



USAID | **WEST BANK/GAZA**
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USAID COMPETE PROJECT QUARTERLY REPORT

OCTOBER 1 – DECEMBER 31, 2017



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DAI

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government. It was prepared by DAI.

Cover photo: Harvesting onions at Al Bokai'a Plain, Atuf, Tubas.

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TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS	5
EXECUTIVE SUMMARY	6
CHAPTER I: WEST BANK KEY ACCOMPLISHMENT AND MAJOR HIGHLIGHTS	10
AGRIBUSINESS.....	12
Sector Progress and Achievements.....	12
Strengthening and Scaling-up Developing Value Chains.....	12
Progress of Baby Cucumber Subsector	12
Progress of Strawberry Program	13
Progress of Grapes Program	13
Strategic Water Resource Management – Demonstration Site for Deir Sharaf Treated Waste Water (TWW).....	13
Access to Market.....	14
INFORMATION COMMUNICATION TECHNOLOGY	15
Sector Progress and Achievements.....	15
Expanding the Definition of Technology to Facilitate Local Market Penetration	15
Start-Up and Business Enablers Support Program	15
Niche Skills and Product Development.....	17
TECHNOLOGY	19
STONE & MARBLE	20
Sector Progress and Achievements.....	20
Export Market Development.....	20
TOURISM	21
Sector Progress and Achievements.....	21
Renovation and Rehabilitation.....	21
Income-Generating Activities	21
CHAPTER II: GAZA KEY ACCOMPLISHMENT AND MAJOR HIGHLIGHTS....	22
AGRIBUSINESS.....	23
Sector Progress and Achievements.....	23
Enhance Post-Harvest Facilities.....	23
Potato and Sweet Potato Program.....	23
FISHING	24

INFORMATION COMMUNICATION TECHNOLOGY	25
Sector Progress and Achievements.....	25
Access to Market.....	25
Support Enablers and Service Providers	26
GARMENT AND TEXTILE.....	27
Sector Progress and Achievements.....	27
Workforce Development Program.....	27
Improve Product Quality and Quantity	27
Institutional Level: Textile and Garment Union.....	28
CHAPTER III: MONITORING AND EVALUATION.....	29
RESULTS ACHIEVED IN Y7Q1	30
Agribusiness Sector.....	30
Fishing Sector	30
ICT/Technology Sector.....	31
Garment Sector	31
CHAPTER IV: COMMUNICATIONS	32
SUCCESS STORY: EMBROIDERY RE-TOOLED	32
SUCCESS STORY: DEAD SEA SALTS GLOBALLY	33
CHAPTER V: FINANCE AND OPERATIONS	34
Subcontracts, Grants, Operations, Compliance	34
Activities during Q1 of FY7.....	34
Future Activities.....	34
Vetting.....	34
ANNEX I: FINANCIAL SUMMARY.....	35
LEVEL OF EFFORT SUMMARY	35
FINANCIAL SUMMARY	35
ANNEX II: TRAININGS AND WORKSHOPS	36
ANNEX III: SUMMARY OF PROGRESS TOWARD OP INDICATORS.....	37
OPERATIONAL PLAN INDICATOR TARGETS	37
ANNEX IV: MANAGEMENT INDICATOR TARGETS	39

ACRONYMS AND ABBREVIATIONS

B2B	Business to Business
CLAD	Certified LabVIEW Associate Developer
FLAP	Firm Level Technical Assistance Program
Geo-MIS	Geographical Management Information System
HLITOA	Holy Land Incoming Tour Operators Association
ICT	Information and Communications Technology
M&E	Monitoring and Evaluation
MOA	Ministry of Agriculture
MT	Metric Tons
NI	National Instruments
PITA	Palestine Information Technology Association
PPU	Palestine Polytechnic University
RFP	Request For Proposal
TAMIS	Technical and Administrative Management Information System
TWW	Treated Waste Water
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

DAI is pleased to present its first Quarterly report for its seventh and final year 2018, following an extension of the period of performance from November 29, 2016 to October 30, 2018. USAID through its Compete Project continues to build on achievements, applying its resources, knowledge, partnerships, and lessons learned to produce lasting, impactful change throughout the West Bank and Gaza. During Year 7, Quarter I, the project continued building on previous successes, but narrowed the focus to areas that have the most significant impact on the long-term economic growth of the Palestinian economy in the amount of time remaining.

Activities for Y7Q1 continued to support the project's Results Framework, focusing on: enhancing access to markets; strengthening and producing high value products and services; improving workforce development; increasing access to finance and investment; and supporting enablers and service providers to address sectorial and policy impediments.

While continuing to impact key sectors through Firm Level Assistance Program (FLAP), Compete is exiting those sectors that are more fully developed or where significant impact is not possible in the limited time remaining. These sectors include: Tourism, except finalization of the last renovation projects (Haram El Rameh) in Hebron, Rehabilitation of Battir Agricultural Water Canals in Bethlehem and the development of a handicraft village in Beit Sahour to support small producers; Stone and Marble; ICT, except for a few final ongoing activities which were completed by the end of 2017.

Highlight of Y7Q1 was the Pioneers Day celebration which was held on Nov. 16, 2017, where USAID awarded 28 pioneers of its Compete Project beneficiaries and partners certificates of excellence in their field. The event was attended by around 350 people including USAID, US Consulate and Palestinian officials, beneficiaries, partners, international donors and the media.

By the end of Y7Q1:

- 1,451 beneficiaries to date have benefited from USAID support; 1,124 have been from the West Bank and 327 from Gaza. In Y7Q1, Compete supported 124; 46 of which are from Gaza.
- The beneficiaries portfolio analysis shows that 1,323 out of 1,451 beneficiaries have less than or equal to 50 employees.

To Date	Y7Q1
Beneficiaries	
1451	124
Sales \$	
325.58M	37.33M
Exports \$	
219.44M	16.97M
Jobs	
5894	210
Investment \$	
99.78M	2.68M

- The value of commodity exports of supported beneficiaries reached \$219.44 million, \$201.09 million in the West Bank and \$18.35 million in Gaza. \$16.97 million were achieved in Y7Q1.
- The value of total sales of supported beneficiaries reached \$325.58 million, \$280.7 million in the West Bank and \$44.88 million in Gaza. \$37.33 million were achieved in Y7Q1.
- The increase in exports is spurring job growth throughout the region, with 5,894 jobs created since project inception, 5,006 jobs in the West Bank and 888 jobs in Gaza. 210 jobs were created in Y7Q1.
- Since project inception, 45 unique markets were accessed across sectors, with 12 new markets in Y7Q1 alone.
- Firms are also investing in their own future, \$99.78 million private investment mobilized, with investment leverage of 1:4. Of which, \$2.68 million were invested in Y7Q1
- Due to USAID's targeted assistance in the West Bank, the Agribusiness Sector has generated in the first quarter of Year Seven \$22.4 million in sales, \$10.06 million in exports, created 8 new jobs and leveraged over \$2 million investment. In Y7Q1, Compete has engaged with 68 beneficiaries and penetrated 5 new markets.
- In GAZA Agribusiness Sector, Compete has assisted in Y7Q1, 35 beneficiaries. All beneficiaries together generated sales of almost \$9 million, exports of over \$4.6 million, created 6 jobs, improved the technology and production patterns of 440 dunums and leveraged over \$176K of private sector investments. Compete completed working with five export companies to enhance post-harvest facilities.

The project is currently supporting a range of activities, including large-scale programs in agriculture sectors identified as developing, particularly baby cucumbers and grapes. In addition to these subsectors, support for agriculture activities for product improvement including mushroom cultivation, traditional products producer, and the salt company continued during the quarter. Following the successful enhancement of the Kufr Dan Cooperative, Compete expanded its support to work with farmers in Al Aghwar and Deir Abu Deif. The baby cucumber clusters targeted pickling companies as well as selling baby cucumbers as fresh produce. In Y7Q1, total export generated \$259,120 and leveraged \$60,000 in investment. In Y7Q1, North Jordan Valley Cooperative exported 193MT to Israeli pickling factories.

Compete technical team completed a cost benefit analysis for the introduction of the heating system for the strawberry value chain in the North. During the Quarter, Compete signed three LOAs with three farmers in Jenin to support them with heating system.

Compete announced a grapes program in the Northern West Bank and received 315 applications covering 1368 dunums of farmland. The ongoing program is currently targeting 111 farmers covering 425.5 dunums of seedless grapes.

Following the favorable results of Deir Sharaf Treated Waste Water pilot project, Compete project announced for project scalability through FLAP. Following project announcement, 13 applications were received. Deir Sharaf pilot project expansion will target nine farmers to establish additional 58 dunums, making the total number of pilot project around 200 dunums.

To improve the export market penetration of the project's agricultural beneficiaries, Compete Project supported Emirates Delights Marketing Company to attend Food Expo, Ho Chi Minh City, Viet Nam, that was held from 15 to 18 November 2017, Mushroom House received support for phase 2 mushrooms for the installation of mycelium lab and equipment, and West Bank Salt Company

was supported with ISO 22000 system adaptations, GAP assessment and the documentation system were completed.

For the first time this season, Gaza started, in October, exporting potatoes via the King Hussein Bridge to Amman, Jordan. Total export quantities of potatoes reached 3,630.3MT.

A packing house supported by USAID also successfully exported 34MT of strawberries to Saudi Arabia. This is the first time Gaza strawberries were sold in Gulf countries. This season, Gaza strawberry farmers exported 402.44MT to the West Bank.

Compete Project has announced a program to expand the cultivated area of potato. Base on Year 7 work plan, the program targets 800 dunums of potato, however, due to the high demand that Compete received from the potato farmers, Compete increased the target to 1800 dunums. Compete Project has announced a support program for the sweet potato farmers. Six applications were received; five of them were approved and signed LOAs.

In this Quarter, Fishing sector has generated \$1.15 million in sales. Of particular importance, Al Bahhar fish farm exported 9.9MT of fish to the West Bank, representing 37.23% of total fish exported.

In ICT's West Bank, Compete has generated \$294.15K in sales and \$253K in exports and supported 6 beneficiaries. The sector has also created 6 new jobs and leveraged more than \$75K in investment. The total amount of startup capital raised by youth came to \$475K.

In Gaza, the project continues to develop the ICT sector. In this quarter, 8 beneficiaries got supported through a scaled up Program, with a total sales generated amounted to \$234.6K, while export reached \$155.36K. Together ICT companies created 155 jobs, and expanded into 6 new markets.

In Technology, Palestine Polytechnic University (PPU) has commenced the design process for four machines [Vegetables & Fruits Drying Machine, Stone Defect Detection Machine, Filling, Sealing and Capping Machine, and Vegetables Sorting Machine]; the design of the baby cucumber machine was concluded by the end of December 2017. The remaining three will be concluded by end of March, 2018.

In Year Seven, USAID through its Compete Project is exiting fully from Stone and Marble. In this quarter, Compete continued capturing the results of the recent interventions that were implemented in Stone and Marble Sector. Four companies reported that they generated \$1.19 million sales in export market and 9 new job opportunities.

In Tourism, currently two site renovation projects are in progress: Rehabilitation of Battir Agricultural Water Canals with 70% of completion, the project is expected to be completed in February 2018. In Hebron, rehabilitation work for Haram Al Rameh archeological site was kicked off in November with 10% of completion, and it is expected to be completed in May 2018.

In Garment and Textile, USAID through its Compete Project has improved the production capacity of two garment businesses, one grant with the union and approved 4 cases during this quarter to enhance their access to local, West Bank and Israeli markets. Garment companies generated during this quarter \$3 million in sales and \$548K in exports and hired 26 new employees.

Most of the skilled employees in the garment and textiles sector became seniors, and their skills are outdated. To overcome this challenge, Compete is introducing the Workforce Development Program (WDP) opportunity to train and employ new employees in factories, thus contributing to

sustainability of the sector. A grant agreement was signed with Union of Industries for Textile, Leather and Clothing in December 2017 to implement the WDP, and nine textile companies will sign LOAs starting January 2018 through May 2018.

This **Quarterly Report** is organized into five chapters and three annexes. Chapter one presents key accomplishments and major highlights of the reporting period in the West Bank. Chapter two presents key accomplishments in Gaza. Chapter three includes a detailed review of the progress made by Compete during the first quarter of Year 7. Chapter four presents two success stories. Chapter five summarizes finance and operations. There are also three annexes: Annex I lists the financial summary, Annex II is a summary of progress towards indicators where the Monitoring and Evaluation team presents all indicator progress specified in the performance management plan (PMP) for the period and Annex III highlights the management indicator targets.



CHAPTER I: WEST BANK KEY ACCOMPLISHMENT AND MAJOR HIGHLIGHTS

As result of USAID through its Compete Project's support over the past six years, the targeted four key sectors (agriculture, ICT/Technology, stone and marble, and tourism) have seen significant expansion in export market performance and leveraging of private sector investment, through scaling-up and improving the quality of production in order to meet international market demand. In light of these achievements, for the project's seventh and final year of operation, the Project continued addressing critical market failures within the agriculture sector, focusing only on points of leverage in the agriculture sector and expansion of water access in Area C. Programming in other sectors like ICT and Tourism was completed at the end of Year 6. In addition, USAID continues to nurture and support the technology value chain through the well-established partnership between the Palestine Polytechnic University (PPU) and National Instruments (NI) which began in Year 6.

The project continued its support to the identified sectors, namely Agriculture and Technology, but exiting from well-developed Stone and Marble and Tourism sectors, (except for two ongoing projects of site renovations in tourism). The project continued addressing the critical market failures among its selected value and utilized a market development approach to mitigate identified failures that hinder progress across all West Bank sectors through the **Firm level Technical Assistance Program- (FLAP)** as the primary vehicle through which support to these sectors is provided. Figure 2 below shows FLAP summary applications since the inception of the program. Compete continues to receive and assess new applications under FLAP. To date, 2,483 applications have been received since the beginning of the FLAP program, of which 817 applications were approved.

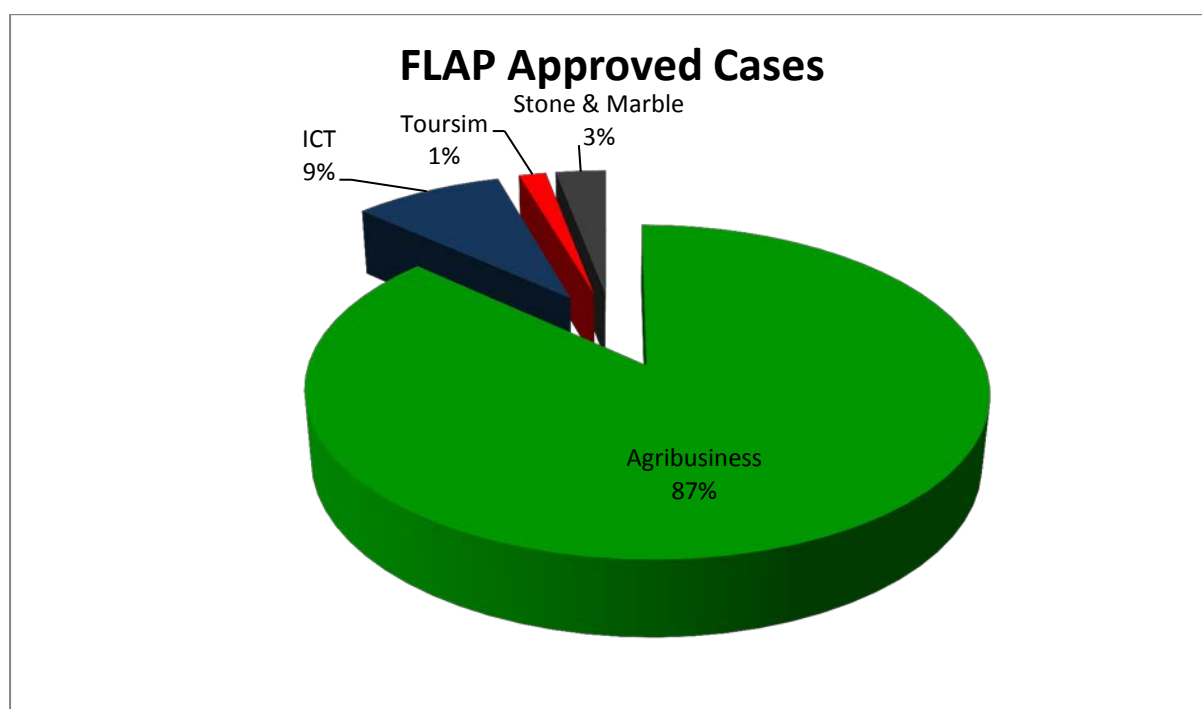


Figure I: Approved cases of Firm Level Assistance Program (FLAP) activity in the West Bank (since start of FLAP)

During the life of the project, Compete has assisted 1123 beneficiaries, generated sales of \$281 million, exports of \$201.1 million, created 5,006 jobs and leveraged \$94 million of private sector investments.

In Y7Q1, Compete beneficiaries have generated sales of \$42 million, exports of over \$11.5 million, created 23 jobs, improved the technology and production patterns of 727.6 dunums and leveraged over \$2.28 million of private sector investments. During this quarter Compete assisted 78 beneficiaries.

Those achievements came as a result of a tailored Year Seven Workplan focusing on Agriculture, Technology sector, implementation of two renovation projects, development of a handicraft village in Beit Sahour and completing few final ongoing activities in ICT sector.



AGRIBUSINESS

Sector Progress and Achievements

As a result of the **Firm Level Assistance Program (FLAP)**, supported agribusinesses continued to demonstrate results during the first quarter of Year 7. In the West Bank, 87% of FLAP applications came from the agribusiness sector. In Y7Q1, Compete has approved 68 applications.

As outlined in Year Seven Workplan, interventions in the baby cucumbers, grapes, mushrooms, potatoes, and carrots value chains, have formed the core programming areas for the project, using lessons learned to further strengthen and/or scale-up production and competitiveness, with potential for expansion. Additionally, the project continued, according to the plan, to work with farmers across the sector to enhance their productivity and facilitate trade through improved supply chain management.

During the reporting period, Compete Project has generated over \$22.40 million worth of sales, \$10.06 million in exports, created 8 new agribusiness jobs and leveraged over \$2 million investment. Compete Project has helped move the major value chains into a developed status. In Y7Q1, Compete has engaged with 68 beneficiaries and penetrated 5 new markets.

Strengthening and Scaling-up Developing Value Chains

The project is currently supporting a range of activities, including large-scale programs in agriculture sectors identified as developing, particularly baby cucumbers and grapes. The project continued to work with farmers across the sector to enhance their productivity and facilitate trade through improved supply chain management. The project selected applicants to subsector programs based on targeted indicators following statistical feasibility studies per value chain, capturing information related to plant production, potential for competitiveness, economic impact, and crosscutting issues. In addition to these subsectors, support for agriculture activities for product improvement including mushroom cultivation, traditional products producer, and the salt company continued during the quarter.

Progress of Baby Cucumber Subsector

Following the successful enhancement of the Kufr Dan Cooperative facilities supporting the baby cucumber value chain and the creation of a cluster, Compete expanded its support to work with farmers in Tulkarem and the Jordan Valley to create four new clusters. The baby cucumber clusters targeted pickling companies as well as selling baby cucumbers as fresh produce. In Y7Q1, total export generated \$259,120 and leveraged \$60,000 in investment.

In Y7Q1, North Jordan Valley Cooperative exported 193MT to Israeli pickling factories. Compete will support Der Abu Daif farmers through establishing a packing house for sorting baby cucumber which is owned by Mohmoud Abdul Razeq. The packing house includes a sorting line and a cooling room.

To expand the production of baby cucumber, Compete delivered a cooling room for **Kufr Dan Cooperative** in November 2017 & will deliver another cooling room to **Vegetable Jenin Company** with a capacity of 640 tons. Cooling rooms are storing baby cucumber and potato.

Vegetables Jenin Company for Agricultural Investment is planning to expand the production of baby cucumber by planting an additional 200 dunums to cover the demand of Israeli pickling factories. The company is planning to install packing house of 600 square meters including two cooling rooms with a storage capacity of 500 tons. Compete will support the Company with one

cooling room of 250 MT by January 2018. Cooling rooms will be used during closure of Al Jalameh crossing and to store the red potato during the production season to be exported to Jordan during the off season. The expansion of baby cucumber will be through installing new net houses including the existing greenhouses in Burqin and Jenin.

Progress of Strawberry Program

Compete assisted strawberry farmers with an Arab Israeli strawberry expert to follow up with the farmers in producing seedlings and check with them on their farms. By the end of October, the expert conducted six field visits to all farmers. All farmers managed to produce seedling in-house, and all managed to start the season at the right time with the right input.

Compete technical team completed a cost benefit analysis for the introduction of the heating system for the strawberry value chain in the North. During the Quarter, Compete signed three LOAs with three farmers in Jenin to support them with heating system on a 50% cost share basis which was completed in December.

Progress of Grapes Program

Compete announced a grapes program in the Northern West Bank and received 315 applications covering 1,368 dunums of farmland. The ongoing program is currently targeting 111 farmers covering 425.5 dunums of seedless grapes.

In Hebron, Compete is assisting Dawalina Company for Agricultural Manufacturing in installing a new line of grapes' byproducts production including grapes molasses, jam, vinegar, raisins and malban. The Company is involved in the production of traditional products including grapes molasses, raisins, and malban. The company works with 883 farmers on 2,120 dunums of grapes which produce around 2,000 tons of grapes. 80% of grapes are sold in local markets and 20% are used for grapes byproducts.

Strategic Water Resource Management – Pilot Project for Deir Sharaf Treated Waste Water (TWW)

Compete Project assisted Deir Sharaf Agricultural Cooperative to improve the livelihood of its members by implementing a pilot project for treated wastewater reuse at West Nablus treatment plant. The Project aimed to encourage agricultural development and to improve the socio-economic conditions of the area.

Following the completion of Treated Waste Water pilot project, Compete had fully supported the cooperative with an agronomist for a period of 4 months until December 2017, after which the cooperative beard the hiring cost. To further sustain the pilot project in November, Compete provided a solar energy system to guarantee continuous power source for the irrigation system.

Following the favorable results of Deir Sharaf pilot project, Compete project announced for project scalability through the firm level assistance program (FLAP) in addition to a kick off workshop that was held in Deir Sharaf and attended by the Ministry of Agriculture, Deir Sharaf Agricultural cooperative, Compete team, and 46 farmers. Following project announcement, 13 applications were received, for which field visits and full assessment were conducted. Deir Sharaf pilot project expansion will target 9 farmers to establish additional 58 dunums, making the total number of Pilot project around 200 dunums. It is expected to release the RFP for project expansion in mid-January 2018.

Access to Market

To improve the export market penetration of the project's agricultural beneficiaries, the project continued to support the development of export-ready producers among its various subsectors through the establishment of post-harvest facilities, provision of quality assurance measures, and delivery of export marketing assistance. However, industry supporting firms and enablers are still in limited supply, especially in packaging services, and require export market penetration assistance.

In Y7Q1, Compete Project supported Emirates Delights Marketing Company to attend Food Expo, Ho Chi Minh City, Viet Nam, that was held from 15 to 18 November 2017. This assistance benefited both Emirates Delights Marketing Company and its date farmers as it enabled the Company to access new markets and expand to international markets.

Mushroom House received support for phase 2 mushrooms for the installation of mycelium lab and equipment. Compete supported phase 1 compost which ensured successful production of mushrooms. The Grantee will sell mycelium and compost to other companies. Equipment has been ordered and delivery is expected to be completed in January 2018. Some equipment were delivered by December 2017. Mushroom cultivation will commence in February 2018.

Al Ard Company, a producer of traditional products, is supported with an export manager and halal certification in order to better access Far East and Islamic markets. Halal system was delivered in October and implementation is already started. LOA is expected to be completed by January 2018.

West Bank Salt Company is supported with ISO 22000 system adaptations, GAP assessment and the documentation system were completed and the LOA was completed in December 2017.



INFORMATION COMMUNICATION TECHNOLOGY

Sector Progress and Achievements

In Year Seven, USAID through its Compete Project will exit fully from well-developed sectors and value chains in the West Bank that have achieved sustainable development impact and met their targets, including ICT except for a few final ongoing activities that were completed by the end of Y7Q1.

Since inception, the project rolled out a series of programs to increase the competitiveness of Palestinian ICT companies and address market impediments that hindered sector growth. In the West Bank, the project has assisted 97 firms, of which 68 are start-ups. The project's assistance directly resulted in creating 597 high-skilled jobs, more than \$15 million in exports, and expansion into one market.

In this quarter, Compete has generated \$294K in sales, \$253K in exports and supported 6 beneficiaries. The sector has also created 6 new jobs and leveraged more than \$75K in investment. The total amount of startup capital raised by youth came to \$475K.

In the final year of the Project, we are exiting from ICT sector, and in Y7Q1, we finalized the projects that were still ongoing. By the end of Year 6, the Project continued its support to the ICT sector companies through activities to assist the sector's companies access regional and international markets, such as a scaled up Export Market Development Program for export ready companies, and a Niche Market Development Program for small sized companies, these activities resulted in quarter of a million dollars as value of exports of assisted ICT firms.

In Y7Q1, the Project has also concluded activities working on solving challenges related to the lack of technical skills, and the limited access to finance and promoted R&D Projects through service providers such as IBDAA.

By developing the ICT through its FLAP mechanism, the project has created positive incentives for SMEs to develop bankable and growing businesses, while providing opportunities through programs like the Palestinian Internship Program and SAP boot camp training for talented new entrants to the job market to attain the necessary skills and experience to start their careers and contribute to the growth of the industry.

Expanding the Definition of Technology to Facilitate Local Market Penetration

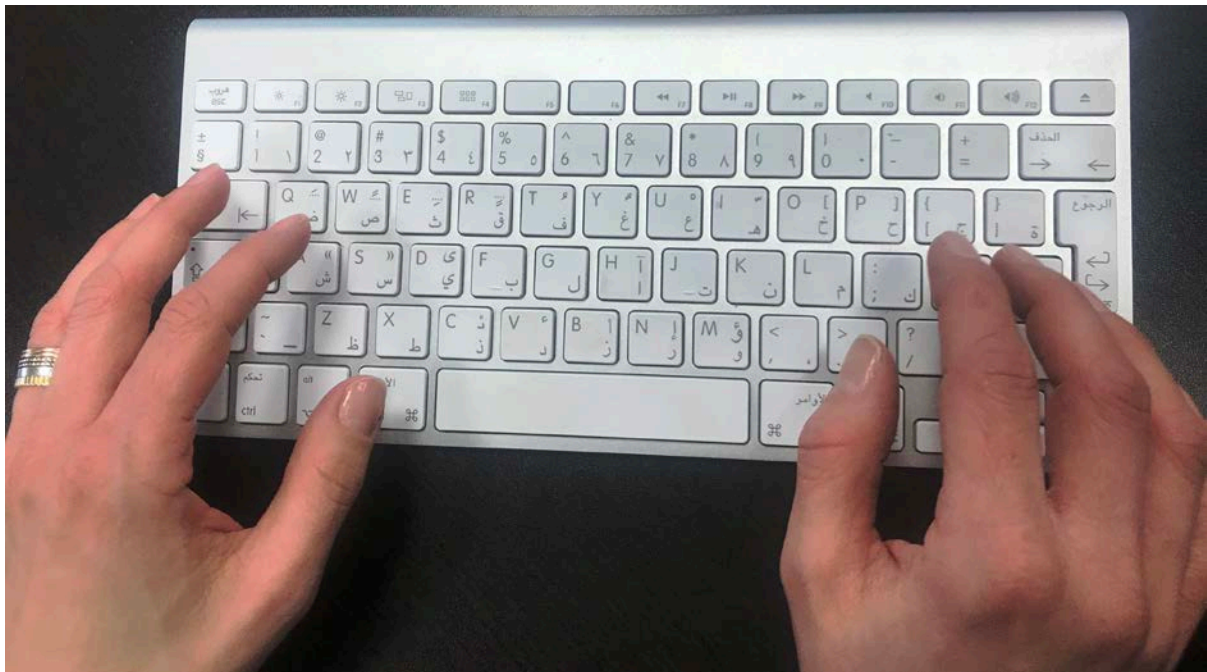
In Y7Q1, the Project continued enabling hi-tech start-ups and ICT firms to build their businesses, expand their marketing efforts, and improve their operational capacity; develop their products and services; and increase access to finance and markets.

USAID through its Compete Project had designed interventions to facilitate the creation of locally-made solutions by expanding the definition of ICT to include targeted initiatives to develop innovative technological solutions, including the development of innovative hardware technology, bolstered by software components, to address key market failures in local industry.

Start-Up and Business Enablers Support Program

Compete supported **AXSOS** with the new internship cycle aimed at hiring up to 15 Palestinian fresh graduates with Engineering and Information Technology backgrounds. With the support of Compete, the first stage of this cycle identified 6 fresh graduates to start working with AXSOS. LOA was completed in November.

Compete is supporting **Aeliasoft**, a software development house based in halhul with the employment of up to four new fresh graduates from the Hebron area, Compete, who is supporting the company expand their markets through the Niche market development program, also identified a shortage of human resources in the company, thus supporting the company in training and hiring fresh graduates will work side by side with the market development efforts and help the company keep up with the increasing demand, and the new contracts signed. The assistance is also aimed at developing the software development value chain outside of Ramallah, specifically in the south of the West Bank.



Under the same efforts of developing the software development activities in the southern West Bank (Hebren and Bethlehem areas), Compete is supporting the startup **ElegantTech** develop their markets and expand their services through the services of a business planning consultant, the consultant is working with ElegantTech on developing their business plan, identify their staffing needs, organizational structure, competitive edge, SWOT analysis, etc. Compete is also completing this effort by supporting ElegantTech through the Niche Market development program as well.

CrownOx, a logistics, security and risk management platform startup operating in the West Bank and MENA region, Compete is supporting CrownOx develop their online platform to support the increasing number of operations, in addition to and develop the legal documents needed to cover CrownOx operations in the West Bank given that most of their services are conducted through a third part to Client relationship. Compete's support is aimed towards supporting the Tech Startup Founded by youth, in increasing the number of contracts and sales in the local market and region, to be able to raise capital and attract investors.

USAID through the Compete Project supported **KENZ** to increase their sales, and secure further investments to build their Digital Marketing Image and strategy, through hiring a consultant. In addition, USAID through the Compete Project supported Kenz in hiring two interns in Marketing, Sales and Communication to support the company's effort to expand into the targeted markets. LOA was completed in November.

USAID through its Compete Project, is supporting **RedCrow**'s efforts to expand their services into the MENA region and secure further investments. The activity aims to accelerate RedCrow's platform expansion into 6 new countries (Jordan, Lebanon, Iraq, Yemen, Libya and Syria.) Through

the support in data mapping, quality assurance, technical and financial training, and the creation of Digital marketing content that will showcase RedCrow's solutions. RedCrow received further investment following our support in amount of \$475K, the rapid expansion of the startup will need close mentoring of management and leadership skills, in addition to providing skilled workforce.

USAID through the Compete Project supported hiring 4-6 new certified SAP Young Professional Program graduates as interns for six months to support the **Synergy** expand their market and reach new clients. LOA was completed in November.

USAID through the Compete Project, under its support for the promising startups, is supporting **iBAL** with development of their product with hiring three new apprentices under the job creation program, and to develop their Website to showcase IBAL product.

USAID through the Compete Project is supporting **UBConnect**, in hiring a consultant to develop a comprehensive business plan, marketing and pricing strategies for the startup to secure further investment.

Compete has signed an LOA with **Art Technologies** for a marketing campaign of their product ROCAB. Art Technologies is developing their new Taxi Management and Reservation System (ROCAB) which is targeting a structural shift in the Palestinian taxi market, which is expected to account for at least 90% of all transactions over time. Penetration today is low because ROCAB is promoting their product by lowering the initial cost on Taxi Companies (tablet + Installation fees) to be able to acquire a stable user base, the revenue generation model is monthly subscriptions from taxi companies.

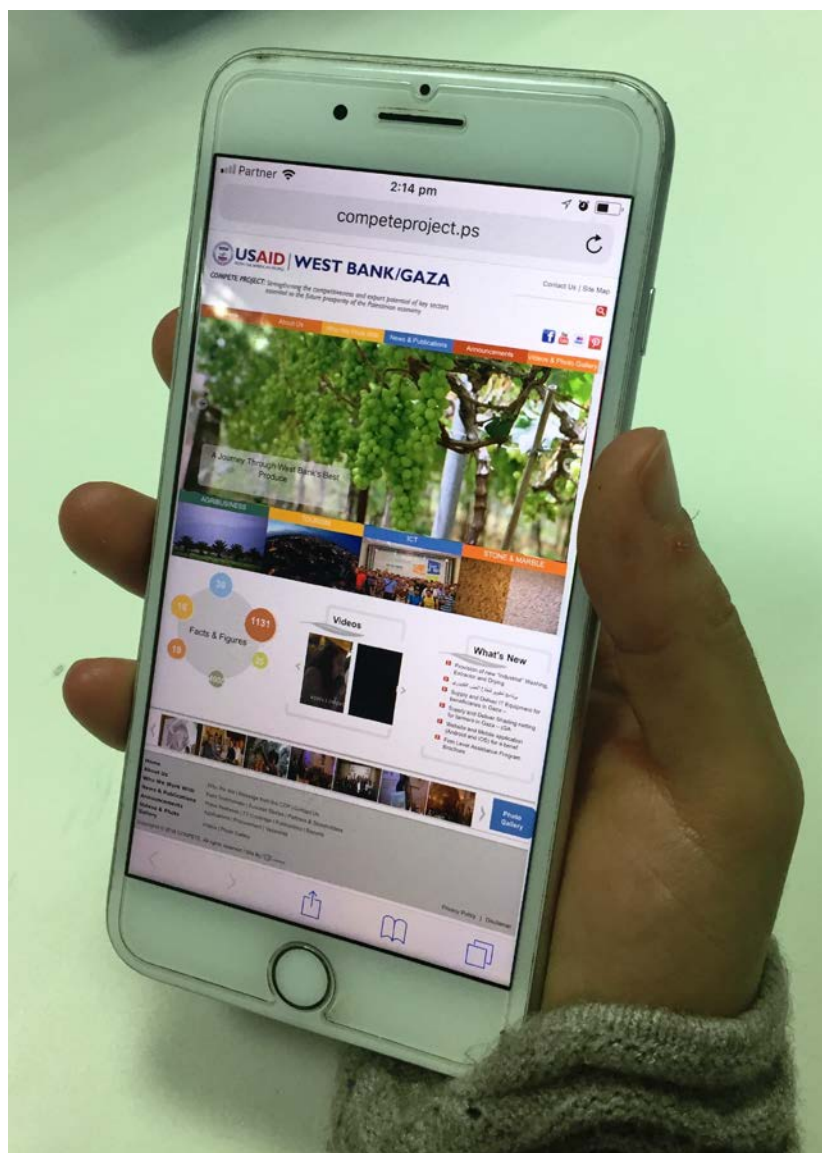
The objective of this LOA is to support Art Technologies in their efforts to penetrate the market by developing a digital marketing plan, and a traditional marketing strategy to target both the end user, and the taxi companies. This support will enable Art Technologies to launch their taxi management system (ROCAB). With this assistance, it's expected that this assistance will increase sales, create jobs, support innovations, raise capital and open new markets.

Niche Skills and Product Development

Compete introduced a four stages **Niche Market Development Program** that targets small ICT companies in the West Bank & Gaza. The program will provide companies with assessment on their niche value, a Growth Business Plan, and follow up activities based on the results of the studies. Two West Bank companies were assessed and accepted to first stage of the program AeliaSoft from Halhul, and CodyTek from Ramallah, while other applications are under review in the West Bank & Gaza. Eight Palestinian Companies from the West Bank & Gaza are currently working with Compete's STTA based in California, The consultant have worked with Compete to put together a questionnaire, collect information and conduct interviews with the beneficiaries in order to provide the initial studies.

The Palestinian Barcoding Company is non-profit organization leading the private sector's efforts to join Global Standards One (GSI), a not-for-profit organization that develops and maintains global standards for business communication. The best known of these standards is the barcode, GSI standards are designed to improve the efficiency, safety and visibility of supply chains across physical and digital channels in 25 sectors. They form a business language that identifies, captures and shares key information about products, locations, assets and more. With its commitment to support the introduction of technology across sectors to facilitate economic growth, Compete is supporting The Palestinian Barcoding Company in developing their business plan that will serve as part of their application to join GSI, and as guidance to build its GSI standards implementation.

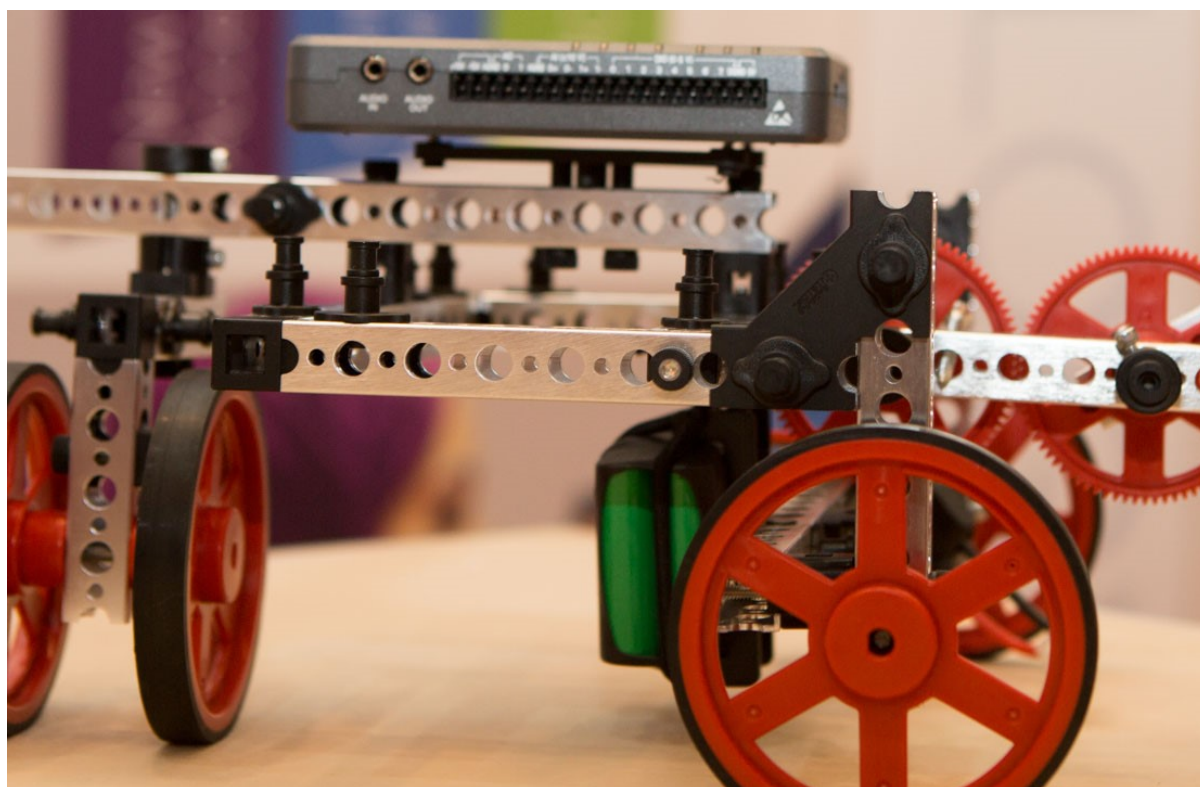
EXPOTech 2017: EXPOTECH week was opened in Ramallah and Gaza from December 11-13, 2017. 47 exhibitors had participated from the private sector and institutions supporting Entrepreneurship (universities, banks, incubators and accelerators), among them are 12 of Compete past, current or potential clients (see: <http://expotech.ps/exhibitors/>), including: Developers Plus, MTC, NetStraem, Orange Palestine, Palestine Polytechnic University and IDEAL. Compete assisted EXPOTECH organizer, the Palestinian Information Technology Association (PITA) with \$30,000 to Gaza EXPOTECH activities that supports entrepreneurship and innovation. Developers Plus, one of Compete Project's beneficiaries, in cooperation with Amassi Group in Gaza, has signed a deal with PITA to provide the e-registration and e-services for EXPOTECH.



TECHNOLOGY

To improve the competitiveness across value chains, USAID through its Compete Project has focused on creating local business solution to improve productivity and quality matching the size and investment of local producers. USAID through its Compete Project, in partnership with National Instruments (NI) signed an agreement with the Palestine Polytechnic University (PPU) in Hebron to build their capacity around machine design and manufacturing to improve the competitiveness of value chains of key sectors on the Compete Project. For this purpose, 50 students enrolled in a training course on NI Certified LabVIEW Associate Developer (CLAD) program.

Palestine Polytechnic University (PPU) has commenced the design process for four machines [Vegetables & Fruits Drying Machine, Stone Defect Detection Machine, Filling, Sealing and Capping Machine, and Vegetables Sorting Machine]; the design of the baby cucumber machine was concluded by the end of December 2017. The remaining three will be concluded by end of March, 2018.



STONE & MARBLE

Sector Progress and Achievements

In Year Seven, USAID through its Compete Project is exiting fully from well-developed sectors and value chains in the West Bank that have achieved sustainable development impact and met their targets, including Stone and Marble except for a few final ongoing activities.

Over the life of the Project stone and marble assisted firms were able to generate \$36.61 million in exports, \$37.48 million in sales, \$15.13 million in new investments, 219 new jobs, and successfully 20 unique markets.

In Y7Q1, Compete continued capturing the results of the recent interventions that were implemented in Stone and Marble Sector. Four companies reported that they generated \$1.19 million sales in export market and 9 new jobs opportunities, and entered two new markets. The focus was on introducing decorative stone and artificial interior decorative stone out of slurry. This addition improved the performance and product offering of this sector generating additional exports.

Export Market Development

Compete is supporting Techno Funoun with two sales representatives for UAE and USA to be able to capitalize on previous work, plan ahead and maximize exposure at trade shows. Sales Representative in the UAE will be able to visit all Middle Eastern countries, reach customers and focus on direct sales. In the USA, sales representative will be located in Florida to be visible in that market, knock on doors, network and service customers. Techno Funoun is still in the process of hiring the representatives. Compete is also supporting Techno Funoun to participate in two trade shows in Saudi Arabia and Qatar: Saudi Stone Surface trade show April 10-12, and Qatar Tech_Project Qatar Stone trade show May 8-11.



TOURISM

Sector Progress and Achievements

Since project inception in 2012, the project has 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, and identification of new markets to increase their commercial sales. By Y7Q1, USAID through its Compete Project has completed three activities related to weak tourism infrastructure, while two of the planned activities are not completed.

Renovation and Rehabilitation

Currently two site renovation projects are in progress: Rehabilitation of Battir Agricultural Water Canals with 70% of completion, including rehabilitation of existing agricultural water canals, construction of new water canals for additional agricultural areas, and rehabilitation of loose stone walls. The project is expected to be completed in February 2018. In Hebron, rehabilitation work for Haram Al Rameh archeological site was kicked off in November, with 10% of completion, and it is expected to be completed in May 2018.

Income-Generating Activities

Compete Project signed the first LOA with Bethlehem Fair Trade Artisans (BFTA) – the operators of the renovated handicraft village, to provide physical assets to furnish and function the conference room and gift shop, including furniture, IT equipment, lighting, etc., in order to increase their sales in the Christmas season. We expect to further support BFTA to develop and implement solid business, marketing, and management plans to improve the capacity of the suppliers of the handicraft village, ensure maximum value of the renovated area and sustainable income-generation activities. The LOA is expected to be completed in January 2018.



CHAPTER II: GAZA KEY ACCOMPLISHMENT AND MAJOR HIGHLIGHTS

USAID through its Compete Project has assisted 327 beneficiaries, generated sales of \$44.89 million and exports of \$18.36 million, created 888 jobs and leveraged \$6.23 million of private sector investments.

In Y7Q1, Compete beneficiaries have generated sales of over \$13 million, exports of over \$5 million, created 187 jobs, improved the technology and production patterns of 440 dunums and leveraged over \$400K of private sector investments. During this quarter Compete assisted 46 beneficiaries.

Those achievements came as a result of a tailored Year Seven Workplan focusing on agriculture, fishing, garment and textile and ICT sectors.

Gazan economy is still facing many challenges and constraints that limit its ability to reach its full potential. Restriction on movement and access, lack of electric power, lack of water resources, the technology gap and disconnection from historic export market are impediments that require longer term interventions. Compete has successfully contributed to addressing some of those constraints across its programs and interventions in targeted value chains.

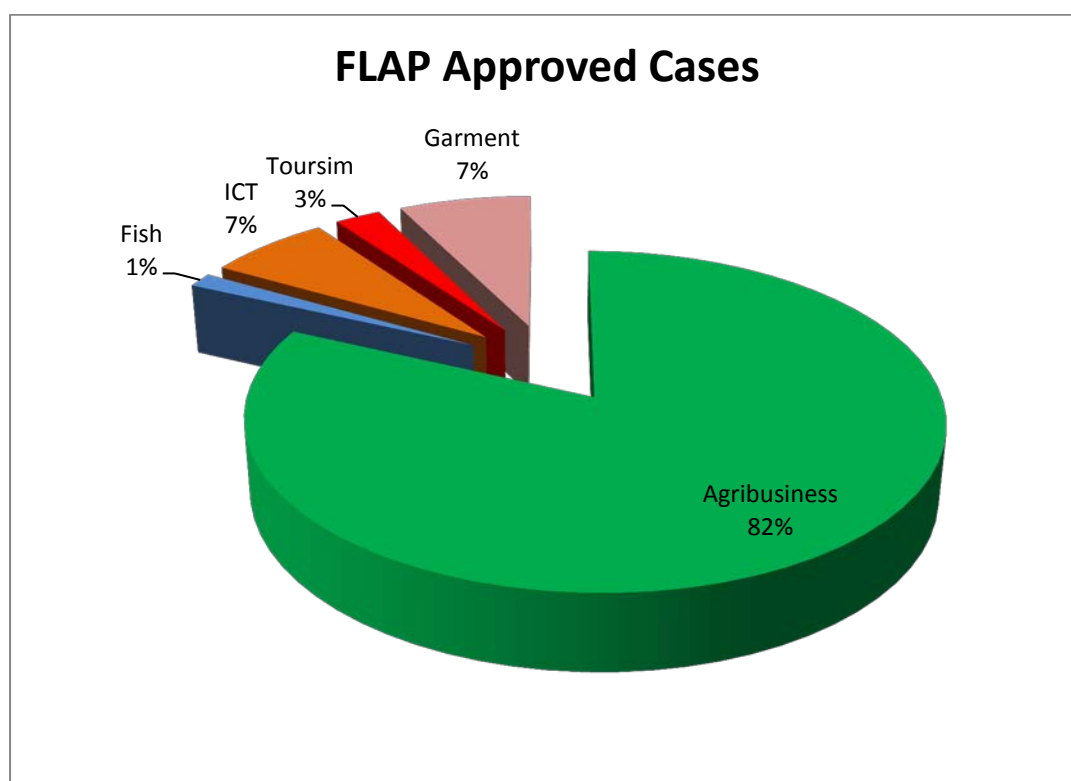


Figure 2: Approved Cases of Firm Level Assistance Program (FLAP) activity in Gaza (since start of FLAP)

The **Firm Level Technical Assistance Program (FLAP)** in Gaza was officially launched on September 8, 2015. Compete continues to receive and assess new applications under FLAP. To date, **1759** applications have been received since the beginning of the Gaza program, of which **352** applications were approved, **82%** of which came from the agriculture sector.

AGRIBUSINESS

Sector Progress and Achievements

Over the past two years Compete has assisted 275 beneficiaries, generated sales of \$23.92 million, exports of \$13 million, created 471 jobs, improved the technology and production patterns of 2,673 dunums and leveraged \$2.45 million of private sector investments.

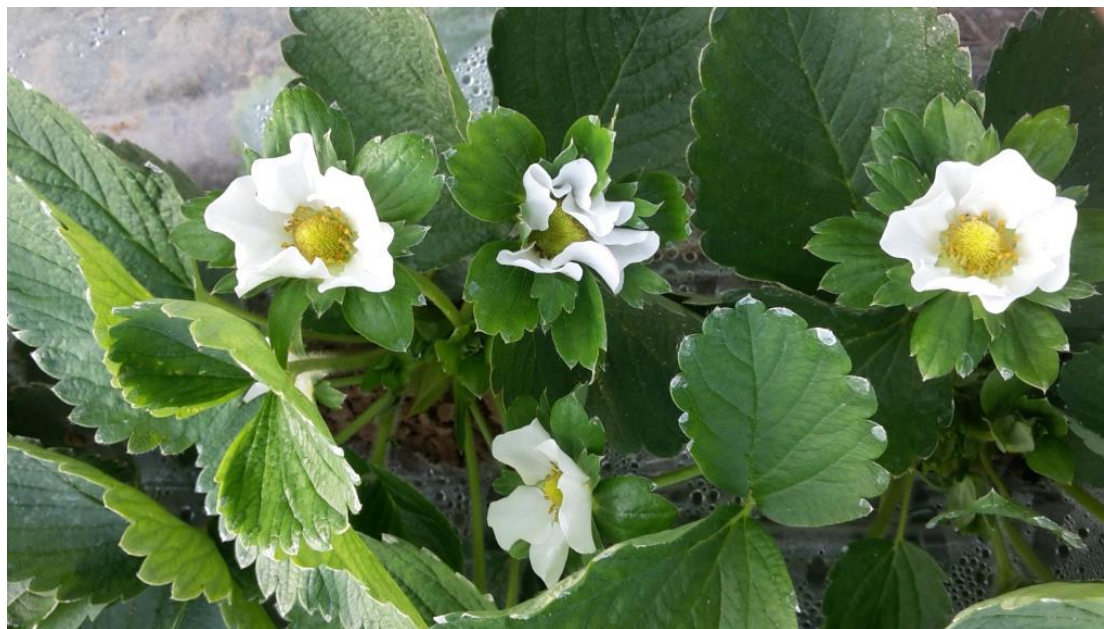
In Y7Q1, Compete has assisted 35 beneficiaries in Gaza, together all beneficiaries generated sales of almost \$9 million, exports of over \$4.6 million, created 6 jobs, improved the technology and production patterns of 440 dunums and leveraged over \$176K of private sector investments.

Enhance Post-Harvest Facilities

Compete completed working with five export companies to enhance post-harvest facilities, by supporting them with cooling rooms to store around 4,500 tons (except Hamdi Al Jerjawi who's awaiting CLA approval). The cold storage facilities ensure products collected by participating farmers to be refrigerated and the cold chain maintained enabling export.

For the first time this season, Gaza started, in October, exporting potatoes via the King Hussein Bridge to Amman, Jordan. The first batch of potatoes (200 MT) was exported from Gaza, including a 50 MT trial shipment sent to Iraq. In Y7Q1, three out of six agri-export companies, supported by USAID, namely, The Hosny Shihadeh, Hamdi Al Jerjawi and Mohamed Abu Tayem companies, exported 2,228.7MT. Total export quantities of potatoes reached 3,630.3MT.

Hosni Shehadeh packing house also successfully exported 34MT of strawberries to Saudi Arabia. This is the first time Gaza strawberries were sold in Gulf countries. This season, Gaza strawberry farmers, exported 402.44MT to the West Bank.



Potato and Sweet Potato Program

In November, Compete Project has announced a program to expand the cultivated area of potato. The purpose of expansion of the cultivated area of potato is to increasing the potato production to meet with the demand in the local and export markets and to cover the storage capacity of the cooling rooms. Base on Year 7 work plan, the program targets 800 dunums of potato, however, due to the high demand that Compete received from the potato farmers, Compete increase the target

to 1800 dunums. The program is targeting large scale farmers who have at least 20 dunum cultivated with potato. Compete provides a cost share of up to 60% of the drip irrigation pipes for the potato irrigation network. It is estimated that the production of potato will increase by 5.2%. 129 applications have been received during this quarter and, 48 were approved and LOAs signed with 15 farmers.

Compete Project has announced a support program for the sweet potato farmers. Six applications were received; five of them were approved and signed LOAs. The sweet potato programs aims at improving the sweet potato export to Israel, West Bank and Jordan by increasing the quality and the quantity of sweet potato. This intervention will introduce a new seedling production pattern by replacing the low agricultural tunnels with high single span green house, which will increase seedling quantity and enhance its quality.

FISHING

In Y7Q1, the fishing sector has generated \$1.15 million in sales. Of particular importance, Al Bahhar fish farm exported 9.9MT of fish (out of 34MT) to the West Bank from expansion pools established with USAID support, representing 37.23% of total fish exported from Gaza to the West Bank. According to the Ministry of Agriculture, the total quantity of fish exported to West Bank totaled 26.6MT.

Al Bahar is raising **200,000** fingerlings in Compete-supported expansion tanks. In this quarter, they have sold 20.4MT of sea bream for local market. **Al Bahar** established a fish hatchery to produce fingerlings for his farm which was supported by USAID.

Fish Fresh was supported with expansion tanks to reach a capacity of **350MT** and has started selling sea bream. In this quarter, total sales reached 48.9MT for local market.



INFORMATION COMMUNICATION TECHNOLOGY

Sector Progress and Achievements

USAID through its Compete project continued exploring opportunities to expand the project's foundational work and achievements, the Project's activities were mainly focusing on providing technical assistance to stabilize operations, enhancing access to market, and developing workforce skills. Since Compete started working in Gaza, 19 companies were supported. Despite the lack of mobility of individuals, markets disconnect, and market distortion, total exports reached \$1.25 million with total sales of \$2.13 million. Over the past two years the project created 210 new jobs and mobilized \$821.69K of private sector investments in new technology and solar systems to stabilize the operations.

In Y7Q1, eight beneficiaries got supported through a scaled up Export Market Development Program, with a total sales generated by ICT companies amounted to \$234.6K, while export reached \$155.36K. Together ICT companies supported by USAID created 155 jobs, and expanded into 6 new markets. In Y7Q1, building of management capacity of ICT firms, developing niche business skills, and supporting accelerator programs of startups are still ongoing.

In Y7Q1, Compete Project received 156 ICT applications under the firm level assistance from Gaza. 126 applications were assessed of which 102 were rejected for several reasons including lack of response, out of scope or don't match the selection criteria and 24 were approved and issued LOAs.

Access to Market

To improve its access to market, during this quarter, Compete signed **8 LOA's** to assist the following companies and business startups:

- **Olive Code Company**, Compete assisted this company by a solar system to overcome electricity shortage and IT equipment to capitalizes on its experience in software development to address real life challenges in vital sectors such as finance, tourism and sports.
- **UnitOne ICT**, Compete is assisting this company through hiring two offshore representatives in the northern European markets (Sweden and the Netherlands) into which they are planning to expand. Compete covered 70% of the salaries over 4 months. As a result, Unit One succeeds in signing a new contract with Dutch Company which resulted in generating 54 new jobs opportunities; 81% of which are women.
- **Shift ICT and Haweya for Information Technology**, Shift is offering business IT solutions while Haweya is offering digital marketing identities and graphic design. Both companies markets are in the gulf and other regional countries. Compete assisted both companies with solar systems to overcome the electricity shortage and IT equipment to improve their productivity and quality. Moreover, Compete is assisting Shift ICT to expand their market through the Niche Market Assessment Program.
- **Asayel Group** offer business solutions such as web development and media production for firms in the region. Compete is assisting Asayel Group to improve their production efficiency and product quality by providing IT equipment.
- **Orange Palestine**; One of the main Internet Service Providers in Gaza. Orange developed ERP and CRM systems in addition to some technical services/solutions for ISP's for their

own use. The company already started to capitalize on its experience on software and program development and solutions and initiated a specialized department for this purpose. Compete is assisting this company to expand the activities for this department to become a sister company to Orange. Moreover, Compete is assisting Orange to expand their market through the Niche Market Assessment Program.

- **GGateway**, during Y6, Compete assisted this social enterprise with internship opportunities for two of its key staff. The internship was carried out at the Digital Data Divide (DDD) Company of Laos. As a result to this internship, business relationship was discussed between GGateway and DDD. DDD has a contract with Amazon.com in the field of books digitization. Part of this contract was to do proof reading for books in Arabic language. A pilot test was carried out during November and the go-live was granted to GGateway accordingly. GGateway hired 79 young graduates for this purpose.

To assist ICT companies in Gaza, Compete designed a specialized **Niche Market Development Program (NMDP)** with aims to capitalize on the company's strengths in existing external market and guide these companies to expand their markets in other countries. Through this program, Compete assisted six Gaza ICT Companies; namely, Developers Plus, Baskalet, Orange Palestine, Shift ICT, Hawas Group and Sanbil Company.

Support Enablers and Service Providers

Compete plans to enhance the ecosystems for business startups and small businesses through building the capacities for incubators/accelerators and business providers. For this purpose, Compete approved the assistance to the Arab Business and Technology Incubator (ABTIC) located inside the Arab Technical College in Rafah, a remote and underserved area located in the south to the Gaza Strip. To overcome power shortages in Gaza, Compete is providing solar systems for ABTIC in addition to state of the art IT equipment to be used by their business startups.



GARMENT AND TEXTILE

Sector Progress and Achievements

USAID through its Compete Project supported 22 garment companies and the union during the past period. USAID through its Compete project succeed in building their production capacity, re-connecting them with their lost markets in the West Bank and Israel, and generating more than \$12 million in sales and \$3.8 million in exports and creating 170 jobs opportunities during this quarter. Out of the total sales of garment companies, 69% were in the local market where Gaza companies can better compete with lower priced imports.

In Y7Q1, USAID through its Compete Project has improved the production capacity of two garment businesses, and approved 4 cases to enhance their access to local, West Bank and Israeli markets. Garment companies generated during this quarter \$3 million sales, and \$548 k exports and hired 26 employees.

It's worth noting that Compete clients were the first companies to penetrate the Israeli market opening the doors to other exporters. Since the resumption of exports to Israel in July 2016, Compete clients were almost the only exporters up to April 2017. One of Compete clients, Hasan Shehadeh, recorded the highest export share. Until December 2017, Shehadeh's exports represented 10% of the total exports and 26% of Compete clients' total exports.

Workforce Development Program

In Gaza, most of the skilled employees in the garment and textiles sector became seniors, and their skills are outdated. To overcome this challenge, Compete is introducing the Workforce Development Program (WDP) opportunity to train and employ new employees in factories, thus contributing to sustainability of the sector.

WDP, will ensure creating new jobs, enhance the availability of talented and skilled workforce, help firms to test the value of the apprentices, and hire them later without any donor support. WDP will be on-the-job-training and will be conducted in the same companies; hence, employees can get first-hand experience from the job as they learn it through using the same production machines that they are supposed to operate. Conducting this type of training does not require extra cost burden on the firms for arranging training needs, and it does not require opening separate training centers to provide such trainings. WDP will contribute towards increasing the value of exports, sales and number of jobs.

A grant agreement was signed with Union of Industries for Textile, Leather and Clothing in December 2017 to implement the WDP, and nine textile companies will sign LOAs starting January 2018 through May 2018. USAID through its Compete Project in cooperation with the Union of Industries for Textile, Leather and Clothing will implement and mentor the WDP. Under this Letter of Agreement, USAID will assist these companies via hiring three apprentices for three month for each one.

Improve Product Quality and Quantity

As part of supporting the competitiveness and expansion of Gaza garment companies to expand in the local market where they can better compete with low-priced imports, Compete continued providing new technology and equipment on a case-by-case basis to develop quality assurance systems, process raw materials, and identify sources of operating and investment capital.

Compete support includes machinery and an electricity generator to Khaled Jaber Company where the machines and the generator delivered in November. Saber Saleh Company received support for adding new machines to the production including stitching machines and embroidery machine. The machines were delivered in November 2017. Naser Ayyad Company received support to add new embroidery machine to the production line and an electricity generator, the embroidery machine delivered in October 2017 and the generator delivered in November 2017. New four companies approved to receive assistant to add new machines to enhance their production capacity (Farid Al Haj Ali, Ziad Abu Odeh, Privet Label and UNIPAL 2000).

Institutional Level: Textile and Garment Union

The Union of Industries for Textile, Leather, and Clothing was established in 1993 to represent garment and textile workshops in the Gaza Strip. The union leads and develops the Gazan garment and textile industry meet growing market demands and designs through provision of capacity building support; encouragement to meet international quality standards; representation to government entities; provision of training; and promotion of Gazan products in the local and export markets. Compete signed a new grant this quarter to introduce Workforce Development Program for the garment industry in Gaza.

The Workforce Development Program, will ensure creating new jobs, enhance the availability of a talented and skilled workforce, help the firms to test the value of the apprentices, and hire them later without any donor support



CHAPTER III: MONITORING AND EVALUATION

This section includes a detailed review of the progress made by Compete during the first quarter of Year 7 towards the targets listed in the Monitoring and Evaluation Plan submitted to USAID on December 5th, 2017. The referenced M&E Plan was revised to bring indicators and targets into alignment with the activities and goals of Compete's Year 7 Work Plan.

Compete utilized a data visualization system - Power Business Intelligence program to monitor the impact of all clients and thereby advise the management and technical teams' plans for future interventions.

The project's M&E and Technical teams conducted a series of field visits and interviews across the West Bank and Gaza to collect systematic and timely performance information, whose results were quantified for the first quarter in Year 7 into USAID's Geo-MIS, TraiNet, Power BI and TAMIS.

KEY GENDER ACHIEVEMENTS

Year Seven

- ✓ With a special focus on enhancing employment opportunities for women, the Project created **210 jobs of which 55% were filled by women, and 24% were filled by Youth.**
- ✓ Sales and exports by women owned businesses increased by \$141K this quarter.

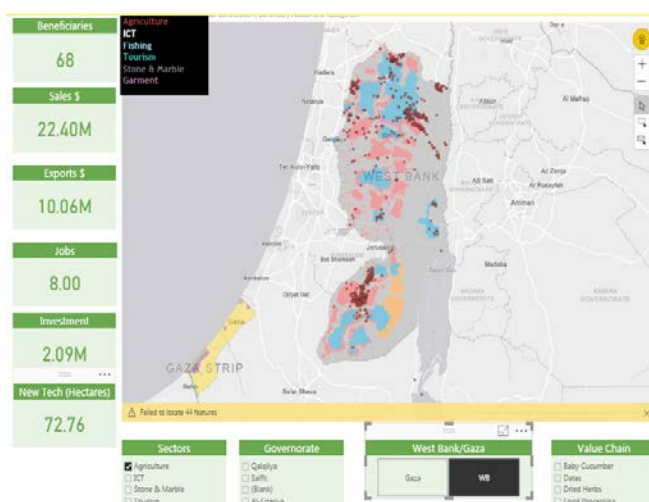


RESULTS ACHIEVED IN Y7Q1

The long term impact of Compete support continues to materialize in this Quarter with an increase of total sales by %61 in comparison with the last quarter reaching \$37.33 million as seen in the Indicators table, “Annex III”.

Agribusiness Sector

The Project continued its efforts in increasing the value of export due to the maturity of the value chain of the carrots, potatoes, strawberry and dates which resulted in expanding their penetration in export market. Moreover, the introduction of new value chain such as baby cucumber for Israeli market have resulted in a better than planned export value. The value for OP Indicator 4.5.2-36 in Quarter one of Y7: *value of exports of targeted agricultural commodities as a result of USG assistance* reached \$14.7 million; of which \$10.06 million in West Bank, presenting 52% of the target of \$28,000,000.



The *Number of hectares under improved technologies or management practices* as a result of USG assistance reached 117; 73 hectares of which were planted in West Bank under grapes, red potatoes and carrots value chains, reaching 43% of Y7 target. .

Moreover, the Number of individuals who have received USG supported short-term agricultural sector productivity or food security training reached 65 during this quarter presenting 26% of the target; where 15 trainees were trained in West Bank. The Project focused on specialized training to support targeted value chains and ensure their sustainability. Programs included the training on potato and on how to use the high single span greenhouse in producing sweet potato in Gaza in addition to Al Ard Halal principal and Food Safety trainings.

The Project also developed/improved 24 for *Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms*; 17 products were developed from West Bank Companies exceeded its target of 13 as new chocolate and herbs crème products were developed during this quarter.

Fishing Sector

As result of USAID through its Compete Project support in scaling up the fishing sector in Gaza the fishing sector has generated over \$1,146,923 in sales and \$132,260 in export to West Bank during Q1Y7.

ICT/Technology Sector

For the ICT/Technology sector, the Compete Project achieved 50% of the target related to the Number of assisted ICT start-ups that have developed products or signed contracts. Moreover the value of export reached \$408K achieving 29% of the targeted value of both West Bank and Gaza.

Moreover, seven companies' accessed new market, the overwhelming majority were from Gaza, exceeding the target of three new markets. The number of jobs created in Y7Q1 exceeded the annual target, were 161 new jobs created; 155 were created in Gaza as a result of new contracts signed with international companies like Gaza Gateway and Unit One Company. However, no new startup has been established during this quarter.

Garment Sector

Compete continued its success in building the production capacity of the garment firms through introducing new technologies and re-connecting them with their lost markets in the West Bank and Israel with an increase of total sales by 133% comparing to the same quarter of the last year and reaching \$3 million in sales and \$548K in exports. Out of the total sales of garment companies, 81% were in the local market where Gaza companies can better compete with lower priced imports. 26 new jobs were created by the end of Y7Q1 as a reason of increasing the production capacity to produce the request on time.



CHAPTER IV: COMMUNICATIONS

SUCCESS STORY: EMBROIDERY RE-TOOLED

Majed and Sami Zaqut, owners of Al Majed Clothing Company in Gaza, managed to save 30% of production costs, gain 10% of profit, create 8 new jobs, and open a new retail store in Gaza by 2017. Al Majed then expanded to the West Bank market with total revenue of more than a million dollars. This was achieved by their hard work and a USAID generous assistance with embroidery machines.



Photo: Sami Zaqut, Executive Manager of Al-Majed Co. for Clothes

In Gaza, textile and garment companies are struggling to survive amid the severe economic deterioration since the blockade was imposed. Despite the harsh reality of the economy, one of few companies managed to succeed and gain outstanding revenues. Al Majed Company for Clothes keeps up with fashion trends in the Palestinian market in Gaza and the West Bank. One of the current fashion trends is the embroidered dress, or the Palestinian *Thob*. Al Majed hopped on the national fashion trend and started producing embroidery dresses with a twist of technology.

When Al Majed Company was in its peak production opportunities, USAID has started supporting garment and textile sector in Gaza through the Export Market Development Program introduced to help reconnect companies with their historic markets. Al Majed used this opportunity to enhance its capacity and introduce new production line that they mostly need: embroidery machines. USAID helped support two state-of-the-art high-speed embroidery machines with an average capacity of 22,500 stitches per minute. These machines saved the company's name in the market by meeting market demands both in Gaza and the West Bank. Al Majed then managed to compete with the production of the Palestinian dress that was made by hand and mainly imported from Jordan. The company even was able to sell with competitive prices.

"With the new embroidery machines, we now control quality, compete with imported lines, create our own design collection and save our business privacy," says Sami Zaqqut, 54, Al-Majed Executive Manager. Zaqqut adds, "Following having the embroidery machines, we are now free in our designs, and we are able to respond immediately to market demands and fashion trends." The Al-Majed company is ambitious and open to expand its operations not only in the local Gaza and West Bank markets, but also to neighboring markets including Israel and Jordan. Majed Zaqqut, the founder of the company, is optimistic that soon movement will be eased in order for them to market their products globally. "What distinguishes us and gains our clients trust is our accuracy, creativity, and quality of our products. We do not compromise about quality," concluded Majed Zaqqut.

Gaza is a tiny strip of land with only 365 km² with almost 2 million people. The textile and garment sector was a major pillar of the national economy, representing the largest sector in Gaza. The average annual sale revenue was estimated at about ILS300 million, generated from the sale of about 15 million pieces - 90% of which was exported to Israel or through Israel for re-export. The total number of garment and textile firms working in Gaza until 2006 is estimated at about 690, employing 16,000 people. The sector has deteriorated dramatically since the blockade imposed on Gaza in 2007. The number of firms in the sector dramatically dropped to only 132, employing about 2000 workers and producing mainly for the local market. By 2017, the sector is seeing recovery with an increase of factories to 138, employees increased to 5500, and export to Israel is permitted.

SUCCESS STORY: DEAD SEA SALTS GLOBALLY

Four hundred meters below sea level, on the shores of the Dead Sea, the lowest lake on Earth, a small rusty old refinery of Dead Sea salt is bustling with work around the clock to produce the finest and richest mineral salt in the world. It is the West Bank Salt Company, founded by Othman Hallak, 82, a chemical engineer graduated from Ohio University in 1959, who is producing salt for the past 50 years, the only Palestinian operating on the shores of the Dead Sea.



Photo: Hussam Hallak CEO of Dead Sea Salt Factory

The company started as a small Jordanian/British Potash factory until 1964 when Hallak made an agreement with the Jordanian government to continue operating the factory following the Six Day War and reopened it as a salt extraction plant.

Since 1964, Hallak salt factory produced traditional commercial table salt to the West Bank, Gaza and Jordanian markets. Dead Sea brine is pumped into 50-hectares bonds operated by the factory. The saline is left to evaporate for eight months in the hot and arid climate of the Dead Sea, where temperature reaches over 40°C with very little precipitation, leaving salt to crystalize, then milled in the factory.

Othman Hallak's son, Hussam, 50, is a mechanical engineer who graduated from Kentucky University returned home to run his father's business. "I wanted something else than only bulk salt. With the USAID support and encouragement, we participated every year in the Fancy Food Show in the US since 2010. Since then, we understood that we have a potential. We need an export product and someone to market it."

The Dead Sea Salt Company invested in developing its salt into a gourmet salt. The company started soon after producing two different lines: *Salz* is a coarse iodized salt mixed with herbs in grinders and jars: smoked salt, salt with hot chili peppers, salt and organic rosemary, garlic salt, black pepper salt, black coarse salt... etc. In addition, the company developed other lines including a 500g shaker, a 1 kg plastic bag and a 500g zipper bag for local markets. The second production line is for cosmetics, where the company manufactures a wide variety of cosmetics made of Dead Sea mud and salt.

Hallak soon wanted to enter the Israeli market. He partnered with 424 Salt, an Israeli company that took their salt to a higher level. More products were developed and sold in Israel and in international markets including the US and Germany.

USAID continued to support the only Palestinian company on the north shores of the Dead Sea. Support included in addition to Fancy Food Show participation, a refinery machine, a packing line and adopting ISO 22000 system, GAP assessment and the documentation system. In February, West Bank Salt is participating in the Gulf Food Show in Dubai for the third time, where some deals were already signed with Spinneys and Carrefour Stores.

"Our aim is capture the remaining 50% local market share and to export 40-50% of our products to Israeli and international markets," says Hussam. "In a very short time, and with the USAID support, we already export 10% of our production, which was a turning point in our economic revival," he confirmed.

CHAPTER V: FINANCE AND OPERATIONS

Subcontracts, Grants, Operations, Compliance

During the first quarter of the project's seventh year (October 1 – December 31, 2017), the office continued its support of the technical program activities. Efficient processing of Grants and Letters of Agreements continue to enable the project to achieve program results while spending funds at a predictable and budgeted pace.

Activities during Q1 of FY7

- One hundred eighteen Letters of Agreement were issued with a total value of \$638,830, and increase of 45% over the previous quarter. Thirty four of these agreements were in Gaza, while 84 were for beneficiaries in the West Bank. The technical breakdown of these agreements is as follows: Agriculture 100, ICT 14, Garment two, Stone and Marble one, and Tourism one.
- Five grants totaling \$150,000 were executed during the quarter, with several others in the design and negotiation phases. Of these five, four were in the West Bank while one was in Gaza. The technical breakdown is as follows: ICT - one, Agriculture - two, Stone and Marble - one, and Garment - one.
- Three Independent Consultancy/Employment Contracts signed on behalf of Compete beneficiaries. Eighteen apprenticeship agreements were also executed. No new full time Compete staff members were hired.
- In accordance with the revised staffing structure discussed with USAID and approved in Modification #12, the following employees have since departed from the project: Rosa Hindaileh (MR and Vetting Specialist) and Rajai Nussiebeh (West Bank ICT Manager).

Future Activities

DAI will continue to execute the approved Year Seven Work Plan, and to that end has completed a procurement and grant execution plan for every proposed activity. This plan is also in accordance with the project's anticipated closedown schedule. Finally, the project will select an audit firm to complete the review of the Prime Contract for the period of January 1 – December 31, 2017 in accordance with the directions received from USAID Financial Analyst Nadeem Massis.

Vetting

The commitment to adhere to Mission Order 21 in a timely, business-like manner is essential to the success of USAID's partnerships with Palestinian companies. During the reporting period, Compete submitted 337 names and organizations for vetting, of which 215 were approved overall, with 195 of those names approved during the reported period. Vetting approval averaged 12 days as compared to seven days during the previous quarter.

ANNEX I: FINANCIAL SUMMARY

LEVEL OF EFFORT SUMMARY

Contract Budget Person Months	1312
Year 1	107.17
Year 2	235.56
Year 3	255.97
Year 4	227.08
Year 5	222.08
Year 6	180.28
Year 7	7.62
Inception to Date (December 2017)	1,235.76
Total Remaining	76.24

Inclusive of all Long Term Professional Employees, Short Term Consultants, and Home Office Support Staff.

FINANCIAL SUMMARY

Current Obligation	Obligation Spent As of December 31, 2017	Obligation Remaining	Percent Obligation Spent	Percent Obligation Remaining
\$62,868,718.07	\$55,917,522.25	\$6,951,195.82	88%	12%

CLIN	Budget Amount	Y1-Y6	FY7Q1	Cumulative	Remaining
Salaries and Wages	7,430,947.72	6,826,439.43	177,824.15	7,004,263.58	426,684.14
Fringe Benefits	755,296.99	713,340.71	7,419.68	720,760.39	34,536.60
Overhead	3,716,281.77	3,377,318.53	96,919.55	3,474,238.08	242,043.69
Travel, Transportation and Per Diem	1,317,194.64	1,175,281.75	34,056.28	1,209,338.03	107,856.61
Allowances	1,204,435.28	1,076,526.80	34,210.46	1,110,737.26	93,698.02
Other Direct Costs	6,688,981.64	5,237,941.37	272,875.75	5,510,817.12	1,178,164.52
*Program Costs	16,235,587.76	13,417,880.05	668,471.12	14,086,351.17	2,149,236.59
*Renovation/ Rehabilitation	4,754,793.10	3,951,707.22	249,616.21	4,201,323.43	553,469.67
*Grants Funds	11,979,591.07	10,357,563.56	260,005.56	10,617,569.12	1,362,021.95
Subcontractors	307,765.95	307,765.95	0.00	307,765.95	0.00
G&A	4,790,824.08	4,014,097.70	175,266.91	4,189,364.61	601,459.47
Fixed Fee	3,687,018.07	3,418,601.47	66,392.04	3,484,993.51	202,024.56
TOTAL	62,868,718.07	53,874,464.54	2,043,057.71	55,917,522.25	6,951,195.82

ANNEX II: TRAININGS AND WORKSHOPS

Start Date	Sector	Event Title	Type	Status	Related Intervention	Total Pax	Total Male	Total Female	Male 0-17	Male 18-25	Male 26+	Female 0-17	Female 18-25	Female 26+	% Female
12/20/2017	Agribusiness	Training on how to use the high single span greenhouse in producing sweet potato	Training	Completed	INT AGR.2: Provide targeted Firm level assistance	5	5	0	0	0	5	0	0	0	N/A
12/7/2017	Agribusiness	Al Ard Halal Principal training	Training	Completed	INT AGR.2: Provide targeted Firm level assistance	0	0	0	0	0	0	0	0	0	N/A
11/29/2017	Agribusiness	Al Ard Food Safety Training	Training	Completed	INT AGR.2: Provide targeted Firm level assistance	15	15	0	0	0	15	0	0	0	N/A
11/28/2017	Agribusiness	Potato Program Announcement	Workshop	Completed	INT AGR._II: Design programs to scale up	36	36	0	0	0	36	0	0	0	N/A
11/26/2017	Agribusiness	Potato Program Announcement	Workshop	Completed	INT AGR._II: Design programs to scale up	9	9	0	0	0	9	0	0	0	N/A
						65	65	0	0	0	65	0	0	0	

ANNEX III: SUMMARY OF PROGRESS TOWARD OP INDICATORS

The following table is a report of all indicators specified in the PMP for the period of Oct 2017- Dec 2017

OPERATIONAL PLAN INDICATOR TARGETS

Indicator Name	Sector	Frequency of Reporting	Planned Value for Year 6 WB	Planned Value for Year 6 Gaza	Total Planned Year 6 (WB/G)	Actual Value for Year 6 WB	Actual Value for Year 6 Gaza	Actual Value for Year 6 (WB and Gaza)	Planned Value for Year 7 WB	Planned Value for Year 7 Gaza	Total Planned Year 7 (WB/G)	Actual Value for Year 7 (WB and Gaza)
Value of exports of targeted agricultural commodities as a result of USG assistance	Ag	Bi-annually	\$13,500,000	\$6,000,000	\$19,500,000	\$30,784,629	\$8,349,171	\$39,131,801	\$22,000,000	\$6,000,000	\$28,000,000	Reported Bi-annually
Number of hectares under improved technologies or management practices as a result of USG assistance	Ag	Quarterly	120	30	150	479	195	674	170	100	270	116.76 hectares
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	Ag	Quarterly	180	180	360	354	19	373	150	100	250	65
Number of new or improved Palestinian products produced by assisted Palestinian agribusiness firms	Ag	Quarterly	20	5	25	57	6	63	10	3	13	24
Number of ICT assisted start-ups that have developed products or signed contracts	ICT	Quarterly	6	3	9	10	0	10	0	2	2	1
Number of new or improved assisted tourism sites and tourism trails	Tour	Quarterly	6	0	6	3	0	3	2	0	2	Reported Bi-annually

Indicator Name	Sector	Frequency of Reporting	Planned Value for Year 6 WB	Planned Value for Year 6 Gaza	Total Planned Year 6 (WB/G)	Actual Value for Year 6 WB	Actual Value for Year 6 Gaza	Actual Value for Year 6 (WB and Gaza)	Planned Value for Year 7 WB	Planned Value for Year 7 Gaza	Total Planned Year 7 (WB/G)	Actual Value for Year 7 (WB and Gaza)
Proportion of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)	Cross Cutting	Bi-annually	24%	24%	24%	15%	15%	15%	24%	24%	24%	Reported Bi-annually
Number of innovations supported through USG assistance	Cross Cutting	Annually	14	14	14	15	15	15	6	6	6	Reported Annually
Number of innovations supported through USG assistance with demonstrated uptake by the public and / or private sector	Cross Cutting	Annually	4	4	4	4	4	4	2	2	2	Reported Annually

ANNEX IV: MANAGEMENT INDICATOR TARGETS

Indicator Name	Sector	Frequency of Reporting	Actual Year 5	Planned Value for Year 6 WB	Planned Value for Year 6 Gaza	Planned Value for Year 6 (WB and Gaza)	Actual Value for Year 6 WB	Actual Value for Year 6 Gaza	Actual Value for Year 6 (WB and Gaza)	Planned Value for Year 7 WB	Planned Value for Year 7 Gaza	Total Planned Year 7 (WB/G)	Actual Value for Year 7 (WB and Gaza)
Number of new markets accessed by assisted Palestinian agribusiness firms	Ag		41 (29 unique)	3	3	6	9	3	12	7	3	10	5
Percent increase in sales of assisted Palestinian agribusiness firms	Ag	Bi-annually	87%	15%	25%	15%	24%		24%	15%	15%	15%	Reported Bi-Annually
Increase in area under cultivation for export corps (hectares)	Ag		516.52	20	35	55	210	182	392	100	80	180	55.5 hectares
Percent increase in sales of assisted Palestinian firms	Fishing	Bi-annually	23%	0	15%	15%	0	124%	124%	0	15%	15%	Reported Bi-Annually
Value of exports of targeted textile & garment as a result of USG assistance	Textile & Garment	Bi-annually	\$234,866.00	0	\$1,500,000	\$1,500,000	0	\$2,491,580	\$2,491,580	0	\$2,500,000	\$2,500,000	Reported Bi-Annually
Percent increase in sales of assisted Palestinian firms	Textile & Garment	Bi-annually	27%	0	15%	15%	0	29%	29%	0	15%	15%	Reported Bi-Annually
Value of exports of assisted Palestinian Information and Communication Technology (ICT) firms	ICT	Bi-annually	\$10,273,569	\$2,600,000	\$200,000.0	\$2,800,000	\$5,381,938.04	\$324,582	\$5,706,520.04	\$1,000,000	\$400,000	\$1,400,000	Reported Bi-Annually
Percent increase in sales of assisted Palestinian Information and Communication Technology (ICT) firms	ICT	Bi-annually	323%	15%	15%	15%	13%		13%	0	10%	10%	Reported Bi-Annually
Number of new markets accessed by assisted Palestinian Information and Communication Technology (ICT) firms	ICT		16 (14 unique)	3	2	5	4	3	7	0	3	3	7
Number of New ICT Start-up companies established	ICT		37	5	2	7	11	0	11	0	2	2	-

Indicator Name	Sector	Frequency of Reporting	Actual Year 5	Planned Value for Year 6 WB	Planned Value for Year 6 Gaza	Planned Value for Year 6 (WB and Gaza)	Actual Value for Year 6 WB	Actual Value for Year 6 Gaza	Actual Value for Year 6 (WB and Gaza)	Planned Value for Year 7 WB	Planned Value for Year 7 Gaza	Total Planned Year 7 (WB/G)	Actual Value for Year 7 (WB and Gaza)
Total number of start-up capital raised by youth, disaggregated by sex	ICT	Bi-annually	\$508,650	\$100,000	\$10,000	\$110,000	\$500,000.00	\$5000	\$505,000	0	\$5000	\$5000	Reported Bi-annually
Number of new jobs created of assisted Palestinian firms	Cross Cutting	Bi-annually	2216	160	160	320	2517	647	3164	630	285	915	Reported Bi-annually
Number of youth gaining employment or better employment as a result of participation in USG-funded programs	Cross Cutting	Bi-annually	921	90	90	180	1880	1880	1880	40	40	80	Reported Bi-annually
Number of assisted private sector organizations and private sector service providers receiving USG assistance.	Cross Cutting	Quarterly	77	3	3	6	3	5	8	2	2	4	2
Number of new services provided by targeted business service providers and business service organizations to targeted sectors by the project.	Cross Cutting	Quarterly	81	2	6	8	10	2	12	4	4	8	2
Increase in exports and/or sales by women-owned/managed businesses and cooperatives as a result of U.S. Government assistance.	Cross Cutting	Bi-annually	\$409,763	\$100,000	\$100,000	\$200,000	\$220,818.13	\$212,752.78	\$433,570.91	\$350,000	\$100,000	\$450,000	Reported Bi-annually