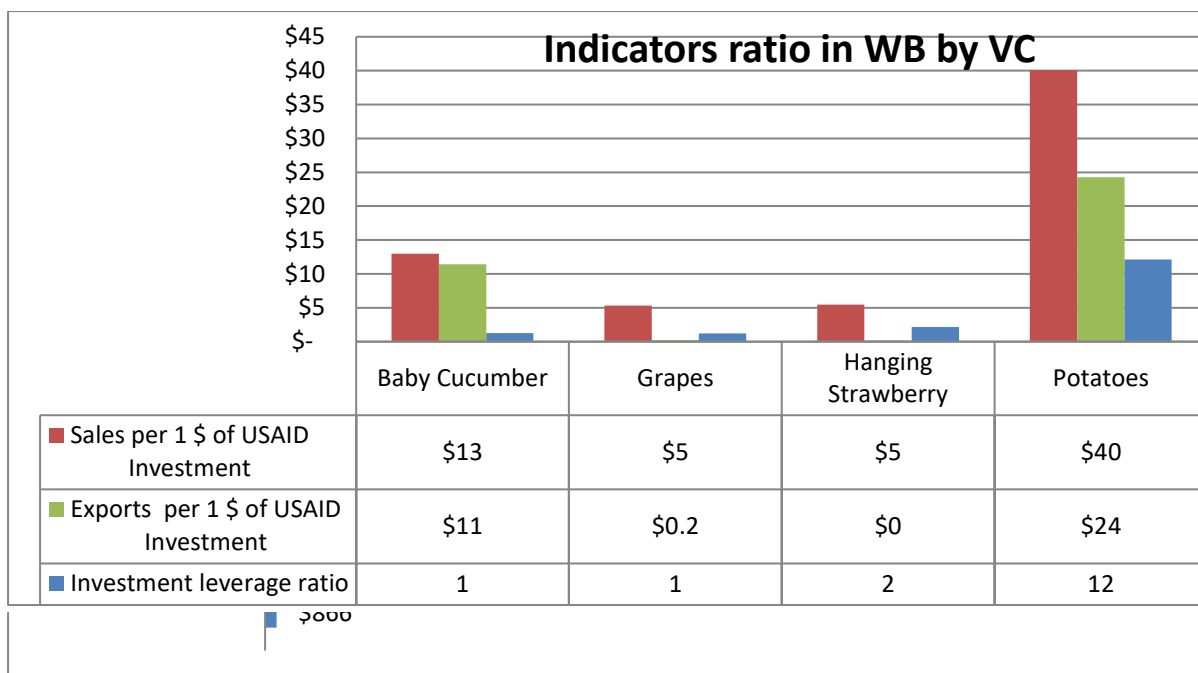
- Assist a total of 1,115 firms and farmers.
- Create 4,452 new jobs.
- Contribute to the development of 2,890 hectares of agriculture land.
- Generate \$250 million in sales.
- Generate \$170 million in exports.

- Leverage \$54 million in investment.

Moreover, the project increased sales by \$40 for every \$1 spent in the potato value chain, increasing exports by \$24 and leveraging investment by a ratio of 12:1 as shown in the figure below. In the baby cucumber value chain, the project increased sales by \$13 for every \$1 spent in the cucumber value chain, increasing export by \$11 and leveraging investment by a ratio of 1:1 as the value chain is still in growing stage.



The revenue and cost per job per employee is shown in the following figures. The project cost per employee in the hanging strawberry value chain is the highest compared to other targeted value chains as it is a high-tech value chain by nature. By contrast, the cost per job for every dollar spent from USAID is the lowest in the baby cucumber value chain, as it is a labor-intensive value chain.



ICT

The Palestinian ICT sector has been steadily growing over the past years, due to a more stable ecosystem supporting the development of talented resources mainly in hardware and telecommunications—which represent the majority of the sector. The market trend is naturally growing toward and embracing the software industry, which is the subsector of focus for this project. Continued opportunities for growth in the software sector are encouraging: Globally, investment in IT services and enterprise software development has been growing year upon year, up to 7.3 percent in 2015 from 5.1 percent in 2013. There are approximately 100 active software companies in the ICT sector, and it is continuing to grow at a slow steady pace. The software sector includes newly incubated startups across various industries, from digital social entrepreneurs to animation and gaming developers. The Compete ICT team conducted assessments as well as meetings with stakeholders, enablers, sector representatives, associations, and companies to set forth a framework to develop the sector and increase its competitiveness.

At the onset of the project, the ICT sector faced challenges in four key areas: access to market, access to finance, workforce development, and capacity building of enablers and service providers. The technology entrepreneurship ecosystem had barely surfaced, with limited access to financial resources, technical assistance, incubators, and more.

Compete played a key role in enabling growth in the sector, convening key stakeholders to support investment and increase interest and cultivating targeted initiatives to meet evolving challenges, such as developing seed funding initiatives for the initial stages of company growth and providing technical support and mentorship to acceleration projects.

During the first three years of the project, Compete helped Palestinian IT firms scale their services to new markets, such as the GCC and Europe, and strengthened their business relationship with the major multinational IT companies, such as CISCO, Intel, and Microsoft. Ultimately, the project helped the market create more talented resources capable of delivering top-notch services according to international standards.

Compete supported entrepreneurship that enabled the creation of more startups and created innovative products and more talented resources. One of the major vehicles that enhanced development was the introduction of a start-up acceleration funding vehicle. This encouraged talented entrepreneurs to sustain their ideas beyond the first incubation phase, an extraordinary accomplishment given the extremely difficult situation in the Palestinian areas.

Compete during the option period and throughout the project lifecycle, created new mechanisms to continue seeding the growth of the IT sector, especially activities that enabled access to new markets and addressed gaps inhibiting the growth of the sector by fostering scalable numbers of skilled human resources, supporting partnerships with multinational corporations, and implementing additional initiatives to empower women and youth in the IT sector throughout the West Bank.

Throughout, Compete built on successes and lessons learned, supporting ICT firms through four strategic interventions, as described below.

Enhance Access to Markets

Access to markets is a major element in the ICT value chain. Palestinian ICT companies are not efficiently working in regional markets for many reasons, such as competition and high cost. Compete provided targeted technical assistance that included increasing awareness of market information and understanding of mechanisms to enter new markets, both of which inhibited the overall growth of exports regionally or internationally. Assisted companies were identified with the full support of the sector's representative, the Palestinian Information Technology Association (PITA), which received technical assistance to help these companies undergo rigorous individual assessments that identified gaps and built programs of interventions. The project's support to partnerships with multinational companies will remain an essential tool to leverage more international exposure of Palestinian IT talent and transfer of know-how to Palestinian companies. In addition, the project introduced the cost-shared "Export Manager" program that helped companies access or expand to new markets.

Export Market Assessment

The Export Market Development Program provided thorough market research and entry strategies to select Palestinian ICT firms. The objective of this assessment was to help Palestinian ICT companies with a set of products or services with strong potential for profitable export or are currently exporting, to scale up their sales in international markets, and to access new markets based on targeting of specific niches. The assessment provided companies with strategic documents that explain these niche services, describe target markets, and outline proposed plans to achieve their desired expansion goals.

Exemplary Beneficiary:

iConnect, a Palestinian software company specializing in outsourcing and consulting, developed two partnerships with international companies working in healthcare and retail e-commerce. Additionally, through the export market assessment, Compete provided technical assistance designed to identify areas of market expansion for iConnect. This support assisted the company in making informed decisions regarding their international expansion and identifying the best setup for international business given their current market and company situation. This supported the sector's objectives of increasing the number of new markets accessed by assisted Palestinian ICT companies and, subsequently, their sales. As a result of Compete interventions, the company created 21 new jobs, generated \$1.96 million in exports, and accessed three new markets.

Introducing Export Managers

Compete supported companies with hiring technical experts in export management who assisted and enhanced these companies' ability to reach international markets.

Exemplary Beneficiary:

Al-Andalus was supported under the project's technical assistance component with an export manager located in the Saudi Arabian market. The export manager increased regional exports and

allowed the company to pivot into the regional market and expand there. This activity generated 15 new jobs, added \$404,000 in sales and exports, and enabled access to two new markets.

Access to Finance and Investment

Lack of critical mass in the number of active companies has a negative effect on the Palestinian ICT sector's development and branding. The more engaged companies are with international markets, the more added value is returned to the economy. Compete understands the importance of creating a responsive eco-system that enables the growth of more startups. The project worked on providing investment and access to finance mechanisms for startups, facilitated the recruiting of non-local investors, and helped small companies become exporters.

Create Business Angel Group

To streamline investment and mobilize more capital for startups, Compete supported business acceleration for companies in early stages, worked to establish new seed/angel funds, and attracted more international investors.

Exemplary Beneficiary:

Compete sponsored AQWA Company for Control Systems from Al Quds University to develop their signature prototype, a remote water quality and safety monitoring tool. The project supported the procurement of sensors, controllers, arduinos, transmitter and receiver circuits, transportation, stipends for team members, and the cost of an event to showcase their prototype idea. The start-up project received interest from the Palestinian Water Authority (PWA), and a trial order was placed to get feedback and discuss ways to improve the product.

Partner with Key Pitching Events and Competitions

As part of Global Entrepreneurship Week (GEW) activities, Compete hosted three local events for the Palestinian start-up ecosystem. With more than 140 countries participating, GEW is reportedly the world's largest celebration of innovators and job creators who launch startups that bring ideas to life, drive economic growth, and expand human welfare.

The three events hosted by Compete brought resources and connections to the full spectrum of the IT and entrepreneurship ecosystem, from workforce development for youth to access to markets for established companies. Compete hosted three events, including:

- An event showcasing the Palestinian Internship Program, which highlighted the third cycle of the program to place Palestinian youth with established international high-tech companies and startups.
- A session dedicated to raising awareness about the new and improved programs available through the project's assistance to the Palestinian IT ecosystem.
- A talk by expert high-tech and startup lawyer Mr. Abed Nashef, of GKH Law Firm in Tel Aviv, who spoke to entrepreneurs about common legal pitfalls that may sink a startup, in

addition to advice on founders' arrangements, company incorporation, and intellectual property (IP) protection.

Workforce Development

Improve Human Resources and Services Standards' Quality

With 2,000 students graduating with ICT-related degrees from Palestinian universities each year, only approximately ten percent are currently employable given the gap between market needs and the skills of recent graduates. As such, human resources (HR) is a key market input for the entire ICT value chain, enhancing the availability of talented resources to support sector growth. Compete focused on improving the capacity of HR professionals and providing internship programs for engineers in entry- and mid-level positions. The project supported the creation of new facilities for the industry, such as an animation/gaming lab. This lab, managed by a task force for animation and gaming companies, became the focal point of capacity-building programs in this area. The project conducted many related activities, such as job creation programs with PITA, tailored internship programs with Israeli multinational and international accelerators, and industry-specific Microsoft technologies training.

The project also focused on increasing workforce development and industry service standards through training in crucial targeted technology skills and resources for the market, such as the SAP Young Professional Program (YPP), a comprehensive two- to three-month training that focuses on personal, functional, technical, and business skills development through SAP's latest innovations. In addition, the project linked newly trained ICT professionals with companies looking to expand and develop their services and products in the ICT sector as well as companies introducing technology or innovative applications across other sectors, thus facilitating industry hiring and growth and fostering the diffusion of technology across other economic sectors.

Exemplary Beneficiaries:

SAP Software Technology Training was provided to Palestinian university graduates, who earned valuable high-tech skills to support the Middle East's digital economy. Thanks to a public-private partnership that graduated its first group of students in 2015 as part of SAP's YPP, co-funded by Compete, 18 Palestinians are now certified as SAP Associate Consultants in SAP Business One. Participants in the program were selected by SAP from among 400 applications of college graduates sourced from

Palestinian universities and companies. They completed a two-month long training program that included SAP software knowledge certification and a variety of soft-skills development workshops, including in design thinking, communication, and presentation techniques. The aim of this unique

“During the training, I learned new knowledge in different fields... I learned how the whole [SAP] system works... I learned how to think in a different way... and I was able to be more confident from the... communication skills course. Now I am able to harvest all the hard work I've put into this training program. Thank you, SAP!”

-Rahaf, female program graduate

program was to support the creation of sustainable workplaces by boosting the business system knowledge of young graduates in the region. The training program ties the most talented millennials together to drive innovation and tackle unemployment in the region. All 18 of the graduates of the SAP course have found employment. Compete organized a follow-on program, the SAP Startup Focus Program, during its sixth year for 18 skilled Palestinians with ICT experience. This second program was implemented through the Palestinian implementing partner, Leaders Organization, which will take a leading role in following up on this initiative and expand its experience to Amman. Of the 18 graduates of the program, 61 percent were women, including the highest scoring participant. The program was cited as a best practice in the World Bank's latest digital jobs for youth report.

Compete also supported the Palestinian Internship Program (PIP) to address market failures related to Palestinian workforce development and high-tech employment by providing high-level internships for young graduates at startups and multinational companies based in Israel. The program offered crucial professional skills development by exposing participants to the high-tech economy, increasing their prospects for full-time job placement.

The PIP partnership as of June 2018 has thus far placed 11 Palestinians in jobs at Israeli companies. Of these, 45 percent are female.

Developing New Sector Services

Compete's Firm-Level Assistance Program (FLAP), provides targeted support under three components: technical assistance, provision of equipment and inputs, and workforce development. Through FLAP, Compete has achieved an unparalleled familiarity with key industry actors and change agents, transforming their businesses and increasing Palestinian capture of local, regional, and international markets.

Through July 30, 2018, of the 1,225 applications approved for FLAP over the lifetime of the project, 71 were from the ICT Sector. Through FLAP, Compete supported ICT firms' growth plans and addressed their challenges through technical assistance under a cost-sharing model.

Exemplary Beneficiaries:

Axsos is a software firm with offices in Ramallah and Germany. The company works mainly in the German market, providing staff augmentation, technical support, and customized software development. Axsos relies on apprenticeship programs to increase its workforce. It has a long term-training program that aims to prepare programmers for the high standards of the international market. Compete supported an apprenticeship program enabling Axsos to build a qualified workforce, positively affecting the company's profitability. Apprenticeship program support was approved for six months and included ten apprentices developing software with the mentorship and guidance of the company. Axsos successfully increased sales by \$394,000 as well as exports by \$290,000, leveraged \$473,000 in investment, and hired 21 new employees.

Infinite Tiers first benefitted from USAID assistance in October 2014 through a grant to create new jobs as well as the largest internship program in the West Bank. As a result of the project's support,

the company relocated their offshore development program from China to Nablus to centralize their international operational requirements. Compete supported an internship program for software development tracks, which led to rapid employment generation in the Nablus area and, coupled with targeted marketing activities, resulted in significant revenue growth for the company. In all, 59 job opportunities for Palestinian computer engineers were created as a result of the project's support. Infinite Tiers increased sales and exports by \$7.35 million, leveraged \$3.3 million in investment, and hired 81 new employees.

Support to Startups and Accelerators

Compete supported the development of a new accelerator, eZone, by providing mentorship, consultancies, and short-term employment for startups. The project's support of eZone helped in attracting foreign companies to open offices in the West Bank. Compete supported them by hiring a program manager who will build their business development capacity, assist with the operational costs of the technology park, and support implementing partner Leaders Organization to become operationally sustainable.

The accelerator, eZone, acts as a center for the West Bank's growing technology entrepreneurship community by addressing some of the key constraints and challenges faced by community members. By providing incubation space for technology enterprises and a multipurpose hall and café, Leaders has facilitated formal and informal community gatherings, trainings, and events.

Thanks in part to this effort, Leaders significantly increased its self-generated revenues and continued to develop and evolve to become a true pioneer and go-to organization in the sector. The original objective of the grant was to enable Leaders to increase its revenue to ensure the sustainability of its operations and the continuous and uninterrupted delivery of business development and other services to private-sector enterprises and startups benefiting from the organization. This boost in the organizational capacity enabled its beneficiaries to cumulatively receive over \$1,300,000 in investments and create around 70 new employment opportunities.

By coordinating and conducting several events, such as networking opportunities, pitching for startups, community, and female led events, Leaders enhanced connections between members of the Palestinian entrepreneurship community and, in so doing, grew the pipeline of entrepreneurs and startups in the Palestinian ICT sector. Overall, 30 of the project's assisted startups developed new products, created 115 jobs, and raised \$780,000 — all of it by youth.

Supporting Enablers and Service Providers

Technology Transfer

If academia does not evolve at the same speed as industry, the quality of new graduates will not be suitable for the private sector's needs. Recognizing this, Compete worked to create partnerships between the private sector and academia.

Compete bridged the gap between academia and the private ICT sector through the establishment of a new tech transfer company, known as IBDA. The new entity promoted research and

development activities between the private sector and academia that helped solve market failures and spur innovation among Palestinian youth. The four universities leading this initiative have been The Arab American University, Najah National University, Palestine Polytechnic University (PPU), and Al-Quds University. The four universities established and registered IBDAA as a company to run and manage a program supporting innovative project ideas that offer creative solutions to industrial problems and capture market opportunities.

To support the proper growth of startups, IBDAA conducted workshops to increase the capacity and skills of teams before conducting pitching events to accelerators or seed funds such as Ibtikar. Through the lifetime of the project, 14 startups were registered with the Ministry of National Economy to begin formal operations. In addition, under FLAP, Compete has signed grants with seven startups based in different universities to develop prototypes.

Exemplary Beneficiary:

Compete sponsored InterJoy Company for Interactive Solutions, an IBDAA start-up, to develop their mobile application, Interactive Stories, targeting autistic children between the ages of five and 12. The app helps improve children's interactive functioning and social development. Based on similar types of interactive apps the start-up developed for child victims of trauma, Interactive Stories features a role-play story that enables users to control events and use their perceptions, desires, intelligence, and feelings to move through the narrative. Compete assistance included laptops, tablets, website server registration, printouts and brochures, transportation, and salaries for team members.

IBDAA's impact through the lifecycle of the project includes 14 startups established, six startups prepared to pitch ideas to develop new products, and 51 new job opportunities created.

eGov

In partnership with PITA and in collaboration with the Office of the Quartet, Compete developed e-services and encouraged policy changes to improve these resources for Palestinian companies. This partnership resulted in many benefits, such as improved services for Palestinian citizens, and, most importantly, developed the ICT sector to tailor advanced solutions. To this end, an assessment and business analysis were completed for ten e-services to determine the best business model, and a position paper was developed and presented to the Council of Ministers.

Under a staged approach, Compete supported the development of 10 Requests for Proposal (RFPs) for the e-government services. Once these are announced, Palestinian companies will get the opportunity to develop services tailored for each RFP, helping them become more competitive and enter new markets with new experience, software, and skills.

Technology

The Palestinian economy is mainly comprised of SMEs, which often require access to technology at an affordable price to remove obstacles, scale up, and improve product value. During project

implementation, a major impediment facing a number of sectors was lack of access to technology and lack of locally produced machines. Responding to this, Compete realized an opportunity to integrate new software from the ICT sector in the work of academia and private sector collaboration.



To improve competitiveness across value chains, USAID/Compete focused on creating local business solutions to improve productivity and quality consistent with the size and investment of local producers.

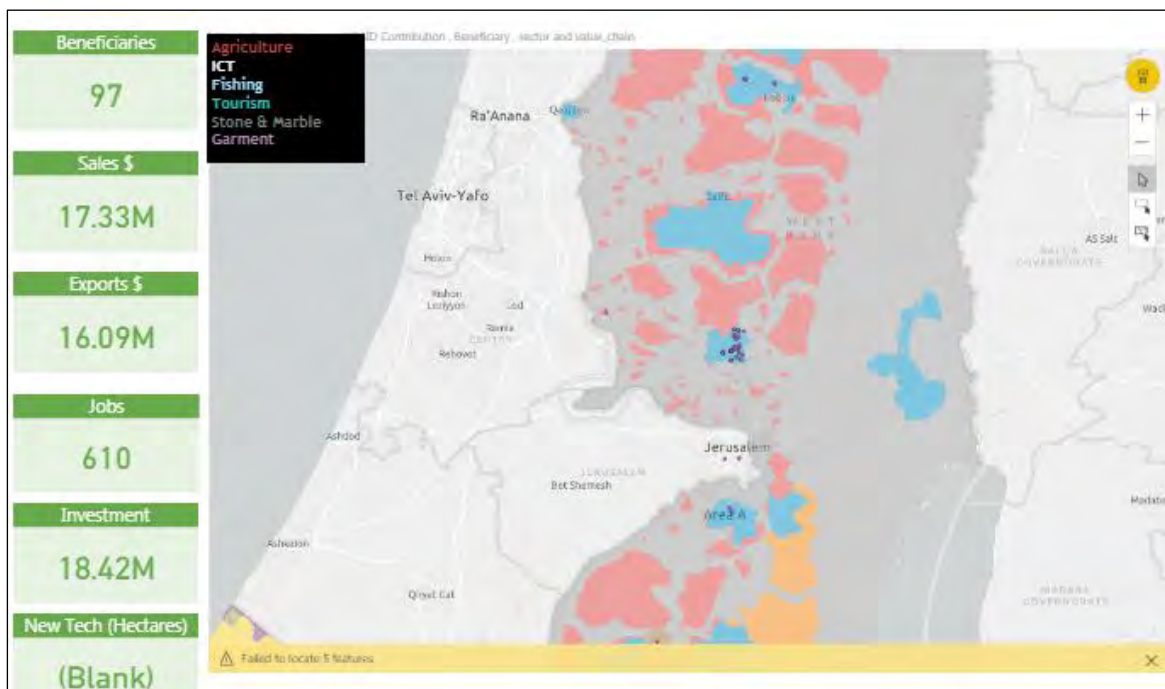
Compete partnered with National Instruments (NI), a U.S.-based firm developing automated test equipment and virtual instrumentation software, to fill this gap and build the capacity of local universities around machine design and manufacturing. This partnership improved the competitiveness of value chains of key sectors among the project beneficiaries. After market research, Compete identified PPU in Hebron as its academic partner for this project. While NI agreed to provide technical training, mentoring and certifications, Compete funded and facilitated the full operation through the lifetime of the extended project. Key sectors that benefited include agriculture, tourism, ICT, stone and marble, food processing, and machine producers. Additional consideration will be made for the development of a maker or fabrication lab in partnership with local universities, all with an eye to further developing the workforce and addressing local industry challenges.

In the technology value chain, the partnership between PPU and NI has resulted in certifying eight university professors to take a leadership role, establishing a National Instruments Academy fully equipped with a machine design lab and ten design engineer students. Currently, the academy is working on the design and fabrication of four new machines to improve the productivity of targeted value chains in agriculture, food processing, and stone and marble.

To improve competitiveness across value chains, Compete focused on creating local business solutions to improve productivity and quality consistent with the size and investment of local producers. To this end, Compete, in partnership with NI, has assisted PPU to build its capacity around machine design and manufacturing, thus improving the competitiveness in value chains of key project sectors. For this purpose, 50 students enrolled in a training course in NI's Certified LabVIEW Associate Developer (CLAD) program, ten students passed the test, marking the first time such a program has been introduced in the West Bank. PPU also adopted this program as a part of their annual curriculum. The machine design project aims to develop the Palestinian industry and improve the competitiveness in key value chains, including agriculture, stone and marble, food processing, and machine producers.

CLAD is the first step in the three-part LabVIEW certification process. It indicates a broad working knowledge of the LabVIEW environment, a basic understanding of coding and documentation best practices, and the ability to read and interpret existing code. Compete supported the completion of four machine designs: a vegetable and fruit drying machine; a stone defect detection machine; a filling, sealing, and capping machine; and a vegetable sorting machine. In addition to a baby cucumber sorting machine finalized in December 2017, this effort completed design of a vegetable and fruit drying machine in February 2018. Designs for the remaining machines were concluded in March 2018. The first vegetable sorting machine for baby cucumbers was manufactured by Al-Taqaddum Scales Co. in Hebron and delivered to Al Torab Company in Far'a. A second vegetable sorting machine for baby cucumbers was delivered to Deir Abu Da'if Cooperative in Jenin in May 2018.

Achievements



Through its work in the ICT and technology sectors in the West Bank, Compete:

- Assisted a total of 97 beneficiaries.
- Created 610 new jobs.
- Generated \$16 million in exports.
- Generated \$17.3 million in sales.
- Leveraged \$18.4 million in investment.

Moreover, for every \$1 spent in ICT sector, the project increased sales by \$5, increased exports by \$5, and leveraged a five-fold increase in investment.

Tourism

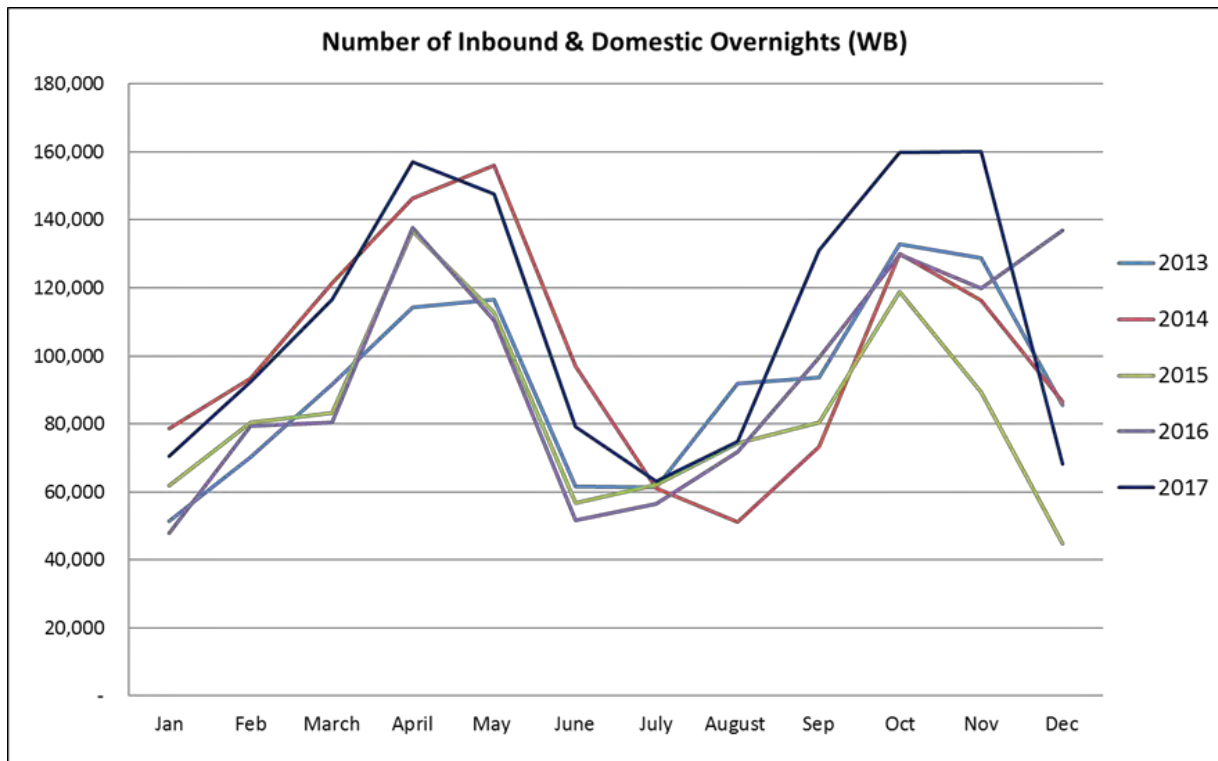


Tourism is an important sector for the Palestinian economy and has been making a steady contribution to national wealth since 2005, currently contributing approximately 2.5 percent of GDP (PCBS 2016) – or about \$305 million. As one of the largest industries in the global economy, international integration of Palestinian tourism goods and services has the potential to make an impact on overall job creation and investments. Tourism in the Palestinian territories is dominated by religious pilgrimage

tourism and is highly susceptible to seasonal fluctuations around religious feasts as shown in the figure below. Tourism's seasonal nature has presented a significant challenge for sector development. According to the PCBS, approximately 2.76 million international tourists visited the Palestinian Territories in 2017. Pilgrimage tours are designed and planned from abroad using a precise itinerary for approximately seven days and eight nights. These packages are historically linked to Israel and East and West Jerusalem with very brief visits to other cities in the West Bank. Consequently, many cultural and religious sites outside of the traditional pilgrimage routes are underdeveloped, and the financial benefits from tourism to Palestinian businesses remain significantly lower than they could be. The rigidity of the package structure is usually justified as a mechanism to overcome the challenges associated with access to the West Bank and its image as a relatively "insecure" place. This situation needs to be addressed if the industry is to grow outside of the main hub of Bethlehem and increase its cumulative value to the national economy. Additionally, the tourism sector is particularly vulnerable to political instability, which leads to the decline in tourists, influencing their choice of destination. Tourist numbers increased sharply in 2017, due to a relatively calm political situation, as shown in the figure below.

Sector instability is compounded by a lack of a critical mass and commitment among the sector's firms and stakeholders. One of the main constraints to an integrated, holistic strategy is the failure of the sector to come together and agree with the Ministry of Tourism and Antiquities (MoTA) on establishing a tourism board. As such, efforts should be focused on building a critical mass and forging public-private partnerships to build the tourism sector. Supporting tourism stakeholders to develop a unified, industry-wide approach targeting market niches that increase destination demand will lead to a globally competitive tourism sector.

Despite these impediments, tourism seems to have picked up at a steadier pace in recent years due to a broadening of the range of tourism services available and developments in existing tourism services (for example, the opening of new restaurants, cultural centers, museums, and resorts across the West Bank, including East Jerusalem). Nevertheless, although some vocational training and educational courses are offered to develop the tourism industry, labor force skills are still insufficient and do not meet market needs.



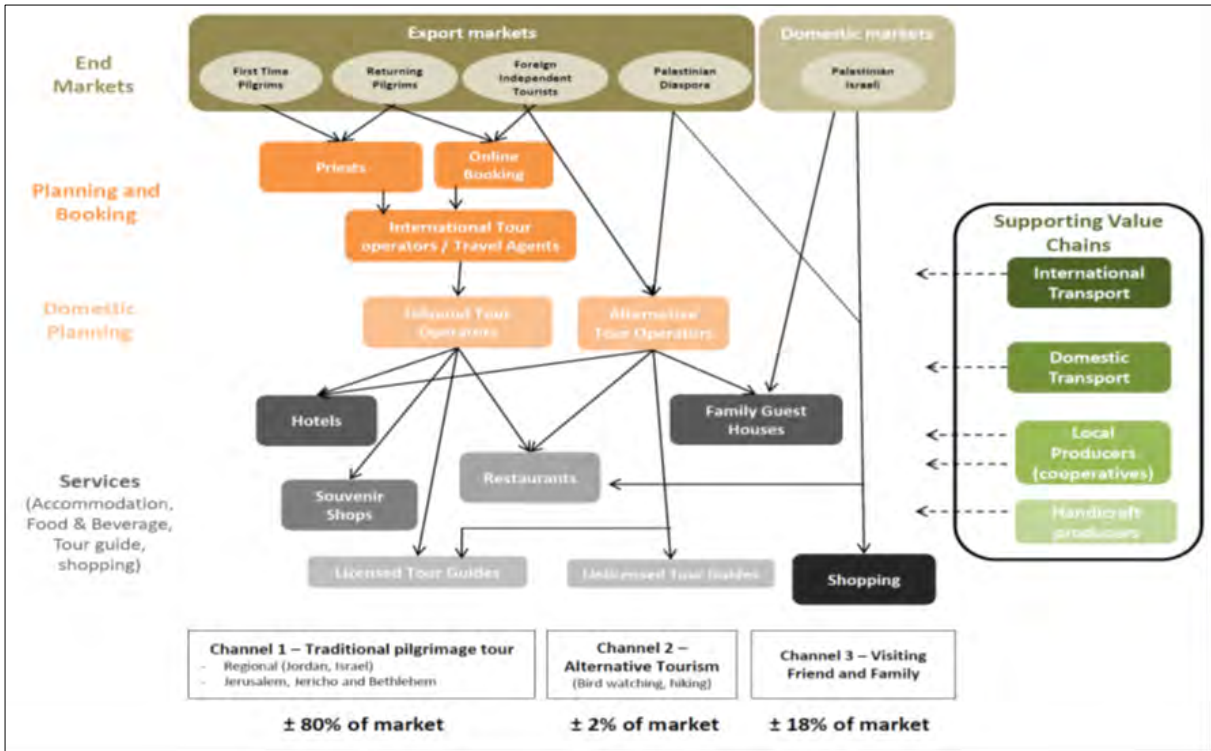
The figure above illustrates the seasonality of the tourism sector and its sensitivity to the political situation.

Compete has played a key role in the development and transformation of the tourism sector through addressing key market failures and implementing a market-based, destination-focused approach to support growth, including by accessing new markets and diversifying products and services. Following a detailed analysis of the sector as shown below, Compete chose to focus on hotels and tour operators. However, in coordination with the targeted subsectors, the project also worked on cross-cutting issues, including branding, marketing, and workforce development with the participation of other sub-sectors. In addition, the project worked very closely with the Ministry of Tourism to implement cross-cutting activities and a site renovation initiative.

Compete provided support to the tourism sector through three strategic interventions:

- Enhance Access to Markets
- Improve Human Resources and Service Quality Standards
- Strengthen and Produce High Value-Added Products and Services

Compete focused its interventions in areas that restore market confidence and address key market failures, such as access issues, product diversification, and quality workforce standards. The project implemented a number of activities to address these challenges, including intensive participation in international trade shows, marketing support through collaborative efforts with respective industry associations, capacity-building of hotel management and operations through workforce development training, firm-level assistance to provide necessary management information systems and identification of new markets to increase their commercial sales.



An illustration of the tourism sector ecosystem.

The project also contributed actively at the supply level, working with the private and public sectors to bring service quality to international standards through the development of a successful classification system for hotels, rolling out an in-service training program, and supporting the development and upgrading of attractions and products such as the Burqin Church and the northern section of Abraham’s Path. These interventions have created momentum among the public and private sectors to tackle structural market failures and set the foundation for an internationally competitive tourism sector.

Enhance Access to Market

At the sectoral level, Compete enhanced firms’ access to markets. Compete assisted the Holy Land Incoming Tour Operators Association (HLITOA), one of the main stakeholders in the Palestinian tourism industry, to gain the capacity to better serve its members, provide tailored solutions, and help tour operators explore new markets. Compete facilitated access to markets for Palestinian tour operators, identifying targeted and key market segments. In partnership with HLITOA, Compete also selected and identified four key target markets (Brazil, U.S., Mexico, and the global adventure travel market) and developed market profiles for each. The project also supported Palestinian inbound tour operators to organize road shows in key geographic markets to help boost tourism coming to the Palestinian market. As for market positioning, Compete developed a brand identity and produced marketing and branding guidelines for the industry. Finally, study tours were organized to key destinations, aiming to enhance the capacity of inbound tour operators, diversify product offerings, and secure relevant market segments.

At the firm level, Compete facilitated access to market for individual tour operators, by conducting a comprehensive assessment of 14 local Palestinian tour operators' capacity to support them in generating leads with international buyers, penetrate new markets, and increase their sales. The assessments provided each tour operator with a product development and marketing action plan to help mitigate challenges facing the tourism sector.

Through FLAP, 13 hotel and tourism firms were supported in the tourism sector, providing vital management information systems, such as hotel management software and booking and customer care software, and helping to identify new markets to increase commercial sales.

Exemplary Beneficiary:

Laila Tours and Travel Company is a sole proprietorship established in 2014 and currently employing seven full-time staff members. The company operates in three areas — inbound, outbound, and ticketing — with 15 international outbound tour operators from Europe. The company handles 50 inbound groups a year, however, with a maximum capacity of 100 per year. Compete supported Laila Tours with website development, translating content into French and Spanish, which added value to the firm's participation in the FITUR trade show in Madrid. Laila Tours also attended the ETC conference in St. Louis.

Improve Human Resources and Service Quality Standards

Improving service quality standards in the tourism industry is one of the major challenges in the sector, particularly in the hotel industry. To address this, Compete determined that a hotel classification system, a key tool to create clarity regarding the quality and standards of facilities, products, and services offered to visitors, would yield substantial benefit to the hotel sub-sector. In line with international tourism standards, Compete worked with the private and public sectors to bring service quality to international standards through the development of a successful classification system, covering a total of 46 hotels — or 85% of those targeted. The new Hotel Classification System is currently led by the Arab Hotel Association (AHA), in collaboration with the Ministry of Tourism & Antiquities and private sector. The project also supported AHA to enhance and improve the level of cleanliness of member hotels. The activity included assessment of a number of hotels in the West Bank, development of a technical manual, and establishment of a training program for cleaners and management on how to implement the developed manuals, paving the way for adoption of the new classification system.

Compete also played a leadership role in developing the tourism industry workforce. The educational cluster supporting the tourism sector in the West Bank is weak, lacks clear leadership, and does not have a unified vision. Disagreements between the private sector, the Ministry of Education, and academic institutions have resulted in uneven quality within the hospitality labor force, with a clear gap between the needs of the job market and the skills of students. Compete brought these actors together, fostered a unified vision for the development of academic and in-service training curricula, and created market incentives for the adoption of international standards, developing commercially viable approaches to providing training services in tourism. The project brought together the private sector, HLITOA, the Ministry of Tourism and Antiquities, and

Bethlehem University, the leading academic institution specializing in the tourism sector, and determined the most effective ways to address the gap between market needs and available skill levels. Compete then rolled out an in-service training program, which provided a series of training sessions for 1,100 employees, including front-line hotel staff — including supervisors, front desk agents, housekeepers, and food and beverage employees. Beginning with a train-the-trainer effort, 103 supervisors have been trained through the Certified Hospitality Supervisor program, and 789 frontline employees through the Train, Retrain, and Assess Certification training program throughout the West Bank.

Exemplary Beneficiary:

The project supported Bethlehem University with developing the first tourism curricula and introduced 25 hospitality vocational training modules. In 2016, Bethlehem University graduated the first batch of 31 students, who completed the culinary arts program, the curriculum for which was designed with project support. The project also supported Bethlehem University with developing a business plan, feasibility and needs assessment, market analysis, and financial plan to raise funds necessary to develop and sustainably operate a hospitality school, in addition to developing its full engineering designs.

Strengthen and Produce High Value-Added Products and Services

Site Renovation

USAID/Compete led the development and upgrading of tourism attractions to expand product and service offerings in the tourism sector. These interventions have created momentum among public- and private-sector stakeholders to tackle structural market failures and set the foundation for an internationally competitive tourism sector.



USAID/Compete completed renovation of 21 unique sites throughout the West Bank.

Compete worked to build a full “destination ecosystem” for key tourism sites in the West Bank and worked on expanding product and service offerings in the tourism sector. The project completed renovation of 21 unique sites throughout the West Bank, including urban rehabilitation works at important historical sites in Beit Sahour, Bethlehem, Battir, Burqin, Bethany, and Jericho. Compete selected, supported, and upgraded a number of sites with high tourism potential in an effort to increase the number of visits, improve the

visitor experience, and encourage longer stays within the West Bank. The project worked with local stakeholders on tourism site development as part of the strategy to develop world-class tourism destinations, thus improving the image of Palestinian products and services in the local and global marketplace. Compete implemented a destination-focused approach, supported the growth of the tourism sector, and implemented a series of selected site renovation activities in key destinations. The Ministry of Tourism and Antiquities was the major partner in implementing site renovation activities and, together with Compete selected and prioritized site renovation interventions, focusing on developing municipal private-public partnerships and thus providing investment opportunities for private investors.

These efforts constructed physical infrastructure, such as urban beautification, roads, and directional signs to make tourism more feasible, established visitor information centers, developed commercial and income-generating activities such as restaurants and parking lots, upgraded unique historical and heritage sites, and laid the groundwork to leverage tourist sites for multiple uses, with particular emphasis on sustainable, income-generating activities such as the Handicraft Village in Beit Sahour.

Exemplary Beneficiary:

Compete focused on building on its initial investment in key areas to support income-generating activities. In this context, the project worked in Beit Sahour to develop a sustainable project within the newly renovated “Dar Sababa and Isaaq” to establish a **Handicraft Village**. Compete supported Bethlehem Fair Trade Artisans (BFTA), a private company based in Bethlehem established to support local handicraft producers, to promote its products and services both locally and abroad, generating employment opportunities and increasing sales, especially for women and youth. BFTA is an umbrella organization of artisans, including 53 family-owned olive wood workshops; 50 women-owned cooperatives and groups working in embroidery, recycled glass, basket weaving, jewelry-making; and five centers for the disabled working in felt wool products and recycled papers. Compete renovated Dar Sababa and Isaaq building in the old city of Beit Sahur to accommodate BFTA and establish the Handicraft Village, supporting it with equipment and furniture. Since then, BFTA experienced rapid growth in its sales, exports, and the employment of more artisans, mainly women, disabled individuals, and marginalized organizations. BFTA expects their sales and exports to increase by 40 percent by the end of 2018. This growth is due to the Handicraft Village’s physical expansion, which has increased its ability to host large tourist groups and fulfill a large contract focused on woodcraft for export to Western Europe and North America.

Alternative Tourism Products and Services

The Palestinian tourism industry is highly traditional and relies mainly on religious and pilgrimage tourism. The Palestinian Territories have the potential to enlarge its role and share of regional arrivals, including foreign independent travelers, diaspora visitors, ecotourists, and culture-based tourists. These customers can be better accommodated by developing Tourist Information Systems to guide foreign and local visitors. Compete produced such services, developing the first online travel guide for foreign and local visitors, known as “Visit Palestine.”

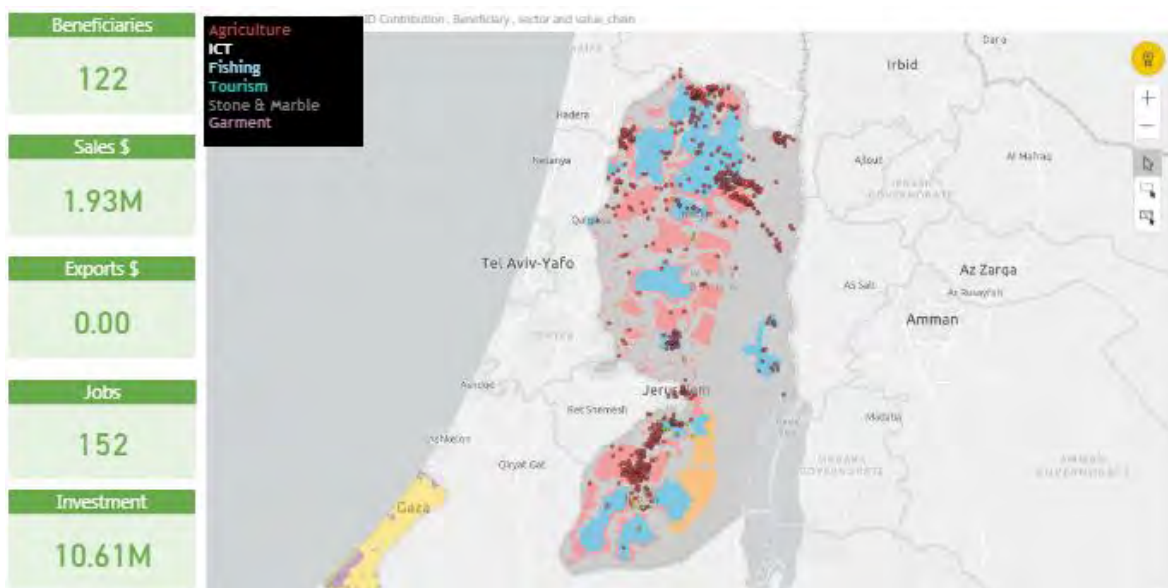
Additionally, Compete worked on product diversification and expanding product and service offerings in the tourism sector. The project introduced and developed alternative and experiential

tourism products, such as trail development along the Nablus-Jenin segment of the Abraham Path. Support included developing two outdoor climbing sites through the Wadi Climbing initiative as well as introduction of a Palestinian-Israeli Tour package through the Breaking Bread Journey Initiative, which aimed to offer unique and balanced touring products, including sites in Israel and the Palestinian Territories. This initiative served as a demonstration of how product development, marketing, and execution could result in expanding tourism to more sites and experiences throughout the Palestinian Territories beyond the usual half-day tour.

Exemplary Beneficiary:

Benefitting the entire tourism industry, Compete produced new services and developed the first online travel guide for foreign and local visitors, known as **Visit Palestine**, aiming to involve more non-religious tourists, including foreign independent travelers, diaspora visitors, ecotourists, and culture-seekers. VisitPalestine.ps was launched in 2008 to provide local and international visitors with a digital platform to learn about and plan their trips to Palestine. With USAID support, VisitPalestine.ps became the Palestinian Territories’ premier online destination travel guide and is available in five languages: English, Arabic, Spanish, Italian, and German. In addition, Visit Palestine established a tourist information office (TIO) in the heart of Bethlehem with staff speaking nine languages.

Achievements



The image above showcases results as well as the distribution of beneficiaries and sites renovated across the West Bank. Achievements in the tourism sector include:

- 122 beneficiaries supported
- \$10.6 million in investment leveraged
- 152 jobs created
- 46 hotels classified
- 21 sites renovated

Stone and Marble



As a leading industry dependent on natural resources, the stone and marble sector in the West Bank is consistently growing, both domestically and globally. The sector remains an important contributor to exports, job creation, and government revenues in the Palestinian economy. With 1,124 firms and over \$400 million in investments, this viable sector contributes 5.5 percent to GDP and supports more than 15,000 jobs. Moreover, the stone and marble industry, with its high-quality natural stone is well positioned to grow in the global market. In 2002, Palestinian stone production

constituted approximately four percent of the world's production and placed the West Bank in twelfth place among the world's producers. In 2013, the Palestinian stone and marble sector's total export value reached \$168 million, of which 80 percent was sold to Israel, nine percent in Jordan, and 11 percent internationally.

In 2012, the stone and marble sector faced constraints and market failures that prohibited the competitiveness and growth of the sector. Accessing international markets while competing with neighboring countries and delivering quality finished products and not relying on selling raw materials as blocks has been a major sector impediment. Producing value-added products and decorative stone, using technology utilized by stone producers in international countries, is not possible in the Palestinian stone and marble sector, and the sector does not have the capacity to produce architectural elements to compete with other markets and neighboring countries. Adding to this, the major environmental challenges facing the sector, including large amounts of stone waste being produced and improperly disposed, have halted growth and affected permits and licenses to export.

The stone sector encompasses two key subsectors, namely "traditional stone" and "decorative stone." Both subsectors were assisted by Compete. The transformation of these subsectors into a vital growth industry required unified efforts by all stakeholders and a dynamically genuine engagement, including that of private-sector firms, educational institutions, relevant public entities, producer unions, and associations. Support to sub-sector firms was provided based on three strategic priorities:

- Enhance Access to Markets
- Address Environmental Concerns
- Strengthen and Promote High Value-Added Products

Traditional Stone

Palestinian stone and marble derive their global competitiveness from three main sources: high-quality product that is applicable for various uses in different climates; distinctive, wide variety of natural colors, textures and finishes; and the spiritually symbolic origin from the Holy Land. Jerusalem Stone and Holy Land Stone are among the world's most respected and recognized stone brands. Given its marketability, the traditional stone sector offers great potential to achieve scalable

growth and is a driving force to support the overall transformation of the Palestinian economy. To this end, Compete strategic interventions included the following.

Enhance access to markets

Compete supported the transformation of the sector by focusing on enhancing firms' access to market. The project supported the participation of export-ready stone and marble companies to attend international trade shows in the UAE and U.S., through designing high-end booths that elevated their presence and increased their chances of meeting buyers and closing business deals. Participation in the trade shows took place either through a collective effort in which sector representatives from Union of Stone and Marble (USM), along with the official Palestinian export promotion agency, Palestine Trade Center (PalTrade), joined a group of Palestinian stone producers to exhibit under a Palestinian pavilion. Companies could also apply individually through FLAP to participate at a trade show based on their export strategies. Under Component B, Compete supported BSOs, sector associations, and unions to build their capacities to help build a competitive industry, comprised of a dynamic, critical mass of firms exhibiting and competing globally.

Compete supported a total of 20 companies to participate in international trade shows, including Coverings in the U.S., Big 5 in the UAE, and Middle East Trade Show, also in the UAE.

Address environmental concerns

Compete took a leadership role in trying to solve this sector impediment, namely stone waste, through a series of interventions. The project conducted a sector-wide study and survey to assess the filter press machines at the firm level that require maintenance. Filter press machines capture the liquid stone waste produced during processing and transform it into semi-solid waste that can be easily recycled and utilized later for new product development. Following the study, the project conducted maintenance on 15 filter press machines in the Hebron Industrial Zone.

Exemplary Beneficiaries:



Al-Anan for Stone and Marble.

Verona for Marble and Industrial Investment, a stone producer located in Bethlehem, participated at key international trade shows and was able to export in global markets, employed skilled labor, invested in new stone quarries, upgraded its factory with investment in new machines, and has become one of the leading companies in the Bethlehem area.

Al-Anan for Stone and Marble, a stone producer located in the Hebron Industrial Zone, participated at key international trade shows, both individually in targeted markets and as part of collective Palestinian exhibits. Al-Anan was able to access new markets, build a network of buyers, open showrooms in Jordan and Saudi Arabia, employ new labor, upgrade its production lines, and increase its exports, sales, and revenue.

Decorative Stone

Historically, the Palestinian stone and marble sector sold large quarried stone blocks and building stone in neighboring countries, mainly Israel, Jordan, and – to a lesser extent – the Gulf region. With the progression of production technology globally, the sector slowly lost its competitive edge, and Jerusalem Stone became a less attractive value proposition. As a result, selling blocks does not yield enough revenue to sustain stone processing facilities and quarry owners. Responding to this, Compete supported seven beneficiaries focused on promoting decorative stone, finished tiles, and products of higher added value in global markets. The international trend is moving toward decorative stone and construction projects that need architectural elements with precision finishes. Compete supported Palestinian stone producers who will invest in new technology to better promote the industry, creating a critical mass of companies relying on this type of work and thus increasing exports. The strategic interventions included the following.

Enhance access to markets

Compete supported Founoun Arts of Carved Stone Company in hiring an export manager in Dubai and to participate in international trade shows, including Project Qatar in Doha, Saudi Stone in Saudi Arabia, and Design and Architecture in Israel.

Address environmental concerns

Addressing environmental concerns through creating viable new products triggers investments, job creation, and increases in sales and exports. However, there were no collective efforts historically to try to understand stone waste, analyze its characteristics, and investigate new products that could be produced from this waste as a main source of raw material.

Compete conducted a market assessment under the leadership of an Italian consultant to strategically analyze products that could be created from Palestinian stone waste through professional lab tests and prototyping of various product options. The study results were disseminated to the stone industry and several workshops were conducted to showcase results and business opportunities.

Strengthen and promote high value-added products

Following the dissemination of the results of the stone waste study to the stone industry, the project supported investment opportunities. Through FLAP, three Palestinian firms created several new products from stone waste that could be used in the local market, including decorative stone, lightweight blocks, and lightweight concrete.

Furthermore, the project supported Founoun Arts of Carved Stone Company to establish a dynamic state-of-the-art decorative stone factory located in the Bethlehem Industrial Park. The total investment, which exceeded \$5 million, comprised high-tech stone cutting capable of delivering, at a mass-production scale, fully fabricated and finished decorative architectural stone.

Exemplary Beneficiaries:

Creative Business Solutions, a company located in Ramallah that works with construction materials, paint, additives, and stamped concrete received assistance from Compete. They adopted new technology, invested in a production line valued at \$408,000, and successfully created new products (including lightweight concrete, decorative tiles, and bathroom sanitary accessories). These new products are receiving positive interest from the local market, increasing the company's sales and revenue.



With assistance from USAID/Compete, three Palestinian firms created several new products from stone waste that could be used in the local market, including decorative stone, lightweight blocks, and lightweight concrete.

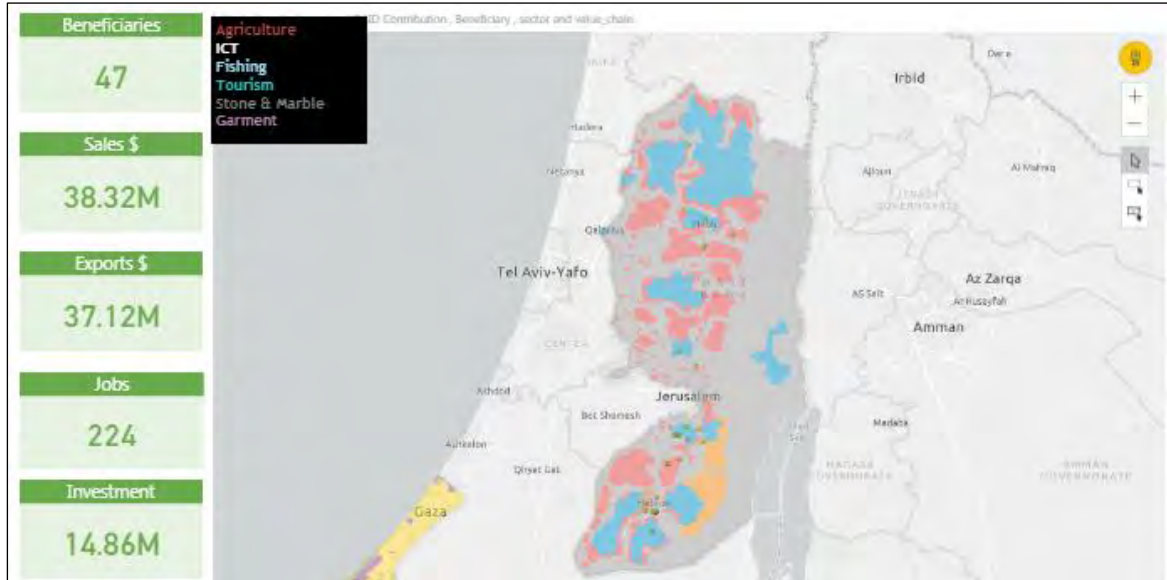
Founoun Arts of Carved Stone company is a pioneer in the stone industry. Founoun's commitment to exporting high-quality finished decorative products has changed the mind-set of stone production, employing the first female engineer to operate a machine as well as a staff of architects, a move that emphasized the importance of value-added products essential to obtaining new businesses in international markets. Founoun has created an example of a HUB that will require close coordination with the stone value chain to tackle upcoming projects and be able to export to global markets. Since inception and with Compete support, Founoun has invested close to \$2.48 million in machines, created \$2.07 million in sales and \$1.2 million in exports, and created 12 new jobs.

Achievements

Working in the Stone and Marble sector, Compete has delivered exceptional results through the lifecycle of the project, resulting in:

- A \$38.32 million increase in sales.
- A \$37.12 million increase in exports.
- 224 new jobs.
- \$14.86 million leveraged in investments and new technology.

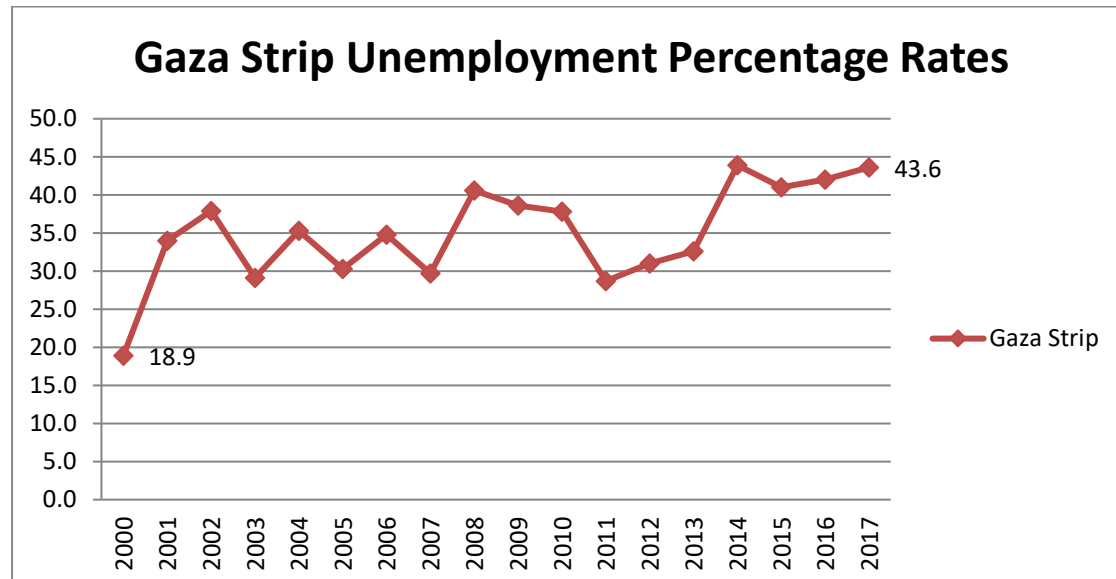
Moreover, the Project increased sales by \$18 for every dollar spent in the stone and marble sector, increased export by \$17, and leveraged investment by a ratio of 7:1. The revenue per job in the stone and marble sector generated the highest revenue rate compared to the project’s other targeted sectors. This is primarily due to the nature of this industry, which is not labor intensive.



ACCOMPLISHMENTS BY SECTOR: GAZA

The Gaza Strip is a 365 square kilometer area of land, bordered by the Mediterranean Sea to the west, Egypt to the south, and Israel to the east. In 2017, 1.9 million Palestinians lived in Gaza. Gaza has been subjected to a land, sea, and air blockade since June 2007. This blockade has had severe humanitarian consequences, including a heavy impact on the economy. The private sector in Gaza has undergone more than a decade of conflict, with almost a complete halt of imports to and exports from the strip. This has resulted in a dramatic drop in manufacturing and agricultural outputs, as most items essential to private-sector revitalization remain on the banned lists and are inaccessible.

Gaza's GDP has been reduced by 50 percent (World Bank, May 2015) as a result of the blockade, with an unemployment rate of 41 percent. In 2018, preliminary estimates at constant prices showed a decrease of six percent in Gaza's GDP during the first quarter compared to the first quarter of 2017, according to the PCBS. The unemployment rate in Gaza during 2017 was 43.9 percent, the highest in the world, according to the World Bank (<http://gisha.org/updates/4388>). The percentage of private-sector employees who received less than the minimum monthly wage was 74 percent with an average monthly wage of 1,000 NIS (\$278) (PCBS).

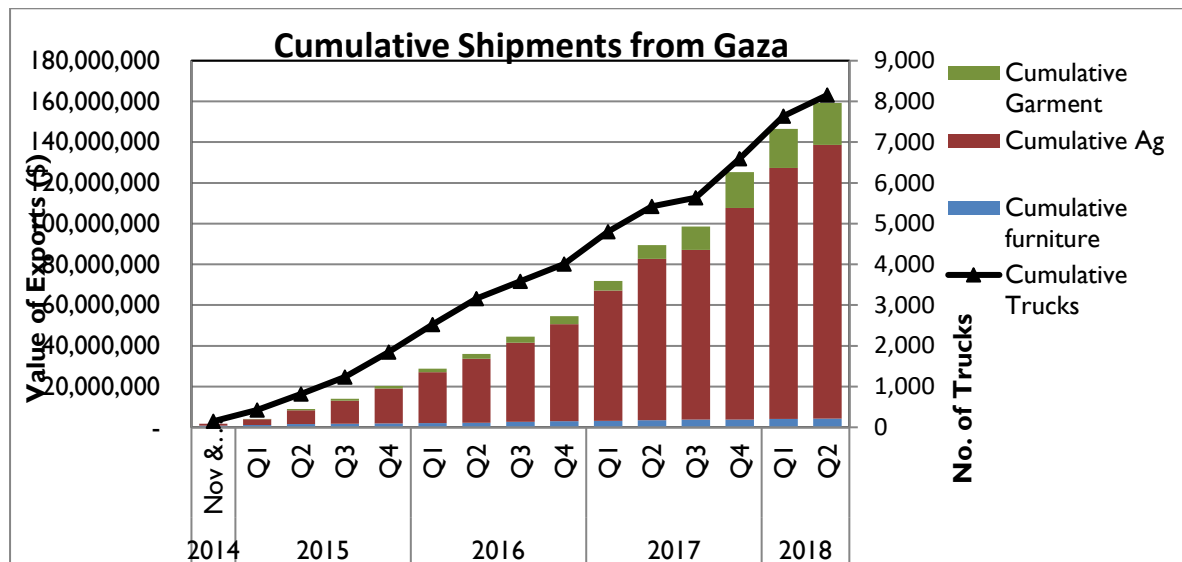


The figure above shows Gaza unemployment rates from 2000-2017.

Access restrictions imposed on Gaza include restrictions on the transfer of goods to the West Bank and Israel. There are special restrictions on the import of “dual use items.” Israel defines basic construction materials (gravel, steel bars, and cement), a wide range of spare parts, computer equipment, and vehicles, as “dual use” items. There are also restrictions on the access of people to agricultural land and fishing waters. The Israeli authorities have recently eased some of these restrictions, but the basic constraints remain in place, preventing a significant improvement in the

economy. This is compounded by the destruction of economic assets during hostilities, and the severe electricity shortage.

Since November 2014, some steps were taken to rehabilitate Gaza’s economy. Israel began, for the first time in seven years, to allow the marketing of products from Gaza to the West Bank and has somewhat expanded the type of products that Gaza farmers can export to the West Bank, Israel, and international markets. The figure below shows the cumulative shipments from Gaza since November 2014 until May 2018.



Program Strategy

Due to the uncertainties surrounding export potential owing to Israeli restrictions on the movement of people and goods, the project decided in January 2016 not to engage in competitiveness programs as it became evident that they are economically infeasible.

Nevertheless, Compete developed and planned interventions that resulted in building a critical mass of firms capitalizing on positive trends within sectors and value chains that currently have market presence and potential for growth and export to regional and international markets. The subsectors targeted for support in Gaza were selected according to the following criteria:

- Subsectors engaged in production and have the capacity to grow;
- Potential for improved competitiveness through improved efficiency (cost), product differentiation (quality), and taking advantage of a change in demand (innovation);
- Economic impact on income, job creation, and sales;
- Impact on cross cutting issues like gender, youth, energy, and water.

In June 2015, the project conducted a thorough assessment that identified six sectors (agriculture, ICT, garments, fishing, furniture, and tourism) that offered opportunities for growth and job creation. Given the varied capacities and market standing of the six targeted sectors, the project divided the six sectors into two groups (A and B) and took varied approaches in program implementation among the two. With Group A, a full-scale value chain approach was implemented to enhance competitiveness, whereas with Group B, the program addressed challenges among select

targeted firms that had some capacity and potential to grow and serve local and or export market needs.

From the six sectors identified by Compete, the agribusiness, ICT, and fish value chains were classified as Group A and were best suited for full-scale USAID interventions given the current operating environment in Gaza. In September 2015, Compete expanded its West Bank FLAP targeting these sectors and proceeded with a comprehensive package of support interventions to build the foundation and infrastructure needed to enhance export potential and expand to new markets.

The three other sectors — tourism, textile and garment, and furniture — were not enjoying the same market presence in Gaza and were classified as Group B. Critical inputs and skills were lacking in these sectors, causing impediments to expansion into export markets and, in some cases, not allowing the sectors to serve local market needs. The textile and furniture sectors were particularly vulnerable to restrictions on inputs classified as “dual use” items and to border restrictions on exports. The sectors have lost their production capacity and market presence locally and in the West Bank and Israel. The program identified a select group of up to 45 firms among Group B sectors and provided training and technical assistance, working to enhance workforce skills and create jobs, provide technical equipment and inputs, and provide limited support to the sectors’ representative unions and associations to improve their ability to serve the needs of their members. After six months of project engagement with Group B, the textile and garment sector was moved to Group A as a result of the easing of border restrictions, while in the tourism and furniture sectors, only selected firms were supported and no competitiveness programs were devolved, as it became evident that they were not economically feasible.

Challenges

In addition to the 11-year-long Israeli blockade of Gaza, private-sector institutions in Gaza have suffered from a lack of resources, lack of clarity of mission, and an absence of leadership. They are mostly reactive and driven by whatever resources are made available to them by donor projects. There is duplication of efforts and no coherent or organized agreed-upon plan or strategy among them. There is a major gap in the skills of available labor, and there is no source of technical or management training that can fill those gaps locally.

The sectors targeted by Compete have all suffered from a loss of key markets and skilled labor in recent years and are experiencing a critical gap in needed technology for the specified value chains. The interruption of the electricity supply for between four and eight hours per day is a key impediment for real business operations. The use of generators has increased the cost of production and made it difficult to compete locally or internationally. At the same time, a great deal of interest in the use of solar energy has been demonstrated, especially for agriculture and ICT firms. There have been some initial attempts to develop this interest, but the limitation on imports of some necessary parts is causing delays in these pilot initiatives. Other impediments are sector-specific, such as the lack of water resources and the ramifications on the growth of the agriculture sector. Detailed challenges for each targeted sector are described in the sections below.

Achievements

Compete program in Gaza, assisted 416 firms and farms, generated sales of \$75.27 million, achieved exports of \$31.04 million, created 1,494 jobs, and leveraged \$7.53 million in private sector investments.

Agribusiness

More than a decade of closure has resulted in substantial direct damage to Gaza's 17,000 hectares of cropland as well as much of its agricultural infrastructure, including greenhouses and irrigation systems. The contribution of the sector to GDP dropped from five percent in 2012 to 3.7 percent in 2017, and the added value of this sector dropped from \$180 million in 2012 to approximately \$123.8 million in 2017. The sector's number of employees also declined from around 21,400 people in 2012 to approximately 14,900 in 2017, according to the PCBS.

The agribusiness sector in Gaza faces a number of key market failures, including limited access to water, very limited access to electricity, limited mobility, forbidden access to inputs that are listed as dual-use products, limited access or no access at times to markets in close proximity, and limited access to technology and machinery. Compete designed interventions to support the development, sustainability, growth, and scalability of key value chains that offer the highest growth potential. The identified value chains included strawberries, fresh herbs, and vegetables (potatoes, carrots, tomatoes, and peppers). The readiness of each value chain was examined in terms of commitment, dynamism, and critical mass, as revealed through recent data, field research conducted by project staff, and interviews with key value chain stakeholders. The past performance of both the vegetable and strawberry value chains prior to the blockade was very good. The fresh herbs value chain was a fairly new one, initiated in 2012, but had potential for growth.

Support to strawberry, fresh herbs and vegetable sub-sector firms was provided based on the same three strategic interventions as in the West Bank, namely:

- Enhance Access to Markets
- Strengthen and Support the Production of High Value-Added Products and Services
- Support Enablers and Service Providers to Address Sectoral and Policy Impediments.

Strawberry

Strawberry farming was introduced to Gaza in 1960 on a demo of 1.5 dunums. In 2000, export began, and the area reached 1,375 dunums. The year 2005 marked the maximum area, reaching 2,500 dunums, with 3,000 tons were exported. Following the closure of Gaza, in 2014, the area and export volume decreased tremendously to reach 1,000 dunums and 250 tons, respectively.

The export of strawberries is handled by four cooperatives: Charity Association for Vegetables and Flowers, Gaza Agricultural Cooperative for Production & Marketing of Vegetables, Farmer's Union Charity Cooperative, and Beit Hanoun Agricultural Cooperative.

The strawberry sector's market failures include low productivity, lack of know-how and new production techniques, lack of computerized irrigation systems, lack of cooling rooms, and inaccessibility to the West Bank and Israeli markets

In 2015, the strawberry sector was considered "developing," and Compete transformed it to become "developed." The project's strategic interventions included the following.

Strengthen and produce high value-added products and services



The main export markets for Gaza strawberries are the European Union (EU) and Russia, and export is carried out through Israeli exporting companies.

Strawberries can be grown in open-field, single-span greenhouses as well as multi-span greenhouses. Prior to Compete interventions, all the strawberries in Gaza were planted in open fields. The project conducted a financial analysis for both the single span greenhouses and the multi-span greenhouse patterns. The analysis favored the single span greenhouses pattern over the multi-span greenhouse pattern. Furthermore, the single span greenhouses pattern allows easy reallocation in case of soil deterioration. The project implemented 100 dunums of single-span greenhouses to transform the sector to become competitive by increasing yield and enhancing quality. Furthermore, the new production patterns enabled crop diversification and to overcome the serious export hurdles faced by the strawberry sector. Due to the sensitivity of the crop, border crossings delays and cooling chain interruptions were especially damaging.

The project also completed two computerized hanging strawberry pilot projects, each spanning three dunums, to assess their feasibility in relation to Gaza's specific economy and climate. The pilots were successful, with good returns on investment, which encouraged one of the farmers to expand on his own.

Support enablers and service providers to address sectoral and policy impediments

Under Component B, Compete assisted the Gaza Agricultural Cooperative for Production & Marketing of Vegetables with hiring two agronomists, who participated in the training program conducted by the project. The assistance was through cost-sharing the agronomists' salaries for six months, after which they were employed by the cooperative.

Exemplary Beneficiary:

Eid Siyam is an agronomist and has gained experience in the agriculture sector in Gaza over the past 15 years. He has been farming for the last four years and grows 17 dunums of vegetables, including potatoes, eggplant, cauliflower, and cabbage. Mahmoud Ikhlayel is one of the pioneer farmers in Bet Lahia where he has been cultivating for more than 30 years. He grows around 150 dunums of open-field strawberries and vegetables and eight dunums of green houses. Mr. Siam and Mr. Ikhilil were the first two farmers to establish three dunums of hanging strawberries, each in partnership with USAID,

to demonstrate the benefits and outcomes of the new production pattern. The yield per durum of hanging strawberries reached ten tons while, in open-field, it is only three to four tons per dunums.

In the strawberry value chain, Compete interventions resulted in 91 beneficiaries supported, a \$516,864 increase in sales, a \$393,637 increase in exports, and 124 additional jobs.

Fresh Herbs

Growing fresh herbs is a relatively new agriculture value chain for Gaza. In 2012, a 14 dunum demonstration farm of fresh herbs was planted in Beit Hanoun with three varieties: chives, basil, and mint. The total production of fresh herbs in 2012-2013 reached 45 tons, all of which were exported to the EU and U.S. markets via Israeli exporting companies. In 2015-2016, five farmers expanded their fresh herbs farms to 30 dunums.

The key market constraints included lack of fresh water, lack of proper market access, availability of cold chains, and mobility restrictions.

In 2015, the fresh herbs sector was “promising,” and Compete interventions helped transform it to become “developing.” The project’s strategic interventions include those detailed below.

Enhance access to markets

Compete identified a local export company to provide services, including sorting, packing, and cooling, and linked the company with the fresh herbs’ farmers. This key link in the value chain allowed local farmers to produce fresh herbs and successfully store them in temperature-controlled spaces, thus ensuring sufficient quality and quantity for exports. The project also identified several potential buyers in Israel and linked the local company with these companies. The Israeli buyers were Arava Export Growers and Viva Farmers, and both showed great interest in buying Gaza herbs for export. The estimated demand by the two companies was about 300 dunums, and market research confirmed that there is space in Gaza to meet this demand, strengthen it, and produce high value-added products and services.

To expand the number of producers of fresh herbs in Gaza, Compete supported 15 farmers, through a cost share, with 75 dunums of greenhouses to produce high-quality herbs.

Compete work in the fresh herbs value chain increased sales by \$207,362 and exports by \$13,096 and created four jobs.

Vegetables

Gaza has historically been known for its vegetable exports, including tomato, pepper, eggplant, and other products. Historically, export markets included Israel, Europe, Jordan, and the Gulf. After 2007, production and exports of these products, along with others, declined. In March 2015, vegetables grown by Palestinian farmers in Gaza entered Israel for the first time since 2007.

The main market failures facing the fresh vegetables value chain are the lack of high-value production patterns, resulting in low-quality produce and lack of cooling rooms.

In 2015, the vegetables sector was considered “promising,” and Compete helped transform it to become “developed.” The strategic project’s strategic interventions include those detailed below.

Enhance access to markets

To manage the increase in volume of vegetables, including potatoes, it was necessary to enhance the post-harvest facilities to ensure optimal sorting and storage of products prior to shipping, maintaining a continuous supply and controlling market prices. Compete identified and approved working with six firms who bought approximately 12,000 tons of vegetables from the project’s participating farmers. To enable export, the project assisted these companies with the installation of cold storage facilities that ensured that the products collected from the participating farmers were refrigerated, and the cold chain was maintained. These six firms acted as aggregators and as focal points for export operations in addition to their role as buyers from small farmers.

In 2017, for the first time, Gaza succeeded in penetrating new markets by exporting potatoes via the King Hussein Bridge to Jordan. Two of the project’s firms signed contracts with a Jordanian firm and exported 2,000 metric tons of potatoes to Jordan.



Potato farming using drip irrigation.

Strengthen and produce high value-added products and services

Compete supported greenhouse vegetables production through new production patterns by replacing the greenhouse plastic roof cover with netting in the summer period to keep away insects and increase ventilation, which increased yield and enhanced quality. The intervention targeted 200 dunums of vegetable greenhouses. The program targeted a combination of small farmers with a minimum of three dunums and commercial farmers with up to ten dunums. Since there was huge demand for this program, Compete scaled up the program to benefit 194 farmers covering 14 dunums.

Furthermore, in the project’s Year 7, Compete supported five vegetable farmers with new rainwater harvesting patterns, whereby the perforated plastic linings for agricultural water ponds were replaced with Geo-Membrane material sheet of 1.5-millimeter thickness and covered the pond with black mesh of 95 percent shade to reduce water leakage and evaporation. This provided the farmers with non-saline water, which balanced the saline water accessed from the artesian wells.

Compete also supported the potato value chain through a program to expand the cultivated area of potato. The purpose of expansion was to increase potato production to meet demand in the local and export markets and to cover storage capacity of the cooling rooms. Based on the project’s Year

7 workplan, the program targeted 80 hectares; however, due to the high demand that the project received from potato farmers, Compete increased the target, and 168.3 hectares ultimately benefited from the program.

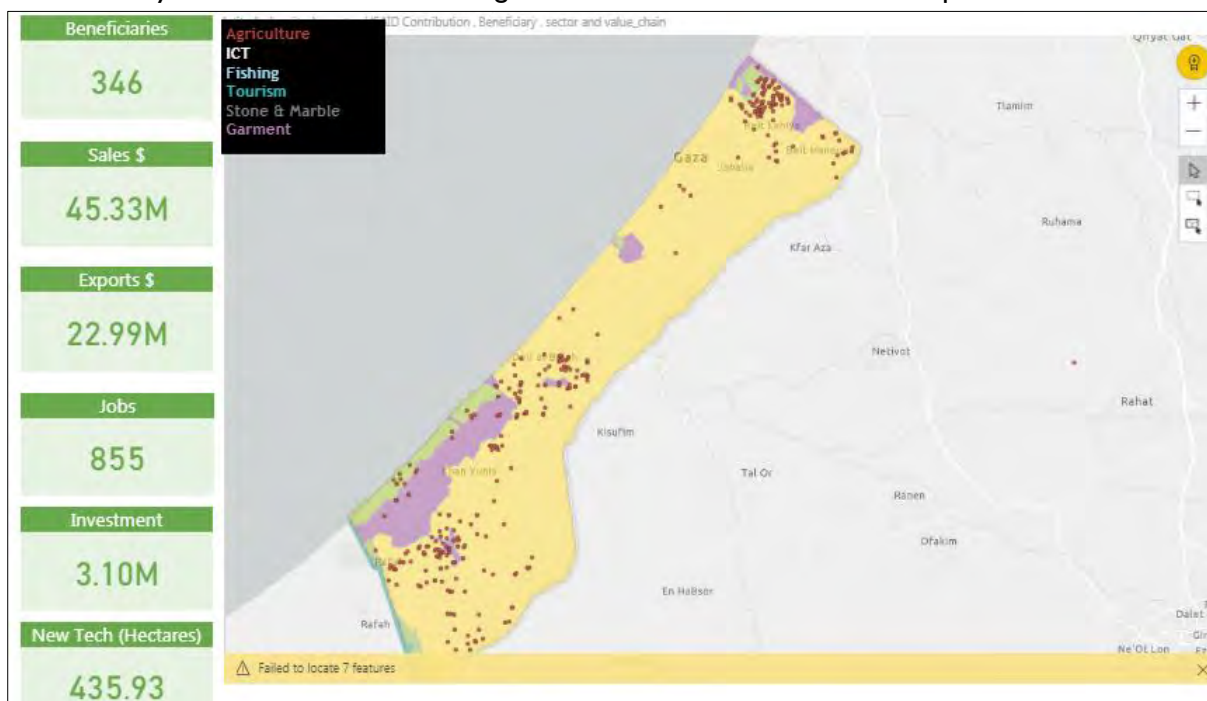
Furthermore, Compete supported the development of seven sweet potato nurseries through the introduction of a new seedling production pattern, replacing the low agricultural greenhouses with high single-span ones. Each of the nurseries received three dunums of high single-span greenhouse. The high-quality seedlings produced increased the quality and productivity of sweet potato. To complete the Value Chain, Compete supported Jihad Zoqmat Company to establish a packing house and cooling room for sweet potatoes with a storing capacity of 600 metric tons a year, which helped the company to comply with local and export market needs and manage the volatility of market prices.

Exemplary Beneficiary:

Husny Shehadeh Company is a private shareholding company in Gaza engaged in exporting vegetables to Israel, the West Bank, and Arab and European markets. Husny Shehadeh was one of the first vegetable exporters to partner with USAID and take the risk to install cooling rooms. These cooling rooms maintained the quality of the products, sustained steady supply, and provided the market with desirable prices. This assistance maintained a steady and reasonable price for farmers.

Achievements

Sector-wide, agriculture in Gaza generated \$22 million in exports, \$45 million in sales, seven new markets accessed, \$3 million in investments, and 855 new jobs. Compete succeeded in increasing sales by \$17 for every \$1 spent, increasing exports by \$8 for every \$1 spent, and leveraging investment by a ratio of 1:1. The following chart offers an illustration of this impact.



Fish

The current production of the Gaza fishing sector is about 4,500 tons, coming mainly from the sea by fishermen as well as three fish farms that use seawater on land and produce about 250 tons. Meanwhile, Gaza consumption is 20,000 tons, and the difference is imported from different sources.

Fishermen's access to fishing grounds has, during project implementation, been restricted by Israel to between five and nine nautical miles (NM) from the shore. This has resulted in a depletion of catches and revenues. In Gaza, the majority of profits from fishing come from sardines; however, schools of sardine pass beyond the five NM mark, and sardine catches are down by 72 percent. Adult fish are mostly found beyond the five NM limits, and therefore fishing within the current zone rapidly depletes new generations of fish, with severe implications for fish life- cycles and therefore long- term fishing livelihoods.

Between 2008 and 2009, the total catch decreased by 47 percent and was insufficient to meet the demands of Gaza's fast- growing population. To fill the gap, traders have been importing limited quantities of fresh and frozen fish from Israel. There are also reports of fishermen illegally crossing into Egyptian waters, either to fish or to buy from Egyptian fishermen.

The fish sector's market failures include lack of consistent electricity needed to grow fish, restriction of off-shore fishing beyond five NM, a lack of renewable energy as a source of electricity, and a lack of locally produced fingerlings.

In 2015, the fish sector was considered "developing," and Compete helped transform this sector to become "developed" by supporting the production of fingerlings and their "export" to the West Bank, making it possible for the sector to grow organically. The project's strategic interventions included those detailed below.

Strengthen and produce high value-added products and services

Compete supported onshore farming to scale up ponds' production, resulting in an additional 350 tons per annum. The project also supported four fish farms in Gaza with power supply to ensure that there is a consistent and reliable supply of energy, which is crucial due to the sensitive nature of the operations. The assistance was in the form of both electricity generated and solar power systems.

To ensure a consistent supply of fingerlings, the project supported the creation of two fingerling hatchling lab farms, where 400,000 fingerlings were produced during a very short period, scaling up fish production in Gaza.

In addition, Compete supported the preparation of a business plan for an offshore fish farm. Unfortunately, the beneficiary couldn't secure the necessary permits from the Israeli Coordination and Liaison Administration (CLA) to operate within a certain distance from the shoreline; hence this initiative was not completed.

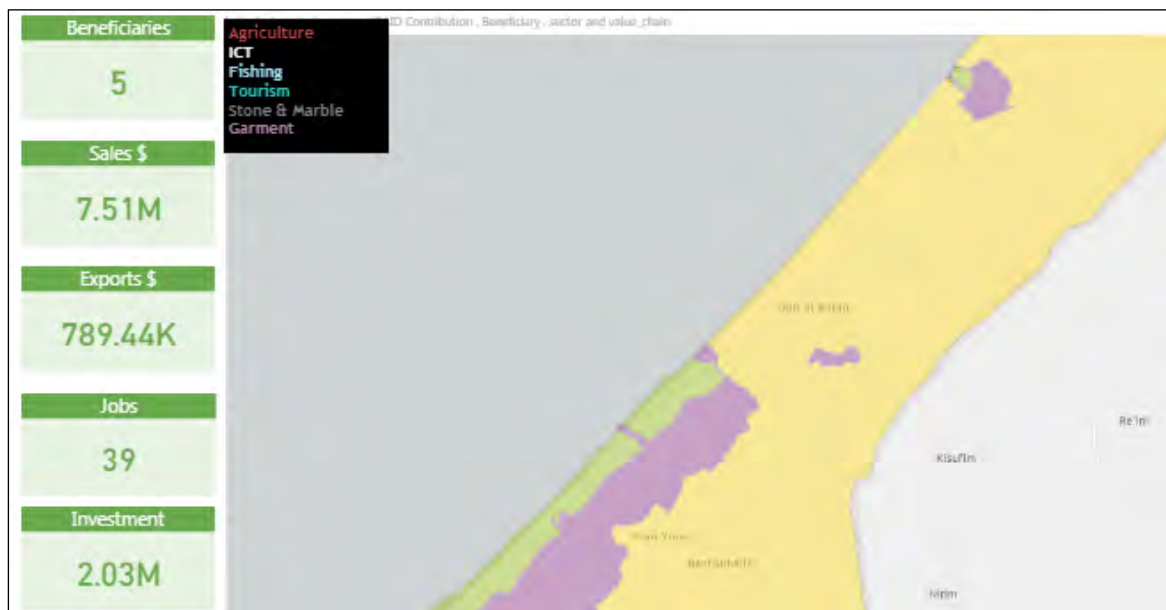
Exemplary Beneficiary:

USAID/Compete supported Kuhail Fish Farm through an in-kind grant to develop a fish hatchery for Denis fingerlings for the benefit of the Gaza Strip fish farming value chain by ensuring a local – versus imported – supply and with new solar energy solutions to address persistent electricity disruptions that affect consistent production. Kuhail was able to increase sales by \$276,000, creating two new full-time jobs and increasing investment leverage by \$223,000.



USAID/Compete supported Kuhail Fish Farm through an in-kind grant to develop a fish hatchery for Denis fingerlings.

Achievements



The Fish sector in Gaza was able to generate \$7.5 million in sales and \$0.8 million in exports, create 39 jobs, increase fish production by 25 percent, and leverage \$2 million in investment. Compete interventions succeeded in increasing sales by \$13 for every \$1 spent, increasing export by \$1 for every \$1 spent, and leveraged investment by a ratio of 4:1. As the nature of this sector is technology intensive rather than labor-intensive, the revenue per employee reached \$192,617, and the cost per job was \$14,417 -- representing the highest revenue rate and jobs cost in comparison to other targeted sectors.

ICT

The ICT sector in Gaza has managed to maintain some linkages with international markets despite the deleterious conditions for private sector development on the ground. Several companies have been successful in capitalizing on personal relationships and contacts abroad to facilitate business inflow to Gaza. The services provided are primarily centered on outsourcing with the primary market being the Gulf countries. Software product companies sell their solutions within the local market, mainly through international donor interventions, and to the global market through limited diaspora channels and B2B partnerships.

The startup eco-system is suffering from funding gaps, since the Gaza Strip is flagged as high-risk and investors are shying away from directing angel and seed funding to the area's startups. Currently, there is infrastructure for incubation and acceleration, but without having the subsequent funding available, Gazan startups are put at risk if they are unable to generate enough revenues once they graduate. Gazan startups try to maneuver in the local market to sell services, which has complicated the situation for these entrepreneurs even further.

One of the main challenges Gaza is facing is the public infrastructure interruptions, especially electricity. Stable energy supply is fundamental for the growth of ICT companies, and daily interruptions have forced company owners to invest in power generation solutions. These solutions carry heavy capital and operational prices – diminishing the price advantage Gaza can offer to the global ICT market. The unstable power supply also limits productivity and makes for an unsuitable work environment.

There are nearly 1,000 graduates annually in Gaza across a number of ICT specializations, many of whom seek to build startups as entrepreneurs. Most of the ICT market is saturated, with only five percent of recent graduates employed by the ICT sector and 15 percent in ICT roles outside the ICT sector. Although there is a high number of IT graduates, the current demand of the local ICT companies is very limited; therefore, there is an opportunity for the sector to expand innovation in these companies to hire graduates and, wherever needed, the skills of graduates could be upgraded to meet the demand.

Generally gender-agnostic and less traditional, the ICT sector tends to employ more women; in fact, in 2013, an estimated 31 percent of Palestinian ICT employees were women.

Compete's strategy in the ICT sector in Gaza was to increase the competitiveness of the sector to facilitate regional and international expansion. Strategic interventions focused on providing technical assistance to stabilize operations; enhancing access to market; strengthening the capacity of targeted firms and subsectors to produce high value products; and services; developing workforce skills and introducing new technologies; and providing business enhancement and institutional development support.

Support to ICT firms in Gaza was provided based on four strategic interventions:

- A. Enhancing Access to Markets
- B. Workforce Development and Introduction of New Technology

- C. Supporting Enablers and Service Providers
- D. Operations Stabilization

Enhance Access to Markets

Given the restrictions on the movement of people and commodities to and out of the Gaza Strip, ICT was seen as a borderless industry. However, although access to the external market can be carried out using the internet, it requires physical interaction with external customers, where sellers can present their offerings to buyers. Restricted travel inhibited Gazan business owners from acquiring the required marketing and sales skills and interaction with their customers.

Export Market Assessment

Compete designed the Market Development Program, a three-stage technical assistance program that starts with conducting a Niche Market Assessment that aims to identify niche skills, products, and markets for ICT targeted companies. Ten companies were supported under this area. The result of this intervention was used to provide follow-on support, be it a technical assistance or introducing new technologies. The follow-on technical assistance included: (1) create market linkages through establishing market representatives in target markets (e.g. UnitOne ICT Company has two representatives in Netherlands and Sweden); (2) conducting marketing studies in the target markets (e.g. a Haweya Company study of the Saudi Arabia market and a Ito3 company study of the Omani market); or (3) launching a marketing campaign (e.g. for Ito3 company in Oman and the UAE).

Exemplary Beneficiary:

Haweya Company is an IT company founded in 2011 by a talented IT graduate who found a new trend in the international market -- "digital identity." The company combines its strengths in ICT and clients' market preference to customize creative designs that support digital identity and branding, awareness and loyalty. Haweya strives to become the Arab world's leaders in digital branding, and their main strategic goal is to create their own branding standards to become the regional benchmark. Haweya also offers co-working space leased at very reasonable costs for independent consultants, freelancers, and one-time-project teams. Haweya services require working extended hours to develop their products to meet deadlines and to provide 24/7 technical support to customers. Similar to other IT companies, Haweya suffers from the electricity cuts; moreover, they wanted to explore market opportunities for their offerings in Saudi Arabia.

Compete assisted Haweya with provision of a solar-enabled electrical system, provided MacBook laptops and conducted market research in Saudi Arabia followed by a marketing campaign. As a result, Haweya signed two contracts with Saudi Arabian companies. Moreover, the electricity stability and new technology introduced encouraged Haweya to offer its services to the UN and other international organizations in Gaza, such as the United Nations Development Program (UNDP) and World Health Organization (WHO), in addition to extending its market to Switzerland. The company succeeded in generating \$39,000 in sales, \$24,000 in exports, four new jobs, and \$17,000 in new investment.



The Gaza-based IT company Haweyah generated \$39,000 in sales, \$24,000 in exports, and \$17,000 in new investment with support from Compete.

Workforce Development and Introduce New Technology

Employment

With an unemployment rate that exceeds 60 percent, improving youth graduates' employability was considered a priority during USAID/Compete planning. Among the project's interventions were enhancing youth skills through training, internship, or apprenticeship opportunities and assisting entrepreneurs to emerge in the local business community through business startup enablers to improve their services. USAID/Compete interventions included provision of essential production equipment, covering product development costs, paying stipends for apprentices, and covering expenses for marketing campaigns as well as registration fees with sector enablers.

In general, Gaza entrepreneurs lack the financial resources to start their own business until they become successful or prove their business idea is viable and can attract funds from venture capitalists or angel investors.

The project's Gaza-specific initiatives took into consideration key lessons learned, including that established ICT companies do not prefer internships targeting freelancers, as implemented by many other donors. They prefer initiatives that encourage talent to grow within their existing companies and job creation for recent graduates. Accordingly, the program targeted its efforts toward interventions that focus on workforce development initiatives, improving candidates' exposure to the professional market. These included the following:

I. Mac lab

Acquiring the required skills to use new technologies to develop applications required by the external market was a challenge for Gaza businesses. Youth graduates lack the practical experience

to develop Internet Operating System (iOS) applications due to the absence of training in a specialized facility. Compete assisted two private training centers to create Mac labs that assisted tens of trainees to acquire the required skills to improve their employability options. Trainees were then made available to the Gaza labor market, where such skills were lacking.

2. Capacity building/training

According to the Niche Market Assessment, the results showed that the company owners as well as key personnel within the ICT companies were highly qualified in technical ICT skills; however, they lacked the key skills in managing their business, communicating with their customers in the external market, and running marketing and sales activities in the external market. Accordingly, Compete provided soft skills training to 40 employees from eight ICT companies to develop the skills of key personnel from the targeted companies, particularly in business English, business management, and sales and marketing.

3. Internship

GGateway is the first enterprise of its kind in Gaza that has a social mission and is owned by women. Compete provided internship opportunities to two key personnel from this enterprise with a similar company called Data Digital Divide (DDD) in Laos. This internship gave GGateway the opportunity to practice within a well-established similar enterprise. As a result, GGateway ran an internal restructuring exercise to review their social mission and changed their internal structure and services. Another result was building a long-term business relationship in which GGateway signed a memorandum of understanding with DDD to work as a subcontractor to Amazon in the digitization of Arabic books.

4. Apprenticeship

This is another example where Compete provided services to private ICT companies, business startups, and ICT sector enablers. The purpose of this apprenticeship was to build the capacity of the targeted company/organization and provide on-job training to youth graduates to practice their experience within a real business environment. Eight youth graduates received two- to three-month apprenticeship opportunities.

Exemplary Beneficiary:

Vision Plus is a training center providing IT training courses and certification to Gaza IT and non-IT graduates for Cisco, Microsoft, and other IT topics. The company approached Compete to ask for assistance in opening a new iMac training lab to become an Apple iOS certified training center – the first of its kind in the West Bank and Gaza. Compete assisted Vision Plus in the provision of six iMac computers while the company purchased furniture and six additional iMac computers for this lab. Moreover, Compete conducted a Niche Market Assessment and determination. This assistance was designed to help Vision Plus to capitalize on the new iMac lab and use the talents of the new trainees to develop iOS applications as a new venture, allowing the company to establish an iOS software/applications development division. As a result of the Compete intervention, \$44,000 in sales were generated, and seven new jobs were created.

GGateway used to be a department within UNRWA working on implementing ICT projects for UNRWA only; in late 2015, the department was spun off as a private company managed by women with a social mission to (1) develop the technical skills of ICT youth graduates to meet labor market demand and (2) to provide incubation services to IT graduates and business startups. It is expected that GGateway will become a significant employment generator among youth in Gaza.

Initially, Compete covered the expenses of a Niche Market Assessment to GGateway. The assessment recommended that, GGateway revise its service package and build the capacity of its core management team to run the business. Accordingly, Compete financed two internships for two key GGateway management personnel with DDD in Laos. As a result of the lessons learned from this internship, GGateway ran an internal strategic planning exercise to review its vision, mission, and operations manual. Moreover, the interaction between GGateway and the DDD resulted in a long-term business relationship. As noted above, this included an MoU with the DDD to provide Arabic digitization and proofreading services to Amazon. This, in turn, led to GGateway employing 113 youth graduates and increasing their revenue by \$55,000.

Production of High-Value Products and Services

To compete in local and international markets, Compete focused on developing niche products and services to offer external customers. Software, website, and mobile application development, in addition to visual and creative content production (e.g. animation production and motion graphics) and services such as call centers, data-entry, staff augmentation, and Arabic digitization were prioritized.

As general criteria for selection, private companies had products or services to offer to the external market or new products/services to offer the local market. During the past three years, Compete assisted 39 companies that fit the above criteria.

Exemplary Beneficiary:

UnitOne ICT is a Business Process Outsourcing (BPO) company founded in 2005, with primary markets in Gaza, the West Bank, Israel, and Saudi Arabia. UnitOne approached Compete to provide technical assistance to expand their external market to the U.S. To explore this potential market, Compete assisted UnitOne with a Niche Market Assessment and determination, which concluded that UnitOne has a good opportunity to sell its products and services in Scandinavian countries — namely the Netherlands and Sweden. As follow-on assistance, Compete hired and paid 70 percent of the salaries for two offshore representatives in those countries. The company generated \$117,000 in sales and exports, hiring 54 new employees and leveraging \$39,000.

Supporting Enablers and Service Providers

Gazan entrepreneurs and business startups face several challenges, the most prominent of which are weak financial resources, difficulty acquiring the required skills to establish and operate their businesses, and marketing their products and services. To overcome these problems and create a long-term and sustainable impact, Compete provided assistance to existing service providers targeting entrepreneurs, business startups, and freelancers. The aim of the Compete interventions

was to strengthen and build the capacities of these sector enablers to improve the services they provide to their stakeholders. On the other hand, sector enablers are usually hosted by universities or registered as an association and are dependent on donations to provide services to youth graduates. Donors normally cover the expenses of the technical assistance, such as training, coaching, hosting, and — rarely — seed funding. Hence, sector enablers suffer from financial instability in covering their operating expenses and overhead, which are essential to sustaining their minimum core operations. Establishing income-generation projects is therefore essential to sustaining their presence. Compete assisted two sector accelerators to establish accelerators through the provision of reliable electricity sources, equipping them with new technology equipment and/or stipends for apprentices.

Exemplary Beneficiary:

The Palestine Information Communication Technology Incubator (PICTI), created and officially registered in Ramallah in 2004, is a spin-off from the Palestine Information Technology Association (PITA). The PICTI mission is to assist technology entrepreneurs and business startups to commercialize their ideas by designing, developing, implementing and promoting those initiatives that will support the development of entrepreneurial business ventures by providing them with an integrated package of business development services. Dependent on the donor funding to cover the expenses of their activities and operational expenses, PICTI, over the years, was more donor-oriented than business-oriented.

PICTI leased a new co-working space, called BitHub, to provide freelancers, entrepreneurs, and business startups with modern, business-oriented, working spaces of their own. The co-working space provides round-the-clock electricity and internet, a service which had never before existed in Gaza, in addition to incubation, acceleration services such as administrative support, training for entrepreneurs and startups, and coaching. Compete assistance included provision of new technology equipment that can be utilized by the co-working space tenants in developing their products and services in addition to paying two months stipend for four apprentices to help in administering the new BitHub. During the first three months of its operations, BitHub occupancy reached more than 80 percent (55 spaces leased out of the 66 available). Moreover, Compete assistance encouraged UNDP and the German aid agency GIZ to provide additional funding to support new incubation services.

Operations Stabilization

In addition to the lack of new technologies, Gaza's ICT companies face another challenge on their way to penetrating the external market — the existence of a stable and reliable source for electricity. To be successful in the external market and to meet their deadlines, IT companies need extended work hours and to stay connected 24/7 to provide support to their external clients or respond to their inquiries in real time. With the existing electricity situation in Gaza, this is not possible. Existence of a reliable and stable electricity source for Gaza businesses is a real and chronic challenge; with only four hours on and 20 hours' blackout per day, using diesel generators to generate electricity can become prohibitively expensive. Responding to this, Compete provided economically viable electricity solutions. UPS and solar-powered systems provided reliable electricity solutions to eight ICT companies, which gave these companies the resources they needed to

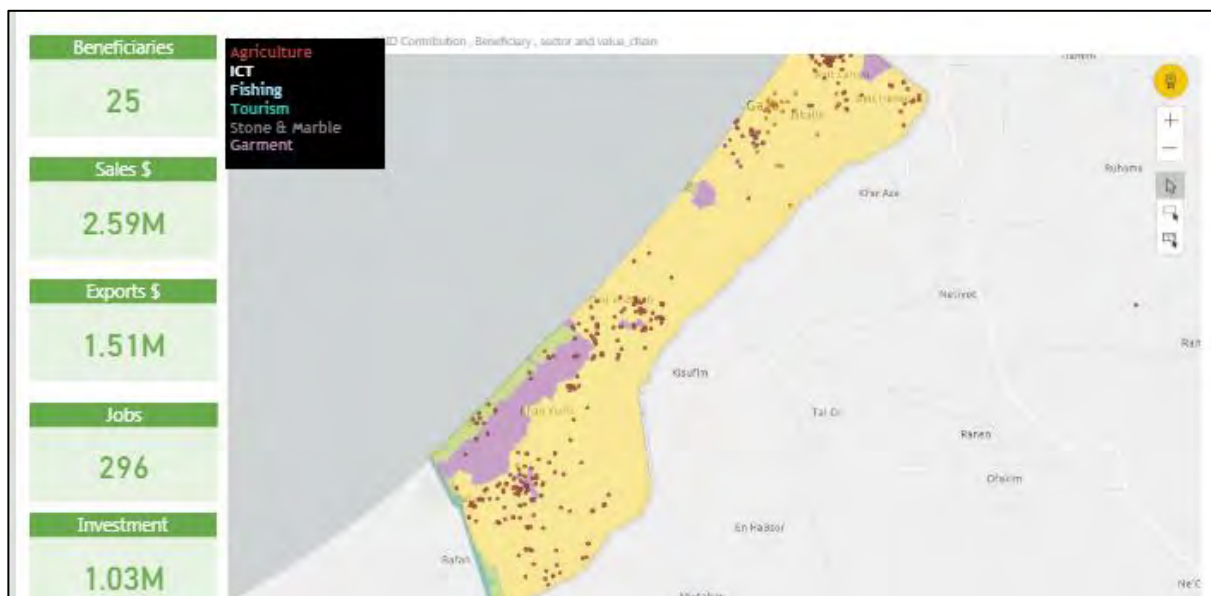
approach the external market without fear from the extra electricity cost or being unable to fulfill customers' needs.

Exemplary Beneficiary:

Developers Plus is a software development company founded in 2011 and fully registered in 2015. Marketing its product to Saudi Arabia, the company suffered from a disruptive electricity supply, with an average of three hours' electricity daily and a paucity of essential equipment and soft skills. Compete assisted Developers Plus with the provision of a solar-enabled network server so that the company could centralize and share program development between its developers as well as store documents related to client deliverables. Installation of the solar system had an immediate impact, with five new projects attained within a week during June 2016. Additionally, after the company secured contracts with new clients, Compete conducted a Niche Market Assessment, provided new equipment to accommodate the company's operations expansion, and trained its eight employees in business English and professional project management. The company succeeded in generating \$205,000 in sales and \$154,000 in exports, hiring 30 new employees and leveraging \$61,000 in investment.

Achievements

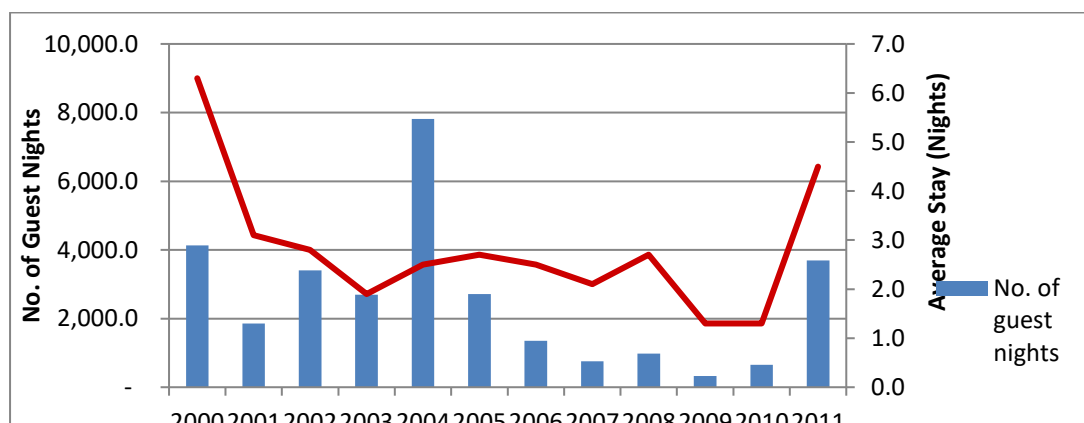
Sector-wide, ICT in Gaza was able to generate \$2,585,859 in sales, \$1,507,287 in exports, \$1,033,570 in investment leveraged, 296 new jobs, and entry into 20 new markets. The project increased sales by \$5 for every \$1 spent, boosted exports by \$3 for every \$1 spent, and leveraged investment by a ratio of 2:1.



Tourism

Gaza's coastal location offers potential for "sun and sand" tourism. Gaza enjoys a number of assets and sources of strength, including a substantial young, highly literate, and entrepreneurial labor force, a strategic geographic location in a narrow land corridor between North Africa and the Middle East, and coastal assets. The tourism sector has recently established a union, including hotels, restaurants, and recreation firms, focused on the domestic market and serving the few internationals and visitors from the West Bank. The growth in the number of firms and the type of services they are offering are tailored to meet local needs and priced to be affordable for local tourism. Most of the firms are owned by young entrepreneurs and women and employ many young people. The sector faces many challenges in implementing proper management and quality control systems as well as employing qualified service staff.

According to the PCBS, in 2012, there were 12 hotels with an approximate occupancy rate of six percent operating in the Gaza Strip with an average of 536 rooms, up to 1000 beds, six resorts, and five guesthouses. During 2011, the total number of hotel guests was estimated at 3,063 staying an average number of 8,987 nights. In addition to the hotels and resorts, there are 46 restaurants, ten cafes, five amusement parks, and 12 wedding halls that are members of the Gaza Tourism Union — a total of 91 member entities. The number of guest nights and average lengths of stay between 2000 and 2011 are presented in the chart below:



Number of guest nights and average length of stay, Gaza tourism sector.

While the sector has suffered serious drawbacks due to restrictions on entry into Gaza, internal tourism has grown, as Palestinians seek leisure within the confines of the blockaded borders of Gaza.

Reaching Gaza requires a permit, thus making it tough for the tourism sector to flourish or even grow; however, one idea would be to provide technical assistance, software infrastructure, and training to prepare firms for more visitors by elevating their capacity. To this end, Compete supported the tourism sector in Gaza to develop strategic business and management plans, enhance productivity and quality systems, and provide training in areas critical to improving performance.

The tourism sector was categorized under Category B at the beginning of the project's fifth year. Compete planned to provide limited support to tourism restaurants and hotels that exhibit growth potential and serve local market needs. The plan was to build the capacity of this sector through enhancing productivity, management control and quality systems; providing training to enhance skills

and create jobs; and supporting the sector's unions and associations, allowing them to better serve their affiliates.

Through the FLAP program, 44 applications were received; however, the majority of the requests were either not part of the program scope, included applicants not able to commit to cost-share requirements, or were from entities with no need for assistance. Ultimately, Compete supported three restaurants, one hotel, and the Palestinian Committee for Hotel, Restaurant and Touristic Services.

A restaurant and hotels management control system is a means of computerizing best practice within a restaurant or catering operation. It gives managers a better idea of the flow of food through the restaurant, enabling them to plan cash flow and control stock more effectively. Compete supported five tourism beneficiaries with management control software to track and oversee all hotel and restaurant operations, including the front desk and reservations, and to fully integrate the operations with the already existing accounting system. This system supported the firms to make quick and informed decisions, especially during peak seasons, and provided accurate reports that helped management in the decision-making process.

Exemplary Beneficiaries:

Compete supported Roots Hotel with the installation of a hospitality management software system, website development, and a full assessment for the installation and deployment of a solar energy solution to assist in lowering steep electricity bills due to power cuts and dependence on diesel generators. These interventions allowed Roots Hotel to increase profits by \$409,000. The project also supported Al Salam Restaurant with operational management software and a solar energy assessment, increasing annual sales by \$343,000 and creating two jobs.

Support Business Service Organizations

As part of the project's Component B, on the institutional level, an assessment of the Palestinian Committee for Hotel, Restaurant and Touristic Services was conducted. The assessment report has been finalized and approved by the Committee. The purpose of this assessment was to obtain baseline information on the unions' operating environment, identify the strategic and operational challenges facing the union, and eventually enable the project to determine the type of technical assistance and capacity-building support needed for the unions. Compete finalized the design of a program to enhance the capacity of the union, building a foundation for the union by providing them with necessary equipment and furniture.

Achievements

Sector-wide, the five assisted firms in the tourism sector in Gaza were able to generate \$1.46 million in sales, \$61,000 in investment leveraged, and 10 new jobs.

Textile and Garment

In the early 2000s, the Palestinian textile and garment sector was a major pillar of the national economy, representing the largest sector in the Gaza Strip. The average annual sales revenue was estimated at about NIS 300 million, generated from the sale of about 15 million pieces -- 90 percent of which were exported to Israel. The total number of garment and textile firms working in Gaza until 2006 was estimated at about 690, employing 16,000 people. The product basket included shirts, pants, women's wear, children's wear, and linen. The garment manufacturing industry goes through eight stages of production: 1) design, 2) cutting, 3) sewing, 4) pre-washing, 5) ironing, 6) packaging, 7) marketing, and 8) distribution.

The sector has deteriorated dramatically since the blockade imposed on Gaza in 2007. The number of firms in the sector dramatically dropped to 100, employing about 2,000 workers and producing mainly for the local market.

The garment sector faces market failures and challenges, including lack of production capacity (i.e. outdated machines), lack of qualified resources, lack of mobility of businesspeople, lack of available markets, and restrictions on inputs and raw materials.

In October 2014, Israel permitted marketing of textile from Gaza to the West Bank, and in March 2015, permission was extended to include Israel itself. The Israeli market needs the Gazan clothing industry since the Israeli market relies on imported clothes. The geographic proximity and ease of communication will play a positive role in making the Gazan industry's products a priority and may even lead to cooperation between Gazan tailor shops and Israeli factories.

Coinciding with the Israeli government's decision to ease import and export restrictions on the Gaza Strip, Compete launched, in September 2015, full-scale, market-driven approach to supporting the garment sector, with emphasis on West Bank and Israeli markets in addition to the Gazan local market, where manufacturers can better compete with low-priced imports.

Compete provided firm-level assistance to the garment sector through training and technical assistance, enhancing workforce skills and creating jobs, providing technical equipment, and supporting the sectors' representative union to better serve the needs of its members.

Compete launched a pilot initiative in the first year of implementation to support the competitiveness of 20 garment firms, selected in coordination with Garment and Textile Union. The project team provided advisory support and technical assistance, including conducting market research for entry and re-entry into the Israeli and West Bank markets; creating lead lists for key products within target companies; acting as sales representatives for the companies in both markets; setting up introductory meetings for select clients with potential buyers; re-assuring buyers of their ability to conduct business with Gazan companies; and providing marketing assessments and strategic guidance. Moreover, Compete facilitated the hiring of design and technical apprentices for various firms as well as the procurement of specialized equipment that allowed beneficiaries to meet quality standards and commercial quantities needed by potential markets.

Support to the textile and garment sector was provided based on three strategic interventions:

- A. Enhance Access to Market
- B. Workforce Development
- C. Support Business Service Organizations

Enhance Access to Market

Compete built on market connections mainly with the West Bank and Israel buyers. The project focused on engaging with export-ready firms to facilitate deal-making as appropriate. Compete hired an Israeli firm as part of the project's export market development program to support the establishment of long-term and commercial partnerships between Gazan companies and Israeli wholesalers and retailers.

The project also supported the competitiveness and expansion of Gaza garment companies to expand in the local market, where they can better compete with low-priced imports. Activities with this aim included developing strategic business and marketing plans, enhancing production and quality systems, introducing new technology and critical inputs, and improving public perception of locally produced products as cost-conscious but quality alternatives to imported goods. Garment sector activities improved beneficiaries' ability to produce high-quality items with specialized high-tech machines and introduced training and apprenticeship programs to increase the capacity of the local workforce.

Exemplary Beneficiary:

Since 1987, **Al Ostaz Company** has been one of the largest children's wear producers in Gaza. When the company planned to expand into the West Bank market, Compete supported it in conducting market research that included profiles of potential buyers -- quantifying buyer needs, requirements, and processes. These profiles delivered actionable recommendations and a "go-to-market" strategy that enabled Al Ostaz Company to reach and sustain key new clients in the West Bank. Compete supported Al Ostaz Company in expanding to new clients in the West Bank, assisting the company to achieve \$394,000 in exports to the West Bank market, hire 17 new employees, and leverage \$38,000 in new machines.

Also operational since 1987, **Hasan Shihadeh Company** is another of Gaza's largest garment producers, specializing in jeans. When the company planned to increase its factory's capacity as well as its export volume to Israeli markets, Compete supported it to upgrade and expand its capacity through introducing new computerized machines enhancing productivity and quality. As a result, Hasan Shihadeh Company was the first company of its kind to enter the Israeli market, increasing employment by 29 full time workers while boosting export to Israel to \$1.2 million.

Workforce Development

With the decline of the industry over the last 16 years, skilled labor moved to other sectors for employment opportunities. Compete provided targeted vocational training activities and case-by-

case apprenticeship programs for export-ready firms, allowing skilled labor to operate new technology and specialists in the design and marketing space to gain real-world practical experience. Through the Garment and Textile Union, in December 2017, Compete implemented a workforce development program with 18 textile companies participating and, together, hiring 51 apprentices.

Exemplary Beneficiary:

Al Majed Company, an Islamic wear producer, planned to reach out to new buyers in the West Bank and use new embroidery machines to increase capacity and ensure the quality of final products. Compete supported Al Majed in conducting market research for the West Bank market and in providing new embroidery machines to improve capacity and enhance the designs of its products. Moreover, Al Majed participated in the work force development program and hired three apprentices to accommodate the high number of orders. The company succeeded in generating \$2.6 million in sales, \$625,000 in exports, 11 new positions, and \$109,000 in leveraged new machines.

Support Business Service Organizations

As part of the project's Component B, Compete conducted an institutional assessment of the Gaza Garment and Textile Union to obtain baseline information on the Union's operating environment, identify the strategic and operational challenges facing the Union, and enable the program to determine the type of technical assistance and support needed. Accordingly, the project provided technical assistance to the union to provide better services to its members.

Moreover, the project undertook work with ancillary industries along the value chain, such as producers of embroidery and washing services. Compete supported two service providers to improve their services and provide better quality to garment companies. The project supported Mousa Yousef Mater Co, an embroidery services provider, to assist it in investing in new machines that increase its productivity. Another grant was signed with Iyad Shehdeh Mohammad Abu Hasaneen Company, one of three garment washing factories in Gaza, to assist the company with an extractor machine, drying machine, washing machine, and a generator to improve the company's operational capacity by 70 percent and therefore increase the quality of their products.

Achievements

Compete provided firm-level assistance to 35 garment and textile companies and supported the sectors' representative union. Since 2015, the sector has shown signs of recovery. As a result, one of garment companies supported by Compete penetrated the Israeli market, marking the first shipment of ready-made clothes for the first time after Israel allowed the textile and clothing factories in Gaza to market their products in it. Gazan products have proven their ability to compete in both West Bank and Israeli markets. The value of exports increased significantly by 49 percent from 2015 to 2018. Additionally, the number of exporters increased from seven in 2015 to 46 in 2018.

Compete beneficiaries were the first companies to enter the Israeli market, opening the door to other exporters. Two of the project's beneficiaries, Hasan Shehadeh and Unipal 2000, recorded the highest export share. Moreover, the project succeeded in building beneficiaries' production capacity,

Furniture

The furniture sector in Gaza has historically been a very productive sector for both local and international markets. The furniture sector was operating at approximately 50 percent capacity in the year 2000 (valued at \$25,740,000). Border closures in 2008 halted all export. Overall, the Israeli blockade led to the temporary or permanent closing of 80 percent of operations.

The furniture sector is particularly affected by restrictions on imports of goods classified as “dual use” by the Israeli administration. Restrictions on the thickness of wood that can be imported as raw material was added to the dual-usage prohibition list; no wood over one centimeter thick or 25 centimeters wide could be imported, drastically affecting the ability of local producers to develop finalized products and conduct business as usual. To adapt, they have shifted to producing semi-final products that can then be transferred to the West Bank by way of a partnership or sub-contract with a firm that can finalize the products for export. Given the sustained decline in production from Gaza, skills levels in the sector have been adversely affected as workers have sought other means of employment.

Between 2012 and 2014, special coordination with Israeli authorities allowed certain producers to showcase their products internationally, primarily at exhibitions. In 2015, exports increased due to eased Israeli restrictions that began in November 2014.

Given the operating environment and the aforementioned restrictions, the furniture sector was identified as promising at the beginning of the project’s fifth year. Compete planned to provide limited support to companies that exhibit growth potential for possible expansion into export markets and to serve local market needs, especially since local production is now competing with alternatives from the U.S., Italy, China, and Turkey. The plan was to build the capacity of this sector by enhancing production and quality systems, providing training to enhance skills and create jobs, and supporting the sectors’ unions and associations, allowing them to better serve their affiliates.

To these ends, Compete conducted needs assessments of 20 export-ready firms to assess their sales and exports to the Israeli and West Bank markets, partnerships, production capacity, material requirements, and marketing information. This assessment was conducted based on the Israeli government’s decision in October 2014 to ease economic restrictions on the Gaza Strip. The firms were selected in cooperation with the Palestinian Wood Industries Union for potential engagement. These firms are the top exporters amongst the union members, based on export volume and potential.

In September 2015, however, the Israeli authorities again placed increased restrictions on the type of solid wood allowed into Gaza (from pieces 2.5 centimeters in thickness and 20-25 cm in width, to one centimeter thickness and five centimeters in width). A quick assessment of the dual-use restrictions lists as they relate to the 20 firms’ production requirements was conducted by the project and submitted to CLA and USAID. The assessment indicated that no firm is able to operate with wood at one-centimeter thickness, as this undermines the products’ quality and increases production costs, leading to low competitive advantages against regional producers.

Compete conducted an institutional assessment in 2015 for the Palestinian Wood and Industries Union that obtained baseline information on the unions’ operating environment and identified the

strategic and operational challenges facing the aforementioned unions. To enhance the capacity of the wood union to provide better services to its members, the project supported the union in developing strategic plans, governance policies, an operational plan, and monitoring system. The project also assisted in developing an accounting system and hiring one accountant to manage it. Compete also supported the union with its market presence in the West Bank and contributed to the development of a new website.

PROGRAM OPERATIONS— STAFFING, FINANCE, AND SECURITY

The following section outlines the project's program operations, including staffing, finance, and security.

Staffing

Over the course of the project's seven years of implementation, Compete has featured the talents of a wide range of local and expatriate staff. The team was initially comprised of two expatriate staff and 17 local staff members. The project continued to grow throughout the base period, eventually reaching 30 individuals with increased specialization and focused experience in their respective areas of responsibility by the end of Year 3.

Upon execution of the contract's Option Period, Compete underwent a change in leadership with Said Abu Hijleh taking over as COP. Mr. Abu Hijleh had worked with USAID and DAI for many years and, as a Palestinian business leader, brought a high degree of local knowledge and technical insight. During the option period, greater focus was also placed on compliance and a new team, including two expatriate managers, were brought in to lead those efforts. For the Option Period, the project also expanded its technical approach, as described earlier in this report, which required the hiring of 13 new staff members, including seven in Gaza following the opening of that office in the Fall of 2015 and a Senior Technical Advisor to better facilitate international market linkages.

This surge of national staffing was undertaken to achieve a commensurate increase in implementation capacity, also allowing additional flexibility to program and disburse additional funds to meet program goals, as the project received a \$4.9 million ceiling increase in 2016. The increased staffing was coupled with a reorganization and streamlining of management responsibilities, with the organizational chart rationalized to minimize the number of direct reports of any one person, thereby allowing adequate time for supervision and mentorship as well as empowerment among the Palestinian managers. Additional training was provided on vetting requirements and documents for all staff as well as specialized procurement and grants training, and the two teams were integrated more closely, particularly in the review process for awards, with the approval process including the relevant technical lead, Environmental Engineer, Grants Manager, and Procurement Manager before coming to the COP or DCOP, as required based on value thresholds. This dramatically decreased the need for revisions or clarifications and ultimately improved processing times and accuracy.

As the project progressed toward closedown, certain sectors were eliminated or their focus narrowed to reflect the development of that particular industry — particularly stone, ICT, and tourism in the West Bank — and those related positions ended. As activities became focused more on scaling earlier project successes in the final two years, additional staffing changes were made, phasing out positions no longer required and combining positions when necessary.

By the end of 2017, the project began phasing out staff ahead of closedown, with the first departures taking place in November. The Gaza office closed on July 31, 2018, with all but three activities finalized at that time. The completion of these activities was managed by the Ramallah-based team due to the Israeli closure of Kerem Shalom commercial checkpoint, which prevented immediate delivery of the purchased items. All technical staff left at the end of August 2018, with limited operational staff staying through the end of the project's period of performance to facilitate a smooth and compliant closedown.



Over the course of the project's seven years of implementation, USAID/Compete has featured the talents of a wide range of local and expatriate staff.

Operational Management

Given the wide range of sectors, implementation methods, and partner beneficiaries, spread over two distinct and separate regions, the need for strong operational management and processes was paramount to the project's effectiveness and was an ever-evolving progression.

Based on implementation and compliance lessons learned from the first phase of the project, adjustments were made to improve operational weaknesses identified during the option year period. DAI undertook an extensive review of project operations to identify areas of improvement and make recommendations for more compliant and effective operational management. As a result of this review, which was shared with USAID along with detailed corrective action plans, Compete instituted a number of operational and programmatic changes under the leadership of COP Abu Hijleh.

First, the responsibilities for Grants and Procurement were separated and assigned to distinct individuals to allow for better specialization and deeper knowledge of their respective needs. The DCOP/Operations became responsible for oversight of compliance, finance, and administration and served as a senior technical advisor to ensure that activities were identified and implemented to meet project impact goals and compliance requirements. Additionally, an expatriate Grants and

Compliance Manager joined the project with extensive experience in USAID, Federal Acquisition Regulations (FAR), and DAI rules and regulations, which were applied to newly developed and standardized selection and evaluation documentation for both procurement and grantee files, requests and communications with USAID, and the development of a new mechanism for implementing program funds: the Letter of Agreement (LOA).

This form of award, similar to an MOU, allowed the project to quickly and formally issue in-kind awards to individual firms or farmers when there is no intended public purpose, as opposed to grants which continued to be issued to beneficiaries following USAID's approval when the principal purpose of the activity was to transfer money, property, services, or anything of value to carry out a public purpose of support or stimulation, in accordance with ADS 304.3.1(b). LOAs outlined the terms of engagement, expected outcomes, period of performance, estimated value of assistance, cost-share requirements of the beneficiary, and objectives of the activity in accordance with DAI's standard procurement policies and procedures as well as best practices for grant execution. The slightly lower regulatory burden of LOAs, along with the fact that they could be quickly implemented at the discretion of the project in accordance with its approved workplan, allowed DAI to issue nearly 2,000 agreements over the course of roughly two and a half years, capturing impactful monitoring and evaluation results while clearly delineating to partner beneficiaries the goals of Compete and its activities as well as their compliance standards and participation requirements. Standardizing and formalizing the LOA process, particularly when coupled with checklists for required backup documentation, helped the project process such a high volume of agreements compliantly and clearly delineated the different expected outcomes from grants with both beneficiaries and USAID.

Regardless of the award type, the project ensured that beneficiaries understood their agreements' requirements by holding kickoff meetings at the same time as signatures were gathered, with a particular focus on compliance requirements and cost-share contributions. Stakeholder meetings and workshops were also employed in partnership with relevant unions, business support organizations, and Palestinian Authority Ministries in different regions on a regular basis to encourage participation, share impact goals and assistance opportunities, and clarify application or submission requirements, such as how to obtain a DUNS number or what support documents are needed for vetting clearance. Introducing clear and simple online applications and instructions in both Arabic and English for both assistance and procurement improved transparency and traceability of submissions, while accommodations were made for non-computer literate companies and individuals through acceptance of hard copy procurement submissions and field visits by staff to manually enter assistance applications by interested beneficiaries. While the project utilized one standard RFA for all FLAP sectors and then released targeted RFAs for specific programs, mostly in the agriculture sector, future projects should consider the use of an Annual Program Statement and then targeted RFAs under it to encourage a range of applicants to engage with the project, thus better managing processes for repeated or large-scale procurement of targeted programs to achieve timely and smooth implementation.

Blanket Purchase Agreements (BPA) were also vital to the successful implementation of large-scale programs, as delays in vetting, completion of cost-share, and cancellation of agreements would not as easily impact the delivery of goods, unlike under Purchase Order modifications, and had less administrative burden than subcontracts. Over time, as capacity increased, the project was able to issue more agreements with business support organizations or service providers, which could

receive assistance under Fixed Award Grants and then directly manage implementation and delivery to their numerous partners, reducing the administrative burden of the project, building the partners' capacity, and more quickly delivering impact, as opposed to the project issuing hundreds of LOAs and BPA release orders. Thorough procurement planning at the workplan stage also helped the project identify common goods and services for upcoming activities and issue BPAs accordingly, again facilitating the quick delivery of assistance without the need for significant staff time and effort to complete new procurement efforts for each individual activity, while also ensuring that specifications were available and achievable (particularly for Gaza).

The ease by which these standard prices, specifications, and delivery timetables afforded project implementation also reinforced for the Operations Team the need to ensure procurement was completed, with prices established and availability confirmed, before Action Memos were sent, which reduced the number of modifications needed as well as validated the value for money of each activity. If final prices were identified with a difference of more than 10 percent of the project's internal evaluation decision, the activity was re-presented for consideration, and staff were also thereby encouraged to do their due diligence in activity planning and presentation. It also helped to identify a reasonable cost-share contribution and establish expectations for interested beneficiaries. Over the course of project implementation, particularly under FLAP, Compete also made the decision to confirm the beneficiary's cost-share was purchased prior to signing its procurement agreement, increasing the likelihood of successful completion and delivery of its interventions.

Starting Up Activities in Gaza

These measures were particularly crucial for the project upon starting operations in Gaza in the fall of 2015. While all senior project leaders had experience undertaking remote management of programs, the inability of certain staff and equipment to travel to Gaza due to Israeli restrictions presented a further complication for project operations. To begin implementation, the COP conducted a series of trips to map out opportunities for engagement and impact as well as reliable and experienced staff who could execute his vision on both the technical and operational sides. Under the direction of the DCOP/Operations, the project's Ramallah-based Gaza Procurement Officer also undertook a number of scouting missions to understand the process of importing goods and what was available locally, given the serious disruptions in service and access as a result of the 2014 Gaza war. As the area had also been largely isolated from USAID assistance in the years prior, these trips served to further communicate what the processes were for application and submission of bids and assistance requests, what the compliance requirements entailed, what standards DAI would enforce in terms of ethical award management, and how to structure activities to be achievable and implementable in a given time period given the restrictions and limitations placed on the region.

Information was gathered from relevant union leaders, business support organizations, partner companies of trusted vendors in the West Bank, and professional networks to better understand the opportunities and challenges. Initial procurement was solicited through open calls for bids so that the project could better map the diverse types of companies present in Gaza, what materials they had already, and who was most experienced in successfully entering equipment through Kerem Shalom, generating a vetted and proven list of vendors who could be relied on for future needs. Initially relying on USAID to help facilitate entry of those pieces of equipment not available in Gaza, the project quickly realized that this subjected the equipment to undue scrutiny and delays from the

Israeli Coordination Liaison Administration, and that specialized vendors were more successful in directly navigating the various forms, restrictions, and processes for their individual types of equipment, particularly those that could be construed as dual-use, than either the project or USAID, and therefore only elevated issues to the Mission if the vendor requested assistance for a unique import.

These initial scouting trips were followed-up with regular visits by both the Gaza Procurement Officer and the Senior Grants Manager to partners and vendors, along with relevant technical staff from both Ramallah and the West Bank, whose constant due diligence helped to build the project's reputation as a reliable and principled partner in Gaza's reconstruction effort. On the rare occasions that the project discovered a beneficiary or vendor had engaged in fraud, Compete not only immediately canceled the given agreement, but also contacted that industry's respective association to explain the rationale behind the cancellation as well as the beneficiary to confirm no collusion occurred and encourage them to also uphold ethical business standards. Random spot checks by staff in Gaza further drove this home, and remote management by the Ramallah-based staff combined with all original records and negotiations retained in the West Bank helped to reinforce the project's processes.

Security

Over the course of the project's seven years of implementation in both the West Bank and Gaza, security of project staff, program implementation, and facilities was a significant consideration, as instability remained, and instances of civil unrest emerged sporadically, occasionally descending into violence, particularly in Gaza. As part of project start-up, field-based expatriate and cooperating country national staff coordinated with DAI's Security Office in Bethesda to generate a clear and implementable set of security protocols and requirements. The project's Ramallah office location was chosen for its central location but easy access out of the city to the Al Jib Checkpoint, its 24-hour guards and day-time parking lot attendant, its additional security measures such as security doors and keypad entry, and low-profile visibility. Likewise, when the project began operations in Gaza, it held a Security short-term technical assistance (STTA) consultation to identify offices, establish protocols, and update procedures for both the West Bank and Gaza in light of the fallout from the Gaza war of 2014. That office in particular was retrofitted with blast-proof window film and installation of additional locks, and casualty first aid training was provided for all staff along with provision of trauma kits. The Fleet and Logistics Manager served as the project's Security Focal Point and was responsible for reviewing and disseminating security alerts to the team, including those received from the United Nation's Department of Safety and Security (UNDSS), as needed. All staff were required to keep their project phones with them at all times, both during and after office hours so that security tree procedures could be initiated should issues arise, with messages including not only security alerts but also decisions regarding whether to keep the office open when protests or violence, particularly against U.S.-government supported entities, seemed likely. At times, special provisions were made for Jerusalem-based staff to carpool through Al Jib Checkpoint using the project vehicle to avoid potential clashes at Qalandia and DCO, or Gaza-based staff were requested to work from home if Israeli incursions threatened staff safety. Periodic security training and refreshers were provided to the staff, and relevant information was raised to USAID as needed. For future programs, it would be worth investigating the efficacy, timeliness, and accuracy of other sources of security information beyond UNDSS and USAID, such as the services of locally based Red Crow.

LESSONS LEARNED AND RECOMMENDATIONS

Through its Compete Project, USAID has achieved an extremely impressive level of results, especially given the restrictive environments in the West Bank and Gaza. Unsurprisingly, to reach these results, the project has generated an extensive set of lessons learned. This report has not attempted to list every lesson learned, but instead focuses on those lessons that can serve to inform USAID's broader approach to enterprise development, competitiveness, and private-sector programming. The section below presents the most useful lessons learned, focusing on those lessons that can help future interventions be more sustainable, impactful, and scalable. Each lesson learned is followed by a recommendation or recommendations related to that lesson.

Workforce development that is fully integrated into the value-chain approach is cost effective, sustainable, and market-driven.

By late November 2017, Compete Project had created over 5,600 jobs, yet it has no stand-alone workforce development component. Instead, “workforce development” was analyzed as labor flow, a key variable in successfully growing a private sector enterprise, one that must respond to market forces and changing demand as part of a larger productivity equation that includes investment, technology, and human capital. Through the FLAP, firms were assisted with specific labor flow challenges they faced that are directly linked to the market. Compete did not solely focus on subsidizing employment — through cost-shared internships, for example — but placed the highest priority on providing assistance that helped firms and farms increase sales and market share, which may or may not require direct workforce-related assistance. However, when a firm was successful in increasing sales, it also resulted in job creation – jobs that were sustained and market-driven as they were fully the responsibility of the client firms and farms.

Recommendation: Continue with an integrated approach to workforce development. Leverage this integrated approach to inform new partnerships, especially PPPs, as this integrated approach has resulted in strong support from both the public and private sectors.

The market can be leveraged to change policy.

Changing policy through standard communication channels and mechanisms between Israel and the Palestinian Territories is time-consuming, unpredictable, and often futile. However, as one Palestinian business leader told us, “We have a three-state solution here: Israel, Palestine, and the private sector.” In essence, Compete has been more impactful by successfully leveraging the market – private-sector business – to change policy. For example, by engaging Israeli buyers of baby cucumbers, the project was successful in getting Jalameh checkpoint to extend its hours and streamline its operations, which was critical to getting the product from the West Bank to Israel fresh and on time. Likewise, in Gaza, the project's private-sector vendors handle the cross-border

requirements with Israel except for commodities that require special coordination, for which USAID can be brought in to assist.

Recommendation: Help generate more timely, accurate, and informative trade data. Leverage this improved data set to identify entry points to foster and support private sector-led trade facilitation efforts. Use USAID's political will to address constraints that the private sector alone cannot address.

The space to operate apolitically boosts the likelihood of success.

A key factor in the project's success was that it was protected from political pressures – whether from the Israeli Government, the Palestinian Authority, or the U.S. Government itself. For example, USAID did not get directly involved in beneficiary selection and did not entertain political requests of the project. Likewise, while the PA was kept informed of project activities, it was not asked for formal approval. This allowed the project to be more impactful by using market and economic forces to guide project activities without politics potentially distorting or skewing interventions.

Recommendation: Provide consistent protection and space for projects to operate apolitically in the West Bank and Gaza.

The traditional ICT sector in the Palestinian Territories is oversaturated with donor assistance; a focus on leveraging new technology to improve value chains in targeted sectors offers greater potential impact.

There are 23 ICT accelerators and incubators in the Palestinian Territories as well as four active private-sector investment funds – both equity and venture capital. It is evident that the traditional ICT sector in the Palestinian Territories is oversaturated with donor assistance and now has ample private-sector funding available to it. While Compete continued targeted support to some traditional ICT firms, in response to the oversaturation, it has shifted its primary focus in the sector to technology and tech-related startups that leverage new technology to improve value chains in the targeted sectors. This offers great promise in the agriculture sector, where there is actually a huge shortage of farm labor, a constraint that new technology and machinery can address.

The centerpiece of this focus on technology was a sustainable and market-driven partnership that Compete brokered between NI and PPU in Hebron. The Compete Project supported the establishment of a National Instruments Academy at PPU, while NI provided technical training, mentoring, and certification. The PPU has already developed technical proposals for four machines with specific application and demand in the project's targeted sectors, including machines for vegetable and fruit drying; vegetable sorting; stone defect detection (which detects defects in stone before the defect damages expensive stone-cutting machinery); and a filling, sealing, and capping machine (for processing and packing of agricultural products).

Recommendation: Continue to support and monitor the technology-focused approach to ICT and the partnership between NI and PPU. Once proof of concept is demonstrated through successful prototypes, support plans for scaling and expansion, including any spinoff small businesses, if they are created.

Operating the project like a business increases credibility and outreach.

The Compete Project operated like a business, which has increased its credibility with the private sector and therefore its outreach and impact. For example, when assessing the feasibility of a new technology, product, or market, the Compete Project calculated the return on investment through a pilot project, using actual costs and revenues. It used similar business metrics to screen applications for assistance, a process that included a weekly review and approval meeting by an internal Compete Project committee. Operating similarly to a bank's credit committee, Compete's review committee included the COP, the Monitoring and Evaluation Manager, Operations Manager, and sector managers. Prior to the weekly meeting, sector managers visited applicants to verify the details of an application. Once the site review was completed, sector managers presented the application along with their recommended response, which could have included rejection, approval, or approval with modifications to the committee. This review process ensured that every application was treated with the same rigor. It also ensured there was no conflict of interest in the selection process because those presenting and defending an application – sector managers – were not approving applications in their own sector.

Recommendation: Operate private sector-focused projects like a business.

Coordinate closely with the relevant Palestinian Authority ministries.

Compete coordinated very closely with the Ministries of Agriculture, ICT, Tourism and other relevant ministries since the very beginning of the project. For example, during start-up, an MOU was jointly developed and signed with the Ministry of Agriculture (MOA), which served to align Compete's interventions with the MOA strategy. In addition, while not a direct beneficiary of the project, the MOA was assigned a point of contact for the project, and the MOA's field extension agronomist often joined the Compete Project team when visiting farmers.

The close coordination resulted in strong buy-in from the MOA for Compete interventions. In turn, that buy-in has benefited the project in many ways. Most notably, it helped build the credibility of the project with farmers, which helped to foster commitment, dynamism, and critical mass, and also lent further credibility to the integrity of the selection process. The same arrangements and approach were followed with other ministries, including the Ministry of Tourism for the renovation and hotel classification system and with the Ministry of Telecommunications for the e-government initiative.

Recommendation: Include public-sector capacity development in private-sector development projects to improve national policy agendas and vision.

Wide communication and outreach, along with simple application requirements, are essential for reaching a critical mass of sound firms and farms.

By late November 2017, Compete had directly worked with 1,373 enterprises. Somewhat surprisingly, this is only about 30 percent of the enterprises that applied for assistance, meaning over

three times as many firms and farms applied to the Compete Project for assistance than were actually assisted. On one hand, this ratio appears low — the Compete Project is working with less than one third of those enterprises that are seeking partnership with, or investment from, the project. On the other hand, having so many firms apply has enabled the project to stimulate greater dynamism in targeted value chains. Over time, Compete has raised expectations of its applicants in the West Bank, including cost share percentage, investment, and the quality of applications. Attracting such strong interest in the project has been made possible through wide communication and outreach, such as through:

- 1- Workshops targeting subsectors, value chains, and regions where the program is introduced. These workshops discussed an activity's goals, methodologies, financial commitment, timeline, and all relevant information regarding how to apply.
- 2- Announcements on the website of project activities, goals, and procurements.
- 3- Announcements through partner organizations' websites and mailing lists.
- 4- Announcements in the newspaper.
- 5- Project team field visits.

Recommendation: Continue to promote broad participation, especially in rural and disadvantaged areas.

Data visualization improves project reporting and data quality.

At the end of 2015, the Compete Project had over five years of comprehensive project data in Excel files. To improve the ease of reporting, the project converted the raw data into visualization using Power BI Dashboard. Using maps and basic charting tools, the data is now easily sorted and visualized by sector, value chain, location, cost share, and other variables. The project's five main indicators appear on the landing page and are updated quarterly. These indicators include the number of firms assisted, number of jobs created, dollar value of exports, dollar value of investment leveraged, and the number of new regional and international export markets penetrated.

Data visualization has had two main impacts. First, it has made responding to requests for information from USAID quick, accurate, and easy, with the added benefit of being able to answer requests without diverting technical and management staff from their work. Second, the visualization has improved data quality. Errors in data collection are identified easily and quickly. This has resulted in the regular Data Quality Assessments conducted by USAID being completed in a fraction of the time needed previously.

Recommendation: Consider expanding the data visualization platform and dashboard across implementing partners in the West Bank and Gaza. For any new activities or projects, ensure that the data visualization system is established during project start-up to ensure that data is collected consistently and well, either through a centralized system at USAID or through stand-alone project systems.

Interventions through a targeted value chain program are the most efficient.

Although the tailored assistance offered to individual firms through the FLAP contributes to their success, including through procurement support, these actions alone will not be sufficient at an economy-wide level. Instead, a targeted value chain program — one that seeks to benefit all firms along that value chain — is more efficient and, ultimately, more effective. For example, under the baby cucumber program, USAID provided one overarching approval for the program, and then the project offered a standardized package of assistance to those farmers that get approval. This has enabled procurements to be bundled and quickly scalable, greatly improving the efficiency of operational support.

Recommendation: Make it a priority to identify, assess, and test new value chains — especially in agriculture — that offer the potential to scale into a targeted value chain program.

Continue working in Gaza.

Gaza has been under Israeli blockade for more than 11 years, and its people are suffering from a shortage of electricity, lack of water, and the inability to travel. Israeli permission for the entry and exit of goods, which the Project aims to assist, or the exit of export products by Gazan firms remains a challenge. For the furniture sector, it has made working with clients difficult to the degree that little can be done without raw materials, which need to be imported into Gaza. At the time, import of key raw materials was not permitted except for sizes of wood that only allow for the production of baby products and toys.

The economy in Gaza is in dire need for more assistance interventions among different sectors and value chains, impactful activities that truly make a difference at a firm level, scalable programs that help sector firms to compete either locally, or access to markets that will yield exports and revenues and better products that could compete globally.

Recommendation: Continue working with Gazan businesses taking into consideration the Israeli regulations and requirements of importing/exporting goods and machines and the flexibility of the project's private sector vendors to handle the cross-border requirements.

Indicator Name	Sector	Planned Value for FY1 (2012)	Actual Value for FY1 (2012)	Planned Value for FY2 (2013)	Actual Value for FY2 (2013)	Planned Value for FY3 (2014)	Actual Value for FY3 (2014)	Planned Value for FY4 (2015)	Actual Value for FY4 (2015)	Planned Value for FY5 (2016)	Actual Value for FY5 (2016)	Project Planned Value for FY5-2016 (WB+Gaza)	Actual Value for FY5 (2016)	Planned Value for Year 6 (2017) WB	Planned Value for Year 6 (2017) Gaza	Planned Value for Year 6-2017 (WB+Gaza)	Actual Value for Year 6 (2017) WB	Actual Value for Year 6 (2017) Gaza	Planned Value for Year 7 (2018) WB	Planned Value for Year 7 (2018) Gaza	Planned Year 7-2018 (WB+Gaza)	Actual Value for Year 7 (2018) WB	Actual Value for Year 7 (2018) Gaza	Actual Value for Year 7-2018 (WB+Gaza)	Total planned	Total Actual		
Percent increase in sales of assisted Palestinian firms	Fishing	NA	NA	NA	NA	NA	NA	NA	NA	0%	15%	15%	23%	0	15%	15%	0	15%	12%	15%	0	15%	15%	0	30%	30%		
Number of new jobs created at assisted Palestinian firms	Fishing	NA	NA	NA	NA	NA	NA	NA	NA	0	30	30	5	0	30	30	0	22	22	0	5	5	0	12	12	65	29	
Value of exports of targeted textile & garments as a result of USG assistance	Textile and Garment	NA	NA	NA	NA	NA	NA	NA	NA	\$ -	\$ 1,000,000.00	\$ 1,000,000.00	\$ 234,866.00	0	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 2,491,590	\$ 2,491,590	0	\$ 2,500,000.00	\$ 2,500,000.00	0	\$ 2,491,839	\$ 2,491,839	\$ 5,000,000.00	\$ 5,218,285.00	
Percent increase in sales of assisted Palestinian firms	Textile and Garment	NA	NA	NA	NA	NA	NA	NA	NA	0%	15%	15%	27%	0	15%	15%	0	29%	29%	0	15%	15%	0	38%	38%			
Number of new jobs created at assisted Palestinian firms	Textile and Garment	NA	NA	NA	NA	NA	NA	NA	NA	0	15	15	12	0	30	30	0	132	132	0	100	100	0	150	150	145	294	
Number of youth gaining employment or better employment as a result of participation in USG-funded programs	Cross Cutting	N/A	N/A	N/A	N/A	112	322	236	290	96	90	196	309	90	90	180	1880	1880	1880	40	40	80	146	440	586	785	3297	
Number of assisted private sector organizations and private sector service providers receiving USG assistance	Cross Cutting	N/A	N/A	15	15	15	32	10	9	30	9	19	21	3	3	6	3	5	8	2	2	4	2	6	8	69	93	
Number of new services provided by targeted business service providers and business service organizations to targeted sectors by the project	Cross Cutting	N/A	N/A	2	18	4	38	6	14	5	10	15	15	2	6	8	10	2	12	4	4	8	2	6	8	43	101	
Increase in exports and/or sales by women-owned/managed businesses and cooperatives as a result of U.S. Government assistance	Cross Cutting	N/A	N/A	N/A	N/A	N/A	0	\$ 138,181.00	\$ 50,000.00	\$ 50,000.00	100,000	\$ 271,582	\$ 100,000	\$ 100,000	\$ 200,000	\$ 220,818	\$ 212,753	\$ 412,571	\$ 330,000	\$ 800,000	\$ 450,000	\$ 399,697.71	\$ 914,271.32	\$ 1,313,969.04	\$ 750,000.00	\$ 2,157,302.95		
Number of women participants in training and capacity building courses that improve skills in the ICT and Tourism sectors	Cross Cutting	N/A	N/A	N/A	N/A	0	354	0	458	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	812		
Percentage increase in revenues of business service organizations from new services delivered to their members as a result of USG assistance	Cross Cutting	N/A	N/A	30%	62%	20%	115%	30%	9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				
Percentage increase in number of firms that received services from business service organizations / providers, as a result of USG assistance	Cross Cutting	N/A	N/A	30%	12%	80%	10%	10%	9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				

