

Palestinian Market Development Programme (PMDP) Final Report

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ACRONYMS AND ABBREVIATIONS

ACF	Action Against Hunger
ANERA	American Near East Refugee Aid
AFRP	American Federation of Ramallah Palestine
AWEF	Arab Women's Enterprise Fund
BDAs	Business Development Advisors
BEE	Business Enabling Environment
BPO	Business Process Outsourcing
BWF	Business Women Forum
CCU	CTRs Coordination Unit
CSSL	Cooperative Society for Saving and Lending
CTRs	Commercial Trade Representatives
DDCO	Deir Debwan Charity Organization
DFID	Department for International Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FNMD	Facility for New Market Development
FPCCIA	Federation of Palestinian Chambers of Commerce, Industry and Agriculture
HLITOA	Holy Land Incoming Tours Operators Association
HTF	Healing through Feeling
IBLaw	International Business Legal Associates
ICRC	International Committee of the Red Cross
IP	Invest in Palestine
JEST	Jerusalem Entrepreneurs for Society and Technology
MHPs	Mental Health Practitioners
MoA	Ministry of Agriculture
MoFA	Ministry of Foreign Affairs
MoJ	Ministry of Justice
MoNE	Ministry of National Economy
MoU	Memorandum of Understanding
MSA	Market System Analysis

MoTA	Ministry of Tourism and Antiquities
MoTIT	Ministry of Telecom. & Information Technology
NEEAP	National Energy Efficiency Action Plan
NES	National Export Strategy
OQ	Office of Quartet
PCCDs	Palestinian Center for Communication and Development Strategies
PCMA	Palestine Capital Market Authority
PEC	Palestinian Export Council
PIPA	Palestinian Investment Promotion Agency
PITA	Palestinian Information Technology Association of Companies
PIPA	Palestinian Investment Promotion Agency
PSI	Palestine Standards Institution
PSC	Palestinian Shippers' Council
PEIFZA	Palestinian Industrial Estate and Free Zone Authority
PFI	Palestinian Federation of Industries
PCBS	Palestinian Central Bureau of Statistics
PMA	Palestinian Monetary Authority
RIC	Ramallah Investment Company
STTA	Short Term Technical Assistant
UPA	United Palestinian Appeal
WBG	World BANK Group
WB&G	West Bank & Gaza
WAYE	Women and Youth Employment

EXECUTIVE SUMMARY

Introduction

In October 2013, the UK Department for International Development (DFID) and European Union (EU), in cooperation with the Palestinian Ministry of National Economy, launched the Palestinian Market Development Programme (PMDP), a comprehensive and strategic initiative to strengthen the competitiveness of the Palestinian private sector as part of their wider support to Palestinian state building efforts and the Middle East Peace Process.

The Programme has been implemented by DAI Europe, which designed and carried out activities to mitigate the risks associated with business development in a fragile context such as the Occupied Palestinian Territories (oPts), address market failures, and strengthen trade and investment linkages.

The Programme's objective of improving private sector growth was designed to be achieved through three Outputs:

- i) Provide matching grants and technical assistance to firms or consortia – under a competitive process and which specifically help firms to innovate their products/services, develop new products and services, improve processes, and enter into new markets.
- ii) Undertake market analysis and facilitation – to identify how specific market systems in selected sectors operate, what factors drive underperformance, and facilitate improved performance through addressing the root causes of underperformance and market failures.
- iii) Provide technical assistance to strengthen investment promotion and after care, promote trade to and inward investment from key international markets and mobilise the Palestinian Diaspora to play an active role in economic development in the OPTs. This was expanded in year three with additional EU funding to include improving the business enabling environment and activating the implementation of the National Export Strategy (NES). This strengthening of the Palestinian institutional framework would create a more conducive environment for growth.

Prior to the launch of the Programme, the Palestinian GDP growth had been very erratic, with overall annual growth as low as -8.6% (2008) and as high as 20.9% (2009) but with only 1.5% growth in 2013.¹

Israeli movement and access restrictions in the West Bank, its expansion of settlements, and almost complete control over Area C (60% of the West Bank), East Jerusalem, and the Gaza Strip acted as major impediments to economic growth and private sector development, consequently creating an unemployment crisis, which was increasing at an alarming rate.

With more than 22 years of continuous presence and work with the private sector in the oPt prior to implementing PMDP, DAI was able to bring a unique combination of practical skills and proven tools, matched with the human assets and experience to deliver the results needed to catalyse growth, even in the unpredictable political and operating environment of oPt.

¹ The World Bank. World Databank. Accessed October 12, 2018.
<http://databank.worldbank.org/data/home.aspx>

Programme Implementation 2014-2018

PMDP's strategy was guided by the team's knowledge of the demands of local and international end-markets as well as the standards required for firms to access those markets. PMDP was designed with a multipronged approach that integrated the three outputs to focus on enhancing the sources of growth and maximising results.

Output 1 focused on building greater internal capacity within Palestinian firms, Palestinian MSMEs had little to no experience in using strategic business services, and so had little understanding of the value of such services as systems improvements, quality standards, marketing strategies, product development, or know-how transfer which could increase their competitiveness and lead to growth. The first step was to educate the market, starting with PMDP's grant-making scheme.

Unlike give-away grant programmes, PMDP's matching-grants were designed to be the catalyst for changing attitudes and behaviors among Palestinian MSMEs by making sure they owned the process and the results of undertaking strategic business development projects.

PMDP has had to adjust to many changes in the political economy and broader development environment throughout the duration of the project, which affected Output 1's implementation.

In July 2014, war broke out in Gaza and new needs emerged to support private sector recover from the war. After an assessment of the situation, PMDP launched its Gaza Back to Business (GB2B) sub-component in November — only weeks after the ceasefire to support the rehabilitation of affected companies.

The demand for Open Grants continued to grow rapidly in the West Bank, creating a backlog of grant applications by 2016. To address this problem, PMDP shifted from its "first-in, first-served" approach to a more focused "batch" approach, whereby a Request for Applications was announced with a well-defined deadline and pre-set criteria, which gave additional weight for job creation, especially for women and youth.

In 2016, DFID added a more intense focus on job creation, especially for women and youth and the marginalised. As a result, PMDP carried out a major review exercise to examine its assistance portfolio and the applicability and effectiveness of its grant-making to reach and address the more specialized needs of disadvantaged businesses, both women and youth owned businesses and marginalised businesses located in Area "C", the Seam Zone, the Jordan Valley, East Jerusalem, and the Gaza Strip.

This brought about another significant shift in response with PMDP taking a 5-pronged approach: 1) focusing on opportunities for job creation among existing and new clients within the respective portfolios of Outputs 1, 2 and 3; 2) partnering with organizations working directly with women and youth to develop and deliver targeted business assistance programs; 3) focusing on sectors with potential for creating employment for these target populations; 4) collaborating with other donor-funded projects in designing mutually reinforcing women and youth job-creation interventions; and 5) establishing three new grant windows: Results Based Window, Marginalised Areas Window, and a Women and Youth Employment (WAYE) Window to support disadvantaged women-owned enterprises.

Output II's work started with a scan of the economy to identify sectors with strong growth potential, followed by pinpointing selected market systems that were underperforming and limiting overall sector productivity. Sectors were evaluated by assessing their potential to contribute to sector

growth, GDP, and employment. This resulted in a shortlist of initial priority sectors in 2014 that included ICT, Agriculture, and Business Services. Tourism and Furniture added in 2015 and 2016 respectively.

Following sector prioritization, more detailed analysis was undertaken to identify priority-underperforming markets within the selected sectors, leading to a longlist of market systems which were then filtered to determine the opening portfolio of markets for intervention by employing the following selection criteria: a) development and outreach potential, b) economic growth potential, and c) intervention potential.

The war in Gaza also affected Output II's implementation. It jumped in to assist this effort with the Emergency Market Mapping Analysis (EMMA) to help get irrigation water flowing back to farmers in the hard-hit districts of Al Zannah and Sureij.

As part of the New Direction, Output II identified sectors that have the highest potential for job creation and added Furniture to its targeted sector portfolio with the aim of increasing jobs for youth in the Salfit district.

Output II also worked with its network of private and public sector actors to identify and address strategic market failures, especially in key sectors such as ICT, Agriculture and Tourism, and used this information to guide firm-level support while strengthening key institutions to draw outside resources. While the matching grants were open to firms across all sectors and geographies, they were also used to reinforce the sector-driven actions, helping to fuel demand among Palestinian MSMEs for better products, marketing, communications, human resources, and technology systems.

Output III focused on strengthening international trade and investment by concentrating initially on three key areas: 1) Developing the Palestinian Investment Promotion Agency's capacity to facilitate investment; 2) Improving diaspora trade and investment linkages and opportunities for diaspora to transfer knowledge and know-how to Palestinian entrepreneurs; 3) Supporting the establishment of a cadre of Commercial Trade Representatives in key international markets. In 2016, two additional areas were added to the scope of Output III: 1) Improving the business and investment enabling environment; and 2) Improving cooperation among key actors in the implementation of the National Export Strategy, including the development of a "Brand Palestine" promotion strategy.

The programme has witnessed several changes in government counterparts from the start of the programme (3 ministers of National Economy). The instability and change within the government had a significant impact on the early work of output III, yet progress was made in 2014, especially in assisting the Ministry of National Economy in reforming and empowering PIPA, the Palestinian Investment Promotion Agency.

Output III actively engaged private and public sector actors to help set the agenda, design interventions and influence policy makers. Early in the programme, PMDP established the Diaspora working group (DWG) which included representatives from relevant ministries, and private sector organisations, which helped PMDP create a consolidated database, which today includes profiles of 2,423 diaspora individuals and 1912 diaspora organisations in 70 countries. Output III also established the CTR working group to ensure buy in on the proposed concept as well as assist in the final market selection for placement of the CTRs.

On the BEE side, PMDP started work with MoNE on setting up an action plan to improve the business environment, and then collaborated with various actors, including MoNE and the World Bank, to

translate plans into reality and bring about sustainable change.

This was a hallmark of PMDP's approach; to successfully implement a strategic systems approach, which was designed to catalyze interactions among key actors, thereby changing how people engage, collaborate, experiment, and bring about change.

Summary of Project Results and Achievements

Within the framework of its Theory of Change, PMDP demonstrated the effectiveness of its multipronged and integrated approach to achieving the Programme's outcomes. PMDP was designed to build the capacity of the supporting environment to deliver the results, as it would be impossible for it to deliver the results alone. Therefore, PMDP played an important facilitative role working in close collaboration with many partners supporting to get them to deliver the overarching results. This section highlights the main achievements and some of the main partners, in addition to DFID and the EU, with whom PMDP collaborated.

Output 1

Over the five years of implementation, PMDP received almost 2,000 applications — 1,207 applications for the four grants windows combined (871 from the West Bank and 336 from Gaza) and 750 applications for the Gaza Back-to-Business Window. The programme was able to support 884 enterprises in West Bank (431) and Gaza (453) in the lifetime of the programme.

PMDP has injected GBP 7.5 million worth of grants assistance, which has leveraged more than GBP 5 million in private investment. This has enabled 884 MSMEs to increase revenue by GBP 131.26 million and create a net 2,978 jobs. This assistance helped 264 firms to get back to business after the 2014 war, resume their operations, employ, and sustain a net 1,201 workers even though the general economic environment continued to deteriorate. The programme utilized Seward RedQueen consulting company to develop matrices to measure indirect and induced jobs. Using the matrices to calculate the real impact, PMDP created 6,633 direct, indirect, and induced jobs.

Women-owned or managed grantees reported GBP 14.7 million (20%) of the overall attributed sales. This is not surprising since nearly half of the women-owned or managed companies were disadvantaged enterprises assisted by WAYE,

PMDP grantees introduced **838 (637 under the open grants and 201 under the Gaza Back to Business)** new or enhanced products over the 5-year period which, along with other market entry activities, helped them enter or expand into new domestic and export markets where they have generated over GBP 74 million of attributed sales from the Open Grants window over a period of four and one-half years.

Around one-third of all of PMDP grantees received GBP 1.97 million in grants to export for the first time or increase exports. This investment resulted in GBP 26.9 million in additional export sales in 52 countries, representing a leverage ratio of 1: 14.

In 2017, PMDP committed to improve its efforts to mainstream gender and youth in its activities, resulting in 35% (218) of the 620 enterprises assisted being women owned or managed companies. The WAYE component, which allowed PMDP to focus on the development of disadvantaged women-owned companies in the West Bank and marginalised areas produced nearly half of the 218 women owned/managed enterprises assisted under Component I. The use of Co-facilitators, NGOs that work

with disadvantaged women and youth, was an innovation, which yielded significant results in less than a year: 105 disadvantaged women- and youth-owned businesses with 120 of the 179 women and youth owners improving their knowledge, know-how and business and production systems.

The marked increase of jobs for women of all ages (46.3%) and youth (55%, both young men and young women), shows the impact of PMDP's re-commitment in 2017 to a more inclusive workforce. It is notable that the 105 disadvantaged women-owned enterprises increased their employment by 106 FTE jobs (43% for young women under the age of 30 years-old) in less than a year.

More than 125 Business Services and Maintenance Providers (BSPs/BMPs) have built their capacity to offer new and higher quality services to PMDP grantees in addition to their own MSME clients. These services have enabled Palestinian MSMEs to develop new products/services, improve their business and technology systems, and enter new markets. It is encouraging that more and more companies (27% of PMDP grantees) are investing their own funds to purchase services from BSPs.

Output II

PMDP engaged with a variety of implementing partners to address market system failures, especially in the IT business outsourcing, animal feed and grafted seedlings sectors. Working closely with key service delivery companies, they started growing outreach to new beneficiaries. As a result, 24 Palestinian IT companies have entered into new niche markets in Design Verification, Cybersecurity and Augmented Reality, 163 herders are using alternative feed, 50 herders are using milk replacement systems, and more than 778 small-scale farmers have switched to grafted seedlings.

The Multi-national Enterprise (MNE) Outsourcing Working Group, consisting of private sector IT companies, the Palestinian Information Technology Association (PITA), the Office of the Quartet, GIZ and the Portland Trust, have succeeded in increasing IT exports by connecting Palestinian IT suppliers to international IT buyers

PMDP worked with Palestine's leading universities and colleges including Birzeit University, Bethlehem University, Al-Najah University, Palestine Ahliyyeh College University, Dar Al-Kalima College, and others to launch pilot projects to stimulate local companies to engage university faculty and students in applied projects and to help in reforming curricula.

PMDP identified and supported private sector innovators, such as Al Waha Company in Hebron to develop alternative lactation machines at an affordable price to farmers to reduce mortality rates and increase farmers' profitability. PMDP also worked with partners to introduce alternative feed products on commercial basis to the local market that will address the main constraint in the livestock market. The programme worked with 4 nurseries in Gaza, who stepped forward in establishing new business models (grafted seedlings) which are increasing incomes and profits among thousands of small holder farmers and herders.

Output III

Steady support to PIPA has significantly improved its capacity, transforming it into a more proactive IPA with a sector-focused strategy, responding more effectively to investors' needs, and equipped to serve economic growth. A cadre of five CTRs are now established in key export markets and the CTR Coordination Unit is now established within PIPA with budget support from the Government to fund the CTRs programme and ensure their long-term sustainability.

The Diaspora Working Group, with representatives from key ministries and private sector organizations, helped build the Diaspora Database, which subsequently led to linkages with diaspora organizations who became engaged in economic activity with local partners. Palestinian diaspora have been mobilized to support and make direct investments in Palestine through a number of investment vehicles including a \$2.5 M Invest Palestine Fund and the Ramallah Investment Company.

The diaspora database, also hosted at PIPA, has been made available to the CTRs and other relevant stakeholders, which now have access to the database to further support trade and investment linkages.

There have been tangible changes and a lasting impact on the general environment for business in the oPt. The ranking of the West Bank and Gaza in the World Bank Doing Business 2018 report rose 26 places since the previous year, and specifically moved up 98 places on the 'Getting Credit' indicator, which has been an indicator of the wider impact of the program.

The Palestine Agriculture Credit Institution (PACI) and the Palestinian Disaster Risk Reduction and Insurance Fund (PADRRIF) are now better resourced to help mitigate risk and credit constraints in the Agriculture sector.

The Federation of Palestinian Chambers of Commerce and Industry Association (FPCCIA), which have helped develop and disseminate a Guidebook to increase awareness within the business community, especially among informal businesses, of the benefits of business formalization.

The Ministry of National Economy and 28 members of the Palestinian Exports Council collaborated to implement recommendations of the National Export Strategy, such as the successful development and launch of the "Made in Palestine" Brand, and reorganization of the Palestinian Standards Institute which have both helped pave the way for Palestinian exporters to more easily meet quality requirements in international markets.

The "Made in Palestine" project has successfully been launched with a favorable impact on traders' and consumers' perceptions of Palestinian products, and, as Palestinian firms continue to invest in the branding, a wider impact can be expected.

Conclusion and Lessons Learned

The final report tells the story of PMDP over the past five years. We have attempted to provide an overview of our approach and methodology for each of the three outputs of the programme and how we leveraged the outputs to reach maximum results. We did not cover every single activity that the programme implemented; those were covered in our regular quarterly and annual reports.

We have learned valuable lessons, and encountered various challenges during the implementation of the programme. We included a lessons learnt section for each of the outputs in the body of the report. There are however, some general lessons learnt and conclusions that are helpful to highlight for consideration in future programmes, including:

Flexible and dynamic programme design made the project more relevant and responsive

The flexibility of the programme design allowed PMDP to be dynamic, proactive, innovative, and able to address changes in the environment and meet changes in priorities. The project encountered several occasions where new challenges in the broader environment required flexible programming

responses, like the 2014 war in Gaza, or when there were changing priorities in its donor partners (DFID's shift to emphasising women and youth employment). Operational flexibility allowed for responsive programming. DFID and the EU's ability to adapt the programming, realign funding priorities, and add new outputs with more appropriate grant windows to respond to those challenges increased PMDP's relevance and enhanced its impact.

Integration of the outputs led to greater impact

The design of the project was thoughtfully done and carefully constructed. It built on the lessons learned from previous DFID funded projects in the oPt, especially leveraging many lessons and studies from the end of the Facility for New Market Development (FNMD) project which built a sound starting point for PMDP. Complementing the matching grants facility in Output I (carried over from FNMD), the general analytical capacity to diagnose key development constraints in Output II was able to help target assistance to private firms more effectively in high growth sectors. At the same time, the institutional strengthening for trade linkages in Output III also created common and stronger bonds between the main trade and export agencies (PIPA and PalTrade) leaving behind a deeper institutional foundation. Tying the EU and the Ministry of National Economy into the project enhanced its credibility and mandate.

Collaboration and stakeholder engagement was instrumental in delivering effective and sustainable results

PMDP played a facilitative and constructive role with all the stakeholders. With a mandate to work closely with the government and support key government institutions focusing on trade and investment, PMDP worked closely with all of the key parties and developed strong and trusted relations. But PMDP also worked with the broad range of donor partners, helping to bring them to the same table to jointly design and implement new approaches to addressing common problems. Regularly establishing working groups (such as for the Diaspora, ICT outsourcing, the central coordinating unit for the CTRs, supporting the NES secretariat), PMDP facilitated a lot of joint action. It initiated many joint activities, like the Online Freelancing initiative with the Arab Women's Enterprise Fund and Mercy Corps, where the three coalesced around a bigger vision with each partner taking a specific, but complementary role. Its collaboration with the World Bank, leveraging their respective strengths, yielded very good results on the enabling environment. PMDP's work with Portland Trust helped leverage an identified market opportunity into a reality.

Taking the time to lay the proper foundation for interventions leads to sustainability

Sustainable development requires sound foundations and clear and transparent roles and relationships. While many projects jump ahead with their own initiatives independently, PMDP worked in an inclusive manner to understand the challenges, generate consensus and build coalitions.

Under Output III, the work supporting PIPA took a year to get the full buy in from the MoNE and the PIPA Board of Directors, but that buy-in led to sustainable transformation of the institution. In order to ensure that the CTRs survived beyond the project, PMDP required a firm memorandum of understanding with the MoNE that it would bring the staff into the ministry at the end of the project. The CTRs also required an MOU between the MoNE and the Ministry of Foreign Affairs (MoFA), since they would be sitting in the Embassies. These MOUs required nearly two years to conclude but have been instrumental in the successful establishment of the CTR programme. The Diaspora working group united numerous agencies, each with a mandate to work with diaspora, and forged a common approach.

Under Output II, PMDP carried out its detailed analyses of the sectors, then validated them with the key stakeholders to build consensus for the way forward. But PMDP did not stop there, as so many projects do, it then built coalitions of universities, private companies and other NGOs to develop appropriate working groups that would drive the initiatives forward, like Jossor and the Multinational Enterprise ICT group. Working with the Portland Trust helped leverage an identified market opportunity into chip design and verification into a reality.

PMDP has set the standards for future work in market systems development, collaboration with the PA, and addressing the BEE.

Through the approaches described above, PMDP has demonstrated sound pathways for development, which others are copying. Its work with the market systems development approach, in particular, has been new for the oPt. While many organisations have carried out diagnostic studies with big presentations/workshops at the end, PMDP brought teeth the analyses through follow up and delivery of results; for PDMP, the analysis was the starting point, not the end. PMDP was able to bring resources (time and money) to address systemic issues in ICT, Tourism, and agriculture through pilot projects to put into practice potential solutions. These were then replicated and mainstreamed in support of the private sector.

A strong, consistent team was instrumental to the success

Finally, a critical factor of PMDP's success was the caliber and consistency of the team. The Senior Management team (the Project Director, Team Leader, Deputy Team Leader, Grants manager, Gaza Regional Manager, and Finance and Admin Manager), stayed from the beginning to the end of the project. Many factors contributed to having a strong team, starting with the selection of the team members that have complimentary skills required for effective implementation; team building, maintaining high morale, motivation and a culture that promotes discipline and excellence. The team had a long history of working together both in Palestine and for DAI. They were carefully selected and brought complementary skills to the project, with excellent operational skills, technical skills, and deep knowledge of the local political economy. This senior management team started on the project within its first few weeks and ran the project from start to finish providing consistency throughout the project.

I. INTRODUCTION

Country Context

A cornerstone of DFID and EU's strategy and support to Palestinian state-building and the Middle East Peace Process has been to reduce poverty through economic growth and job creation with the private sector playing an essential role in achieving that. This is, of course, in recognition by DFID and other stakeholders of the political and economic context in the OPTs, especially the ongoing conflict and occupation.

At the time of the Programme's inception in 2013, multiple challenges faced Palestinian development efforts: (i) adverse conditions of conflict; (ii) intensified, systematic mobility restrictions; (iii) lack of national sovereignty; (iv) limited policy space available to the PA to manage the economy; and (v) systemic dependence on foreign aid and volatile revenue streams.

By 2013, the Israeli-Palestinian conflict had been entrenched for 56 years with Israel's occupation of the West Bank and Gaza Strip, and annexation of East Jerusalem, resulting in more than a million Palestinian Arabs coming under Israeli military rule and hundreds of thousands more fleeing or driven from their homes. It also began a process, which led, over time, to the colonisation of large parts of the West Bank and Gaza Strip.

The internal Palestinian conflict between the Fatah and Hamas factions, which saw Hamas taking control of Gaza by force in 2007 and the subsequent closure of Gaza by Israel, led to an escalation of violence in 2009 between Hamas and Israel which resulted in significant numbers of deaths and destruction in Gaza. Another round of escalation between the same parties took place in November 2012 and left over 150 dead and more than 1,000 injured within eight days. The Hamas/Fatah reconciliation agreement announced in May 2011, and again in May 2012, was yet to be implemented, adding another degree of uncertainty to the internal political situation.

Israeli movement and access restrictions in the West Bank, its expansion of settlements, and its almost complete control over Area C (60% of the West Bank), East Jerusalem and the Gaza Strip acted as major impediments to economic growth and private sector development². Data from Palestinian firms surveyed in 2006 and again in 2013 showed no significant growth in capital investment or employment during this period due to the uncertainty and fragmentation related to Israeli-imposed restrictions.³ In a 2011 study by the Palestinian Ministry of National Economy (MoNE) and the Applied Research Institute-Jerusalem, the cost of occupation and restrictions was estimated at \$6.9 bn in 2010, a staggering 85% of the total estimated Palestinian GDP.

² In addition to the Israeli restrictions on movement and access, the closely tied Palestinian economy with that of Israel further exacerbates the economic constraints by driving the cost structure in the OPTs to similar levels of highly developed countries. Most of the utilities (water, electricity and telecoms) are purchased from Israel at Israeli prices albeit through Palestinian subsidiaries. The Israeli security requirements for shipping goods in and out of the OPTs add significantly to the costs. Restrictions on construction outside of Areas A&B have also driven property prices in these areas to exaggerated levels due to scarcity of land in these areas.

³ World Bank (2014) 'West Bank and Gaza Investment Climate Assessment: Fragmentation and Uncertainty', available at <http://documents.worldbank.org/curated/en/2014/01/20189765/west-bank-gaza-investment-climate-assessment-fragmentation-uncertainty>

World Bank data showed erratic trends of Palestinian GDP growth from 2008 to 2013, with overall annual growth as low as -8.6% (2008) and as high as 20.9% (2009) but with only 1.5% growth in 2013.⁴ According to the Palestine Monetary Authority (PMA), this slowdown came as a result of a huge decline in agricultural activities in West Bank, declines in internal trade and activities related to information and communication, public administration and defense, in addition to a decline in the net value added tax on imports.⁵ According to a 2013 report by the United Nations Conference on Trade and Development (UNCTAD), Israel's withholding of Palestinian tax revenue and the leakage of Palestinian fiscal revenues, estimated at \$300 million annually, from smuggling and lost tax on imports via Israel contributed to the deepening of the Palestinian fiscal crisis in 2013.⁶ The International Monetary Fund noted in a 2012 report that 70% of Palestine's clearance revenues in 2012 were transferred to the PA via Israel, which collects them on the PA's behalf.⁷

In 2013, at the inception of PMDP, the unemployment rate was 25.2% of labor force (38.5% in Gaza and 18.2% in West Bank). The unemployment rate for male in Palestine was 23.1% compared with 33.5% for female.⁸ Women's labour force participation rate was 17.3%⁹ in 2013, attributable largely to the severe social and economic barriers that they face. Youth unemployment in 2013 was estimated at around 37%.¹⁰ According to the data from the ILO's School-to-Work Transition Survey, there were an estimated 312,822 unemployed youth in the oPt in 2013 – 136,308 in the West Bank and 176,514 in Gaza. Of the total unemployed youth population, 176,007 were men and 136,815 women. Corresponding with this, the figures for labour force participation were strikingly lower for young women (8.8%) than men (49%).¹¹

Given the above context, it would be imperative for PMDP to remain flexible to respond to major changes in the political and operating environment over the course of PMDP's implementation.

⁴ The World Bank. World Databank. Accessed October 12, 2018.

<http://databank.worldbank.org/data/home.aspx>

⁵ Palestine Monetary Authority, Inflation Report 3rd Qtr 2013

⁶ United Nations Conference on Trade and Development, Report on UNCTAD assistance to the Palestinian people: developments in the economy of the Occupied Palestinian Territory, July 8, 2013

⁷ International Monetary Fund *Recent experience and prospects of the economy of the West Bank and Gaza*, March 2012

⁸ Palestinian Central Bureau of Statistics (PCBS), Press Release on the Results of the Labour Force Survey, (October– December, 2013) Round, <http://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=1022>

⁹ Palestinian Central Bureau of Statistics (PCBS), International Women's Day 2014 press release, <http://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=1049>

¹⁰ Palestinian Central Bureau of Statistics (PCBS), On the Eve of International Youth Day 12/8/2013 press release, <http://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=866>

¹¹ Labour Market Transitions of Young Women and Men in the oPt, ILO-Mastercard, 2014

Theory of Change (ToC)

DFID's theory of change (ToC) for the programme explained the relationship and assumptions between the inputs, outputs, outcomes and the impact of the programme. The original ToC was reviewed two times during the lifetime of the programme through workshops that were facilitated by the third party evaluator (GDSI) and included DFID, the EU and the PMDP team. The purpose of the workshops was to examine the validity of the ToC during the implementation of the programme and introduce changes and improvements. A few changes have been introduced due to the expansion of the scope of the programme in the business enabling environment and the new direction of the programme. As a result of the discussions it was determined that the theory of change is valid and the assumptions hold true. At output level:

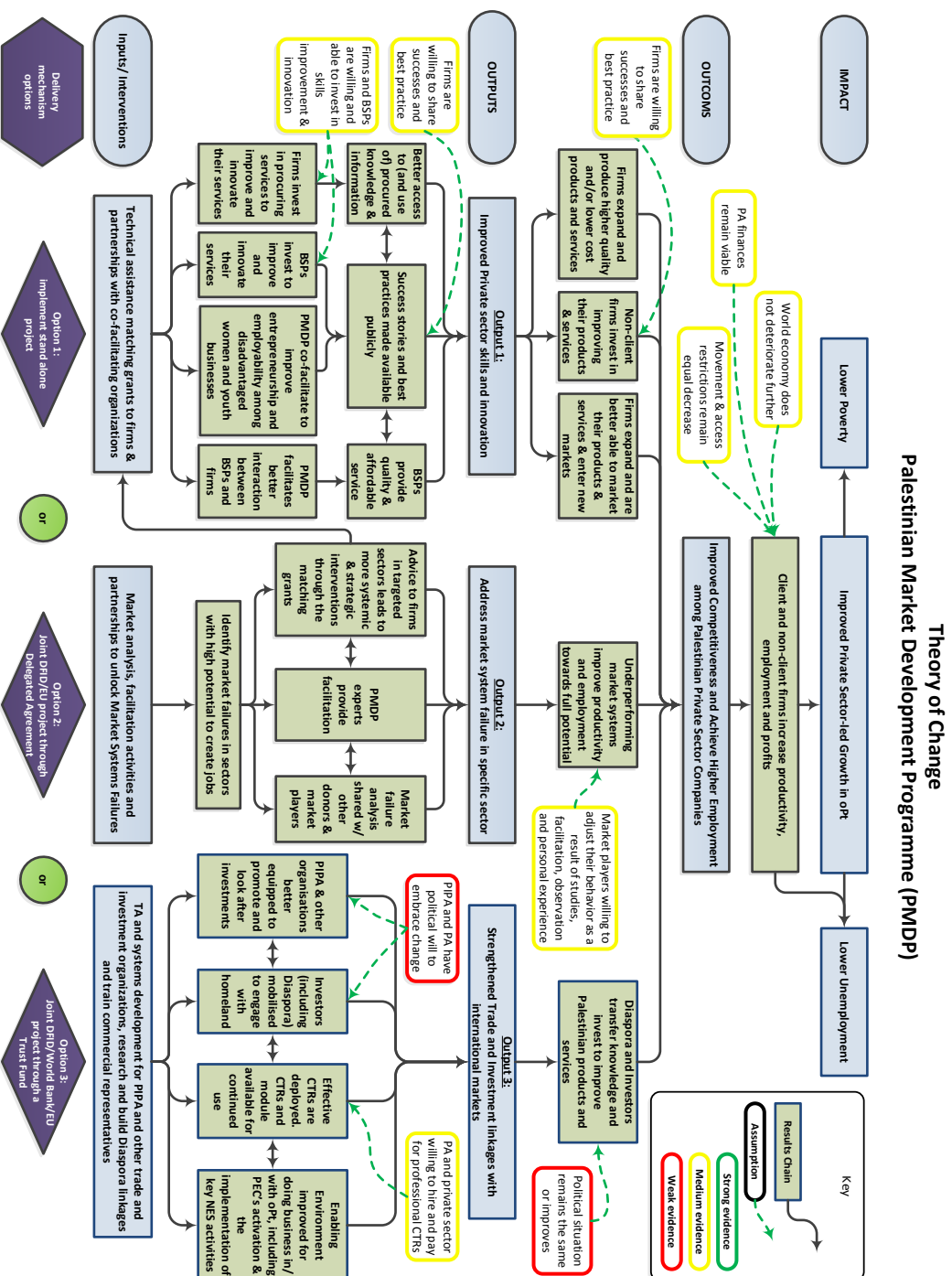
- 1- It is evident that the PA is willing to hire and pay for the professional CTRs since contracts have been signed with all CTRs.
- 2- PIPA and PA have political will to embrace change, evidenced by PIPA's change of structure and adaptation of the new strategical frame work.
- 3- Firms are willing to share successes and best practises has proven true for most cases except for few companies who were concerned that this would put them at a competitive disadvantage. It was further evidenced through companies' willingness to showcase and contribute to the PMDP Success Stories and organised client visits.
- 4- Firms and BSPs are willing and able to invest in skills improvement and innovations. 171 of PMDP beneficiaries have continued purchasing services from BSPs using their own funds after working with PMDP.

The main amendment to the Theory of Change came in 2017 to reflect the addition of the women and youth job creation component along with the Enabling Environment subcomponent of output 3. The main change was the addition of 2 boxes under the output level of the ToC:

- 1- PMDP co-facilitate to improve the entrepreneurship and employability among disadvantaged women and youth businesses.
- 2- Enabling environment improved for doing business in / with oPt, including PEC activation and the implementation of key NES activities.

The below table shows the most recent Toc of the programme:

Figure 1 ToC Chart



Overview of the Programme's Design and Implementation Modalities

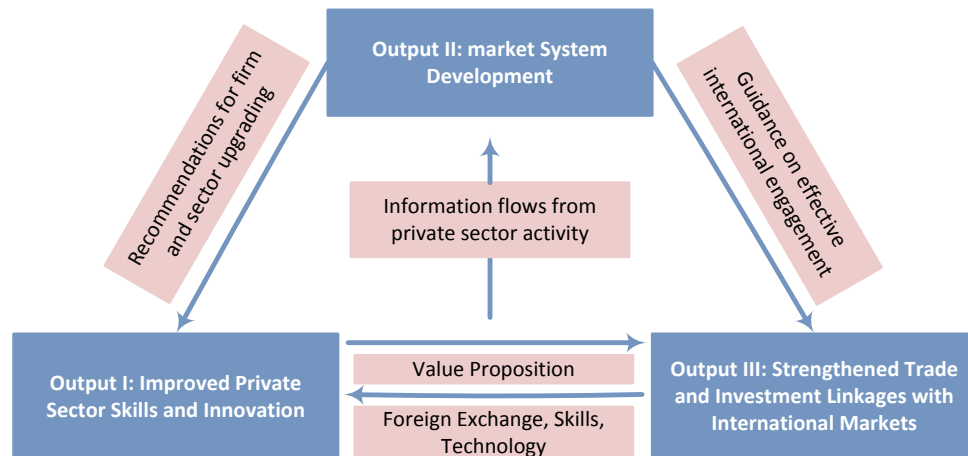
The Programme's objective of improving private sector growth was designed to be achieved through three Outputs:

- i) Provide matching grants and technical assistance to firms or consortia – under a competitive process and which specifically help firms to innovate their products/services, develop new products and services, improve processes, and enter into new markets.
- ii) Undertake market analysis and facilitation – to identify how specific market systems in selected sectors operate, what factors drive underperformance, and facilitate improved performance through addressing the root causes of underperformance and market failures.
- iii) Provide technical assistance to strengthen investment promotion and after care, promote trade to and inward investment from key international markets and mobilise the Palestinian Diaspora to play an active role in economic development in the OPTs. This was expanded in year three with additional EU funding to include improving the business enabling environment and activating the implementation of the National Export Strategy (NES). This strengthening of the Palestinian institutional framework would create a more conducive environment for growth.

An integrated and strategic approach

Drawing from previous lessons learnt from DAI's implementation of the DFID/World Bank-funded Facility for New Market Development (FNMD) project, DFID designed a multipronged approach for PMDP that integrated the three outputs, depicted in figure 2, to focus on enhancing the sources of growth and maximising results: increased innovation and productivity at the firm level (Output I), increased efficiency in the relationships amongst market players to address market systems constraints (Output II), improved access to new markets (primarily export – Outputs I and III), greater investment into firms in the oPt (foreign direct investment) and strengthened diaspora support for trade and investment in their respective countries – Output III).

Figure 2 Synergies and Integration Among all Three PMDP Outputs



Demand-Driven

PMDP’s approach has been guided by its knowledge of the demands of local and international end-markets, as well as the standards required for firms to access those markets. In designing its matching-grants scheme, however, PMDP needed to take into consideration two basic lessons learnt from the predecessor FNMD project: 1) mechanisms for private sector skills development and innovation in oPt are not highly developed; and 2) most Palestinian private sector enterprises do not value strategic business services, such as market research, quality standards, marketing strategies, product development or other sophisticated business support services.

PMDP’s grant making needed to be a catalyst to change the attitudes and behaviours mentioned above. Two different categories of matching grants were provided under Output I: Open Technical Assistance Grants and Partnership Grants. The Open TA Grants were made to private companies (individual companies and consortia of at least three companies).

While most firms are small, family-owned firms (with fewer than 10 employees), with weak managerial dynamism, low commitment to growth, and limited use of business services, some firms are more open and willing to invest in changes needed to grow. To attract those firms, PMDP developed an outreach and promotion strategy to engage its extensive network of Business Support Organizations in the promotion and implementation of the Programme.

From the outset, the PMDP team recognised that there is a “spectrum of readiness” among firms in the oPt to make the needed strategic and operational changes to grow. Therefore the portfolio of eligible activities which could be covered by a grant would need to appeal to a wide range of needs and PMDP would need to employ a variety of tactics to engage firms and help them reach market viability. To that end, the Programme created sub-strategies for working with firms along this spectrum, ranging from the use of co-facilitators to help reach and work with the most disadvantaged, such as women-owned businesses in the informal sector, to adjusting the allowable activities and expenses covered by grants for businesses struggling to survive

under severe restrictions in the so-called “marginalised” areas, to basic TA to firms that were poised to grow but just needed a bit more support.

Facilitating collaboration between public and private sector actors

Engagement of private and public sector actors to help set the agenda, design interventions and influence policy-makers was a hallmark of PMDP’s approach. With nearly 25 years of continuous presence and work with the private sector in the oPt prior to PMDP, DAI already knew and had worked with many of the key actors who would be critical for driving growth: the banks; the private equity funds; the business membership organisations (BMOs); the business service providers (BSPs); the universities, research institutions and non-governmental organisations (NGOs); and the ministries and public agencies. Moreover, this deep knowledge of the local business ecosystem positioned DAI to successfully implement this strategic “systems” approach, which was designed to catalyse interactions among key actors, thereby changing how people meet, talk, trust, share, collaborate, team, experiment, and grow together.

PMDP worked with its network of private and public sector actors to identify and address strategic market failures, especially in key sectors such as ICT, Agriculture and Tourism, and used this information to guide firm-level support while strengthening key institutions to draw outside resources. While the matching grants were open to firms across all sectors and geographies, they were also used to reinforce the sector-driven actions, helping to fuel demand among Palestinian MSMEs for better products, marketing, communications, human resources, and technology systems.

As MSMEs’ capacities increased, so did their confidence and appetite for entering new markets, including export markets. These firms’ international opportunities were broadened and deepened through the linkages to the diaspora and Commercial Trade Representatives, which were established with the help of Output III. As Palestinian exporters gained a toe-hole in new export markets, Output I was able to help them increase export sales through matching grants that linked them to sales representation services.

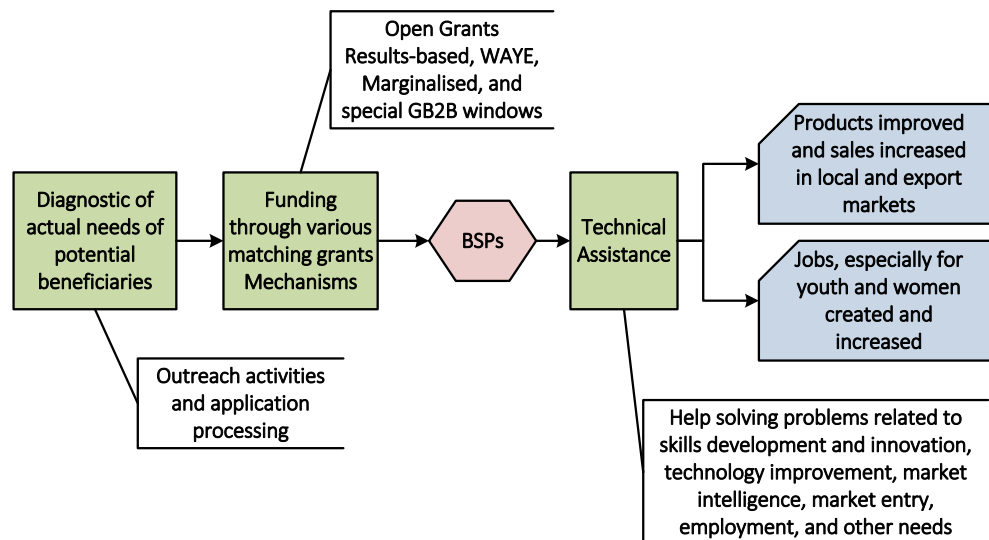
The employment of Business Services Providers (BSPs), largely Palestinian, to deliver the technical assistance strengthened the supply and quality of critical business services which in turn further stimulated demand for strategic services, creating a mutually reinforcing link within the business ecosystem.

Working Groups, which were organized and facilitated by Outputs II and III to tackle sector wide problems, helped reinforce ecosystem cohesiveness by address constraints within the business enabling environment that impact all actors, especially with regard to access to credit.

The role of Output I's Business Development Advisors

An underlying assumption of a demand-driven assistance mechanism is that prospective clients have the capacity to determine and manage technical assistance according to their needs. This is often not the case with MSMEs, especially smaller and younger firms. For this reason, Output I's Business Development Advisors (BDAs) played a key role in ensuring that MSMEs received the type and quality of assistance they needed to make the changes that would produce the results they were seeking. As depicted in figure 4, BDAs helped grant applicants to diagnose their key problems, to develop their business development plans, to identify the needed technical assistance (TA), and to source and engage suitable Business Services Providers. Once a grant was issued, the BDAs followed-up with after-care services, offering advice regarding the implementation of the TA and controlling the quality of the BSP's technical implementation.

Figure 4 Output I Advisory and Grant Approach



First-in, First-Served Application and Grants Processing

The implementation of the Programme started immediately after the submission of the Inception Report on 20 February 2014, with the Programme's outreach efforts resulting in a strong pipeline of applications from all regions in the West Bank, East Jerusalem and Gaza. To ensure that applicants' needs were promptly addressed, PMDP used a "first-in, first-served" approach where applications were registered in the grants management system as they came in and then transferred to the assigned committee for immediate appraisal and evaluation. Due to this procedure, PMDP's reputation as a responsive partner spread quickly and, as grantees showed improvements, demand increased even more rapidly. PMDP received 138 applications by the end of June 2014, and 233 by end of December 2014. The "first-in, first-served" approach continued until end of 2016.

In July 2014, the war broke out in Gaza and demand for TA grants precipitously declined throughout the oPt, but especially in Gaza. After the ceasefire in late August, PMDP collaborated with the Palestinian Federation of Industries (PFI) to conduct an assessment of the productive sector in Gaza to better understand the levels of damage to companies and their needs to get back on their feet. By November — only weeks after the conflict had ended, the Programme launched its Gaza Back to

Business (B2B) sub-component to support the rehabilitation of affected companies (see section below on the Gaza B2B grant programme).

A Shift to processing applications and grants in batches

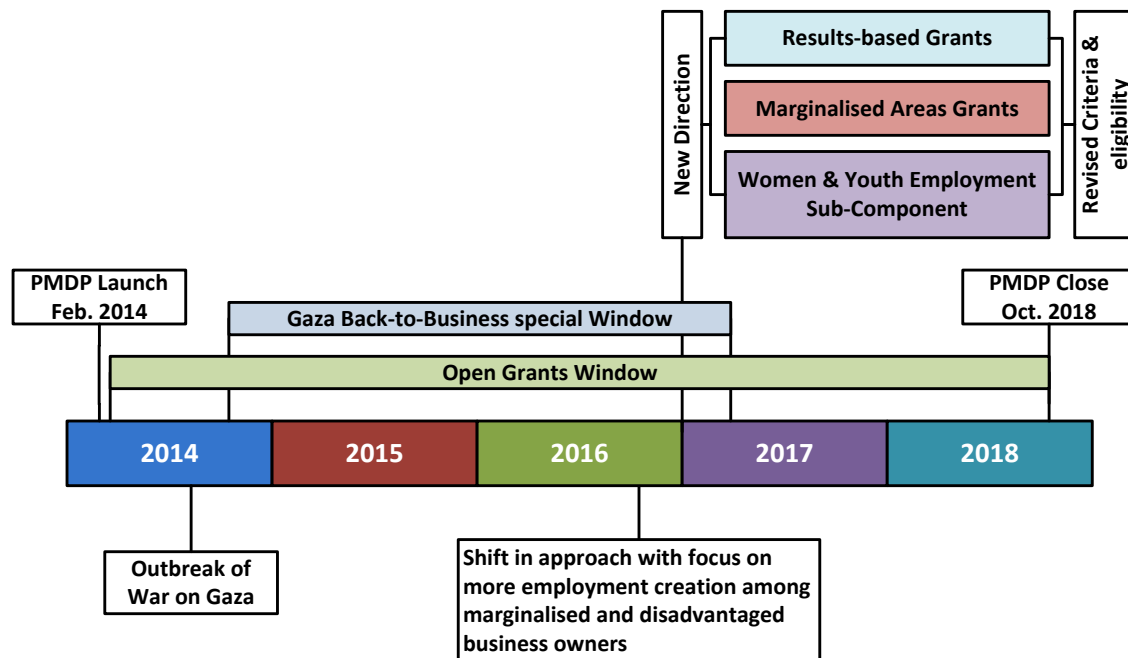
Meanwhile, the demand for Open Grants continued to rapidly grow in the West Bank, creating a backlog of grant applications by 2016. To address this problem, PMDP shifted from the first-in, first-served approach to a more focused “batch” approach, whereby a Request for Applications was announced with a well-defined deadline and pre-set criteria, which gave additional weight for job creation, especially for women and youth. Batches of applications were then screened and compared with one another to select the best before passing them to the processing phase. This streamlined approach generated higher quality applications, allowed the team to better control the inflow of applications and focus on the applications that would yield the greatest results. The Output I team of advisors managed to open and process applications through five successive batches, during 2017 and 2018. Under which, they screened 688 applications in West bank and Gaza Strip, and processed the accepted ones.

A New Direction

While PMDP’s Open TA Grant scheme was a robust mechanism for leveraging co-financing to support economic competitiveness, the grant-making criteria and procedures were not designed specifically to catalyse employment, especially among more marginalised women and youth. Therefore, in 2016, PMDP carried out a major review exercise to examine its assistance portfolio and the applicability and effectiveness of its grant-making to reach and address the more specialized needs of disadvantaged women- and youth-owned businesses and businesses located within marginalised areas (Gaza Strip, Area “C” including the Seam Zone, the Jordan Valley, and East Jerusalem).

This brought about another significant shift in response with PMDP taking a 5-pronged approach: 1) focusing on opportunities for job creation among existing and new clients within the respective portfolios of Outputs 1, 2 and 3 with “results-based” grants; 2) partnering with organizations working directly with women and youth to develop and deliver targeted business assistance programs; 3) focusing on sectors with potential for creating employment for these target populations; 4) collaborating with other donor-funded projects in designing mutually reinforcing women and youth job-creation interventions; and 5) establishing three new grant windows: Results Based Window, Marginalised Areas Window, and a Women and Youth Employment (WAYE) Window to support disadvantaged women-owned enterprises.

Figure 5 PMDP Grants Timeline (2014-2018)



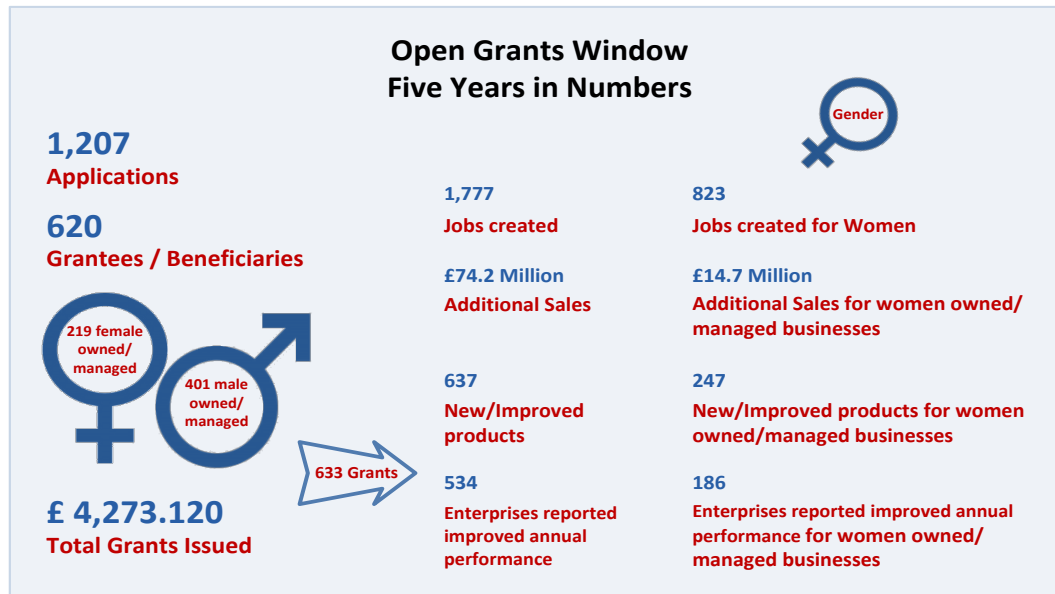
Concurrently, Output II responded to this “new direction” by adding Furniture to its targeted sector portfolio that has the potential to create jobs for youth.

The case for additionality and variants of risk-sharing

By establishing the five different grant windows described above, each with its own eligibility criteria and risk-sharing profile, the Programme strived to encourage a wide spectrum of clients to undertake business development investments that they might otherwise not have undertaken or that they might have scaled back or delayed while adhering to the Programme’s guiding principle of creating “additionality,” i.e., not investing in projects with a very low risk factor in which firms could make the investment alone, but rather focusing on strategic, more risky investments which would catalyse growth.

II. PROJECT ACCOMPLISHMENTS

Figure 6 Open Grants Window in Five Years



Output I: Improving firm-level competitiveness

Introduction

Output I's mandate was to increase firm-level competitiveness by providing demand-driven matching grants to eligible MSMEs to develop new or improve existing products and services, acquire knowledge and know-how, improve business processes and technology systems, and enter into and penetrate domestic and export markets.

To foster innovation and improve the competitiveness of Palestinian firms along this wide spectrum of needs, PMDP offered a variety of different strategic business services under Output I's Open TA Grants Window. Eligible expenses within twelve categories of technical assistance included such things as consulting fees; purchase of databases and market information; purchase of specialised software (including installation and training); quality standards training, testing and certification; overseas travel to international trade shows/fairs associated with a strategic export marketing plan, etc.

In some instances, the costs of these expenses could be shared among several firms and so PMDP provided incentives within its matching-grants scheme for businesses to group together. Consortia were also encouraged to submit common project proposals under the umbrella of a Business Resource or Membership-based Organization (BRO/BMO) and PMDP would allow up to 10% of the project's costs to be paid to the BRO/BMO as a project management fee since PMDP considered such BRO/BMOs as "enabling intermediaries." In addition to providing much needed project oversight, this tactic served to strengthen these important relationships.

The flexibility in the programme design allowed PMDP to be dynamic and able to respond to changes in the needs throughout the life of the programme. In 2014, the programme designed a special Gaza back to Business grants window to respond to the needs of companies that suffered damage as a result of the war. In late 2016, PMDP introduced several grants window that allowed it to focus on job creation and addressing the needs of the marginalised areas, women and youth and Area “C”.

Pipeline Development and Grants Made

Shortly after the Programme launched in late February 2014, Output I, together with PMDP’s communications team, worked carefully to ensure a healthy pipeline of grant applicants by collaborating with private sector associations and Membership-based Organizations all over the West Bank and Gaza to hold information sessions. These included chambers of commerce, specialized industrial unions and associations and in some cases, non-governmental organizations. Whenever changes on a grant mechanism took place, and when PMDP introduced its specialized and dynamic grant mechanisms, new information sessions were held to ensure a good understanding among private sector businesses and their support organizations.

In addition to the information sessions, PMDP’s communications team promoted the Programme through a dedicated Facebook page and other structured promotional activities, such as PMDP’s Website, newspaper advertising, PR, and one-on-one meetings. This generated an application pipeline that reflected all economic activities and sectors and the distribution of businesses within all geographical areas in the West Bank and Gaza. Output III engagement with the diaspora and Output II engagement with specific sectors also generated interest in the open grants.

The pipeline reflected a high percentage of applicants from the marginalised areas (Gaza Strip, Area “C”, the Seam Zone, the Jordan Valley, and East Jerusalem) largely as a result of PMDP’s collaboration with the Palestinian Federation of Chambers of Commerce and Industry to collect data on Palestinian businesses in Area “C” in 2016. From this information, Output I was better able to target and reach these marginalised businesses. Likewise, by working through WAYE co-facilitators, PMDP was able to reach numerous disadvantaged women- and youth-owned businesses, which it had been unable to effectively target prior to this collaboration (see section on WAYE subcomponent).

Over the five years of implementation, Output I received 1,957 applications — 1,207 applications for the four grants windows combined (871 from the West Bank and 336 from Gaza) and 750 applications for the Gaza Back-to-Business Window. The last application was received only three months before the end of the programme, reflecting the high demand and continuous interest in PMDP’s technical assistance programme.

Table 1, below, summarizes Output I’s progress under the “open” matching grants facility (not including Gaza Back to Business) highlighting the sub-grant windows:

Table 1: Received Applications by Grants Window and Period (Total as of 20 October 2018) *

Description	During Each Period					Total
	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	
Received applications	233	211	228	441	94	1,207
Net No. of beneficiaries (grantees)	73	151	110	131	155	620
TA only beneficiaries	73	151	110	85	47	466
Results-based beneficiaries	n/a	n/a	n/a	12	4	16
Marginalised beneficiaries	n/a	n/a	n/a	6	27	33
WAYE beneficiaries	n/a	n/a	n/a	28	77	105
Net committed grants (in GBP)	372,465	929,773	1,160,939	1,248,006	561,937	4,273,120
TA only - batch grants	372,465	929,773	1,160,939	677,337	248,498	3,389,012
Results-based grants	n/a	n/a	n/a	390,977	23,468	414,445
Marginalised grants	n/a	n/a	n/a	89,202	113,484	202,686
WAYE grants	n/a	n/a	n/a	90,490	176,487	266,977

* Open Grants Window (TA only, Results-based, WAYE, and Marginalised), Gaza Back to Business is not included.

During 2018, PMDP took the decision to continue receiving applications after “batch 4”, thus accepted receiving such applications, especially those from groups/consortia, and from WAYE, Marginalised, and special results-based applicants. Following are highlighting points reflecting the applications status as per the programme end 20 October 2018:

- Most of the received applications were from West Bank (72.2%), while the rest came from Gaza.
- 48% of the applications are from marginalised areas, 335 from Gaza Strip, 154 from Area “C” and the Seam Zone, 76 from East Jerusalem, and 19 from the Jordan Valley.
- Most of the applications came from the manufacturing and services sectors:

<i>Sector</i>	<i>Manufacturing</i>	<i>Services</i>	<i>Food Industry</i>	<i>Agriculture</i>	<i>ICT</i>	<i>Others</i>	<i>Total</i>
Applicants	256	289	163	162	142	195	1,207
Percentage	21.2%	23.9%	13.5%	13.4%	11.8%	16.2%	100%

Grantees/beneficiaries are from 12 different sectors. Five sectors (manufacturing, services, food industry, ICT and Agriculture) have the highest number of added grantees accounting for 81.8% of the grantees (507/620 grantees).

Table 2: Grantees by Sector

Description	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Total as of 20 Oct. 2018	
Manufacturing	17	50	32	29	53	181	29.2%
Services	5	31	39	45	25	145	23.4%
Food Industry	13	16	6	13	10	55	8.9%
ICT	7	25	6	8	7	53	8.5%
Agriculture	20	4	8	4	37	73	11.8%
Tourism	1	7	0	17	1	26	4.2%
Media	2	4	4	10	1	21	3.4%
Stone and Marble	2	0	12	-2	0	12	1.9%
Leather and Shoe	2	4	2	4	2	14	2.3%
Construction	2	1	0	7	14	24	3.9%
Wood and Furniture	1	8	1	-5	8	13	2.1%
Pharmaceutical	1	1	0	1	0	3	0.5%
Total	73	151	110	131	158	620	100.0%

Similarly, the introduction of the Marginalised Areas Grants Window in 2017 contributed significantly to beneficiaries from these disadvantaged regions as can be seen in table 3. For example, in 2018, 51.27% of the new clients added to Output I's portfolio (81/158) have their businesses located in marginalised areas.

Table 3: Grantees by Region

Description	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Total as of 20 Oct. 2018	
West Bank-North	15	23	12	5	16	71	11.5%
West Bank-Middle	17	64	52	57	32	222	35.8%
West Bank-South	9	24	17	-5 *	59	104	16.8%
Jerusalem	4	6	12	8	4	34	5.5%
Gaza Strip	28	34	17	63	47	189	30.5%
Total	73	151	110	128	158	620	100.0%

* PMDP had to cancel a group application in 2017, which resulted a negative net of additional beneficiaries

Table 4: Grantees from Marginalised Area

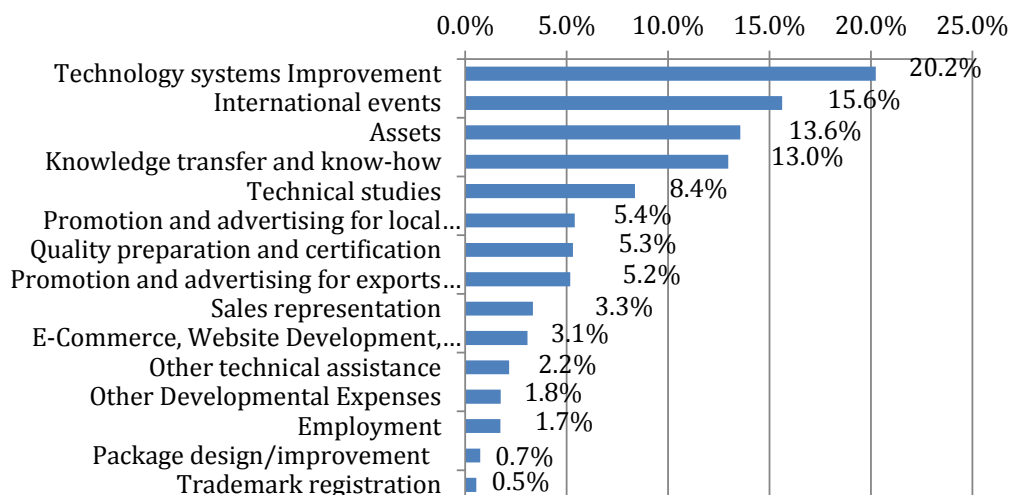
Description	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2017)	Total as of 20 Oct. 2018	
Area "C"	1	17	0	30	25	73	24.5%
Seam Zone	1	4	0	2	3	10	2.7%
Jordan Valley	0	2	0	1	2	5	1.1%
East Jerusalem	4	6	12	8	4	34	12.6%
Gaza Strip	28	34	17	63	47	189	59.0%
Total	34	63	29	104	81	311	100.0%

The Programme served 219 women-owned/managed grantees. In 2017 and 2018, 76 female-owned/managed businesses became new grantees, 41 of them were related to co-facilitation effort conducted by the WAYE sub-component to reach disadvantaged women-owned businesses.

To foster innovation and improve the competitiveness of Palestinian firms, PMDP offered a variety of different strategic business services under Output I's Open TA Grants Window, including: Promotion and Advertising for Local Markets, e-Commerce Website Development, Mobile Applications, Promotion and Advertising for Export Markets, Export Sales Representation, Participation in International Events, Knowledge and Know-how Transfer, Technology Systems Improvement, Technical Studies, Quality Preparation and Certification, Trademark Registration, Package Design Improvement, to name the most important categories of assistance.

Figure 7 below reflects a concentration of PMDP's assistance in the activities which generate higher-growth value to companies, which they are often hesitant to invest in since the return on investments is riskier or could take a longer time to realize results, as in the case of technological upgrades, system improvements, acquiring know-how, and participation in international events as a first step to entering new international markets.

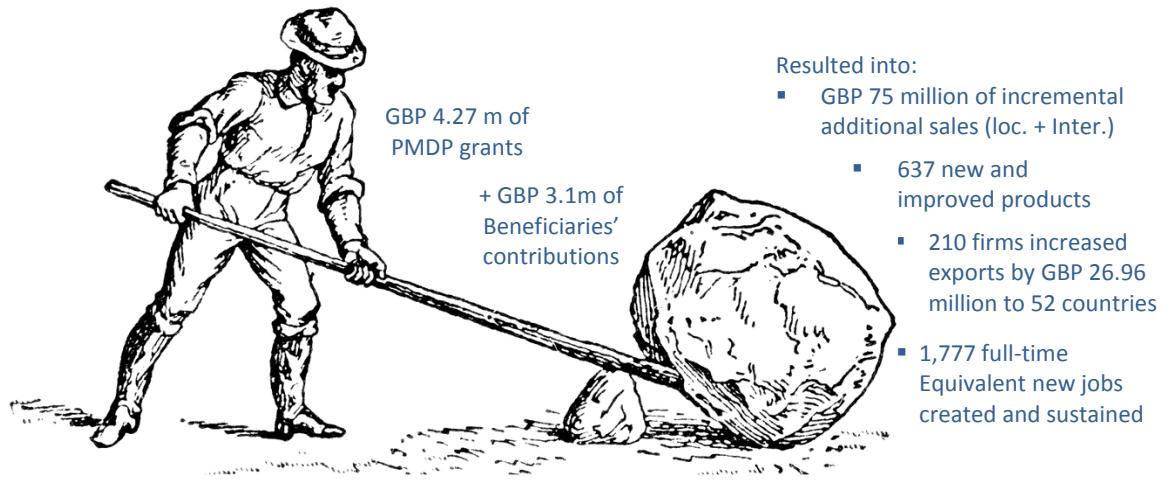
Figure 7: Values of Approved Activities as Percentages of Total Commitment (Total as of 20 Oct. 2018)



Direct Achieved Results

Cumulatively, over the course of the five-year programme, PMDP issued a total of GBP 4,273,120 in grants (not including the Gaza Back to Business Grants) which leveraged GBP 3,097,959 of beneficiaries' contributions. This resulted in 637 new and improved products, around GBP 75 million of incremental additional sales (domestic and export sales combined), 210 firms increasing their exports to 52 countries by GBP 26.96 million, and the creation of 1,777 full time equivalent (FTE) new jobs created and sustained, 823 for women employees of all ages, and 993 for young men and women under the age of thirty-years-old.

Figure 8: Scalable Leverage of Open Grants Windows



Achieved Output and Outcome Results against End-of-Period Targets (KPIs)

Outcome data was collected from grantees through an annual survey each of the five years.¹² The 2018 survey, however, saw a record response rate with more than 99% of the companies served by PMDP during the 7-month period answering the survey. The 2018 responses have been combined with the results of the previous four years to arrive at a cumulative overall value for each indicator. A full analysis of results of each indicator against a number of variables is detailed in (*Annex 14-C 2018 Open Grants Analysis and Annex 14-D 2014-2018 Open Grants Results analysis of this report.*)

As can be seen in table 05, the four Output I Open Grants Windows combined have contributed to Output I exceeding all of its target outcome indicators, despite the deteriorated economic conditions in oPt and the many implementation challenges that the team faced on the ground, especially in Gaza and Area "C" over the five years of programme implementation.

¹²In the 5th year (2018), the survey data only includes a period of seven months due to PMDP having to wind down its operations by 20 October 2018.

**Table 5: Cumulative Planned vs. Achieved Output and Outcome Indicators
(Consolidated results from the 4 Grants Windows – Open TA, Results-based, Marginalised Areas, WAYE)**

Output Results		2014	2015	2016	2017	2018
Total # of enterprises assisted	Planned	30	138	314	445	494
	Achieved	73	221	329	465	620
Total # of women owned/managed enterprises assisted	Planned	6	62	80	135	173
	Achieved	13	48	93	143	219
Outcome Results		2014	2015	2016	2017	2018
Number of enterprises reporting improved annual performance	Planned	0	20	230	290	340
	Achieved	33	150	198	392	534
Number of enterprises reporting either increased exports or exporting for the first time	Planned	0	8	75	105	120
	Achieved	20	54	90	133	210
Net Number of jobs created	Planned	10	280	550	1,000	1,250
	Achieved	80	305	833	1,159	1,777
Net Number of jobs created (youth: male and female)	Planned	n/a	n/a	220	450	600
	Achieved	n/a	n/a	387	512	993
Net Number of jobs created (Women: all ages)	Planned	n/a	n/a	150	325	415
	Achieved	n/a	n/a	248	481	823
Value of additional sales attributable to PMDP in £m	Planned	0.0	1.4	30.0	55.0	75.0
	Achieved	3.1	18.2	33.0	56.0	74.2 *
Total number of new domestic and foreign markets entered	Planned	0	56	180	280	321
	Achieved	44	103	228	336	403
Total number of new or improved products or services developed	Planned	5	32	200	420	470
	Achieved	39	154	343	563	637
Number of enterprises using own funds to pay for BDS	Planned	0	15	60	100	115
	Achieved	5	26	85	119	171
* This figure covers additional sales for the first 7 months of 2018. When asked about their signed contracts and sales attributed to PMDP support that will take place through the end of 2018, grantees reported an additional GBP 15 million, which exceeds PMDP 2018 target by GBP 14.56 million (reaching GBP 89.56 million).						

Output I Outcome Achievements Benchmarked to National Economic Indicators

PMDP understands that testing for impact on the overall Palestinian economy requires medium to long-term measurements. Still, Output I extended its analysis as a preliminary step by benchmarking its achievements with regard to its targeted outcome indicators with comparable specific economic indicators at the national level. To do so, the Output I team utilized the following approach:

- Searched for national macroeconomic statistics that best describe/fit with PMDP's core objectives and indicators of competitiveness and market entry.
- Confirmed and cited those statistics from reputable sources, mainly the Palestinian Central Bureau of Statistics and the Palestine Monetary Authority, for the latest available year. For certain statistics, Output I made estimates for 2017 (and whenever possible, 2018) utilising annual moving-averages.
- Adapted or refined Output I statistics so as to make them most closely comparable to the available national statistics. This was required since Output I's indicators are stated in discrete

or enumerated forms, rather than comparable percentages, typical of growth indicators, which are stated in proportional forms.

- Output I indicators were calculated to consider various timings of baseline data, or statistics were averaged per year, as needed.
- Whenever whole, statistics were disaggregated by economic sector. For example, in cases where published data were disaggregated by four main economic sectors, Output I grouped its figures into the same sectors grouping for best-fit benchmarking.

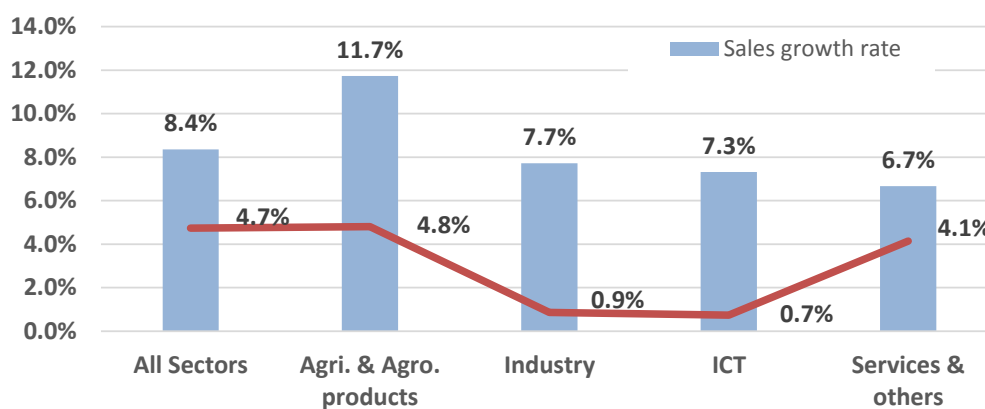
Below are the main findings based on the benchmarking exercise. (A full benchmark table provided in Annex 1, all references and citations are included)

PMDP's inclusion of women-owned/managed businesses in its portfolio exceeded the typical levels of women's engagement in the Palestinian economy generally. This is clear in the comparison below, which compare against available national indicators between 2012 and 2017.

% of women owned/managed as part of all enterprises assisted.	35.22%	% of female owned/managed enterprises in Palestine - 2012	8.10%
		% of female participation in the labour force (average for the years 2014-2017)	19.10%
		% of female engagement in all operating establishments as of 2012 Census	18.05%

The sales growth rate of 8.4% among beneficiary companies, which attributed their sales growth to PMDP support, exceeded the 4.7% growth rate in the Palestinian economy, averaged for the years 2014-2017/2018. This is also true when disaggregated at the sector level. In fact, PMDP's contribution in sales growth for companies working in the agricultural, manufacturing, and ICT sectors is robust as can be seen in figure 9 below.

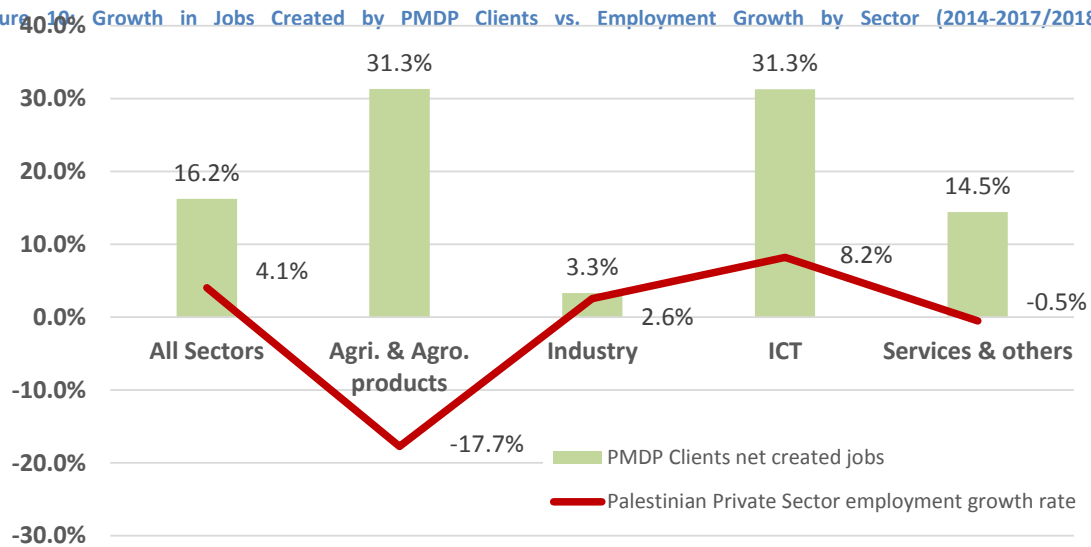
Figure 9: Growth in Sales for PMDP Clients vs. Economic Growth by Sector (2014-2017/2018)



Growth of export sales for PMDP-supported companies doubled that of the whole economy's growth in export sales. Companies who were supported through PMDP activities reported 8.29% growth in export sales vs. 4.77% growth in exports for the whole economy, averaged for the years 2014-2017.

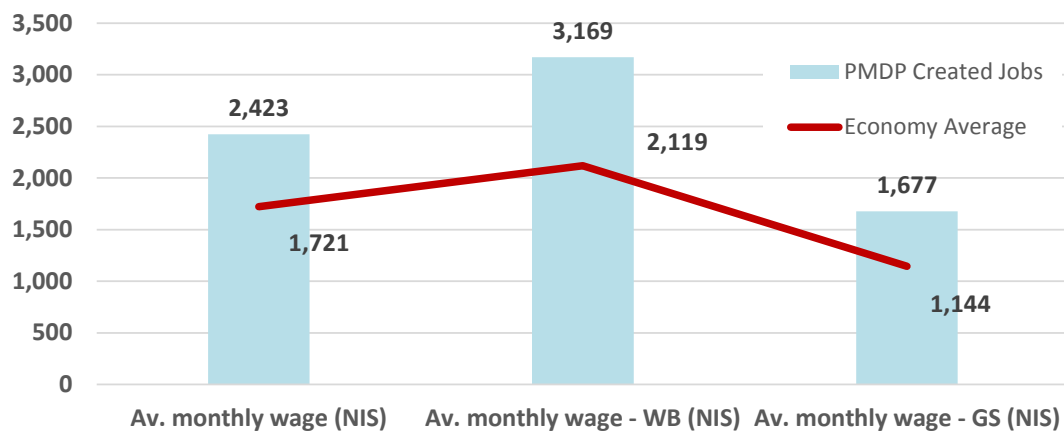
While nation-wide employment in the agricultural, services and other sectors reported an average decrease, employment within PMDP supported companies significantly increased on average. This showed to be true for both West Bank and Gaza Strip supported companies.

Figure 10: Growth in Jobs Created by PMDP Clients vs. Employment Growth by Sector (2014-2017/2018)



Overall, PMDP supported companies pay higher salaries than averaged salaries within the Palestinian private sector, nation-wide. Furthermore, the minimum average wages paid by PMDP supported companies is close to the average salaries paid by the Palestinian private sector.

Figure 11: Average Monthly Wages for jobs created by PMDP vs. those at the Palestinian Economy (2014-2017/2018)



Given the above, the portfolio of PMDP-supported firms outperformed the national averages for all of the selected growth indicators. Thus, showing further evidence of PMDP's positive impact on overall private sector development. PMDP believes that the programme's ability to reach out and target specific economic sectors, with a variety of support mechanisms will continue to have extended impact on the Palestinian economy due to the foundations and synergies that were built over the past

five years.

PMDP Firm Level Assistance

Under this section, Output I presents the main emphases and reflections from our approaches to inform future programming initiatives for the private sector.

a) Know-how and Knowledge Transfer

PMDP defines all activities and interventions that aim to bring new skills, knowledge, and greater exposure to new production/work techniques, and new management, marketing and promotional methods under the general support category of “Knowledge and Know-how Transfer.” It has been PMDP’s experience that such activities are essential for improving the work efficiency and quality, and therefore significantly contributes to firm-level competitiveness in both local and international markets.

PMDP invested GBP 553,982 in increasing the knowledge and know-how of 201 different enterprises with one or more activities, which have led mostly to newly developed and improved products and services, upgrades in technology systems, and improvements in operations and infrastructure.

Results on Net jobs created

- PMDP helped in creating a net total of 1,777 full time equivalent (FTE) jobs its assisted companies, of which 993 were filled by youth (males and females) and 823 by women (of all ages).
- The food industry and ICT contributed the highest number of gained jobs with 526 and 353 jobs respectively, followed by the agriculture and services sectors¹. The pharmaceutical sector reported the largest average job growth per grantee with an average of 10.8 net FTE jobs per grantee.
- Companies working in marginalised areas reported 817 jobs, representing 46% of the total FTE jobs. With higher average jobs per company in the Jordan Valley, Area C, and Northern parts of the West Bank where there is also high concentrations of labour-intensive agricultural and food production industries.
- Results-based and Marginalised Areas grant recipients showed the highest average job creation per company with 15 and 3.6 FTE jobs per company, respectively compared to 2.8 FTE per company receiving a grant from the general Technical Assistance grants window and only an average of 1 FTE job created among the WAYE grantees. This clearly shows that targeting companies with more flexible activities and assets can generate higher and more sustainable job creation results, especially bearing in mind that both the Results-based and Marginalised Area grants were applied during a period of only 18 months.

ORCAS Technologies Ltd. - From Training into Practice

ORCAS is a start-up in the southern city of Hebron in the field of cyber security with an increasing demand for its services both locally and internationally but difficulties in finding qualified female IT engineers, especially around Hebron. With the support of PMDP’s Outputs I and II, ORCAS initiated an advance training in cyber security for twenty newly hired engineering graduates (18 women and 2 men), all from the Hebron area, utilizing the services of a specialized practitioner and trainer from the hi-Tec industry in Israel. Today the company employs 18 of those trainees on full time basis who are now certified to perform such new services.

Examples of supported activities include: attendance at the Drupa-Germany Exhibition which is specialized in printing technology; training on new technologies such as building and assembling new generators, CNC technologies, water purification and water filling techniques, etc.; product/service design (new insurance services), product formulations (mayonnaise and wall paints) and new

production methods (e.g., cheese production); and ICT trainings (cyber security, IT verification, IT security and IT audits).

b) Technology System Improvement

Improvements in technology systems are often considered vital to growth since they have a direct impact on the day-to-day performance of the enterprise. These include the development, implementation, and training on special software and systems that improve efficiency, production processes, management processes, and monitoring and quality control systems.

Examples of such software and systems supported by PMDP are wide, among which are: Enterprise Resource Planning-ERP, Customer Relationship Management-CRM, various specialized management information systems, archiving, administrative, financial, HR, procurement, recruitment, payroll, PoSs, and production Systems. Other specialized and customized educational, hotel management, tour operating, health, bakery, production, production traceability, media monitoring and evaluation, maintenance, warehouse systems. Besides a wide range of OTC software in design, data collection, data analysis, dash boarding, Geographical Information System-GIS, video editing, and others.



New Zan Team – Bidya, Salfet, while having on job training for the new software on CNC Machine by Italian Export

Supporting technology improvement is not a goal in itself, although it is PMDP's belief that it is a core source of other important outcomes such as skills development, capacity increase, enhanced efficiency, and quality improvement, which in turn, increase competitiveness that leads to higher export market entries and import substitution. Support in this critical area can be traced to important firm-level outcomes.

For example, PMDP supported 94 different enterprises with GBP 864,939 for one or more activities within the category of Technology System Improvement. Out of those grants, 144 new products were either fully developed or partially improved to cope with local and international requirements and tastes. In the same time, sales from these beneficiaries increased by GBP 24,382,207 while 86 reported general growth in their business and 31 beneficiaries reported that they had either exported for the first time or improved their export capabilities.

New and improved products results

- PMDP grantees introduced 637 new or enhanced products over the 5-year period. 38.7% of these products came from women-owned or managed grantees which had an average of 1.73 new products per company; these outperformed men-only owned/managed companies, which averaged only one product/company. This could be due to the fact that women-owned/managed companies (those supported by PMDP) are mostly marginalised and/or micro-to-small-sized companies, many of which are newly established, therefore in greater need of product development support.
- As expected, companies working in the manufacturing, services, agriculture, ICT, and food industries sectors accounted for the majority (85.4%) of the new/improved products and services. Companies within these same sectors also ranked highest among those receiving support in knowledge transfer 91.5% and technology improvement 60.1%.
- Micro- and small-sized businesses accounted for just a little more than half of the new and improved products (57%). This is naturally explained by their higher needs of product development efforts than of more developed and bigger companies, who might have passed more steps in developing products and have needs that are more related to marketing and new market entries.

Therefore, it is widely confirmed that supporting technology improvement complements the overall market system developments and is considered a pillar in the local enabled environment.

c) Export Assistance

Incremental Sales and Export growth Results

- PMDP grantee companies attributed GBP 74,161,614 of sales over the course of the four and a half years (Feb. 2014 through Jul. 2018) and around GBP 89.56 million estimated by the end of 2018 due to orders which were already in their pipelines.
- Companies located in marginalised areas reported 40.5% of overall sales attribution between 2014 and 2018. This is likely due to their products, which are food, agricultural produce and stone & marble, all which are directed to export markets.
- Medium- and large-sized companies together accounted for over 79.2% of total attributed sales (85.4% of the export sales, and 75.9% of the local sales). Again, this confirms that it is the larger Palestinian companies, which are better able to expand in the markets and focus on becoming more export ready.
- The 16 results-based grantees, although they were mostly challenged to achieve additional job creation, managed to increase additional sales by GBP 2.34 million with 37% coming from export sales.
- 210 grantees (33.5% of all PMDP grantees) received a total of GBP 1.97 million in grants to increase exports or to export for the first time, generating GBP 26.9 million in export sales in 52 countries. This represents a leverage ratio of 1: 13.7 times.
- The most successful of the exporting companies were in the medium- to large-size and which operated from urban centres. This reflects the advantage that larger-sized firms have over smaller-sized firms in entering export markets since they are more likely to have greater production and financial capacity than smaller competitors. However, as PMDP demonstrated, consortia of smaller firms can combine resources to overcome their size disadvantage.

Market entry and market expansion are the core of PMDP's market development work. Successful market entry results from a number of activities related to raising competitiveness and better commercial offers. This can only happen when companies are enabled and are export ready. Results are reflected in higher numbers of markets entered, higher volumes and values of direct exports, and eventually import substitutions by local products and services.

PMDP supported 210 different private sector enterprises to participate in a number of export market entry activities for co-funding, including i) participation in international exhibitions and conferences, ii) participation in specialized international B2B meetings, and iii) establishing permanent presence in international markets. While these activities can be viewed separately, PMDP's experience shows that it has been a

combination of one or more together which has yielded the greatest increases in export sales.

Having a competitive product for the local Palestinian market is not enough for success in international markets, given all of the additional requirements and the need for market intelligence to develop a coherent export market entry strategy, especially concerning pricing, promotion, and distribution. Following are some of PMDP's main reflections when it comes to assisting Palestinian firms to enter export markets.

- **Successful exhibiting in international Trade shows requires understanding of their requirements.** Firms must visit/attend international exhibitions and understand its presentation quantities, presentation requirements, level of exhibiting products, the need for side-on B2B meetings, customer engagement, deciding on presentation booths, and many other considerations before attending commercially. From this understanding, PMDP team of advisors encouraged first time attendance and first time participation.

- **Support for B2B meetings within the target export market yields greater results.**

PMDP worked with leading private sector supporting organizations, such as PalTrade and specialised industry unions, to help PMDP's export clients to prepare for and conduct B2B meetings, including accompanying clients on their field visits within targeted markets.

- **Repeated participation in exhibitions and trade shows yields greater results.**

It was apparent from follow-ups with PMDP's exporting firms that securing deals and signing contracts typically requires exhibiting more than one time vertically and horizontally. Vertically, enterprises are advised to exhibit in industry-specific exhibitions for 2-3 years in a row and in more than one exhibition a year. Horizontally, it is advisable to exhibit in more than just one export market. This was done within accepted granting policies and procedures that considered risk as a determinant of PMDP's coverage.



Output I Advisors Supporting A Group Of Nablus Furniture Producers in B2B meetings in Kuwait – 2018

- **Assurance of export readiness should be a pre-condition to participation in exhibitions and trade shows.**

PMDP collaborated with private sector supporting organizations such as PalTrade and the specialized unions to ensure exhibitors were export ready with regard to the quality and competitiveness of their products, their market knowledge, and in meeting the requirements of a given market, such as quality tests and certificates, labelling, etc. Whenever needed, PMDP worked with its beneficiary companies to help them in these areas (e.g., with improvements to technology systems) to make them more export ready.

- **Support for national pavilions improved the overall quality of the exhibits, reduced participants' promotional costs, and generally was the best value for money in the "external participations" category of PMDP assistance.**



Palestinian National Pavilion at WorldFood Moscow - 2017

Whenever possible, PMDP collaborated with and supported leading private sector support organizations in organizing a national Palestinian pavilion at international exhibitions and trade shows. Since these were consortia grants under the umbrella of reputable and leading support organizations, the costs of exhibiting could be spread over a number of companies while also improving the overall quality of the exhibits, which in turn improved the image of Palestine exports, giving the beneficiaries greater confidence in negotiating sales. Furthermore, by participating in an exhibition together, beneficiaries benefited from each other's experiences and in many cases managed to transform

what had previously been a direct competitor relationship within the local market into a collaborative relationship in an international market, especially when there were large quantity orders that could not be filled

by an individual firm.

- **Specialized exhibitions and industry tradeshow yield greater results.**

The Output I team observed that general exhibitions and direct sales exhibitions (such as those, which are commonly organized for micro- and small enterprises) can generate immediate sales, but do not generally lead to longer-term trade relationships and an increase in continuous export sales. These are more one-off events. Thus, PMDP encouraged and supported participation in more specialized exhibitions, since they are more directed towards B2B relationships and sales rather

than B2C sales. Evidence suggests that participation in specialized trade shows resulted in more sustainable export sales and more diversified sales around the world since attendees and participants in international trade shows and specialized exhibitions are drawn from around the world.

- **Establishing permanent sales support can be most cost effective provided through a consortium of exporters in a specific market.** PMDP supported 37 Palestinian companies to



Clients at "Shoghol Al-Khalil Shop" Amman

establish a permanent presence in an international market. Some of these companies worked individually to establish their sales representation channels while in two cases, the companies worked in groups to establish sales representation offices in Amman-Jordan for the shoes cluster and in Moscow-Russia for the food sector.

First Palestinian Commercial Hub in Moscow

Palestine celebrated the opening of its first of its kind “Palestinian Commercial Hub” for Palestinian food and cosmetic products in Moscow in 13 August 2018 under the patronage of His Excellency the Extraordinary Commissioner and Ambassador of the State of Palestine to the Russian Federation, Mr. Abdul Hafiz Noufal. Seven Palestinian companies now have a permanent showroom for their products in Russia, including dates, olive oil, and other food products, nutritional supplements/extracts from olive paper, and Dead Sea products, such as beauty products and food salt.

The idea behind the establishment of the hub resulted from the group’s previous participation in the Moscow WorldFood Exhibition in 2017, which showed that the Russian market provided a good opportunity for Palestinian products, and revealed the need for a physical presence of such products in the Russian market. PMDP initiated the idea, discussed with the Palestinian Trade Centre (PalTrade) and several Palestinian business owners. PMDP made a major financial contribution to the establishment of this hub and participated the actual preparations for it.

In cooperation with PalTrade, PMDP supported the selection of the Palestinian Pavilion, its rent, funded a major promotional campaign, and supported the employment and placement of a Russian/Palestinian pavilion manager and sales representative in Moscow. The sales rep is employed by PalTrade on behalf of all seven participating companies, but controlled by the Palestinian Embassy in Moscow with high-level coordination by the Palestinian Commercial Trade Representative (CTR) in Moscow that was supported by PMDP’s Output III.

Moreover, this permanent pavilion, the opening even, and the promotional campaign were utilized to start the “Branding Palestine” strategy as recommended by National Export Strategy of Palestine. “Branding Palestine” logo and wordmarks were utilized in all banners, roll-ups, brochures, and leaflets.



- **Market Entry Strategies Should be Well Developed Based on Accurate Market Intelligence.** While market entry strategies can vary from one market to another, the strategy should be well developed based on accurate market intelligence. PMDP worked with the companies directly and the supporting organisations to enable their strategies and share the risk.
- **Market Entry Does not Entail “Marketing and Promotional Activities Only”.** Actual market entry requires more than marketing and promotional activities; they need complementary export readiness activities that can range from product development, knowledge transfer, quality and processes reengineering, and technology development. Thus, whenever needed, all activities should work together to complement the successful market entry.

Please refer to annex 14D part 2 for export results analysis.

Overall Improvements in Business Performance

- 2017 and 2018 witnessed a significant increase in businesses that reported improved performance with 211 assisted companies reporting improved performance during 2017, and 142 during the first 7 months of 2018. This reflects their ability to improve performance through sales, market entry, and the development of new products within a short time after receiving support.
- This raises the cumulative number of companies reporting improved performance to 534 companies for the programme’s lifetime, representing 86% of PMDP’s supported companies. This overall result is similar for the 186 out of 219 women-owned/managed beneficiaries (85%) which reported improved performance.

Output I's Dynamism and Flexibility

While Output I had a robust system for supporting activities to increase firm-level competitiveness, as demonstrated above, it was not originally mandated to focus on interventions which would generate the greatest employment. This changed however, in 2017 with the introduction of PMDP's "New Direction" mandate to focus on maximizing the creation of employment opportunities, especially for women and youth and citizens residing in disadvantaged areas. Such a shift required Output I to adjust its grant-making policies and procedures, which resulted in the opening of the three new sub-grant windows, each with its own target group and purpose. These three sub-grant windows were in addition to Output I's regular TA grant window and the Gaza Back to Business Grant Window.

a) Overview of Output I's Sub-Grant Windows

Table 06 provides an overview of the five different types of grants offered through Output I over the course of PMDP's five years of programming. Each grant window is discussed in further detail in sections following the table to provide a more detailed description of each of the sub-windows (Results-based, Marginalised Areas, WAYE, and Gaza Back to Business), including a description of the target group (who), the special needs of the target group (why), and a summary of the outputs and outcomes generated from the Window (what).

Table 6: Overview of the five different types of grants under Output I

Grant Parameters	Open Grants	Gaza Back to Business Grants	Results-based Grants	Marginalised Areas Grants	Disadvantaged WAYE Grants
Eligibility	Palestinian-owned businesses; all sectors except wholesale/retail trade & restaurants	Palestinian-owned, Gazan-based businesses; all sectors, but fully or partially damaged by 2014 war	Palestinian-owned businesses; all sectors except wholesale/retail trade & restaurants	Palestinian-owned businesses located in Gaza or w/ branch in Area C	Palestinian disadvantaged woman or youth-owned businesses
Eligible activities & expenses	Technical Assistance	Technical Assistance	Tech. Assistance	Technical Assistance	Tech. Assistance
	N/A	Repair/Replacement of damaged Machinery & Equipment; Reconstruction of Property & Production Facilities	Purchase/upgrade of machinery, equipment, hardware & software, and other fixed assets	Purchase/upgrade of machinery, equipment, hardware & software, and other fixed assets	Purchase/upgrade of machinery, equipment, hardware & software, and other fixed assets
	N/A	Payroll expense: max. 6 months; max. 6 employees	Fixed Term Employment for new jobs: max. 6 months; max. 6 employees	N/A	N/A
	N/A	Temporary Space Rental; max 3 to 6 months	Other development-related operating expenses	N/A	N/A
PMDP Ceiling for	£35,000 to £50,000	£25,000 (max £10,000 for payroll	£50,000	£35,000	£15,000

Grant Parameters	Open Grants	Gaza Back to Business Grants	Results-based Grants	Marginalised Areas Grants	Disadvantaged WAYE Grants
Individuals		expense)			
PMDP Ceiling for Consortia	£70,000	N/A	£150,000	£70,000	£50,000
PMDP Share	<u>Individuals:</u> 75% new market w/ new product; 50% new market or new product; 25% existing market and existing product (if import substitute) <u>Consortia:</u> 70% for all eligible activities	75% for all eligible activities	75% for all eligible activities but 35% (of PMDP's 75%) is linked to achieving pre-determined results	75% for all eligible activities	75% for all eligible activities
Special Conditions	registered w/ MoNE Annual employment contract signed and national minimum wage respected	registered w/ MoNE; waiver of registration requirements for informal agricultural businesses; Annual employment contract signed and national minimum wage respected	registered w/ MoNE Annual employment contract signed and national minimum wage respected	fixed asset financing must meet 3 criteria: critical for business survival; integral to operations; critical for quality improvement and creation of competitive advantage; critical to job creation	registered either at PFFCIA (levels 1, 2, 3 or 4) and/or MoNE

b) Results-based Grants Window

The Results-based Grants Window was designed to enable PMDP to proactively target growth opportunities and encourage innovation by focusing on sectors and investments with a greater potential for generating employment for women and youth. Through this fund, PMDP provided matching grants for companies, which were in a position to grow sales, both locally or in export markets and create direct and in-direct jobs. To ensure that results would be in fact achieved, 35% of PMDP's support was reserved until pre-determined results were achieved.

From 2017 until the end of the programme, 29 applicants were identified as having high potential for employing women and youth with



Palestine Company for Debt Collection
Co. Team

16 selected to receive a Results-based Grant. Grantees were spread over six sectors, dominated by the services sector, including ICT, food industries, agricultural produce (vegetables and fruits), pharmaceutical and medical industry, and private education.

The 16 beneficiaries were challenged to employ 170 full-time employees (average 11 employees per company) and were monitored through a control and follow-up mechanism to ensure continuity and sustainability of the newly created jobs. PMDP's annual surveys showed that as of August 2018, together the 16 beneficiaries employed 270 FTE employees/workers, with an average of 18 employees per company. Most of the new employees were youth with 78.5% (212/270), and 62.6% youth and none-youth women (169/270); evidence of the leveraging effect on the overall employment targets, not to mention the effect on sales, exports, and other economic growth indicators.

The results-based mechanism became an important tool for all three PMDP Outputs and was used to tackle market failures, in collaboration with Output II and, in collaboration with Output III, enhance the investment opportunities for the Palestinian Diaspora.

c) Marginalised Areas Grants Window

Based on its experience and a special survey of Area "C" businesses undertaken by PMDP in 2016, the Output I team identified many challenges that businesses operating in Area "C" and other marginalised areas (the Jordan Valley, East Jerusalem, and Gaza) were facing, such as: greater difficulties with registration and licensing procedures, more restrictions on movement, extremely high security risks related to Israeli military actions, greater operational and environmental risks, causing them to focus less on developmental assistance and more on first-aid and food-aid.

To encourage businesses in these targeted areas to focus more on business development, Output I established the marginalised areas grants window and enhanced its outreach to businesses located in these areas.

PMDP identified 27 applications that fit the marginalised window's criteria and subsequently issued 20 grants for 37 beneficiaries. The grantees are concentrated in four sectors: agriculture, food industries, medical treatments, and manufacturing, reflecting the high concentration of businesses from these sectors in the marginalised areas.

Women and Youth Employment (WAYE) Sub-component and Grants Window

Since inception, mainstreaming gender has been an objective of PMDP and while the Programme had made solid progress in pursuit of this, the original definition of gender mainstreaming, defined as the "percentage of beneficiaries receiving technical assistance being women-owned or managed" fell short in recognizing the role of women's economic empowerment as a critical component to economic development and poverty alleviation.

There for, PMDP undertook a review in mid-2016 to identify constraints to women and youth employment and identify opportunities to optimize PMDP's impact on these target groups. Amongst other insights, the review indicated that certain women- and youth-led businesses —economically disadvantaged enterprises — may have been unsuccessful in benefiting from PMDP due to a number of constraints, including inability to pay the client share of open grants (the cause of rejection for around 50% of applications from these target groups); the businesses were very small and their needs and priorities were beyond technical assistance only; start-ups and other informal small enterprises

sidestep legal registration to avoid paying fees and taxes¹³ (PMDP can only work with formally registered businesses). Moreover, PMDP did not have the staff bandwidth to work disadvantaged enterprises, which require so much intensive handholding.

At the beginning of 2017, PMDP added WAYE as a sub-component with its own dedicated staff to build a team of co-facilitators to work together on interventions aimed at working with disadvantaged women and youth owned businesses to generate jobs for disadvantaged women and youth. The WAYE team focused primarily on improving PMDP's grants program to better reach and serve these target populations.

Reaching-out to Disadvantaged Women and Youth



Information Session for businesses women

After launching the WAYE Grants Window in early 2017, applications which were in the Open TA Grants pipeline were transferred to WAYE's pipeline, most of which were from central West Bank. Therefore, the WAYE team increased its outreach efforts by focusing on the northern and southern districts of West Bank with information sessions in Jenin, Hebron, Tulkarm and Hebron that were conducted in cooperation with the gender units at the Chambers of Commerce in each area.

Engaging and Working with Co-Facilitators to Increase Outreach and Support

As noted earlier, working with disadvantaged applicant businesses is a slow and time-consuming process. The firms require more intensive support in preparing their applications and business development plans. To alleviate this constraint, the WAYE team adopted a co-facilitator approach that was designed to work through experienced local non-governmental organisations (NGOs) with access to the target groups. The co-facilitators would be engaged to support their eligible constituents in making application to the WAYE Grants Window and support them throughout the process, from application through project implementation and post-project follow-up.

The WAYE team recognized the need to provide the co-facilitators with strategies, tools and techniques to work with applicants and grantees one-on-one and in groups to prepare their business development plans and submit applications that could successfully leverage PMDP's co-financing as well as work help them successfully implement their plans. PMDP conducted two sets of capacity-building trainings for the co-facilitators, the first covering PMDP's grant-making process and the second introducing tools and techniques to assess the beneficiaries' needs and develop strategies and plans to address them.

As result of the WAYE team's outreach and the work of the co-facilitators, WAYE received 153 applications that met the disadvantaged women and youth criteria. Not surprisingly, the portfolio of disadvantaged applicants in West Bank were largely engaged in services and light manufacturing sectors, while those from Gaza were working in the services and agriculture sectors.

From the 153 applications, 83 grants were funded for 105 disadvantaged women-owned enterprises (34 individual applications 29 enterprises under a group applicant, 39 applicants through co-facilitators and 3 co-facilitators organizations).

¹³ According to the PCBS 2016 report, *Women and Men in Palestine*, the percentage of women working in informal businesses and home-based businesses is around 23.3% of the workforce (25.9% in West Bank and 15% in Gaza)

The 105 grantees included 179 disadvantaged women and youth owners, in which 126 were over the age of 30, while 46 (26%) were young women under the age of 30 years-old, and 7 (4%) were young men. Those enterprises were from four sectors: 40% Services, 27% Food & Agribusiness, 13% light manufacturing, and 20% from a combination of other sectors.

Delivering the assistance through the co-facilitators

Business skills capacity building is essential for MSME development generally, but especially for disadvantaged enterprises. Each co-facilitator worked with a particular profile of disadvantaged clients and therefore the type and extent of capacity building varied significantly among the four Co-facilitators. Altogether, the Co-facilitators conducted business planning training for 120 women and youth business owners in West Bank and Gaza in addition to overseeing the implementation of the grantees' projects. A benefit of the use of co-facilitators is building a permanent presence of organisations that can carry on PDMP's business like approaches.

Following is a brief description of each Co-facilitator main achievements and its work with the respective portfolios of disadvantaged clients:

Business Women Forum (BWF):

Provided 32 women business with focused and customized marketing and business planning according to their needs. 70 women enterprises participated in a local exhibition in Ramallah. A role model symposium shared 17 women stories from WB. In collaboration with Bank of Palestine and BWF, 30 women got training on financial literacy. *Please find in Annex 2 sample of success stories capturing the results of partnering with BWF.*



BWF agreement Signing Ceremony

ADWAR for Social Change:

Establish three new businesses for marginalized women in Bedouin community in East Jerusalem and in Area C. Provided 30 women from these communities with technical and management trainings.

Cooperative Society for Saving and Lending:

Improved the working spaces to 6 food women cooperatives in Gaza and provided them with the needed management and technical trainings. Formalize their businesses and enable them to get the required certifications from the ministry of health to sell their products officially in larger scale in the local market.

In addition, 80 women got training on financial literacy with Bank of Palestine. *More details about work with each co-facilitator is contained in Annex 3 co-facilitators.*

Women Exhibition in Nazareth

Moreover, through a relationship which was subsequently developed with the Hebron Chamber of Commerce, PMDP organized an exhibition in Nazareth Israel for 30 women-owned businesses from Hebron, enabling 23 of them to successfully generate sales in Israel, an export market. Afterwards the Chamber of Commerce organized a tour of Hebron for potential buyers from Nazareth with 3 of the women businesses successfully engaging with buyers resulting in orders.



WAYE Beneficiaries Outcomes in alignment with PMDP key indicators

By the end of September 2018, PMDP had provided grants to and worked with four local not-for-profit community-based organisations to reach out to marginalised and disadvantaged women and youth entrepreneurs and build the capacity of 105 disadvantaged women- and youth-owned businesses with 120 women and youth owners of these businesses participating in the capacity-building activities.

The outcomes of these efforts included:

- 22 new products developed with 17 others improved
- 3 new domestic market entries
- 27 new export market entries
- GBP 190,000 additional sales of which 12% were export sales
- 106 FTE jobs created
 - 42% female > 30; 7.3% male >30
 - 43% female < 30; 7.7% male <30

Economic and social empowerment go hand-in-hand

The WAYE team conducted two focus groups, one in Gaza with 9 participants and the second in Ramallah with 8 participants from West Bank to understand the women's economic empowerment emanating from WAYE's activities. All 17 of the women had completed their grant activities. The discussions concentrated on the improvement of their businesses and in their lives after receiving PMDP's support. The meetings aimed to capture the effects of PMDP support on the women's economic situation as well as their role in their families and communities. A summary of the focus group findings included:

Economic Empowerment:

- Increased and sustained access by women to economic resources, opportunities, and business services
- Enhanced access and control of resources
- Increased yields and income

Social Empowerment:

- Reduced barriers to women's involvement in the private sector
- Increased women's awareness of opportunities and skills

- Increased community acceptance and awareness of women's role in the economy
- Enhanced women's participation and influence over decision-making for their own needs, children's needs, family needs and in community activities
- Strengthened women's leadership capacity
- Improved wellbeing (self-esteem, self-confidence, family relations, etc.)

The WAYE team also organized a "Women Economic Empowerment" workshop to share PMDP's experience and lessons learnt from working in women economic empowerment field, and to discuss with other organizations their experience in this field, in the efforts of dissemination of information for future projects in this field.

The workshop was attended by personnel from different organizations that work on or support women economic empowerment projects including, WAYE co-facilitators, local women economic empowerment organizations, international organizations, banks, microfinance institutions, donors, ministries, chambers of commerce, universities, women activists, some private sector and others.

The workshop consisted of three panels with participation from multiple key stakeholders and covered the following topic:

- Supporting women projects, individually or via cooperatives
- Financial Inclusion of women
- Business Enabling Environment and challenges facing businesswomen

A detailed report about the workshop is available in Annex 4 (Women Economic Empowerment Workshop Report), while Annex 5 provides an insight on women challenges in business.

Addressing women and youth business constraints in the business enabling environment and trade

The WAYE team engaged the help of the Output III team for two interventions to tackle some of the constraints facing women- and youth-owned businesses in the areas of business registration and trade. The first intervention was to promote among a wider audience the importance and benefits of business formalization, which resulted in the publication of a Guidebook that summarizes the benefits of business formalization, including the registration process in the Chambers of Commerce and with the public authorities. The second intervention was focused on building the capacity of staff in the Palestinian Shippers Council to provide training to their own staff as well as agencies and organizations, which support women and youth MSMEs to build their capacity in trade and supply chain management. Both of these interventions are discussed in detail in the section on Output III's work.



Bakiza Shawahna, Owner and Manager, Al-Qemma for Local Palestinian Products

Focusing on the Beekeeping and Honey Sector as a promising sector for disadvantaged women

Building on the knowledge gained from working with women clients involved in beekeeping and honey production, the WAYE team reached out to the Honey Council and the Beekeepers Association based in Jenin, to further the support to women in this sector, especially since it appeared that the profit potential in this activity was higher than in other enterprises in which women agriculturalists were engaged, not to mention the significant unmet demand for honey in the domestic market.

In cooperation with the Beekeeping Association and Output II, the WAYE team conducted an info-session in Jenin for women honey producers to introduce the WAYE Grant programme and discuss some of the problems facing honey producers in their work.

The WAYE Grants Window supported six Beekeepers in Northern West Bank and one cooperative in Gaza producing Honey and Bee by-products. They were among the pioneers in West Bank in producing Propolis, high-quality strains of Queen Bees, and Pollen and they demonstrated that by using modern production techniques, they could not only increase honey output production per hive, but also produce natural high-value products in high-value markets, especially Propolis for pharmaceuticals. Because of WAYE's intervention, the Beekeepers Association has increased its outreach and technical support to its members in improved honey production methods and Propolis production. *Annex 14-E provides an insight on PMDP intervention in the beekeeping sector.*

Gaza Back-to-Business Open Grants Window

As discussed earlier, within PMDP's first year of implementation in 2014, war in Gaza erupted, resulting in the almost total halt of business operations due to the destruction of production plants and other business facilities and the increased danger from moving around on the streets that created a significant disruption of business activity across Gaza.

The Output I team immediately contacted 28 of its then current beneficiaries of open grants to better understand the impact of the war on their operations and to get a feel for the type and extent of damages. The majority of these beneficiaries had concerns about their ability to implement the approved grant activities within the originally agreed-upon timeframes. Even for enterprises that were not directly damaged by the war, the fact that their entire business operations had been idle for over a month created challenges to their survival. As a result, nearly all of the 28 business strategies and development plans would require revision since many external factors had changed and their priorities were subsequently reshaped.

PMDP decided to conduct a wider firm-level assessment of specific economic sectors to get a better understanding of the available productive capacity of various sectors as well as an understanding of the needs of various enterprises to get back to business. This analysis covered the most prominent manufacturing industries and agriculture and service sectors. The analysis was conducted as soon as a ceasefire took place in cooperation with the Palestinian Federation of Industries (PFI). The results of this analysis enabled PMDP to design a sector-specific new grant window, called Gaza Back-to-Business (GB2B). Since owners of damaged enterprises are less likely to invest in technical assistance, PMDP modified its Open TA Grant criteria to help enterprises get back in operation by covering the following activities and expenses:

- repair of damaged equipment to get it back to working condition;

- replacement of fixed assets that were damaged from the war, such as machinery, equipment, greenhouses, agricultural tools, etc.;
- reconstruction and rehabilitation of plants, warehouses, offices and other business-related facilities;
- some recurring expenses, such as limited working capital for initial payroll; and
- temporary space rental for relocation for period of time until damaged facilities could be rehabilitated.

Consideration was also given to amend the applicant eligibility criteria. For example, many of the farmers in the agricultural sector are individual farmers that are not registered as a company. It was important to give consideration on how to assist these farmers to get back to work.

The GB2B Window was later re-designed to include a Gaza Back-to-Market (GB2M) Window, which focused on helping effected enterprises improve their market share in the local market and target external markets, whenever possible.

In order to implement this specialized programme, PMDP received a budget add-on from DFID of GBP 3,330,902 in 2014 and 2016. As Table 07 shows, PMDP exceeded each of its targets for the B2B programme.

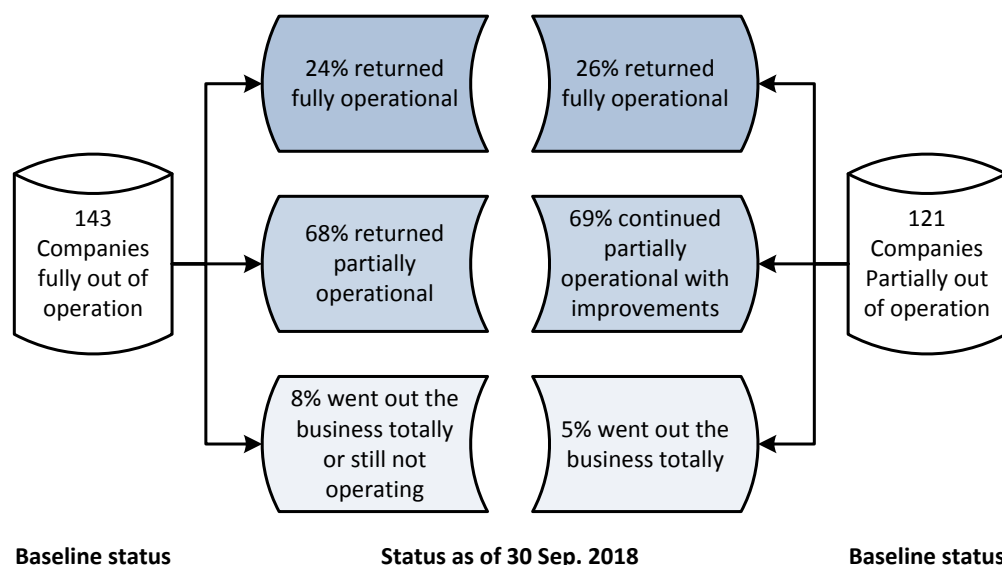
Table 7: Cumulative Planned vs. Achieved Output and Outcome Indicators for Gaza Back to Business (B2B)

Output Results		2014	2015	2016	2017	2018
Total number of enterprises assisted	Planned	0	172	256	256	256
	Achieved	0	172	256	264	264
Outcome Results		2014	2015	2016	2017	2018
Net Number of jobs created	Planned	0	300	1,300		
	Achieved	0	807	1,617	1,451	1,201
Value of additional sales attributable to PMDP in £m	Planned	0	7	30	55.0	
	Achieved	0	14.7	41	56.9	57.1*
Total number of new domestic and foreign markets entered	Planned	0	0	75		
	Achieved	0	0	140	147	150
Total number of new or improved products or services developed	Planned	0	0	200		
	Achieved	0	0	136	201	201*

By the time the GB2B and GB2M initiatives were closed in March 2017, the Programme had assisted 264 businesses which were either fully non-operating or only partially operating with 311 different grant agreements to restore their operations to at least their “best case” baseline condition prior to the war or better.

As depicted in figure 12, at the time of receiving applications for the Gaza Back-to-Business grants, 54.2% of the businesses were totally out of operation; the remaining 45.8% were operating, but only partially compared to their status before the 2014 Israeli war on Gaza. Comparably, as of September 30, 2018, 25% of the assisted companies returned fully operational, 69% became or continued in a partial operational mode, and only 6% continued non-operational or discontinued business altogether.

Figure 12: Status Of the Companies before and after the Programme Assistance through B2B-B2M Window



These data have been confirmed by 90.5% of the 264 companies assisted by the B2B/B2M program who participated in the 2018 annual survey, stating that PMDP's support contributed to their resilience within the market.

More striking is that 52.26% of the companies assisted have expanded their size, according to employment. Those companies were from all size categories, from micro-to-large, when comparing their size at the time they applied for a B2B/B2M grant. Survey respondents indicated 1,201 net new jobs created and sustained, with an average of five jobs per supported company. Companies working in the construction sector recorded the highest number of sustained jobs, while the companies working in the plastics and food industries recorded the highest number of jobs per company.

Furthermore, during the period between 2015 and July 2018, a total of GBP 24,482,364 was invested by grantee companies on their own to support the restoration of their businesses and improve their production capacities. This increased PMDP's grants portion by 7.35 times ($\text{GBP } 24,482,364 / \text{GBP } 3,330,902$), which clearly shows the commitment among Gazan entrepreneurs to improve their businesses despite the deteriorated economic and political situation. (*Annex 6 contains the full report on the 2015-2018 B2B annual survey results*).

Changes in the Market for Business Services

PMDP considered Business Service Providers (BSPs) and Maintenance Service Providers (MSPs) as important partners for its economic development work. Together, the BSPs and MSPs delivered all of the activities that were conducted within the local market, and most of the activities conducted in the export markets. PMDP developed a roster of 126 BSPs and 85 MSPs working in different service provision areas. These include:

- BSPs: Finance & Accounting, PR, Marketing, Sales & Advertising, ICT (Software, Web App, Mob, and Outsourcing), Law and Legal, Quality and Certifications, Management & Business Consultancy, Training and Capacity Building, and Trade & Export Facilitation.
- MSPs: Construction Works, Logistics for Industrial Allocation, Machinery and Spare Parts Supply, and Machinery and Equipment Maintenance.

Through its matching grants windows, PMDP contributed to GBP 11,941,394 worth of contracts benefiting the Palestinian private sector. This amount represents the value of service contracts signed between PMDP clients with local and international service providers, and covers both PMDP's contribution and the clients' contributions. Direct and indirect results of these spending's can be summarized in the following:

Of the total GBP 11,941,394, 76.8% of the contracts (GBP 9,171,399) have been spent on Palestinian service providers within the Palestinian Market.

- BSPs are poised for further growth in their sales as a result of their exposure to new clients and new types of businesses. Moreover, since many grantees were exposed to the proper procurement process for the first time, they now have a good foundation for using the same procurement methodology when contracting services in the future.
- Over 27% of the beneficiary businesses have reported that they utilized one or more service from Service providers beyond the support of PMDP, and fully paid by the business itself.
- The PMDP website continues to work as a hub where service providers and clients can initiate contact. PMDP will provide this database to "Mustashar", which is the union of local consulting companies in the oPt, and to all related private sector supporting organisations such as Paltrade, Palestine Federation of Industries, and Chambers of Commerce.
- Output I staff's observations, positive anecdotal feedback from clients and increases in reported levels of client satisfaction with BSPs' services are indications that there have been improvements in the quality of deliverables provided by BSPs and MSPs. This is in part thanks to regular reviews and quality assurance checks by PMDP business development advisors and contracted consultants.
- Serving as a BSP or MSP for PMDP assignments does not preclude service providers from benefiting from PMDP's development activities as grantees themselves. On the contrary, PMDP continuously encouraged service providers to take advantage of PMDP's matching grants program to develop new and improve their existing service offerings and by entering new local and regional markets.
 - As of the end of the programme, 22 BSPs became beneficiaries of PMDP's matching-grants programme, allowing them to expand their business services. Of those, 15 actually won via competitive process PMDP-related assignments. PMDP supported those 22 BSPs with GBP 258,000 worth of grants, through 48 issued grants. Activities were rendered by either other local BSPs or international service providers.

Output I Lessons Learnt

Flexibility, Responsiveness and Innovation

PMDP was a learning project that was able to flexibly respond to new opportunities or to improve its implementation. The responsive introduction of the Back to Business (B2B) grant window, instituted within a month of the end of the war, allowed PMDP to help businesses rapidly recover and get back to business, rapidly generating sales and employment. The introduction of new grants windows in 2017 was a worthy stride to customize the program to accommodate the needs of beneficiaries that the original TA window was not the most appropriate for.

Adapting to an Evolving Grants Pipeline.

The strong outreach and publicity of the program ensured the engagement of prospective grantees and ensured having healthy grants' pipeline throughout the program. The first-in-first-served model was effective during the first year of the program. After the application volume increased significantly, creating a long backlog, switching to the batches system allowed the project to ensure a timely and effective processing of applications.

The Reimbursement Scheme

Matching grants, where the grantees paid first and were reimbursed after delivery based on supporting documentation, ensured both the commitment of partners and the quality of deliverables. Dividing grant deliverables into smaller sub-activities proved beneficial to reduce upfront payments grantees had to make to BSPs. One issue with the reimbursement scheme was the currency fluctuation. Firms could not pay BSPs in GBP and had to prepay BSPs in US dollars or Israeli Shekels, which resulted in a fluctuation of the promised compensation amounts (sometimes firms gained from currency fluctuation and at other times they lost). While it is impossible to avoid currency fluctuations, given the nature of the clients receiving the grants, future programs should try to take this into account.

Group Applications

Allowing firms to apply together as groups enabled them to learn from each other and to benefit more from interventions. Having a group of firms exhibiting at shows, for example, allowed them reduce the cost of participation and also enhanced the image of the Palestinian booth that offered a range of goods/services to prospective international buyers. Sometimes, firms supported each other to fulfil (large) orders when quantities were short at one company. Similarly, group applications identified the broader training needs for firms within a sector and organized the TA support, allowing a larger number of firms to benefit from exposure to new technologies.

Responsive, Demand-Driven Interventions

The program had no predefined solutions; BDAs responded to the needs identified in the application and worked to organize them in feasible, tailored business development plans (BDPs) for each company. Having a market-oriented intervention strategy, customized to the needs of grantees, and allowed each grant to be more effective. The demand-driven approach in Output I mandated that the programme work in all sector rather than preselecting sectors to work with. This approach allowed the program to respond to the diversity of the Palestinian economy including small, medium, and large firms operating in different sectors.

Partnership with Other Actors in the Market

The program recognized the value of coordination and collaboration with stakeholders in the oPt. Due to the support many firms obtained through PMDP, they qualified to partner with other projects such as AWEF, COMPETE, and OXFAM's, further strengthening their performance. For example, the PMDP support for "Hidmi Company for Food Industries Co." through subsidizing the employment of technical staff and the procurement of milk processing equipment built its capacity to apply for and benefit from AWEF to establish a collection system for goat milk from smallholder women farmers; this allowed the company to increase its revenue and for women goat milk producers to find a reliable partner to purchase their milk.

The programme effectively built on the work of other projects such as “Private Sector Development Cluster Project (PSDCP)” funded by French Agency for Development (AFD) that formulated “clusters” for certain industries and the UNIDO’s Creative Palestine CCI clusters. By working with existing clusters, PMDP was able to design activities to help them induce better market penetration. For, example, a shop was opened for the shoe cluster in Jordan to allow a group of shoe companies to penetrate the Jordanian market that they did not sell at before.

Output II - Market System Failures Addressed in Specific Sectors

Introduction

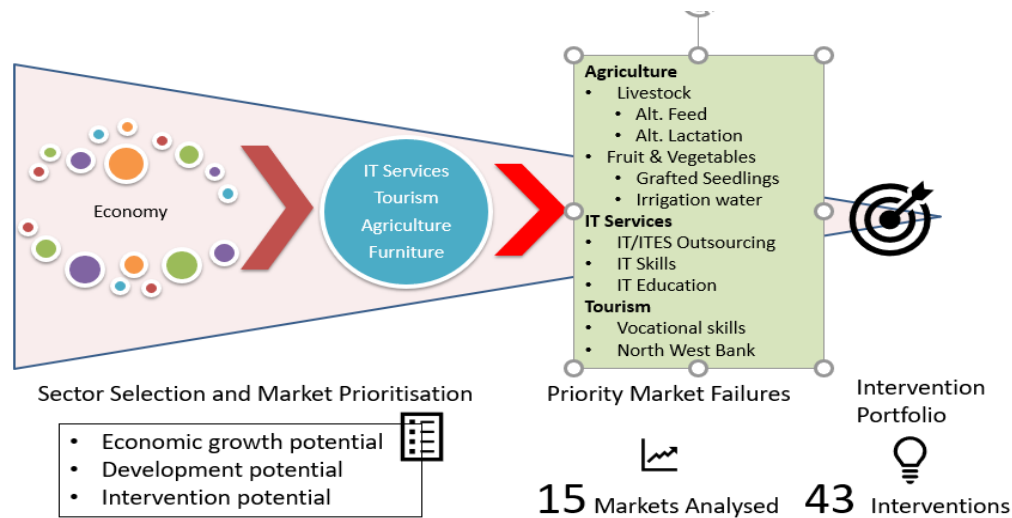
As a strategic Output aimed at utilizing innovative systemic approaches to tackle market failures in high growth potential sectors, Output II has made a unique contribution to PMDP's achievements. The Output's focus has been on enhancing competitiveness in high-potential sectors by addressing market failures and their underlying systemic constraints. Over the course of PMDP, Output II worked in the IT Services, Tourism, Agriculture, Business Services, and Furniture sectors. As envisioned by PMDP's Theory of Change, the Output based its interventions on thorough market systems analysis, leading to the development and piloting of commercially sustainable interventions aimed at stimulating income and employment creation, especially among youth, women, and low-income groups.

At the core of Output II's work is the "Market Systems Development" approach to economic development, which has served as the underlying framework for both analysis and facilitation activities. Developed iteratively over years of economic development programming, the approach has consolidated learning from practitioners to develop an approach, which considers economic sectors as complex systems that can then be engaged to stimulate growth and increase productivity. By bringing together key stakeholders within each targeted market system, Output II has worked to build trust and a joint vision of change between market actors and provided support for business and institutional reform plans to overcome obstacles and take advantage of opportunities to enhance the economic potential of value chain actors.

At PMDP's outset in 2013, Output II started with a scan of the economy to identify sectors with strong growth potential, followed by pinpointing selected market systems that were underperforming and limiting overall sector productivity. An initial sector scan was conducted through a desk review of existing reports,¹⁴ which was used to derive a long-list of potential sectors. The longlist was evaluated by assessing the sector's potential against criteria that included its potential to contribute to sector growth, GDP, and employment. This resulted in a shortlist of initial priority sectors in 2014 that included ICT, Agriculture, and Business Services. Tourism and Furniture were added in 2015 and 2016 respectively. Following sector prioritization, more detailed analysis was undertaken to identify priority-underperforming markets within the selected sectors, leading to a longlist of market systems. This longlist of market systems was then run through a filtration process to determine the opening portfolio of markets for analysis and intervention. The following three categories of criteria were used to select focal markets: a) Development and Outreach Potential, b) Economic Growth Potential, and c) Intervention Potential.

¹⁴ Amongst others, these reports included those published by the DFID Facility for New Market Development Programme, Office of the Quartet, National Export Strategy, and others.

Figure 13 Sector Selection



Building on this foundation, Output II conducted 15 market system studies and designed and implemented 43 interventions to support private-sector led investment and innovation to trigger systemic market changes and contribute strategically to inclusive and sustainable growth and poverty reduction. Intervention designs took into consideration the structure of each market system, constraints, and capacity of the market actors, in addition to the involvement and accrual of economic benefits to women and youth. Exceeding its intervention target by over 25% (43 conducted versus a target 34) Output II had delivered £12M in incremental sales to enterprises and farmers¹⁵ as of July 2018, leveraged £0.69M in private investment, and created 640 jobs across the market systems portfolio. Importantly, this impact will continue to grow after the project ends, as PMDP partners take plans forward and continue to generate business-level results. Behind this quantitative impact is a story of how behavioral change can place market actors on a higher growth trajectory. *Annex 7 contains an overview of each of the 43 interventions undertaken by Output II.*

Innovation, Adaption and Sustainability

Changing behavior amongst market actors requires creative, out of the box thinking. PMDP interventions focused on business innovation backed by sound commercial logic, which motivated market players to step forward and invest their own funds in upgrading services and launching new products. The Output's intervention approach was based on a three step process, based upon thorough up front analysis, design of interventions backed by strong commercial and sustainability logic, validating analysis with sector stakeholders, piloting

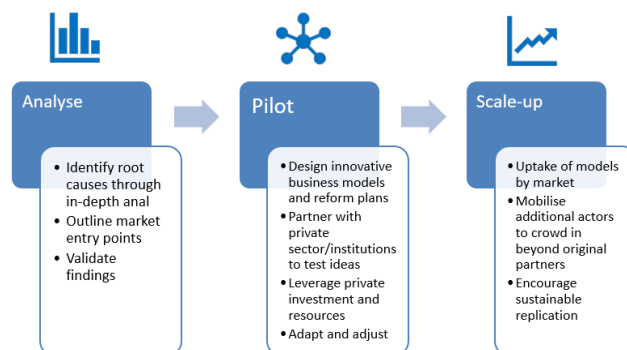


Figure 14: Output II Intervention approach

¹⁵ The £12 million is not counted in PMDP's total of 74 million in increased sales for Output I

interventions, and stimulating scale-up based on performance. This is outlined in the figure 14:

A great example of this was in the expansion of chip design and verification services, in which leading local companies invested in human capital in order to acquire business in a service area new to them. Similarly, in the feed and seedlings market, where existing technologies were outdated, PMDP instigated a paradigm shift by introducing and helping to scale-up the use of new techniques such as grafted seedlings, alternative feed and milk replacement feeding systems. These technologies have created high-quality new products leading to increased sales by their promoters, while leading to an increase in farmers' and herders' incomes. They resulted in strong market uptake due to the validity of the underlying business case.

The team has worked under very restricted circumstances due to the unstable economic, political and social realities of Palestine, including in Area C and Gaza. Accordingly, PMDP has worked hard on contextualizing its intervention portfolio in grounded realities rather than replicating methods that may have worked elsewhere. Underpinning this has been a facilitation approach that has been agile, responsive, and thoughtful. For example, Gaza's strict restriction on the movement of goods and people has been a key obstacle to agricultural interventions, preventing technical resources and equipment from being imported. The team has tackled this by building local capacity, such as in the case of feed packaging equipment, by working with local engineers and suppliers to design and develop required equipment. In another example, due to the electricity crisis in Gaza, the installation of solar energy systems formed an important Output of several interventions.

Sustainability has been at the heart of all Output II operations. Most importantly, business models and reform initiatives have been built with strong attention to alignment of commercial and institutional outcomes, resulting in creation of new sources of income in a series of cases. The team has focused on building partner capacity, working through service providers, and equipping both service providers and beneficiaries with knowledge and skills which will last beyond the project life. As PMDP partners continue to grow, they will continue to help low-income actors, women, and men to improve their economic futures.

Creating Opportunities for Women and Youth

Women and youth have been central beneficiaries of Output II operations. Women access to knowledge and jobs has increased as a result of PMDP's support (31.5% of the individuals who reported increases in knowledge and skills have been women and 13.3% of the jobs created have been filled by women). The nature of impact differs between sectors, varying by the nature of the market, role types and skills required. In the IT sector, women count for 39% of the individuals who have increased their knowledge, while they count for 15%, 39% and 31% in the Agriculture, Tourism and Business Services sectors, respectively. With respect to employment, IT has delivered the best performance in providing women with job opportunities, as 46% of the jobs created under the Output have been filled by women, followed by Tourism at 32%.

PMDP activities have also focused on involving recent graduates in capacity-building activities to stimulate employment opportunities, resulting in meaningful impact of operations on youth. For example, in the grafted seedlings market, all the agronomists employed in seedling production have been younger than 35 years old. They were linked with nurseries, which provided training and offered jobs in seedling grafting and quality assurance. In the IT Bootcamp intervention, 35 employment opportunities were created for recent graduates. Similarly, the primary beneficiaries of interventions in the IT Education market will be youth, as college students at a series of PMDP partners will benefit

from improved educational prospects, such as at Bethlehem University which has launched the first Software Engineering Bachelor's degree with PMDP support.

Creating Synergies with Other Donors and Market Facilitators

The Output has played a leading role in creating strategic links and synergies with other international cooperation agencies and partners, in many cases setting a high bar for how institutions can collaborate to maximise results. Unfortunately, such collaboration remains at suboptimal levels in the oPt. Output II has collaborated with other economic facilitators to conduct both analysis and interventions. Output II market analysis was recognized by a wide range of donors and agencies, including agencies such as GIZ and the World Bank, which were able to utilize these assessments to develop recommendations and new programming, ensuring that PMDP remained at the forefront of developing and sharing insights into its focal markets. All studies were shared with the Local Aid Coordination Secretariat (LACS). Specific illustrative examples from across the sectors follow.



Validation Workshop for One of the Market System Analyses

In the IT sector, Output II cooperated with Mercy Corps and the DFID-financed Arab Women's Enterprise Fund (AWEF) to conduct a study of Online Freelancing potential – the first detailed assessment of this digital market, coming out with practical recommendations to enhance the participation of Palestinian suppliers. The cooperation enabled PMDP to utilize Mercy Corp's extensive experience in freelancing development in Gaza and AWEF's expertise in bringing a women's economic empowerment lens to the analysis. Mercy Corps, the office of the Quartet and GIZ have participated in the Outsourcing Working Group and in the workshops conducted under the Bridges Project which aimed at resolving the disconnect between the academia and the industry. Additionally, the office of the Quartet and Portland Trust were part of the steering committee at Birzeit University that provided support in reforming the IT strategy. In one of the key interventions in the sector, Output II partnered with Portland Trust to develop and execute a strategy to grow Chip Design and Testing services in oPt, linking local suppliers to multinational buyers, and investing in long-term human capacity.

In the Agriculture sector, the team conducted regular validation workshops and demonstration sessions, bringing together a cross sector of support actors, including donors, local NGOs, and financial intermediaries together in support of value chain upgrading. This included assistance to a farming cooperative, the Al Ahliya association in Gaza, to develop a design for a fodder unit and to obtain an \$83,000 USD grant from the Government of Japan to install a fodder production line. The team linked Catholic Relief Services (CRS) to the Bani Naim Association (a community group), leading to a \$55,000 agreement part of which will focus on assisting Bani Naim herders to enhance their feeding practices. Moreover, many international institutions such as Action against Hunger (ACF), American Near East Refugee Aid (ANERA), Food and Agriculture Organization (FAO) and The International Committee of the Red Cross (ICRC) have attended the awareness-raising workshops and



Market Systems Development Training arranged by PMDP

participated in the open discussions that were arranged by PMDP. Organizations such as ANERA, CARE and Agricultural Development Association (PARC) have also purchased grafted seedlings and alternative feed for their beneficiaries.

Output II has also endeavored to structure its operations to strengthen local capacity by maximizing the use of local service providers. Apart from partnering with local providers to conduct assessments and interventions, Output II has also conducted activities to grow a Palestinian community of practice in “Market Systems Development.” This included conducting Market Systems Development training (developed by DAI experts) for AWEF staff in 2016 and, in August 2018, for 21 practitioners from leading agencies such as CARE, FAO, GIZ, Faten, Ministry of Finance, Business Women Forum, and others, under a two-day course “Facilitating Competitive Markets in oPt.” These examples are illustrative, and a comprehensive list is provided in *Annex 8 Synergies with Other Donors and Market Facilitators*.

Focused on Delivering and Capturing Results

To ensure rigor in both its analysis and facilitation work, Output II developed analytical tools and results measurement systems to assess the progress and outcomes of its interventions. Tools to facilitate analysis and facilitation included a Sector Selection Framework, Sector Facilitation Plans, Guides for Market Analysis and Planning Interventions, and a Framework for Partnership Plans. To measure the progress and results of operations, a Monitoring and Results Measurement Framework was developed with guidance from the Donor Committee on Enterprise Development Standards. Each intervention has had a customized measurement plan that is aligned with PMDP’s main programme indicators. The plans were reviewed quarterly throughout the life cycle of each partnership to gauge progress, make course corrections, if needed, and enhance the intervention’s design. To capture the cost-benefit of the market systems portfolio, the team developed a Value for Money (VfM) framework.

IT/IT Enabled Services

Output II selected the ICT sector due to its growth potential and strategic importance as potentially large sources of employment for oPt’s large population of urban, unemployed youth with university degrees. The IT/IT-enabled Services segment of the ICT Sector contributes an estimated GBP 102 million to Palestinian GDP, employs approximately 1,900 people, generates indirect employment at a multiplier of 2.5, and has an output of GBP 30,483/annum/worker. While the segment has shown impressive growth over the last decade, there are many constraints hindering its further expansion.



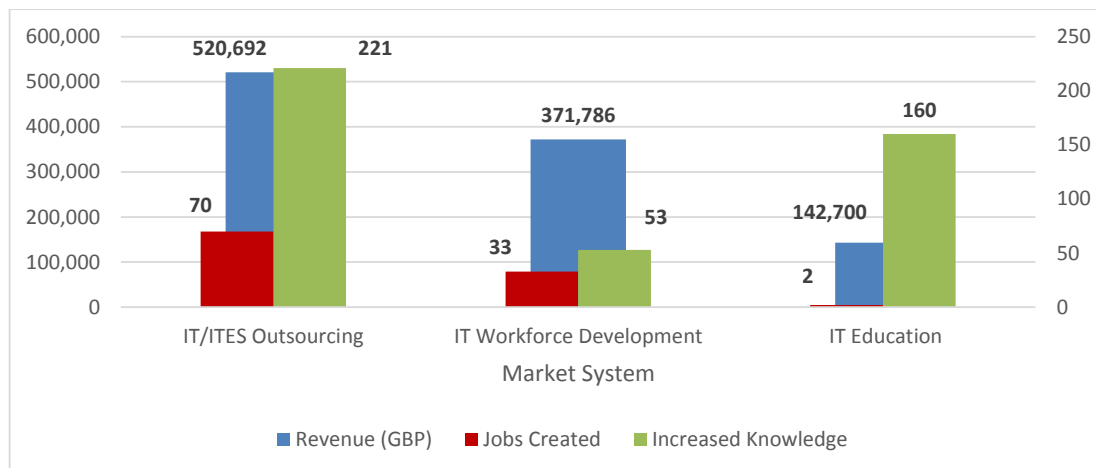
PMDP in cooperation with Palestine Technopark launched an Augmented and Virtual Reality applied lab

PMDP’s analysis showed that for this segment to expand, it would be critical to develop the capacity of IT services providers to enter into new niche markets and expand into key export markets. Since these activities face tough competitive pressure from Israel and other countries in the region, PMDP initially focused on analyzing key markets to better understand constraints and failures. These included the market for Multi-national Outsourcing, Business Process and Engineering Services

Outsourcing, and Online Freelancing.

The analyses identified three key areas of underperformance limiting growth potential – underdeveloped business development platforms and practices, underinvestment in skills, and the need for educational reform in line with international standards. Additionally, the analysis also identified weak capacity constraints amongst local IT companies, including the need for development of technical and business skills amongst engineers. This paved the way for PMDP’s market facilitation team to work closely with IT firms, Palestinian Information Technology Association (PITA), and other supporting institutions who are in strategic positions to introduce innovative solutions and expand market access for Palestinian firms both within and outside the country.

As the key initiatives across the three focal market systems materialized over the course of the Programme, PMDP saw strong endorsement of its approach to invest in patient, systemic development that facilitates both demand for IT and IT Enabled Services (IT/ITES) as well as the supply of human talent required to grow the industry, resulting in GBP 1,035,177 in additional sales, 105 jobs and increased knowledge and skills amongst 492 individuals.¹⁶



IT/ITES Outsourcing

To foster collaboration, Output II began its intervention work with the formation of the Multinational Enterprise (MNE) Outsourcing Working Group which consisted of the main IT sector actors, including the Office of the Quartet, GIZ, Portland Trust, PITA and representative from universities to name a few of the more well-known players. With PMDP support, the MNE Outsourcing Working Group enhanced coordination amongst key players in the IT ecosystem, and earmarked priority areas of intervention and reform. While IT sector coordination still requires additional effort and structure, the working group was an effort to engage key players through a common platform.



Taking on the challenge of underdeveloped business linkages, the Output II team facilitated the linkage of local companies with international buyers such as Intel and Cadence through cooperation

¹⁶ The figure for “increased knowledge and skills” is as of September, 2018, the rest of the results are as July, 2018

with The Portland Trust, to increase contract opportunities. PMDP helped connect international companies to Palestinian suppliers through the 1% Initiative, introduced PITA and its member companies to the Global Sourcing Association-UK; and to enhanced companies' capacity aimed at penetrating niche markets for chip testing outsourcing, cybersecurity, and augmented-virtual reality.

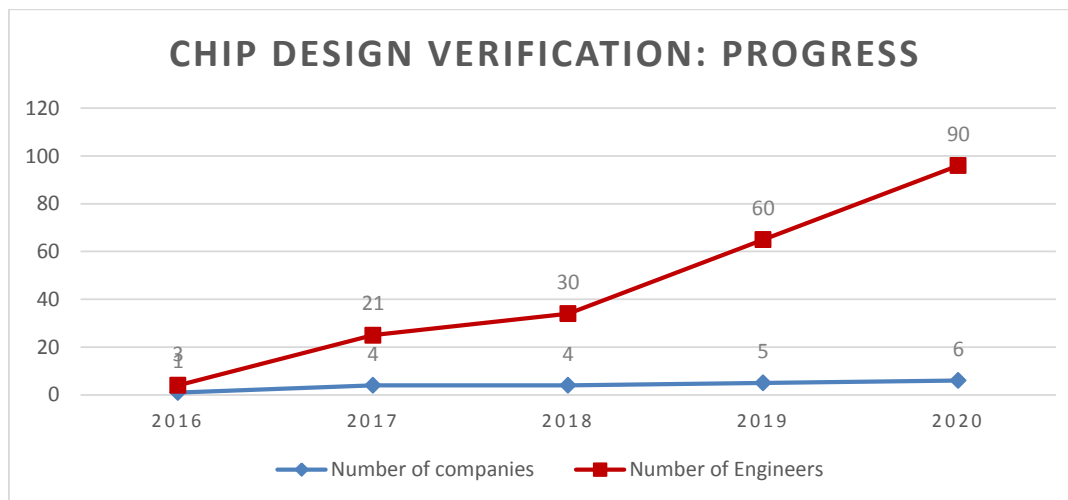
The “1% Initiative” engage UK firms to source IT and Business Process Services from Palestinian suppliers

At the direction of DFID, PMDP launched the 1% Initiative to increase British outsourcing to the oPt as a two-phased intervention. First, a partnership with Everest Global, a leading IT advisory firm, developed a value proposition for Palestinian IT Services, identified 18 lead suppliers, and 83 potential clients in the UK. This was followed by a business development phase, under which PMDP collaborated with Avasant, a strategic sourcing firm, to develop marketing collateral in collaboration with PITA and industry suppliers, and utilise it to pitch Palestinian IT and Business Process services to 30 UK-based companies. This Initiative has been conducted in collaboration with DFID, the British Consulate-General Jerusalem, The Palestine Britain Business Council (PBBC), and the Portland Trust. The Initiative has, for the first time, mapped Palestinian ITO and BPO capabilities that can be competitive in the global market, created international quality (publicly shared) marketing material which can be used to pitch the industry, and a coordination mechanism between UK-based (PBBC and the Palestinian Commercial Trade Representative in the UK (CTR)) and oPt based organisations which will continue to drive the Initiative post-PMDP. Of 30 UK market engagements, 11 have resulted in leads which will be pursued by PBBC and the Palestinian CTR-UK, in coordination with DFID Jerusalem.

Additionally, through partnering with incubators and universities, Output II's efforts raised the awareness of opportunities available to individuals through the global digital market for online freelancing.

Together, these interventions have resulted in strengthening the capacity of local IT firms and freelancers to enter and compete in international IT markets, generating 520,692 GBP in additional sales and 70 new jobs for young Palestinians (32 females and 38 males) as July 2018.

To enhance the supply side, PMDP partnered with four local ICT firms to penetrate new niche markets in the areas of Design Verification, Cybersecurity and Augmented Reality. PMDP supported partner firms to increase their investment in developing the skills of young professionals and recent graduates, thereby encouraging a culture of employer-supported training.



PMDP supported the delivery of specialized trainings for local companies' staff, as well as new IT engineering graduates and academic staff. As a result, 22 engineers from four leading ICT firms received advanced Design Verification training, while 20 engineers received training in Cybersecurity and 24 engineers in Augmented Reality. These are now considered highly qualified engineers who are capable of transferring these skills to others, starting with other engineers in their respective firms. To boost the chip verification sector's access to human capital, Output II partnered with the Portland Trust to install new Design Verification (DV) Labs at Al Najah University, bringing leading firms (Asal, Exalt, and ProGineer together with Al Najah faculty). The lab concept was replicated at Birzeit University, through a cooperation agreement between the University and Intel. Currently, thirty engineers are trained on DV and four companies have entered this market, however based on the current growing demand, it is expected that the market will expand and number of companies (currently 4) will also increase.

The Palestine Technopark (affiliated with Birzeit University), invested in setup of an Augmented and Virtual Reality Lab, which opens a new service area for design and software development practitioners in field that is growing globally. These applied labs are bringing the universities closer to the private sector, as well as stimulating innovation amongst university faculty, course curricula, and students. PMDP's total grant investment for the eleven interventions described above was GBP 391,573 which helped build the capacity of 24 Palestinian IT companies to enter into new niche markets, improve their access to both domestic and international markets, and improve the skills of 221 individuals.



Augmented Reality/Virtual Reality Hackathon, a First In Opt,
Organized In Cooperation with Palestine Technopark

IT Education

PMDP market analyses determined that for the IT Services industry's long-term growth and competitiveness, investment in upgrading the quality of education is critical. The studies revealed that the low quality skills of fresh graduates is one of the main impediments to the growth of local ICT firms since the available qualifications are not well-matched with current employers' needs and market trends. This is due to disconnect between the IT industry and academia.



110

Students Enrolled in the
Updated IT Programs-July,
2018 (reached to **168**,
September 2018)

PMDP started with the Bridges project (Jossor) which was aimed at mitigating this disconnect between IT industry and academia by bringing universities and the private sector together to work on joint technical projects. Commencing in 2016, more than 10 info-sessions were conducted at local universities, followed by a networking event, leading to creation of a steering committee with representatives from leading universities (Birzeit University, Al Quds University, Hebron Polytechnic, and others) and PITA, to launch a pilot project to stimulate local companies to engage university faculty and students in applied projects. The intervention also underscored the point that for enhanced, and more aligned IT education delivery, it was essential for universities to reform their strategic outlook.

In response, PMDP began designing a pilot intervention with Palestine Ahliyyeh College University (PACU), a leading local university to create a strategy and pilot reform of its IT curricula and delivery system. The main aim of the strategy was to develop recommendations to transform the traditional IT education system into a more responsive system capable of delivering higher quality graduates to the local market. The strategy involved alignment with the private sector with regard to curricula, educational pedagogy, and the examination structure. An outcome of this work was an actionable strategic roadmap for PACU to upgrade its overall IT education. The recommendations from this strategy were adopted by PACU and the results were publicized through awareness workshops as a model for other universities to follow.

After testing this approach, PMDP was able to motivate three other universities to "crowd-in"— Bethlehem University, Al-Najah University and Birzeit University - also upgrading and reforming their IT programs with the support of PMDP. Al Najah University, with the support of Portland Trust, installed the first VLSI Lab (Very Large Scale Integration Lab) in Palestine, essential for developing skills in chip design and verification, and updated five courses which are now being offered in this academic year (2018-2019) for the first time to third, fourth and fifth year students. The new DV lab will ensure the sustainability of providing a pool of skilled entry-level staff for the local industry. By September 2018, around 55 students had already enrolled in AL-Najah University's courses, which include training on this technology.



The new DV lab at AL-Najah University

At Birzeit University, PMDP's partnership led to a comprehensive assessment of the University's Computer Science and Computer Engineering departments, leading to the creation of a strategic reform roadmap under the University's Office of Academic Planning. This roadmap is now guiding reform efforts, which are under way.



MoU signing Ceremony between Bethlehem University and IT Companies

At Bethlehem University, a new Bachelor's programme in software engineering was developed and is being offered beginning this academic year. The programme, a first of its kind in Palestine, reflects the industry's actual needs while incorporating international and Ministry of Education and Higher Education (MoEHE) standards. Since nearly 70% of Bethlehem University students are female, this degree program could potentially attract a large number of women into the ICT field. Capacity-building of BU's faculty members to adapt the new updates in the curriculum, has enabled them to lead this systematic change.

Lastly, a series of meetings were conducted between private IT firms and the universities to strengthen the linkages between them. This cooperation between academia and the private sector has resulted in improved alignment between the needs of employers and the development of talent needed to enhance the competitiveness of the IT Sector. While the outcomes of these initiatives will continue to accrue into the future, PMDP's investment of GBP 175,633 has already resulted in generating GBP142,700 additional sales and increasing the knowledge of 160 individuals, including participants who attended the workshops and 110 students who have enrolled in the program at two universities (PACU, and Bethlehem University)

IT Workforce Development

PMDP succeeded in encouraging local IT firms to invest in developing the skills of the IT workforce, especially new graduates and has created extra revenues estimated at GBP 371,785. In the Workforce Development market, PMDP was able to introduce a new, private sector led model of investing in the training of entry-level professionals. Rather than subsidize direct delivery of training, PMDP signed a partnership agreement with a consortium of three local ICT firms (Asal, Harmony, Ultimit) to invest in



33
Out of 38 who
participated in the IT
Bootcamp were employed
(including 14 females)

hiring an external training provider to conduct a "Boot Camp" to create a pool of skilled entry-level staff with core technical (web/software development) and business skills.

The Boot Camp model is a customized, intensive demand-driven training program which helps bridge the gap between the skills IT firms need and the IT skills coming out of universities. The first Boot Camp was centered on web skills and attracted 38 unemployed new graduates who underwent a 50-day training within two months. This approach yielded excellent results with 86% of the trainees (33 individuals) obtaining employment after the training with the three ICT firms and other organizations needing these skills within their IT departments.

PMDP subsequently promoted the success of the Boot Camp model to other local IT companies during a roundtable, which attracted 25 local firms. Encouraged by the enthusiasm exhibited during the roundtable, three training providers have adopted the model and are currently working to promote it on a fully-commercial basis.

The Output II team also worked on promoting Online Freelancing in East Jerusalem. In partnership with Jerusalem Entrepreneurs for Society and Technology (JEST), PMDP increased awareness of

Online Freelancing at three Jerusalem universities (200 individuals), tested the market for freelancing through a specialized Boot Camp, and prototyped the design of an online platform to connect Palestinian freelancers to the Jerusalem IT sector, which faces considerable talent shortages (e.g., a reported shortage in Jerusalem of around 500-1,000 individuals with this gap expected to grow at 10% per annum.)

Tourism

In 2012, the estimated contribution of the Tourism Sector to GDP was GBP 156 million, equivalent to 2.5% of GDP and 2% of the employment rate. PMDP's sector analysis identified that the available human resources were not harmonized with the volume and the skills level needed, resulting in workforce demand outstripping supply in both quality and quantity. Accordingly, the Output II team, identified the lack of qualified labor as one of the main market failures in the tourism value chain. Addressing this market failure is key to the creation of more competitive tourism services, leading to an expansion of market share and the creation of jobs, especially for young women and men, since this sector has a significant number of entry-level jobs.



Vocational Training Graduate Ceremony- Bethlehem University



296
Individuals
increased
knowledge/skills

Initial efforts within the Tourism sector were focused on improving the quality of vocational skills training, to address the skills gap in the local tourism industry. This led to partnerships with educational institutions to build their training capacities, upgrade curricula, and introduce market relevant courses for hospitality, tour-guiding, and restaurant services. The team also explored the potential of tourism in the North West Bank. These interventions have resulted in GBP 171,953 in additional sales, 50 jobs and increased knowledge and skills amongst 306 individuals, and this market is expected to expand in next years.

Tourism Workforce Development

According to the market analysis, the low quality of frontline workers' skills is a result of several contributing factors, including the lack of a vocational training curriculum that meets international standards, absence of vocational schools or training centers dedicated to tourism and the lack of information about market requirements amongst Technical Vocational Education Training (TVET) institutions. Based on these findings, PMDP partnered with two leading universities, Bethlehem University and Dar Al Kalima college, to improve vocational education and training within three local institutions — Bethlehem University, Dar Al- Kalima College, and Bible College. Six new courses were introduced and new niche markets were added to the tour guides curricula, including Islamic tourism and culinary tourism. Moreover, the Palestinian Tour Guides Manual was upgraded. PMDP also took further steps in building the capacities of these institutions by upgrading their business model to meet industry needs and requirements thereby enabling them to start selling demand-driven training programs.

To achieve its sales growth objectives, PMDP supported an on-the-job
Page | 49



50
Jobs created

training that was organized by the Arab Hotel Association for 30 employees in five local hotels on the following topics: a) Restaurant chef and service staff: improving service methods and techniques, b) Front desk staff: foreign languages, reservation channels and technology skills, and c) House Keeping staff: cleaning safety, environmental friendly ways of cleaning and standards for organizing rooms. Together, these in-house trainings are expected to enhance service quality level, raising the probability of increasing annual sales in the 5 hotels.

PMDP's investment of GBP 53,253 in Tourism Workforce Development has focused on addressing underlying causes for the market failure by creating higher quality vocational education for the tourism industry and more market-relevant vocational training that generated GBP 171,953 additional sales. It also increased the supply of highly qualified new graduates to meet the workforce needs of the industry in the short-term with a total of 296 individuals having improved their skills with 206 of these having received vocational training which lasted more than 6 months. As a result, 50 have already obtained employment with the likelihood of additional employment results in the pipeline. Twenty-two students have already enrolled in the vocational programmes at the three institutions with the expectation of around 40 students enrolling annually going forward. Moreover, the Arab Hotel Association, after observing the value of investment in staff skills, has plans to invest in raising standards in additional vocational areas.

Northern West Bank Tourism

While OPT experienced a 25.7% growth in terms of a year-over-year percentage increase of visitors overall, ranking it in 5th place in the 2018 edition of the United Nations World Tourism Organization's annual report on global travel and tourism, tourists are less attracted to the North West Bank compared to other places in the West Bank as evidenced by the low volume of visitors. To unleash the potential for growth in this important sector which has high employment potential, especially for women and youth, PMDP conducted a market system analysis, the first of its kind, to identify potential opportunities and obstacles to the growth of tourism in the North West Bank area and to raise donor and stakeholders' awareness of the area's potential.

In 2017, PMDP conducted a survey in cooperation with the Holy Land Incoming Tour Operator Association (HLITOA), to study the reasons behind this gap and how to overcome the main challenges. HLITOA is considered a major market player in this sector as it represents 50 incoming tourism operators serving the wider Holy Land including Palestine, Jordan, Israel, and Egypt. The survey focused on travel agents, counterparts of Palestinian tour operators, from 17 different countries to assess their interest in destinations in the North West Bank. Among the main findings from the survey, was that foreign agents didn't have enough information about the North West Bank, indicating a need for promotional materials with audio-visual content about attractions and tour products, as well as familiarization trips. Upon closer examination, however, PMDP discovered numerous challenges which would have constrained the implementation of promotional activities, such as the lack of tour products focused on the north, tourist security factors and perceptions, lack of logistics services, not to mention the lack of donor interest and support for that area.

PMDP proceeded with HLITOA to explore effective mechanisms to address these challenges and to raise stakeholders' awareness of them. Despite intensive engagement, the Output II team was unable to find effective private sector players with the ability and willingness to co-invest in piloting the development of new tourist products/services and innovative business models. As a result, PMDP decided not to proceed with additional interventions in this market.

Agriculture

Although the agriculture sector is a dominant sector in the Palestinian economy, it suffers from different market failures that led to a decrease in its contribution to GDP from 6.47% in 2008 to 3.49% in 2016, according to Ministry of Agriculture reports. PMDP has targeted this sector due to its potential growth, in general, and its special contribution to pro-poor growth in particular, as it is considered one of the major sectors that create jobs and income for the economically disadvantaged.



Female Agronomists Working on Grafting Seedlings

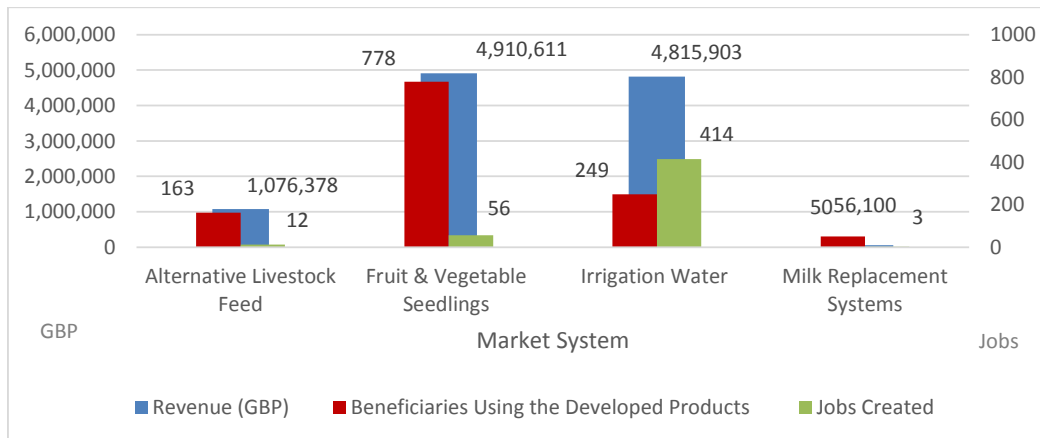
Applying the market development approach requires not only a deep understanding of the sector, but working relationships with key market players, so that the main market failures and constraints can be addressed. With the aid of key sector informants, Output II conducted comprehensive market system analyses of five agricultural market systems, namely, animal feed, the irrigation water market, veterinary services, olive pressing, and lamb rearing. These studies highlighted the main failures in each market and prioritized them according to their potential impact.



Collecting Field By-Products to Be Converted To Silage

Informed by the analytical work, Output II built its intervention work in the Agriculture portfolio by focusing on two subsectors – Livestock, and Fruits & Vegetables – and four market systems within these: Alternative Feed, Milk Replacement, Fruit & Vegetable Seedlings and Irrigation Water. PMDP engaged in 17 partnerships to introduce innovative solutions to private sector suppliers (grafted seedlings, alternative feed mix and milk replacement equipment) to address the market failures and successfully linked them to resource-poor farmers, improving their access to affordable quality inputs (as 1,240 farmers/herders are now using the developed products). These activities have resulted in improvements in productivity and incomes for the key actors in these value chains, especially the poor, as they have generated GBP 10 million additional sales for the agricultural

enterprises and the farmers/herders, in addition to the creating of 485 jobs



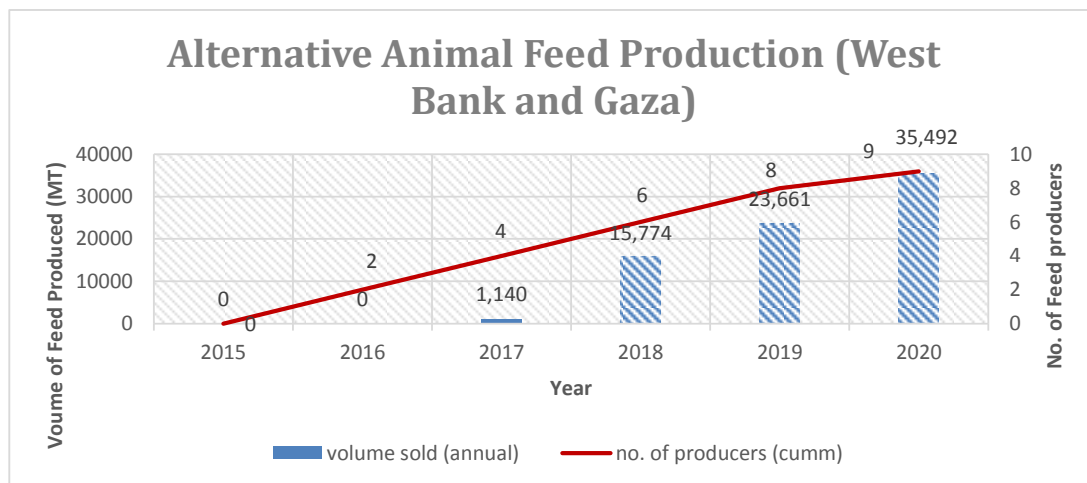
Alternative Livestock Feed

The animal feed market system analysis concluded that the lack of a viable livestock feed alternative pushed herders to depend on expensive imported feed. The high cost of the feed has affected the profitability of the herders in general and vulnerable small-scale herders in particular.

The analyses also discovered that large amounts of crop by-products, such as almond, palm, corn, and tomato, go to waste every year. Therefore, the Output II team suggested an innovative business model that converts crop by-products into alternative animal feed, such as Silage and Total Mixture Ration (TMR). Silage/TMR is a high-nutrient lower-cost alternative animal feed. The business model was built on the alignment of incentives to private sector feed suppliers, crop farmers and herders, creating new and profitable revenue streams for feed suppliers and crop farmers while significantly decreasing the costs to herders in animal rearing, since feed constitutes 60% of the overall rearing costs.



Figure 15: Alternative Feed Production (WB&G)



Output II piloted the business model in Gaza and the West Bank in 2016, by partnering with two strategically well-placed feed firms which were capable of sharing the risk of introducing new TMR/Silage products to traditional herders and stimulating demand in order to harness the opportunity from this new market. The pilot TMR/Silage results were outstanding as they resulted in a 30% savings in feed cost and a 20% increase in milk production for herders. The team subsequently raised awareness of these outcomes among herders, other feed firms, and related stakeholders by organizing a series of workshops and meetings with Ministry of Agriculture (MoA), other ag-focused donors and institutions, and by presenting PMDP's work in radio interviews on local channels.

The high return on investment for the pilot alternative feed producers encouraged four more feed producers to adopt this business model. PMDP's total investment into the creation of this new market was GBP 182,488 which subsequently leveraged a co-investment from the six private sector firms of GBP 231,365 catalyzing the results for the feed producers and the key actors in the value chain. For example, as the reputation of alternative feed has grown, so have the number of herders which have switched to

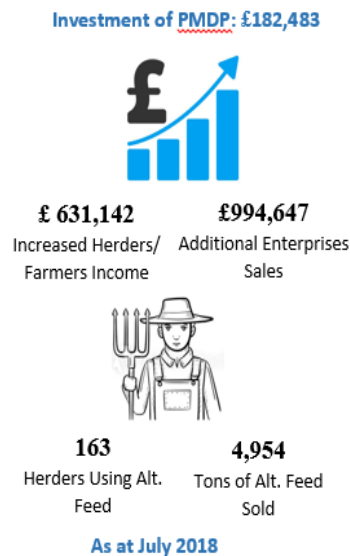


Women Herder Currently Using Silage -Al Fara', Tubas

alternative feed, reaching 163 herders by July, 2018 with their increasing demand reaching to 4,954 tons Silage/TMR. This has generated additional sales for the feed firms estimated at GBP 994,647, while resulting in a savings for herders estimated at GBP 549,411. It is expected that by the end of 2018, the total number of tons produced will reach to 15,774 tons, and the number of herders switched to alternative feed will reach up to 563 with increase in enterprise sales estimated at GBP 3 million and savings for herders estimated at GBP 2 million. Moreover, the use of other diverse crop by-products has

increased the varieties of alternative feed which now include corn silage, citrus TMR, haylage, Hay Mix TMR, and green fodder barley sprouts. This has generated an extra GBP 81,731 in revenue for farmers from the sale of their crop by-products in the same period.

This business model has evolved even further in Gaza as the feed supplier strives to meet the requirements and increased demand among herders by acquiring and adding a new pelletized unit to the production line. TMR pellets produce a higher homogeneity of the TMR mix and therefore is preferred by herders. The introduction of TMR pellets not only has improved the feed producer's market competitiveness but enhanced the firm's outreach and market penetration.

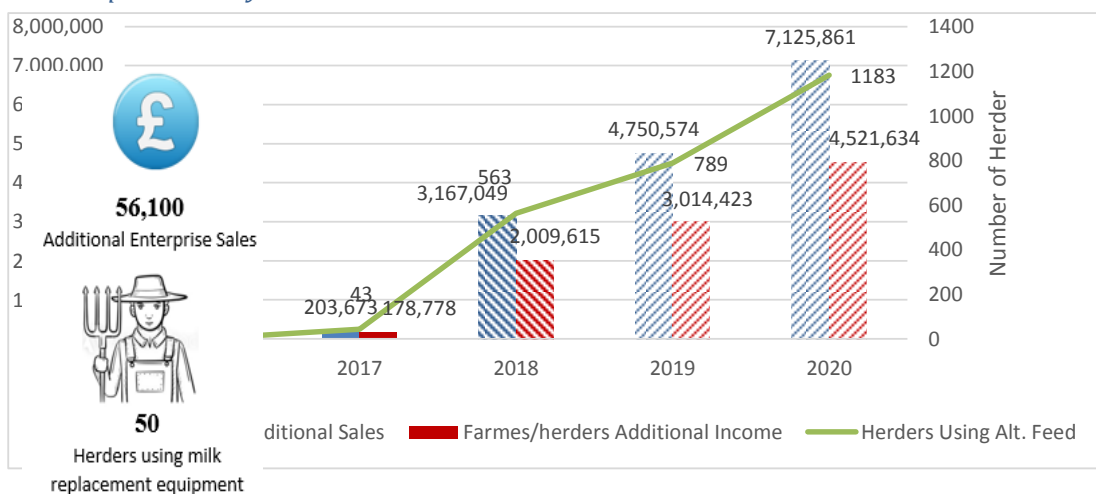


The wide spectrum impact of this business model in supporting and strengthening pro-poor growth for small-scale herders by improving their productivity and profitability has encouraged other donors such as CARE International to use alternative feed as its first-choice option for its livestock projects. As

Figure 16: Herders Sales and Income

a result, CARE International has purchased 120 Tons of Silage and provided it to herders with a 50% contribution from them.

Milk Replacement Systems



Based on the market system analysis of lamb rearing, Output II discovered that small and medium scale herders suffer from higher lamb mortality rates, which averages around 30% per year, due to their dependence on natural feeding practices and the time of year. This leads to higher rearing costs which increases vulnerability, especially among small-scale herders.

The PMDP market facilitation team identified artificial milk replacement as an innovative solution for providing lambs with an alternative supply of disease-free milk, thereby reducing mortality rates which subsequently increases income for herders who sell sheep's milk and lambs and sheep for meat. The major constraint, however, was the cost and availability of imported milk replacement feeding systems which are very expensive and therefore largely out of the reach of small-scale herders.

Consequently, PMDP launched a private sector-led business model to incentivize a local firm to manufacture milk replacement equipment locally and offer it for sale at an affordable price for herders, thereby increasing their incentive to switch to artificial milk replacement to reduce lamb mortality. PMDP co-invested with Al Waha Company located in Hebron which had the ability to share the risk in taking advantage of this new market opportunity. Additionally, an awareness-raising program was conducted to disseminate best weaning practices among small-scale herders by arranging workshops to demonstrate the equipment in Tulkarem, Nablus and Jenin which increased the knowledge and know-how among more than 100 herders about this technique. Also, a round table discussion was conducted with other donors to bring their attention to the value of milk

replacement and this business model.

Farmers' use of the milk replacement equipment produced good results, proving this feeding method to be a cost-effective sustainable solution for increasing herders' productivity and profitability. This encouraged 50 herders to switch to alternative milk replacement and purchase the equipment locally. As other herders have seen the equipment in use in their communities, interest in this method of lamb rearing is increasing organically.

To enable the very poor herders to acquire this equipment, PMDP facilitated communication between Al Waha Company and Reef for Finance Company which has expressed its willingness to commit to financing milk replacement equipment purchases for around 100 herders from all over the West Bank. This resulted in demand for the equipment significantly outstripping the supply. To help alleviate this problem, PMDP launched a new partnership with Al Waha Company to expand its production capacity in order to meet the increased demand.



Milk Replacement machine in one of the farms -Ein Yabrod, Ramallah

The milk replacement model has proved its success. It has resulted in reduced lamb mortality rates and increased income for herders, estimated at 66,300 GBP, and additional sales for Al Waha Company estimated at GBP 56,100. Perhaps more important in regards to future growth of this practice, is that this feeding method is now a recommended practice by MoA to all herders via extension visits, ensuring increased demand into the future.

Fruit & Vegetable Seedlings

The study of the Fruit & Vegetable market system revealed that most of the seedlings in circulation, especially amongst Gazan farmers, were of sub-optimal quality, making them also vulnerable to soil diseases and salinity. This resulted in lower yields per dunum which has pushed farmers to use expensive and often harmful fertilizers and pesticides to improve their yields. This has affected especially small-scale farmers negatively, since the increases in production costs have decreased their profit margins. Moreover, increased fertilizer and pesticide use leaches into ground water which has the potential to negatively impact the health and wellbeing of the Gazan population.

PMDP identified the need for better quality seedlings and therefore recommended introducing the technique of grafting seedlings, an already established technique for producing high quality seedlings, as an innovative solution to this widespread problem. At the time of PMDP's intervention, seedling grafting was not yet well known in Gaza, despite its international popularity. Thus, PMDP identified the main two reasons behind Gaza's late adoption of this technique; a) the grafting technique requires expertise that is not available in Gaza, and b) it requires capital investments in infrastructure, equipment and staff training that nurseries were reluctant to make, especially given their limited knowledge about the benefits of this business model.



4

Nurseries adopted grafting (4 crops)



2,505,295

Grafted seedling sold



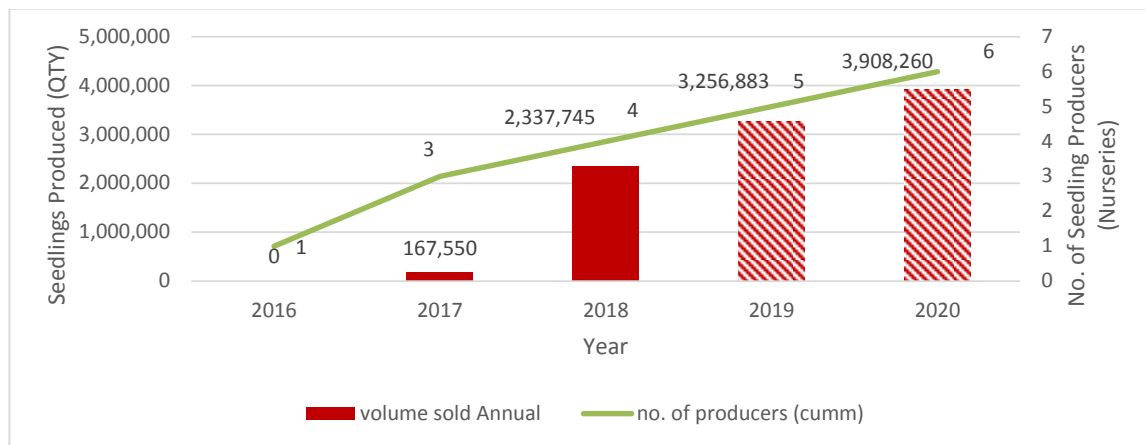
778

Farmers using grafted seedlings

**Cumulative Results
(July 2018)**

According to PMDP's approach, Output II first piloted this model with a major nursery in the local market to launch the commercial production of grafted seedlings and facilitated the company's contract of a qualified external consultant to build the capacities of the nursery employees. PMDP also exerted significant effort in creating and aligning incentives of the nursery with the incentives of small-scale farmers to purchase grafted seedlings. For the nursery, grafted seedlings are more profitable than traditionally produced seedlings, while for farmers, reduced production costs and increased yields provide an economic incentive to switch to higher quality seedlings, a win-win for both actors.

Figure 17: Grafted Seedling Produced



Starting with only one crop – watermelon, the success in increasing the productivity and profitability for both farmers and the nursery was demonstrated, increasing demand for grafted seedlings, leading

Mohammed Al Loah- Al Sifa Nursery Owner

“The adoption of the grafting technique was not optional for me; it is the only means to securing my existence in the watermelon seedlings market which is my major crop since the majority of watermelon farmers have switched to grafted seedlings and the demand for traditional seedlings has become very weak”

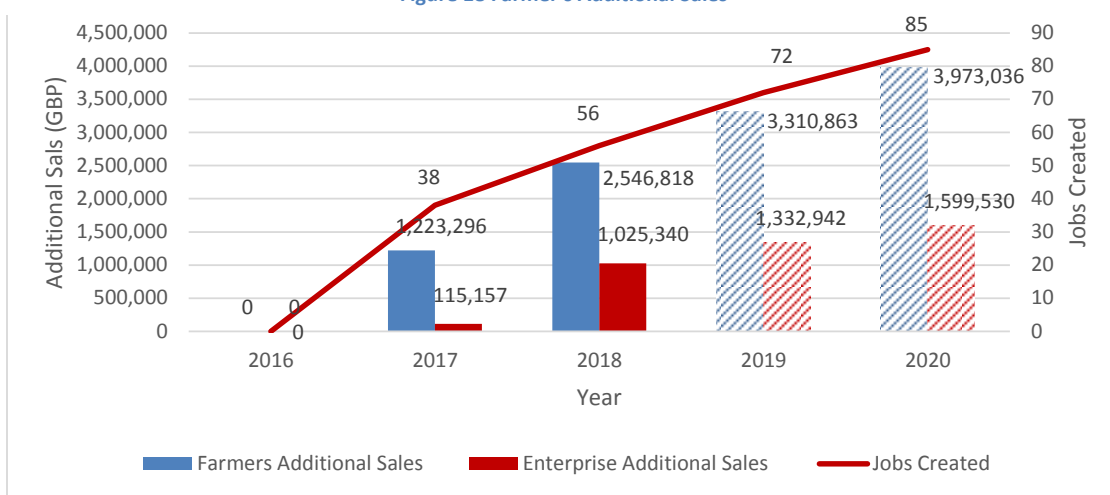
to three additional nurseries has led to increasing the demand on grafted seedlings and encouraged the crowding-in to this new market, one of them adopting this business model with its own financial resources without PMDP assistance. As more nurseries entered the market, the practice spread to include additional crops, including cucumbers and tomatoes. With access to higher quality seedlings which subsequently produced higher yields, demand among farmers for grafted seedlings has accelerated, producing a systemic change within this important agricultural sector.

To achieve more robust market growth, expansions in the capacity-building program and scale-up activities were required in this stage. Therefore, PMDP organized

a capacity-building program for an additional 87 agronomists, new university graduates and related subject matter experts and an outreach program of workshops and meetings for other international and local organizations, as well as MoA representatives and local academics. The integration of all these activities has succeeded to sustain a systematic behavioral change with grafted seedlings becoming the norm for market actors at all levels.

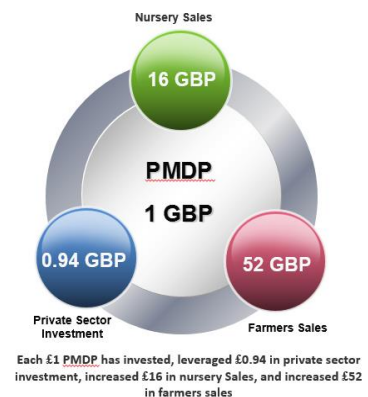
Currently more than 778 small-scale farmers have switched to grafted seedlings, and more than 2,505,295 seedlings were sold between December 2016 and July 2018. Through the adoption of better quality seedlings, resource poor farmers are on a pathway to increased income as higher yields are resulting in higher sales, now estimated at around GBP 3,770,114. This has also created additional jobs for 33 young men and 23 young women who are under 30 years-of-age, as well as increased the supply of healthier fruits and vegetables for sale in the market.

Figure 18 Farmer's Additional Sales



The nurseries have also achieved high additional sales from this intervention, estimated at GBP 1,140,497, so they are looking forward to scaling their operations by increasing their production capacities and introducing new types and varieties of crops. It is expected by 2020 to have 6 nurseries producing more than 3.9 million seedlings annually and resulting in additional sales for the farmers and the enterprise estimated at GBP 3.9 million and GBP 1.5 million, respectively.

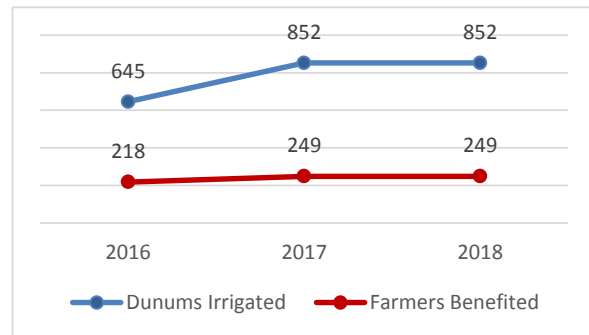
By creating a new and sustainable positive trend in the agriculture sector, the MoA has begun to cultivate many types of grafted seedlings in its demonstration sites and is disseminating grafting know-how among farmers through their extension services, as are many NGOs who also work with resource poor farmers. In addition, local universities are looking forward to introducing grafting into their curricula both theoretically and as a practicum. PMDP has succeeded in introducing a successful business model that has closed a market system gap and opened investment opportunities, resulting in increased sales among nurseries and farmers by more than GBP 4 million from Dec. 2016 to May 2018.



Irrigation Water Market in Al Zannah & Sureij Areas

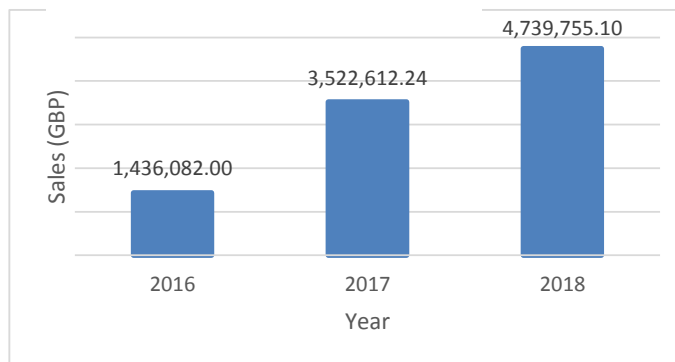
PMDP's efforts have made it possible for more than 249 households in Al-Zannah & Sureij to restore their livelihoods after the 2014 conflict. The damage that was targeted to many wells, reservoirs, and irrigation carrier lines resulted in significant constraints to the supply of water and therefore increased costs of irrigation which consequently affected the livelihoods of small-scale farmers.

Figure 19: Irrigated Land



According to the Emergency Market Mapping & Analysis (EMMA) study that was carried out in December 2014 by Output II's market facilitation team; the deficiency of the irrigation networks was identified as the main market failure and barrier for small-scale farmers to get back into business in Al Zannah & Sureij.

Figure 20: Cumulative Farmers Sales



To address this constraint, PMDP partnered with Bayader, a Palestinian NGO, for the purpose of increasing the capacity of water providers thereby enabling them to fulfill the current and future demand for irrigation water among small-scale farmers. With PMDP's assistance, Bayader rehabilitated four damaged water wells and installed 3.5 KM of main carrier lines. This intervention enabled four well operators to restore their source of income

from the sale of irrigation water, resulting in sales equal to GBP 76,148 for more than 437,180m³ of water for the period between January 2016 to July 2018. Downstream, the availability of irrigation water enabled 249 vulnerable small-scale farmers to put back into production 852 dunums which resulted in total sales estimated at GBP 4.7 million for the same period. In the process, a reported 414 new jobs in farming were also created.

Business Services

The Business Services sector was brought forward as a legacy sector that had been analysed by the DFID Facility for New Market Development (FNMD) programme. Output II's analysis indicated the need for business services providers to improve the quality and marketing of their services through better industry coordination, upgrading, diversification, and targeting of services. After validation meetings with the consulting community and eliciting their input, PMDP conducted an additional analysis of the "Market for Certification and Training," resulting in facilitation efforts to get practitioners from leading consulting firms qualified as "Certified Management Consultants" (CMC). The CMC certification was conducted via the Institute of Management Consultants. Following this, it was recognized that for the services sector to grow, it was important for it to coalesce and start playing a role in raising the bar for qualifications and industry standards. PMDP's additional facilitation, which consisted of advisory support, helped to bring about the registration of an

association of business services providers – *Mustashar* – and stimulated leading consulting companies to invest in their staffs’ skills training and certification. However, due to slow progress by Mustashar and limited PMDP staff resources, the Output II team decided in 2016 to concentrate its focus in other sectors and limited its engagement with the Business Services sector to the interaction through Output 1, which in any case was robust.

Furniture

Output II’s assessment of the Furniture sector in 2017 identified significant growth potential in this industry, but the lack of a specialized labor force was found to be a major constraint to this growth. Upon further examination, Output II found that the skills gap between what employers’ need and the availability of qualified furniture-makers was primarily attributable to the lack of quality vocational skills programmes aligned with the requirements of furniture sector companies. Human capital challenges are further compounded by the large amount of skills labour leaked to Israeli settlements due to higher wages.

To address the skills gap, PMDP worked with key market actors, including Salfit Chamber of Commerce & industry, to arrange several meetings with factories and donors, including the Belgium Technical Cooperation (BTC) and GIZ as well as the Ministry of Labour (MoL) to shed the light on this market failure. Subsequent to these meetings, GIZ took steps to support the MoL in activating its training center in Salfit city and in designing and conducting specialized training courses in furniture-specific vocations, such as upholstery skills.

To stimulate sales growth within the furniture sector, PMDP partnered with the Salfit Chamber of Commerce to conduct a market mapping and profiling of potential wholesale furniture buyers in the Israeli market capturing this information in a data base of 54 companies which is organized according to their specializations. Additionally, B2B meetings were arranged between 10 furniture companies that have the potential to meet the requirements and demands of specific targeted market segments. These meetings have facilitated market linkages with the Israeli market and generated new business opportunities. For example, one of the companies has already received an order valued at 180,000 NIS (GBP 37,837) and several other companies have reported that they are negotiating orders with the companies with which they met. This intervention complemented a similar intervention undertaken by Output 1 in Nablus.

Output II Lessons Learnt

The oPts are one of the most challenging contexts within which to implement a market systems development project. Political instability, physical and movement restrictions (on labor and equipment) caused by the occupation, dispersed and isolated communities, lack of physical contiguity, and security issues, to name a few, combined, make for a unique and complex operating theatre. However, for these very reasons, the market systems approach, which takes into consideration the complexity of markets, the political economy, and the behavior of value chain actors, is also ideally suited to unlocking growth and competitiveness in such an environment. PMDP’s challenge was to introduce market systems thinking into the oPt in an environment with limited understanding of the approach, highly distorted by donor behaviour, and with a shortage of skilled individuals to put it into practice. However, thorough analysis, outreach, dissemination of information, effective partners selection, and effective piloting schemes allowed PMDP to be one of the first programmes in oPt to successfully adopt and implement interventions based on a market systems approach.

The Output's initial focus was on in-depth market systems analysis. Over the course of the project, PMDP succeeded in making a strong and lasting contribution to the understanding and information available about distinct market systems, which was heretofore not available. Market studies had to be inclusive enough studying the roles of actors at the different value chain levels. PMDP's access to relevant previous studies conducted was helpful. However, it needed a team of more experienced in market systems development approach to better build on the findings of those studies. Recruiting an international Market Development Lead helped PMDP cope with the limited local expertise available in the approach, and to guide the team from an analytical focus to active facilitation during 2015/16.

Thorough analysis carried out in the studies and feeding the information back to market stakeholders through validation workshops was very effective at building awareness and gaining buy-in from stakeholders who wanted change. This laid the foundation for effective pilot designs and partnership identification. While all analysis was led or managed by the Output II advisory team (2 staff in West Bank and 1 in Gaza), the team also utilised business service providers to conduct assessments. The experience with these was mixed, as strong analytical and writing skills were hard to find, and in most cases, significant advisor and supervisor time was required to ensure completion of studies. However, these exercises, as well as other dedicated training efforts taken by the team have helped to strengthen local capacity. In particular, Output II's own 3-member advisory team is recognised widely as leading market systems development practitioners across the IT Services, Tourism, and Agribusiness sectors in particular. This too has been a process, requiring intensive training and initial capacity building by DAI experienced practitioners.

Given that each sector had multiple subsectors and market systems within it, it was important for PMDP to prioritize sectors based on the growth potential, job creation potential, and the feasibility of conducting interventions. Having the Output focus on few sectors was instrumental for effectiveness and depth of results. Given this view, decisions to limit efforts in the Business Services sector, and in North West Bank tourism, were the right ones to take, as they allowed resources to be focused on performing markets.

The high volume of donor funding to the private sector has distorted the environment and crowded out much private investment. Potential clients expect handouts, rather than investing themselves. However, Output II was able to overcome this in local markets, through careful market and partner selection, and then follow through with compelling value propositions, leading market players to invest £0.69M in their own funds, alongside Output II's results-based, and cost-reimbursable support.

In conducting its partnerships, Output II found partnership grants to be the most effective mechanism to transact with market actors. The mechanism allowed for enough flexibility to work with both firms as well as institutional partners (such as universities), which ensuring a strong element of co-investment (via partner contribution), and focus on results (through output-linked, milestone-based, reimbursable payments). Output II pioneered the use of results-based support, after which other Outputs of PMDP also adopted it.

Clearly designed interventions backed by strong commercial alignment of incentives were the real driver for scale ups, visible particularly in the chip verification, feed and seedling markets. However, in most cases, significant close partner support was required up front, and the team's greatest successes were in markets where advisors were truly immersed with market actors, leading to trust-based relationships and recognition of the value of PMDP's technical support. The programme looked at the core issues in selected sectors and linked market needs with supply-side actors. For example, Grafted Seedlings improved the competitiveness of Palestinian nurseries (supply) to offer quality seedlings

and responded to the demand of farmers who wanted to grow crops profitably, avoid disease incidence, and compete with Israeli varieties.

Selecting strong partners with was one of the vital success reasons that led to high degree of results. In the most successful cases, partner commitment was the key outstanding variable. In the ICT and Tourism sectors, for example, the collaboration with institutions allowed for targeting systemic constraints such as the quality of education through interventions that worked to introduce new degrees and enhance curriculum for existing degrees. The participatory approach of engaging universities (supply side) with the employers from the private sector (demand side) encouraged universities to accept making the needed changes to curriculum. During collaboration with institutions, as was the case for most of the IT Education portfolio, it was essential to have buy-in from senior institutional management at the upfront, prior to any activities. At Bethlehem University, this enabled strong collaboration to roll out the University's new Software Engineering degree.

Overall, Output II operations have showcased that the market systems approach is a highly effective instrument in the Palestinian context, and can stimulate more competitive sectors towards additive growth, via exports, import substitution, and opening new avenues in the domestic market. Through piloting solutions and inclusive business models, the Output has tested the types of solutions, which, if deployed at scale, can help address some of the most pressing challenges faced by the Palestinian economy. Foremost amongst these – how can the economy, physically constrained and with a small domestic base, create breakthrough and exponential growth in a few key service or product offerings. Output II has made a meaningful contribution to this, but placing DFID and EU at the forefront of innovative, and systemic private sector programming, and as visible leaders particularly in the IT Services and Agribusiness sectors. The Output leaves behind a strong legacy of results and value that can be generated by a strategic approach to transforming markets, which can be built upon in future.

Output III STRENGTHENED TRADE AND INVESTMENT LINKAGES WITH INTERNATIONAL MARKETS

Introduction

As noted earlier, PMDP has been structured as an integrated approach to improve competitiveness and drive private sector growth in both domestic and export markets. Output III's primary role in this approach is to work with both private and public sector actors to establish institutional support to increase trade and investment.

To achieve its objective, Output III has focused on five key areas: 1) Developing the Palestinian Investment Promotion Agency's capacity to facilitate investment; 2) Improving diaspora trade & investment linkages and opportunities for diaspora to transfer knowledge and know-how to Palestinian entrepreneurs; 3) Supporting the establishment of a cadre of Commercial Trade Representatives in key international markets; 4) Improving the business and investment enabling environment; and 5) Improving cooperation among key actors in the implementation of the National Export Strategy, including the development of a "Brand Palestine" promotion strategy.

Develop the Capacity of the Palestinian Investment Promotion Agency (PIPA) to Facilitate Investment

The primary goal of any country's Investment Promotion Agency (IPA) is to secure better linkages to the global economy for its private sector and to attract Foreign Direct Investment (FDI) as a source of private sector capital to spur economic development. To achieve these objectives, an IPA must have the capacity to undertake a range of activities, mostly related to marketing the country, but also collecting and providing information on opportunities and processes for investment, and facilitating investment by providing pre-investment, implementation and post-investment services to investors.

Throughout the Programme, Output III provided comprehensive support to the Palestinian Investment Promotion Agency (PIPA) to successfully transition from an agency whose primary function was to facilitate tax incentives to being a proactive IPA capable of identifying, attracting, and supporting the implementation of key investments that contribute to the growth of the Palestinian economy.

As a starting point in working with PIPA in 2013, PMDP conducted an assessment (*Annex 9*) of PIPA's capacity and commitment to undertake the abovementioned activities and to identify any obstacles within the enabling environment, which would constrain its ability to do so.

In the first year of the Programme, PMDP supported PIPA in setting a new direction by formulating a strategic plan. This involved the participation of key stakeholders for the development of the strategy and support to PIPA in obtaining the required formal adoption by its Board of Directors of the strategy document.

In the following year, PMDP focused on providing technical assistance for re-designing and focusing PIPA's organizational structure, moving from twelve to three directorates and departments for investment, marketing and information, and finance and administration. This structure better reflects PIPA's new role in promoting investment in Palestine, investor targeting, and contributing to the creation of a pro-investment enabling environment.

To enable PIPA to deliver on its mandate, PMDP provided capacity building for 36 staff over the life

of the project with regard to investor targeting, composing Value Propositions, developing and implementing outreach campaigns to attract FDI, and investor aftercare, in addition to Business English.



PMDP also assisted PIPA in conducting its first Investor Needs Assessment Survey, where PIPA staff went to the field and listened first-hand to investors' concerns and priority areas of where they need assistance in sustaining and expanding their existing investments.

With PMDP's encouragement and support, PIPA jointly worked with the Palestine Trade Center (PalTrade) for the first time to produce a joint fact sheet which was used during PMDP-supported workshops held in three countries — Turkey, Germany and Kuwait, where PIPA engaged with Palestinian diaspora to promote investment opportunities in Palestine.

PMDP continued to support PIPA in early 2016 to formalize its organizational changes by developing job descriptions and assessment of employees and obtaining the required official restructuring approvals from the Palestinian General Personnel Council (PGPC) to redeploy PIPA's staff into positions within the three directorates and departments and enhance the capacity of 20 employees through practical trainings. This assistance was followed by helping PIPA build its image and communications strategy within Palestine by supporting the development and printing of new promotional and information materials which reflected PIPA's new structure and provided relevant points of contact. Outreach support was also provided for the planning and logistics support for a local road show in the 11 governorates for PIPA to explain changes to the Investment Promotion Law and present the findings of the Investor Needs Assessment Survey.

By late 2016, PMDP was able to shift its assistance to enhancing PIPA's capabilities in the provision of better services to its base of existing clients and to potential investors. In addition to capacity-building, PMDP helped PIPA to set-up an e-Services portal (<http://pipa.ps>) which enables current and prospective investors to obtain information regarding the investment approval process, track the progress in obtaining an Investment Confirmation Certificate, apply for and monitor the progress of an Investor Visit Permit, and provide feedback to PIPA via an online complaint management system.

In 2017, the Government introduced changes in the way incentive packages were introduced and



announced new incentive packages for the Renewable Energy sector and for investments in the industrial zones. To aid PIPA in converting these new incentives into investments, PMDP's Policy Advisor provided PIPA with guidance, coaching, and support in prioritizing promising sectors for investment (Renewable Energy, ICT and Agriculture), producing compelling messaging through well-structured Value Propositions, improving the investment generation process that enhances the investment targeting function, and in creating dialogue with public and private entities to improve the business enabling environment for investment. As a result of this effort, incentives were granted to 41 investments in 2017 with a total capital of GBP 49.3 million, creating 1,862 new jobs. Following the introduction of new incentives for the Renewable Energy sector, the investment pipeline started to fill-up including one potential investment by a Diaspora investor valued at GBP 2.3 million.

PMDP's Policy Advisor also assisted PIPA with developing a more comprehensive targeting methodology which included a proactive approach of intelligence gathering, outreach, and targeting which PIPA piloted in the Gulf Cooperation Council (GCC) countries and in Jordan by targeting a list of 40 potential investors. As a result of this exercise, PIPA staff has a better understanding of investment targeting and can execute on their own the methodology for investor targeting.

With PMDP's support, PIPA extended its outreach into Germany and the Netherlands where PIPA, in partnership with the two Palestinian missions, has been conducting road shows, participating in conferences and other events which have provided good platforms for reaching the target audience of potential investors. For example, during a Netherlands roadshow, PIPA participated in the "Business and Investment Opportunities in Palestine" conference in the Hague which was organized by the Netherlands-Middle East and North Africa (MENA) Business Council and the Palestinian Mission to the Netherlands. In Germany, PIPA's CEO had a chance to network with participants of the Arab-German Business Forum, where 500 business leaders and high-ranking political decision-makers from Germany, Arab Countries, and Europe participated. Pre-arranged meetings were also held with Palestinian Diaspora, German, and Arab businessmen.

As a quasi-public agency, it is important for PIPA to be able to communicate with the public on its plans and progress. With PMDP assistance, PIPA's capacity was developed to prepare KPI-driven annual plans that are publicly reported on its website. *A copy of PIPA's recent dash board is provided in Annex 10, showing how the general public can view progress.* Additionally, PMDP assisted PIPA with setting-up its Monitoring & Evaluation (M&E) system, which included a logical framework with specific objectives and key performance indicators to measure them, and trained 13 PIPA staff to utilize data collection and management tools and prepare reports on outcomes and important achievements. As part of its M&E methodology, PIPA conducted its first Investor Satisfaction Survey in 2016. The survey sample included 150 investors who registered at PIPA and benefited from its incentives, 43 non-registered firms, and other relevant stakeholders including representatives of ministries and other public and private sector organizations. *The survey results (Annex 11)* show that around 80% of those surveyed were aware of the services offered by PIPA with 77% expressing satisfaction with the quality of service they received.

As PMDP began winding down in 2017, the CTR Coordination Unit (CCU) for managing the Commercial Trade Representatives (CTRs) was moved from the Ministry of National Economy to PIPA, a vote of confidence on the part of the government in PIPA's expanded capacity and capabilities (see more on CTRs below). PIPA is also becoming the institutional home for the diaspora database (see below) developed by the diaspora working group.

With changes in strategy and organizational design, increased public-private dialogue, and intensive

staff capacity-building, PIPA is now applying strategic targeting and successfully converting potential investments into real job-creating businesses. During 2017 incentives were granted to 41 investments with a total capital of \$64.5 Million USD creating 1,862 jobs. The majority were in the industrial sector (26) followed by the agriculture sector (7) and the tourism sector (5) and one investment each in the health, IT and education sectors.

Improve Diaspora Trade & Investment Linkages and Opportunities for Knowledge Transfer

Effectively engaging Palestinian diaspora has been a long sought-after objective of numerous public and private-sector driven initiatives in Palestine, but with little progress made and few real outcomes to show. While several local organizations had developed their own databases of diaspora, there was neither consolidated database nor a coordinated strategy for outreach and engagement, resulting in duplication of efforts and general expressions of frustration among all involved.

From the outset, PMDP recognized the need to encourage collaboration among local organizations targeting diaspora and coordination of individual organizational initiatives. To this end, PMDP established the Diaspora Working Group (DWG) which included representatives from relevant ministries - MoNE and MoFA - and private-sector membership-based business organizations, including PalTrade, PIPA, The Palestinian Businessmen Association (PBA), Federation of Palestinian Chambers of Commerce and Industry Association (FPACCIA), and Business Women's Forum (BWF). With PMDP assistance, the DWG created a consolidated database which today includes profiles of 2,423 diaspora individuals affiliated with 192 diaspora organizations in 70 countries. In addition to creating the database, DWG members also collaborated in other areas, such as joint missions to Turkey, Germany and Kuwait. DWG members also used the information in the database for their own initiatives. For example, PalTrade has used the information to prepare for global trade promotion activities and PIPA for disseminating investment value propositions. Other non-DWG members have also benefitted from the database such as the Rawabi Tech Hub, which used the database to identify and target diaspora with technology-related skills and talent.

PMDP used the database to identify potential partners interested in economic development. This resulted in fruitful partnerships with organizations such as United Palestinian Appeal (UPA), The American Federation of Ramallah Palestine (AFRP), Deir Debwan Charity Organization, Holy Land Christian Ecumenical Foundation (HCEF), and Birzeit Society, to name the most active.

Output III also mobilized the DWG to implement several joint activities aimed at improving perceptions within the diaspora business community regarding doing business in Palestine and engaging diaspora in actual trade and investment. For example, PMDP's communications consultants worked with the DWG to produce communications guidelines and unified messaging as well as answers to commonly asked questions from the diaspora business community. These materials were used by the DWG in the joint missions to Turkey, Germany and Kuwait mentioned above, where the DWG met with more than 90 Palestinian businessmen and women. Subsequent surveys showed improvements in the perceptions and attitudes of the diaspora business community with regard to doing business with Palestine.

Additionally, the DWG jointly authored an article, "Tapping into Palestinian Diaspora," in *This Week in Palestine* magazine (a local English-language magazine), highlighting the important role Palestinian diaspora play in Palestine's economic transformation with 104 copies shipped to diaspora organizations and 30 Embassies.

Recognizing the importance of sustaining the work of the DWG after the close of PMDP, the Diaspora Database was transferred to the CTRs Coordination Unit at PIPA, to ensure that it is regularly updated and that relevant organizations have continued access. In addition to training the CCU team at PIPA to utilize the features of the database and manage it, PMDP trained the CTRs on how to access it so that they can use this important tool in their outreach and communications efforts in their countries. DWG members also offered several insights and recommendations on how their joint work might be further developed. For example, identifying “tipping” agents in key markets who are already creating positive experiences for second and third generation diaspora through organized visits and knowledge-sharing around culture, science and education and who can help establish connections and introductions to new Palestinian diaspora.

An observation that emerged from the development of the database and interaction with Palestinian diaspora organizations is that the vast majority have been established for both philanthropic or cultural purposes, and not economic development. Yet, PMDP was successful in getting some organizations to include economic development among their objectives which subsequently resulted in significant concrete outcomes. For example, the Deir Debwan Charity Organization (DDCO) whose aims are to unite Deir Debwan diaspora in helping needy families currently residing in Deir Debwan, actually changed its bylaws in 2016 to allow the organization to engage in economic development projects. PMDP helped the organization to identify and prepare pre-feasibility studies for five investment opportunities which the DDCO presented to its constituents. At its 2018 annual meeting, DDCO members voted to invest in a private school and swimming pool, capital investments valued at around GBP 2,326,551. Similarly, PMDP supported the U.S.-based Birzeit Society to raise awareness among its members regarding the potential for utilizing abandoned lands in Birzeit Township (a town situated in Area ‘C’ and engaged an expert to present suggestions regarding best land uses for specific areas.

PMPD assisted HCEF to introduce a business focus to their already successful “Know Thy Heritage” programme by adding a “Future Business Leader” component, which aims at engaging young future entrepreneurs from the diaspora community to become more aware of the Palestinian economy and develop a better understanding of the impact of strengthening trade and investment linkages as a stepping-stone in nation-building. Introduced with the help of PMDP in 2015, HCEF has subsequently continued offering the program each year since, reaching more than 200 second and third generation diaspora youth from around the world.

The greatest outcomes from working with diaspora organizations, however, have come from those organizations which already had some focus on economic development:

United Palestinian Appeal (UPA), which includes community and economic development among their objectives, focused on creating employment opportunities for new graduates from Gaza in the mental health sector to work with parents and kindergarten children on eliminating war trauma. With PMDP support through a partnership grant that provided resources to carry out capacity building, six new full time jobs were added to the existing programme. UPA also introduced Palestinian Diaspora to potential investments in Palestine through joint efforts with PMDP.

American Federation Ramallah Palestine (AFRP), with PMDP support, connected with representatives of the Ramallah Municipality, resulting in the establishment of the Ramallah Investment Company (RIC). PMDP subsequently provided assistance in the preparation of 15 business investment prospectuses which were then approved by the Municipal Council. AFRP also received support from

“Invest Palestine” Fund Raises \$2.5 million in Start-up Capital for Palestinian Investments

“Invest Palestine” (IP) is a youth-focused initiative of a private consulting company based in Santiago, Chile which aims to facilitate financing for Palestinian entrepreneurs’ projects and businesses in Palestine. With PMDP support, IP presented its business model to various stakeholders in Chile and Palestine which resulted in the establishment of an investment fund known as “Semillas de Olivo” in 2017, with \$2.5 million USD (around GBP 1.9 million) in start-up capital from 15 Chile-based Palestinian diaspora investors. The fund was registered in both Chile and Palestine and has already made an investment of \$700,000 in a Palestinian Plastic Company with three more potential investments currently under review — an ICT company, a call centre, and a labelling and packaging company.

PMDP for its 60th annual convention which it held in Ramallah with around 1500 Palestinian diaspora in attendance. Included in the convention programme was a business panel, B2B meetings and field visits to the Bethlehem Industrial Zone and the Rawabi Tech Hub. The fifteen investment projects in partnership with the Ramallah municipality were presented during the conference. This has already resulted in two projects moving forward with investment from AFRP members, these investments are Al Manara car parking and the shopping complex.

In an effort to grow the Palestinian Tourism sector, PMDP supported Alternative Business Solutions (ABS) to implement the “Palestine My Homeland” project, which aims to increase the number of Palestinian diaspora tourists to Palestine through B2C and B2B channels. As of today ABS has brought in 83 tourists via the B2B channel, directly linking local tour operators with international ones, and 68 through the B2C channel through the VisitPalestine portal, in addition to conducting familiarization trips to the UK and Germany where three of these contacts are already evolving into business partnerships which will be bringing tour groups to visit Palestine in 2019.



Ahmad Gazawneh with samples of Palestinian shoes.

For example, by using LinkedIn, PMDP identified senior diaspora executives and managers and then reached out to them to discuss potential opportunities for doing business with Palestine. For example, PMDP assisted New York-based Palestinian fashion designer, Mr. Rami Kashou who is looking to establish an embroidery project in Palestine, to connect with potential investors, such as the Sharakat investment fund. While the Kashou project is still in its preliminary stages, PMDP’s contact with Mr. Ahmad Ghazawneh, owner of Comodus, a Sweden-based company which imports leather and shoes from Hebron into the Scandinavian market, has already yielded significant results. With PMDP’s assistance in better branding and sales support, 15 new deals have materialized for Comodus in only four months. Together these deals translated in 3,500 pairs of shoes for the 2018 spring/summer season with an additional 4,000 pairs in potential additional orders for the 2018 fall/winter and 2019 spring/summer seasons.

PMDP also used LinkedIn to reach business owners and professionals in the ICT sector in the U.S. and U.K. markets. These contacts were followed by business development missions to both countries to identify business leads that might result in job creation in OPT. These included discussions with the Arab American Association of Engineers and Architects (AAAEA) regarding outsourcing engineering services and a concept for dental tourism.

Diaspora Working Group Sustainability

Having recognized the value of working together and the great potentials that lies in working with the Diaspora, The working group have shown commitment to sustaining their existence beyond PMDP.

The last two quarters of PMDP's lifetime witnessed continuous dialog among the group, with PMDP staff and consultants to identify the way forward including a strategy for the working group and the identification of one of the members to take on the role PMDP was playing as a group coordinator.

The report annexed in Annex 12-(Strategic Review and Recommendations Diaspora Working Group) and results of discussions conducted. The group is planning to meet after two weeks after PMDP end date to finalise the decision on who will coordinate the work of the group moving forward.

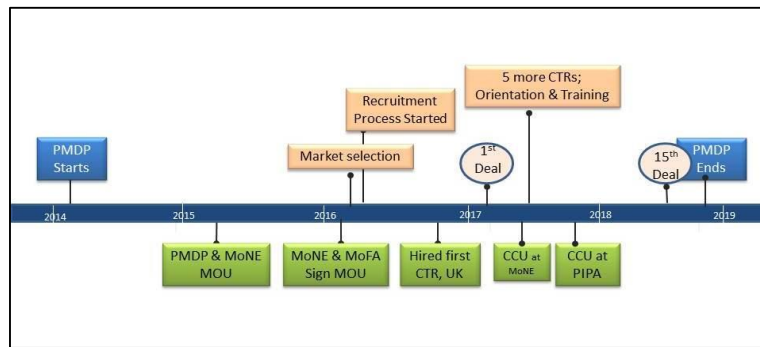
Support the Establishment of a Cadre of Commercial Trade Representatives in Key Markets.

"There is an urgent need to expand promotion activities in international markets through exhibitions and trade fairs. There is also a need to train and deploy commercial attachés at Palestinian embassies or representation offices. These attachés would be responsible for promoting Palestinian goods and services in international markets, linking exporters with the Palestinian diaspora in the country, and be a valuable source of TI to feed back to the State of Palestine."

- The State of Palestine National Export Strategy 2014 – 2018 (pg. 82

Following the completion of the National Export Strategy in 2014, the Output III team focused its attention on assisting the Ministry of National Economy in realizing a top priority of the strategy: placing qualified commercial attachés representatives within Palestinian embassies and representation offices to support export and investment promotion activities and to help gather market intelligence needed by Palestinian exporters to formulate successful strategies for entering a given export market and attracting investments from those markets.

Figure 21: Sustainability Timeline



From the outset, PMDP fully recognized that these positions must be long-term and employed by the government to make them sustainable. This would require careful planning and commitment from multiple governmental bodies that would be involved to develop sustainability plan, including funding for the programme. As the timeline in figure 21 shows, such an ambitious undertaking required a long time to build the necessary public-private cooperation to not only prepare and deploy a team of Commercial Trade Representatives (CTRs), but to secure the cooperation and financial commitments to sustain the programme into the future.

In April 2015, Ministry of National Economy (MoNE) and PMDP signed a Memorandum of Understanding (MoU) which laid out the basic principles underpinning the CTR programme. PMDP also helped draft an MoU between MoNE and the Ministry of Foreign Affairs (MoFA) which outlined the respective roles of each ministry and the actions each would need to take to ensure the successful deployment of the CTRs, including defining the CTRs' roles and responsibilities, selection criteria, the implementation of the training and orientation programme, and the contracting process for the CTRs so that they could be included in the government's budget. As seen in figure 21, this MoU was signed in February 2016 which marked the official launch of the CTR programme.

During the ten months prior, PMDP began preparations to actualize these plans, starting with the organization of a CTR working group, consisting of representatives of key public and private entities, including the MoFA, MoNE, PIPA, PalTrade and FPCCIA. During 2015, the working group developed criteria for selecting target countries based on three factors: potential for exports and Foreign Direct Investment and the presence of diaspora.

The CTR Programme was initially designed to place CTRs in 10 targeted markets, however, this number was reduced to 7 and then finally to six, due to logistical, administrative, financial and time constraints. For example, the Palestinian embassy in the UAE was not able to obtain a work permit for a CTR. As a result, the committee recommended that the programme begin with six countries — UK, Russia, Germany, Netherlands, USA and Kuwait.

In 2016, the recruitment process began which included the formation of a Selection Committee drawn from PMDP, DFID, MoFA and MoNE to conduct interviews with shortlisted applicants. At the final phase of the interviews, the Palestinian ambassadors in the targeted markets were also involved in making the final selections. After obtaining a work permit and other required approvals, the first CTR was deployed to the UK market in November 2016. It took another 6 months before the remaining five CTRs could finally be hired and ready for deployment. In the meantime, PMDP worked to support the UK CTR in promoting the program's services amongst existing and potential Palestinian exporters to the UK market. This included a consortium grant through PalTrade for six Palestinian companies to participate in one of the most important exhibitions for fresh produce in Europe, IFE 2017, and London, which resulted 3 deals at that time.

Based on the learnings from the pilot CTR activities in the UK, PMDP designed and conducted training in mid-2017 to train not only CTRs, but also representatives from both public and private Trade Supporting Institutions (TSIs). This training was designed to build connections between these actors

and the CTRs and to familiarize the trainees with the CTR programme. In addition to the six CTRs, 24 representatives from TSIs participated in the training (14 women, and 16 men). Together, they learned about the duties and responsibilities of the CTRs, how to analyze various aspects of a country's economy, and gained a better understanding of the actors and activities involved in promoting Palestinian trade and investment.

As the CTRs began their work, they gathered information and developed leads and relationships within their respective markets. For example, in the UK, the CTR has built important linkages to the British Retail Consortium, British Chambers of Commerce, the Arab British Chamber of Commerce and the Palestine British Business Council. In Germany, the CTR has built relationships with Ghorfa Arab-German Chamber of Commerce and Industry and The Association of German Chambers of Commerce and Industry (DIHK) while in the Netherlands the CTR has established strong ties with the Netherlands-Middle East and North Africa (MENA) Business Council. Meanwhile the CCU developed a database of potential importers, creating a network of private sector organizations and diaspora in the target market is available for Palestinian private and public sector

As noted earlier, an important decision was undertaken in 2017, to move the CTR Coordination Unit (CCU) from the MoNE to PIPA, since PIPA was better equipped and positioned to manage the CTR programme and find the necessary resources to sustain it. This led to one of the most notable accomplishments of the programme, i.e. PIPA's own funding, without PMDP support, for the CCU's activities and for the CTRs' salaries. Subsequently, with PMDP's support, a new CTR law was drafted (*Annex 13- New Proposed CTR Law*) which will be presented before the Government for endorsement. Once enacted, the CTR programme will be embedded within PIPA's structure with secure financial resources and different options for hiring CTRs.

While still a very young programme, the CTRs have already demonstrated their value with regard to

CTR	Leads	Deals
UK	65	5
Germany	104	4
Russia	32	0
Kuwait	45	6
USA	22	0
Netherlands	48	0

Table 8: CTRS Deals and Leads

facilitating the integration of Palestinian firms into the global economy and opening new potential markets for Palestinian products and services. For example, as of September 2018, the CTRs have facilitated over 100 B2B meetings which have generated 320 leads, resulting in 15 business deals with an estimated value in excess of GBP 1.5 million. As Table 8 shows, it requires a significant pipeline of leads, and time for leads to materialize into deals, so this is only a snapshot of the beginning outcomes of what can be expected to be a continuous deal flow.

As the CTRs gain better footing in their markets, the costs of trade facilitation are likely to also decrease since Palestinian exporters can be better prepared and ready to participate in trade shows. With the aid of the CTRs, Palestinian exporters have already participated in four exhibitions: ANUGA Cologne, IFE London, World Food Moscow, and World Travel Market London (WTM) London.

Improve the Business and Investment Enabling Environment

A significant focus for the EU's top-up funding to PMDP in 2016 was the expansion of PMDP's mandate to work on enhancing the Business Enabling Environment (BEE). Since interventions to improve the BEE can cover a wide range of activities from the macro- to the micro-economic levels, it was imperative that PMDP take an opportunistic approach to this work. One of the challenges was the

absence of a legislative council which limited the opportunity to work on the legal framework in a comprehensive manner. Therefore, PMDP's strategy was to tackle only issues that would have a clear and immediate impact on the BEE by building on the work of stakeholders who were keen on attaining particular improvements and therefore would also have a greater commitment to seeing the process of implementation through to its conclusion.

Designing an intervention plan for BEE improvement requires a broad understanding of the business, economic, legal, and geopolitical parameters affecting businesses in Palestine and an understanding of the key elements of an optimal BEE, i.e., (a) an efficient and accountable legal framework and law enforcement; (b) efficient and accountable public management and administration; (c) efficient financial system; (d) infrastructure; (e) investment promotion policies; and (f) market access and fair competition.

In developing its strategy, the Output III team relied on its first-hand knowledge of the issues and actors, stemming from previous experiences in working with policymakers, supplemented by secondary desk research of relevant studies relating to the current state of the BEE in Palestine, including the National Export Strategy, PIPA Investor Needs Assessment, as well as Output II's sector studies, Investment Climate Assessment report, to name a few of the key research topics.

Understanding the critical importance of public-private dialogue, the PMDP team worked to ensure the full engagement of key stakeholders from the outset, including the Ministers of Economy, Health, and Telecommunications, other relevant governmental agencies and institutions, relevant private sector representative bodies, and other stakeholders, such as donors and donor-funded organizations working in specific policy areas.

PMDP has been cooperating with various local and international organizations, including the World Bank, mainly on reforms related to the Doing Business report, i.e. business licensing reform, companies law revision, construction permits procedures and else. This cooperation has increased our ability to achieve positive results and implement reforms on the ground.

The following summary provides an overview of the three categories of interventions, namely work to improve the BEE generally, assistance in drafting and implementing key laws and regulations, and ease of doing business reforms.

Business Enabling Environment

Drafting the National Economic Strategy 2017-2022

The involvement of key actors in the drafting of the National Economic Strategy 2017-2022 (NES 2017-2022) for the MoNE provided an opportunity to bring relevant stakeholders together to articulate the government's reform agenda and make recommendations for improving the BEE with the aim of maximizing job creation and economic growth. With PMDP's support, the draft NES 2017-2022 was submitted to the Ministers Counsel for endorsement and then subsequently became a key element of the Palestinian Authority Strategy 2017-2022, which now serves as the basis for MoNE's reform agenda.

The Palestinian Standards Institute (PSI) Reorganization Plan

The PSI was recognized in both the National Export Strategy and the National Quality Strategy 2014 for playing a critical role in defining Palestinian quality standards and increasing awareness within the Palestinian private sector about quality standards as well as promote the recognition of

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Palestinian standards foreign markets in order to help local producers to export. A recommendation in the Quality Infrastructure Strategy 2014, was for a new law to be drafted and for PSI to be restructured so as to be better positioned to fulfill its expanded roles. With the support of PMDP's international consultant, PSI worked on developing a reorganization plan in accordance with international best practices which will help facilitate mutual recognition between Palestinian standards and those of other international standards institutions.

Enhancing the BEE for the Agriculture Sector

In 2018, the Palestinian Authority had successfully moved forward with the long-awaited establishment of the Palestine Agriculture Credit Institution (PACI) and the Palestinian Disaster Risk Reduction and Insurance Fund (PADRRIF) as part of the PA's efforts to mitigate constraints in the Agriculture sector, especially poor access to finance and the absence of affordable insurance for managing risks. PMDP supported both organizations to help them bring to market new financing and risk mitigation services (e.g., weather updates, disaster warnings, etc.) and insurance products which would help reduce exposure to risks and alleviate some of the major constraints to growth in a sector which is largely dominated by resource poor farmers and their families.

PMDP supported capacity building of their respective staffs. For PACI, PMDP provided a one-week practical training for 13 staff at the Jordanian Agricultural Credit Corporation and a one-month training for 15 staff at the Palestinian Banking Institute (PBI) on all aspects of credit evaluation, agriculture lending products and risk assessment. Additionally, PMDP supported the acquisition and installation of a Loan and Financial Management System software program which enabled PACI to begin issuing loans.

Support to PADRRIF included technical assistance for the formulation of the 'Technical Factor' used in calculating proposed compensations for insurance claims and training of 26 of PADRRIF's staff with regard to types of insurance policies, terminology, methods of calculating compensation, etc., enabling a better overall understanding of the risks faced by agriculturists and the market for agriculture-related risk management products.

To raise awareness among farmers about PADRRIF's new products and services, PMDP provided support for an outreach campaign, enabling PADRRIF to reach around 150 farmers in the West Bank with information regarding the compensation mechanism and how farmers can apply and access compensation in case of agricultural disasters.

Improvements to the Legal and Regulatory Framework

Revision of the Companies' Law

PMDP has advanced the updating of the Companies' Law, a critical piece of legislation that affects most sectors of the economy and considered a crucial reform for the advancement of the business enabling environment in Palestine.

PMDP supported MoNE to engage with stakeholders on the proposed reforms, which would be introduced into the new Companies' Law and later provided the services of a reputable law firm from Jordan to facilitate the production of a final revised draft law. The new law, once enacted, will affect three World Bank "Doing Business" indicators, namely starting a Business, Protecting Minority Investors, and Resolving Insolvency.

Implementation of the e-Transactions Law

Following the adoption of the e-Transactions Law in June 2017, PMDP assisted key stakeholders, namely the Ministry of Telecom and Information Technology (MTIT) and the judiciary in moving forward with its implementation. For the MTIT, PMDP provided an international expert to help in the design of a Certification Unit, which is required to activate the law, as well as an action plan for its implementation, which is expected to take around two years before completed.

Additionally, PMDP worked with MTIT to build the capacity of 60 judges to improve their knowledge and understanding of the legal terminology and to familiarize them with the technical terms and relevant aspects of the law.

Quality Infrastructure Law

As noted earlier, PMDP had first started engaging with the Palestinian Standards Institute (PSI) on its reorganization plan during 2017. During this time, it became apparent that the current Standards Law of 1999 required amendments to accommodate recent changes in the quality infrastructure, e.g. the transfer of the Accreditation Department to the MoNE. Based on the recommendations in the National Quality Strategy 2014 and the recommendations of PMDP's advisor to PSI regarding their organizational plan, PMDP supported the drafting of a new Quality Infrastructure Law, bringing it in line with international best practice. PSI has committed to lead the legislative process with MoNE's support.

Ease of Doing Business reforms

A key initiative undertaken by PMDP was to work with the World Bank Private Sector Team in Palestine to better understand the reasons behind the World Bank's rankings of each of the "Doing Business" indicators which would then enable the team to focus its attention on areas where it could be of greatest assistance to the MoNE in implementing needed reforms. The engagement with the World Bank team helped to identify three immediate constraints: need for business licensing reform, lack of awareness of the Secured Transactions Law and low usage of the Registry of Interests in Movable Assets (RIMA).

PMDP also facilitated the meetings of the Doing Business- Ministerial Committee where the Action Plan was presented and endorsed. The Ministerial Committee members were supportive of the Action Plan, and approved the suggested next steps, including the appointment of three (3) Technical Committees that will work on the various indicators in the Doing Business report. PMDP continued to support the Technical Committees by increasing their awareness of the DB indicators and specifications and helped them with advancing their reforms.

Business licensing reform

PMDP successfully supported the amendment of the Annex of the Law of Crafts and Industries of 1953, including the classification of business activities based on the International Standard Industrial Classification (ISIC) system. PMDP worked closely with the Ministry of Health, the Ministry of National Economy and the World Bank's Private Sector Development team and their external experts on this initiative by identifying the legal hurdles, drafting the law, coordinating with key stakeholders until the passage of the law and then writing the instructions for its implementation. As a result of the reforms, the time for a business to obtain a license was reduced from 38 days to only 3 days.

'Getting Credit' Indicator

Through PMDP's engagement with the World Bank, it was discovered that the existence of the Registry of Interests in Movable Assets (RIMA) was not recognized in 2017 by the World Bank's assessment team due to the lack of its use. To address this shortcoming, PMDP worked on increasing the awareness among banks and financial institutions of the Secured Transactions Law and the RIMA and encouraged them to use the Registry. The increased usage of RIMA was subsequently recognized by the Doing Business team as sufficient evidence, which then was reflected in the 'Getting Credit' indicator. As a result, West Bank & Gaza moved up 98 places from 118th position to 20th place, the "most notable improvement" out of the 190 economies, which were included in the World Bank's Doing Business Report 2018.

Guidebook for the Benefits of Business Formalization

PMDP's Output III team, together with its Women and Youth Employment (WAYE) subcomponent and the Federation of Palestinian Chambers of Commerce and Industry Association (FPCCIA), worked to increase awareness within the business community, especially among informal businesses, of the benefits of business formalization. They publicized the option of registering with the Chambers and other public authorities such as the Ministry of National Economy, Ministry of Finance and local authorities as a first step in formalization. The main objective was to reduce the information gap and combat misconceptions about business formalization and to provide information regarding registration costs and procedures. Additionally, it was an opportunity to promote the assistance and other services, which the relevant organizations and authorities provide to help business owners through the process. An outcome of this work was the publication of the Guidebook on the Benefits and Qualities of Registration and Licensing of SMEs, the first and only "user-friendly" publication that provides all the needed information for MSMEs, individuals, and companies, on the procedures and costs of registration and licensing, and their benefits.

Capacity-building of Import/Export Agency staff to Work with Women and Youth MSMEs

Women and youth are disadvantaged in their participation in the economy partially due to difficulties with logistics, the high costs of importing raw materials, and their lack of capacity to prepare, transport and export their products. PMDP worked with the Palestinian Shippers Council to equip their employees with the necessary skills, abilities, and needed knowledge to effectively work with women- and youth-owned businesses and develop their capacities in conducting trade and supply chain management. Building the knowledge and know-how of women and youth enterprises in these areas is expected to significantly reduce their cost of production inputs by giving them better access to lower cost raw materials and improving their capacities to export and compete in international markets.

Improving Cooperation between Trade and Investment Promotion Agencies and Trade Supporting Institutions to Implementing Recommendations of the National Export Strategy

National Export Strategy Action Plans

Implementation of recommendations included in the National Export Strategy (NES) was identified as one of PMDP's target objectives. Each year, since the NES was developed, the Palestinian Exports Council (PEC) prepares a workplan for its implementation. Starting in 2016, in cooperation with PalTrade, PEC's Secretariat, PMDP expressed its support for the implementation of some of the

activities approved by PEC that year. To identify possible areas of intervention, PMDP helped organize meetings between PalTrade and MoNE. During these discussions, PMDP stressed the need to engage all NES stakeholders in order to mobilise resources, coordinate activities, and monitor their implementation. As a first step in this direction, PMDP supported PEC work with sixteen NES stakeholders in the development of Action Plans.

One-Stop-Shop Exporters

A highlighted issue in the NES, was related to difficulties Palestinian businesses have in following export procedures. This was evidenced by the lengthy time needed to obtain export certificates for agriculture products, estimated at 5-7 days, which results in an increase in the transaction costs, which in turn reduces the competitiveness of Palestinian exported products in regional and international markets.

PEC and the Palestinian Cabinet had already endorsed the establishment of an e-One-Stop-Shop (e-OSS) mechanism for exports in 2017 so with PMDP's support PEC was about to implement the recommendations enabling it to provide the highest level of quality service and to reduce the cost and time of issuing export certificates.

Monitoring System for Distinguishing Local Handicrafts

Another initiative recommended and endorsed by PEC and the Government involved PMDP's support for the establishment of a monitoring system for differentiating local handicrafts from imported ones, which is essential for protecting this traditional industry which generates income for a large number of Palestinian families.

"There is a lack of awareness of the importance of national branding and its effect on client behaviour in target markets...Development and promotion of a Palestinian brand has an important bearing on export competitiveness."

The State of Palestine National Export Strategy 2014 – 2018 (pg. 84)

National Branding Framework

A major strategic objective of the NES is to "Build and promote the image of the State of Palestine as a supplier of value-added quality products and services." To aid in achieving this objective, PMDP provided support to PalTrade, the PEC Secretariat, to develop a strategic national branding framework.

A first step was to develop an appropriate word-mark/logo to represent the "Made in Palestine" brand. PMDP provided support to PalTrade to engage a graphics design firm to develop the logo and after many trials of different designs, colors, and patterns, PEC chose the Palestinian Sunbird with the tagline "Palestine, made with passion." The decision to choose the Sunbird was later endorsed by the government.



The second step was to develop an interactive website as a platform for a digital promotional campaign. (Website domain is under registration)

The third intervention was to assist PalTrade and PEC in promoting Palestinian specialty products in the UAE, since these products have been well received in this market in the past. A 'Made in Palestine' promotional campaign was designed to target key audiences in UAE and highlight the attributes, advantages and business opportunities associated with importing Palestinian exports (goods and services) into the UAE. To support this initiative on the ground, a 'Made in Palestine' event was organized in the UAE with PMDP's support, involving 15 Palestinian exporting companies from the agribusiness and food sector, focusing on added-value products including Medjool dates, Extra Virgin Olive Oil, Fresh Herbs, and Dead Sea Salts. A PR/communications agency prepared the communications strategy and managed the media outreach for the pilot branding event and a promotional campaign which included social media, PR, digital and traditional advertising and a launching event in September 2018. The newly developed brand was also used as a thematic identity for the Palestinian Pavilion at FoodCity in Moscow in August 2018.

Output III Conclusions and Lessons Learnt

PMDP's Output III strengthened trade and investment linkages with international markets. The five subcomponents of the output (PIPA, CTRs, BEE, NES and Diaspora) have been successfully developed. While most of the results cannot be measured today, as many of the achievements will require time and further build up to eventually impact the economy, they have laid a strong institutional foundation for growth.

As a result of PMDP actions, The Palestinian private sector finally has commercial trade representation in international markets, an objective that has been talked about for a long time; but it took PMDP to build the partnerships required - consensus building between the Ministry of National Economy (MoNE), the Ministry of Foreign Affairs (MoFA), and in collaboration with public and private sector related organizations. While PMDP funded the initial costs for the program, it is a great achievement that MoNE through PIPA has paid for the service from the government budget during the last six months and will continue to do so beyond PMDP.

The investment promotion agency has made great leaps with the support of PMDP. Today the oPt has an IPA that has a proactive strategy, an appropriate organizational structure, focused investment product, reaches out to investors and facilitates investments and publicly reports progress on KPIs. A great improvement from the initial assessment done at the beginning of PMDP.

Change has started in working with the Diaspora towards engaging them in the Palestinian economy. The working group formulated as a mean for collective work with local trade and investment organizations from the public and private sectors have shown its value and will continue to engage the diaspora beyond PMDP. Change in perception and attitude of the Diaspora to engage have improved and will need the collective efforts of the private and public sectors to make an impact. Many Diaspora organizations have recognized the need to include economic focused pillars as a mean for development beyond philanthropic and social activities and have made the change in their organizations. Individual diaspora are engaged and looking for the right investment and time to make the solid commitment.

The National Export Strategy is no longer only a well-crafted strategy document. With PMDP support is now has actions on the ground with the activation of the Palestinian Exports Council (PEC), the development of partner organization's action plans, the development of the branding strategy and

the actual implementation of the pilot for branding Palestinian products in the UAE market.

Finally, work on the BEE subcomponent has proven to be rewarding in spite of the tough challenges due to the lack of the normal legislative mechanisms required. PMDP's small yet focused support in collaboration with key partners, mainly the World Bank, has made the difference. In the 2018 Doing Business Report the West Bank and Gaza made the biggest jump in ranking moving up from 140 to 114 with potential for further improvements in future reports due to the recent business licensing reform which PMDP assisted in, leading to a reduction of the time and cost required for business licensing at the Ramallah Municipality from 30 days before the reform to 3 days after the implementation.

Overarching lessons learned

Utilizing a participatory approach to achieve a systematic institutional change worked at both PIPA and the CTRs program. PMDP managed to transform PIPA (state institution) through close coordination with PIPA's board of directors (led by MoNE) and PIPA's management.

The coordination with the MoNE and MoFA which resulted in an MOU between the two ministries was instrumental to the success of the CTR activity. Approving the activity required lots of time and facilitation to design the intervention and get the buy-in from the two ministries and helped ensure commitment to dedicate needed resources such as CTRs office space, hosting CCU, and committing CTRs budget contributions.

The coordination was sometimes hindered by the split between GS and WB governments as well as changes in the Ministry of National Economy (3 ministers during the life of the programme). The program management had to reduce coordination and interaction with the de-facto government in GS where government ministries there were not recognized by the central government in Ramallah. The split in government also resulted in having some activities based in WB only (i.e. BEE).

PIPA capacity

Having enough time and resources (through the top up budget of EU) allowed the Programme to transform PIPA into a more proactive investment promotion agency. The thoroughness of interventions was needed to change PIPA from a passive implementing agency to a proactive promotion agency. The new restructure of PIPA allowed it to have a more leadership and engagement with the trade and investment initiatives through hosting CCU.

The intervention of PIPA could have yielded better results if the agency switched to a non-governmental agency where the new legal structure would allow for different caliber of staff with more private sector experience. Future programs should consider the feasibility of such transformation for PIPA.

The transformation of PIPA was an important step to promote investment more effectively. However, a major change in a number of factors that is beyond the program mandate/capacity contributed to investment stagnation in recent year. These factors include instable political climate, lack of rule of law and transparent governance, and not having a functioning legislative council.

CTRs Placement

Understanding the long-term vision for the CTR programme, before jumping into implementation, was necessary to achieve good results. This process took time and was critical to the success of CTRs

activity where the buy-in from MoFA and MoNE was needed.

A consistent coordination effort with relevant PA ministries allowed PMDP to be the first programme that managed to successfully place CTRs in selected countries. The thoroughness of the CTR intervention allowed for a gradual but consistent buy-in from PA where it started committing budget for CTRs through PIPA's budget to support their employment in the future. The thoroughness approach involved taking enough time to discuss CTRs with relevant PA ministries, designing a quality, CTR training, establishing a CTR Coordination Unit (CCU) to be managed by MoNE/PIPA, and employing detailed and proactive monitoring tools to track and evaluate the performance of CTRs.

Although the government involvement was needed to ensure proper supervision and integrity of placed CTRs, close engagement introduced some unforeseen issues such as tensions between CTRs and the ambassadors (Netherlands) and being negatively affected by deterioration of diplomatic relations (USA). For example, the unfavorable conditions facing the PLO office at USA such as closure threats, lawsuits, and media propaganda, negatively affected the work of the USA CTR who operated from the PLO office. As a lesson learned, the CTRs should coordinate their work with the embassies abroad but CTRs do not necessarily have to work from embassies' offices. Having a specialized trade hub supervised by the embassy but not operating from within it can enhance the working environment for CTRs by keeping them away from political tensions, on one hand, and ensuring a more flexible working hours for CTRs beyond the embassies' ones.

Diaspora Activities

Consolidating a diaspora database that summarized the contact information of diaspora organizations and individuals was an important step to enhance linkage with diaspora actors. Sharing and transferring the database to PIPA was an important to ensure its sustainability. Given that most diaspora organizations had a social and cultural focus, rather than an economic one, it was important to develop proper tools to engage them into business thinking. Changing the mentality and interests of diaspora, organizations allowed them to recognize the benefit of doing business and investing in oPt as a means to benefit people in oPt. For example, organization like American Federation of Ramallah, Deir Dibwan organisation, and Birzeit Association became keen to invest money in profitable projects as opposed to donating charity only.

The Programme received few grant applications to enhance investments from diaspora organizations. Having a specialized window through which diaspora organizations can conduct investments was needed to attract more investment proposals. With the absence of such a window, coordination was needed among Programme outputs where referral to diaspora application was conducted resulting in having 8 application (three of them were funded). In future programmes, a dedicated grant window can attract applications from diaspora organizations and businesses where they can apply to benefit from the TA available at the Programme. An outreach plan to familiarize diaspora organizations about the Programme can help have potential diaspora organization apply and benefit from such a window.

BEE Interventions

Great BEE results were obtained through activities that complemented PA's efforts. The doing business score for oPt issued by the World Bank, for example, was improved after the follow up of the PMDP team ensured corresponding to the requirements of World Bank to utilize collateral registry through providing qualified support to MoNE to engage with the banks.

Organizing workshops, proposing amendments, providing training, and making relevant international

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expertise accessible helped bypass the red tape associated with making drafted laws effective. The work of PMDP team helped make some laws become effective including Craft and Industry Law and e-transactions law.

BEE was an important component of the programme. However, the focus of BEE interventions was not evenly spread across all programme outputs. As a lesson learnt, BEE should be a cross cutting component where the competitiveness of private sector firms would be addressed both at the company level through direct grants, and at the sectorial and institutional level through the BEE activities.

National Export Strategy (NES)

A significant time was needed to operationalize the national export strategy from a draft document into a functioning export council and to launch a pilot based on the national branding framework strategy. The delay in implementation is blamed on having too many organizations under the umbrella of the Palestinian Export Council (PEC), that is in charge of the implementing the policy. As a lessons learnt, organizing a smaller technical committee representing the 28 members of PEC can speed up implementation and further facilitate members' discussions.

IV. CROSS CUTTING

GENDER, COMMUNICATIONS AND OUTREACH

Gender

Throughout the 5 years of the programme gender was integrated in the planning and implementation of the programme strategies and activities. The following section shows how gender has evolved in the life time of the programme to ensure a better inclusion of gender issues across the three outputs and maximize the benefits of targeted women within the programme objectives.

Inception Period

During the inception phase, and as part of the programme efforts aiming to integrate gender in the designing and implementation of all interventions and activities, a gender strategy was developed. PMDP accordingly revised the Logframe to be more gender sensitive, which was used as one of the tools to monitor gender integration during the life of the programme. Several steps have been taken to ensure maximum gender integration, while taking into consideration the gender strategy recommendations. The table below describes action taken based on the gender strategy.

Gender Strategy Recommendations		Programme Mechanisms
Strengthening Market Enterprises		
1	On the Panel Evaluation Score sheet, an extra 5 points is given to businesses which are women owned or managed, and/or > 50% of employees are women.	This Recommendation was implemented. In addition, PMDP added cooperatives' for profit activities to be eligible applicants to give women more opportunity to benefit from matching grants.

2	Review the enterprise's recruitment tools and whether they encourage women to apply if it is a rapidly growing firm.	Since this is an ongoing process, PMDP will continue to monitor the women's employment in the assisted firms.
3	On the Partnership Grants Eligibility Checklist, add, "registered cooperative with a focus on women."	Partnership grants are designed for non-profit organizations and cooperatives with a focus on women or one of their beneficiaries are women. 10 extra points are given to partnership grants concept note with focus on women.
4	Some agricultural cooperatives, or women start up business, cannot come up with 100% of the match upfront.	PMDP business advisors assist clients (including women) in designing milestone-based activities to meet their financial capacity.
Business Service Providers (BSPs)		
1	PMDP launching.	To provide more information about the programme. (A number of copies were left at the BWF to be distributed to other members including the ones that do not have access to internet).
2	Informal and ongoing communications about opportunities with the PMDP with women focused NGOs and donors with a strong gender commitment that have used and are familiar with	Meetings with different NGOs and donors on an ongoing basis. Meetings were held with DFID and EU gender advisors.
3	Consider a targeted grants to provide professional training on best practices for starting and sustaining women owned/managed/focused BSPs.	PMDP is reaching out to all women owned and or managed BSP to encourage them to apply to the roster.
Strengthening Trade and Investment Linkages and Promotion		
1	Encourage the application by women candidates for the PMDP commercial attaché training and job placement through women Ambassadors.	Amendments were introduced to the Logframe to include at least 20% of the 30 trainees for CTR to be women. Additionally, PMDP will work on encouraging women to be part of the placed CTRs. However, it is worth mentioning that due to social norms, women may not be able to travel and work as commercial attaché. Yet after the training, all participants, including women will be considered, and will be equipped with needed skills and tools to work as CTRs inside Palestine.
2	Continue to dialogue and share with Paltrade on complimentary activities to encourage women in trade, investment, and exporting.	PMDP works closely with private sector organizations such as Paltrade on planning forthcoming activities with a gender focus. For example, in the diaspora working group PMDP communicated with partners to include women in the working group.

First two years of the programme

In the first two years of the life of the programme, the above mentioned strategy recommendations and action points have been implemented across the three main outputs in West Bank and Gaza. For example, under Output II, all market system analysis studies conducted included a gender analysis section within each market system analysed to identify and highlight specific issues related to women. Also, throughout the programme work with PIPA, an enhanced representation of women within the new organisational structure has been achieved.

PMDP celebrated International Women's Day on an annual basis, where the programme success and achievements have been highlighted. Additionally, women have been given a platform to raise their voice. For example, visits for clients' representatives have been organised to women beneficiaries across West Bank. Where women have been able to talk about their experience and achievements, difficulties faced by Palestinian entrepreneur and discuss the British and European government's support for Palestinian women.

Last three years of the programme

In the third year of the programme; a change in the programme focus on gender has been witnessed based on a rapid analysis done internally based on results from the first two years annual survey; and interviewing women economic empowerment organisations, and women associations. This rapid analysis resulted in shifting focus and designing a new matching grants window targeting women and youth. (WAYE)

This shift included revising the gender strategy to incorporate new changes and design new activities. Additionally, the definition of women owned/managed businesses has been revised as follows:

	Women-owned business	women managed business	Employment
Original definition	A woman-owned business is a legally registered business concern in which a woman is listed among the owners	A woman-managed business is an enterprise in which a woman has a managerial role	50% of employees are women
New definition	A woman-owned business is a legally registered business concern in which a woman is listed among the owners and is also active in the day-to-day operation of the business.	A woman-managed enterprise is a legally registered business concern in which a woman has a managerial/supervisory role and day-to-day decision-making responsibilities with regard to its finances and/or operations.	50% of employees are women separately tracked as Woman friendly business

The new shift on the programme focus has been discussed thoroughly under WAYE.

Communication and Outreach

Inception phase

The PMDP communications team played a key role in optimizing the Programme's ability to effectively implement activities, and reaching its targets utilizing all outreach and communications tools to spread the knowledge and share the success with relevant stakeholders including partner organization, beneficiaries, donor community, and local institutions

PMDP designed a communications strategy to guide project communications early in the inception phase. It provided a road map for the strategic use of communications tools and methods to engage key stakeholders highlight programme success and share lessons learned throughout the programme lifecycle. This strategy took into account the DFID and EU communications and visibility guidelines. Moreover, the communications plan created an organizational culture that valued information sharing, and continually incorporated lessons learned into future programme development. It presented the communications function as a central element of good programme management.

Implementation phase

After the submission of the Inception Report, PMDP started rollout activities to promote the programme and to maintain a strong grants pipeline. The rollout plan included advertisements in local newspapers to conduct information sessions and outreach workshops for stakeholders in the previous three months throughout the West Bank and Gaza. In parallel, PMDP organized a series of meetings and outreach workshops to promote the programme's outputs. PMDP developed, printed and disseminated promotional materials in both the West Bank and Gaza outreach events.

An eight-minute video was produced to summarize the programme objectives and promote its outputs. The video was used at the beginning of each information session and outreach workshop as a quick introduction to PMDP.

In the five years of the programme, PMDP conducted more than 80 information sessions and outreach workshops across the West Bank and Gaza Strip. These sessions aimed to introduce the programme objectives and provide information on the matching grants windows.

Also, all of PMDP activities have been covered with press releases, success stories, social media posts and case studies, resulting in feeding the pipeline with applications; and raised visibility about the programme activities and achievements.

Similar to revising the gender strategy, a similar exercise was done for the communication and outreach strategy to reflect on the achievements and lessons learned from the previous years and to reflect on changes happening on the programme to increase targeted outreach.

PMDP in local Media Outlets:

All of the programme activities have been covered with press releases, which have been published in different local media outlets. These press releases appeared in different media outlets, such as Al Quds Newspaper, Al Ayam Newspaper, and Maan News Agency.

As a result for covering the programme news in newspapers and news agencies, the programme received requests for conducting information session in Jenin, Qalqelia Tulkarem and other chambers of commerce and sector associations.

Website

The PMDP website was launched in the first quarter of 2014 and work continued throughout the years to improve and update its content. For instance, on the website, a separate page is dedicated to PMDP grantees. A grantee list is an interactive tool, as it is searchable by name, sector, and area. Furthermore, to ensure that BSPs on the PMDP roster were well informed on published business opportunities, a subscription button was added to the website, which PMDP used to notify subscribers on any opportunities added to the list. As of October 2018, around 380 subscribers registered under this feature, which enabled more BSPs in the roster to receive notifications of PMDP clients' procurement opportunities and apply for them.

On a monthly basis an average of 4,596 (2,730 male, 1,866 female) users visit the programme website, which shows a noticeable increase in the number of visitors to the website. Most pages visited on the website are Business opportunities page, About PMDP matching grants and the jobs

and internship page.

Monthly factsheet

As of August 2014, PMDP started producing a monthly [factsheet](#) summarizing the progress and accomplishments under each output. Factsheets were shared with stakeholders and uploaded on the website. The factsheets aimed to keep stakeholders informed on programme progress and main achievements.

PMDP Facebook Page

Given that social media has become one of the main methods to promote and mobilise for any cause/programme/activity, PMDP created a [Facebook Page](#) to promote its activities and services provided to the private sector. The programme Facebook page reached and engaged with citizens on different levels and, as of October 2018, the total number of 'likes' reached 4,464.

Programme activities, success stories, and opportunities were always published and shared on the Facebook page which generated high interaction with the page followers. During the lifetime of the programme it launched several campaigns to highlight the work done in the different outputs. For example, a Facebook campaign was launched to highlight the work done under B2B/B2M and results achieved.

Case Studies and Success Stories

PMDP utilized the case studies spread awareness on the programme activities, the case studies were shared widely with several stakeholders the Local Aid Coordination Secretariat (LACS) that supports local aid coordination structures in the oPt.

The programme exceeded its target by publishing around 25 [success stories](#), 30 highlights, and 5 [case studies](#).

Other outreach efforts

Additional to our normal outreach efforts done as part of the communication and outreach plan, the following reached a much larger audience and included:

- PMDP's work and success under Gaza back to the business window was highlighted in an article featured and published on the DAI Global website. The story was a lead story on the website for more than two months. Additionally, the story was widely shared on the different social media platforms of the DAI corporate, the PMDP programme, and our clients DFID, and EU. For the full story please click on the following link: <http://dai-global-developments.com/articles/getting-back-to-business-in-post-conflict-gaza/>
- PMDP market system studies, especially in agriculture, are published in Food Security Sector website to be accessible for all International and National NGOs working on the field of food security and livelihood. This should help these organisations deepen their understanding of the key constraints in the agriculture sector in oPt and what sort of immediate, medium and long-term actions are needed to address these failures. As for the IT sector studies, they have been published partner universities websites.
- In 2016, PMDP felt the need to re-communicate the procurement process with business

service providers after two years of operation. Therefore, in order to increase the outreach of service providers to opportunities that are generated by PMDP's work with grantees (individuals and groups), and enhance the procurement process, PMDP Conducted four sequence discussion sessions with the BSPs in West Bank, and one discussion session with Gaza Strip MSPs, raising ways to improve the bidding process and the quality of offers, and the deliverables provided to PMDP clients.

During these discussion sessions, PMDP explained to the service providers the principles on which PMDP had built its procurement requirements. Based on these discussion meetings, PMDP considered the comments and recommendations and reflected those into the monitoring of procurement process.

- Equally, the programme produced several videos to tell the story of the programme and its success. For example, PMDP developed a three minutes video to tell the story of successful outsourcing and offshoring Palestinian companies. These videos have been used in international and local events, and trade missions to encourage similar businesses to open similar offices in the oPt. The companies interviewed are [Iconnect](#), [Axsos](#) and [Infinitetires](#).

The communications team needed to adjust its regular communications tools on a regular basis to reflected changes in the project strategy. The New Direction Rolling out activities involved the following: 1. Special material for the programme website was developed. The material covered special info and details on the new approach and newly created windows and sub-windows. 2. An advertising material was developed and published in the local newspaper, the Website and the social media platforms accounts of PMDP. 3. Publishing Co-Facilitators RFA in the local newspaper, including announcing "getting to grants" info session in West Bank and Gaza.

In 2017 the programme launched the CTRs orientation and training programme. The communications specialist worked closely with Output III and operations to prepare and organise the event. The event has been covered by local media outlets, programme social media platforms and partners' pages. Additionally, a short video has been produced covering the three weeks of the training programme. The video can be found at the following link: https://www.youtube.com/watch?v=VVc6dun_yGQ

As part of the programme efforts to increase the visibility of its intervention impact and results, four roundtable discussions were been organised in cooperation with Output II. The roundtable discussions aimed to share the results of the output implemented activities in the sectors targeted by the programme (Agriculture, ICT, and Tourism).

Finally, the communications specialist worked closely with DAI home office in developing specific stories highlighting the programme successes. Two stories have been published on DAI's different communications platforms highlighting PMDP work with Diaspora and in the ITC sector in October.

MONITORING AND EVALUATION

PMDP M&E System

The PMDP M&E system is a participatory system that has been built and designed with consideration of the Donor Committee for Enterprise Development Standards (DCED)¹⁷, which are particularly important for enterprise development programmes. The system has adapted a theory-based results measurement approach that uses mixed methods and tools aiming to provide convincing evidence of programme effectiveness and to explain why changes occurred and how they varied across circumstances. The M&E system is to provide PMDP with a consistent framework for capturing and reporting results and to ensure a coherent approach for M&E across the Programme.



PMDP M&E system main outputs are; the Logframe, output results level, Management Information System (TAMIS) , Value for Money, and lessons learned and best practices.

PMDP Logframe

Logframe matrices are developed during the design and appraisal stages. However, an effective Logframe is the one that is subsequently reviewed and referred to during project implementation to manage activities, drive work plans, assess progress, keep stakeholders aware of plans and to monitor the overall progress of the Programme. PMDP had an effective Logframe that was adjusted and regularly updated to reflect changes and learnings gained throughout the Programme. In December 2017, PMDP in cooperation with GDSI, EU and DFID finalized and approved a revised Logframe for the Programme. This updated Logframe mainly aimed to strengthen the representation of both Output II and III, and ensure full compliance and consistency within the different outcome and output levels for the different outputs .

PMDP has 39 indicators on the Logframe, out of which 14 indicators have disaggregation targets on the Logframe including disaggregation by: women, youth, WAYE output, and Gaza B2B-B2M. In general, PMDP has met or exceeded all its December 2018 targets for all its 39 main indicators; 26 indicators were exceeded, 14 indicators were met, and only two indicators were not met. It should also be noted that for one indicator which is related to sales, one disaggregation target was not fully met (the open grants sales target), while the other Gaza B2B-B2M target was exceeded.

As the programme 2019 Logframe targets will not be measured due to the fact that the donor decided to move up its end of project evaluation from 2019 to 2018, it was agreed during the 4th of October, 2018 steering committee meeting (and also reflected in the MoM) to drop those targets from the Logframe.

The final PMDP Logframe ensured capturing the most updated results. However, one fact that has affected PMDP's final results reporting is the data collection methodology of each output. As the final year of PMDP comprised only 9 months of work (January-September), and one month for close down and reporting (October), this made it critical to try to gather updated results within this timeframe. So, while all other PMDP annual reports and resulting reported against one full annual year – 12 months, the final year only captures a partial year, so:

¹⁷ www.enterprise-development.org/page/measuring-and-reporting-results

1. For all indicators requiring direct data reporting, or in other words, data that are coming directly from PMDP systems (e.g Number of supported enterprises), such results were gathered up to end of September 2018, reflecting most updated results.
2. For all indicators requiring field work, triangulation, and analysis (e.g indicators under output one and two), and where evaluation tools are required to gather these data (e.g survey, focus groups, interviews), the data was collected up to end of July 2018. So the beneficiary data presented in the final report only goes through July 2018.

For all indicators that require results gathering from PMDP partners (e.g, PIPA, CTRs) which mainly needs conducting interviews or referring to partner annual reports (e.g, output three), then data was gathered up to end of September 2018 (Please see Annex 14- A for the Final PMDP Logframe).

As PMDP's Logframe gives a special attention for gender, PMDP has evaluated its gender mainstreaming using the OECD-DAC Gender Equality Policy Marker. This method evaluates processes, rather than results, based on the logic that PMDP is accountable for its processes, while results are depend on stakeholders. Results have shown that PMDP would be counted as a significant gender policy which means that PMDP budget can be counted as a gender aid budget. *(Please refer to Annex 14-B for full Gender Equality Policy Marker analysis).*

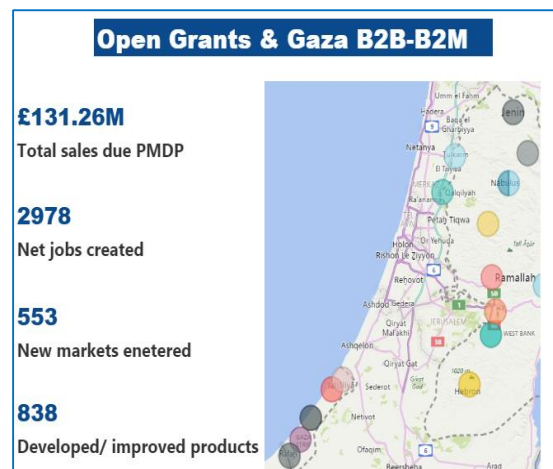
Output Results Levels

PMDP results measurement approach has used mixed methods and tools to gather data and report results. Methods and tools were designed for each output considering the different expected outcomes, design and implementation approaches for each output.

Output 1

Grantees who own private businesses or firms form the main beneficiaries that the output and outcome results are measured against under output one. All indicators under this Output are collected from the grantees by a survey tool.

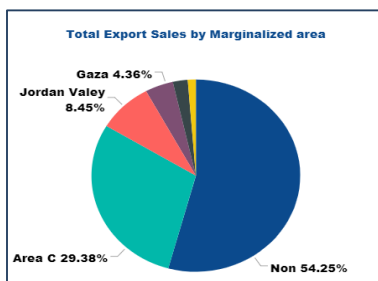
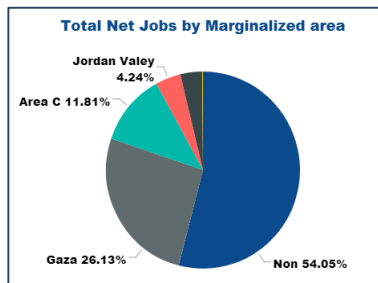
For the survey, PMDP mainly utilized an internal data collection process with direct supervision and follow up from the M&E team. Such practice has proven to be both effective and efficient in terms of the best use of resources, especially that PMDP has once tried an external company to conduct the data collection process which was agreed later on that it was not the best choice to be utilized. One important aspect for the internal process is that beneficiaries were more comfortable sharing their most accurate financial and employment data with Programme staff members rather than sharing it with a third- party agency.



The final 2018 survey, had the highest response rate among all five surveys conducted as part of the Programme evaluation, with 99% response rate, which was critical to ensure a strong representation of grantees information in the final Programme reporting.

Output one has exceeded all its output and outcome indicators, except for one disaggregated target related to the open grants window sales, where a 2018 cumulative target was £75M (through December) while PMDP achieved £74.16M (through July). If allowed to go until the end of the year, it was estimated that the sales figures would have reached £90 million.

PMDP analysis took in consideration all six main dimensions of the Logframe (e.g. Use of BSP, Net Jobs, Incremental Sales, New/improved products, Local/ Export Markets, Improved business performance). Main highlights of indicators are listed below:



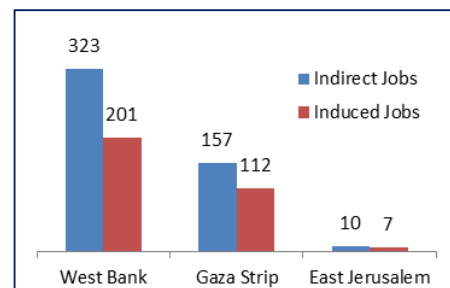
- 45.9% of net created jobs under open grants were created from businesses in the marginalized areas.

- 1191 jobs (67%) were created by non-women owned/managed grantees compared with 586 jobs created by women owned or managed grantees (33%). As women owned and managed grantees represent 34% of grantees, the contribution of these grantees is still significant.

- 45.75% of export sales under open grants were reported from businesses in marginalized areas.

- The results based grantees reported the highest average of jobs created with an average of 15 net jobs per company, which is significantly higher than the overall average of 2.9 for technical assistance grants. The ability of results-based window to report high average jobs demonstrates the effectiveness of the new window which is specifically designed to encourage employment growth. *Please refer to Annex 14- C for “2018 Open Grants analysis” and Annex 14-D for “Full Open grants results analysis 2014-2018, and Annex 14- E for the “Gaza B2B-B2M analysis report”*

In 2017, PMDP has started using an analysis software tool called “Power BI”, which is an analysis tool developed by Microsoft that provides insights throughout the Programme, simplifies data preparation, and drive comprehensive analysis. PMDP had analyzed data for all its Logframe indicators against a wide range of factors including but not limited to; company characteristics, location, type of grant, activity category, and others. This comprehensive analysis was done for both open grants and Gaza B2B-B2M results cumulatively (2014-2018) to provide a better reflection and interpretation of results.



In order to better assess the impact of PMDP on jobs creation, PMDP continued using the indirect and induced jobs analysis that was first used in 2017. The methodology developed by Stewart Red-Queen to calculate indirect and induced jobs in the oPt due to the Programme support has shown that in 2018, PMDP was able to generate a total of 810 indirect (490) and induced (320) jobs. *Please refer to Annex 14-F for the full indirect and induced jobs analysis report.* Another important aspect in PMDP’s assessment is the assessment of the quality and sustainability of net jobs created: PMDP has used the ILO framework as its reference for quality of jobs assessment, from which it was agreed that five out of the seven dimensions of the ILO framework will be used. The results of the analysis

provided enough evidence that jobs created at PMDP grantee companies are sustainable and of high quality compared to the national averages. *Please refer to Annex 14-G for the full quality and sustainability of jobs analysis report.*

Output II

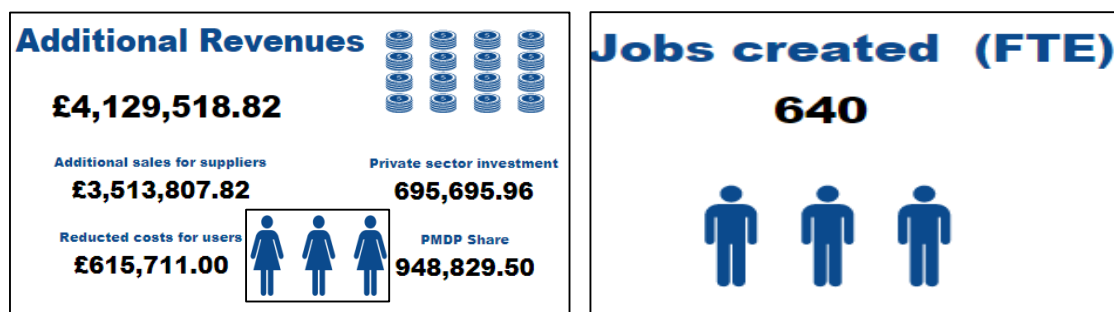
Output II addresses and identifies market system failures in specific sectors. The people who benefit from this Output are not limited to a certain group of beneficiaries, but rather they may be any player in the value chain that this output analyzed and attempted to introduce change in.

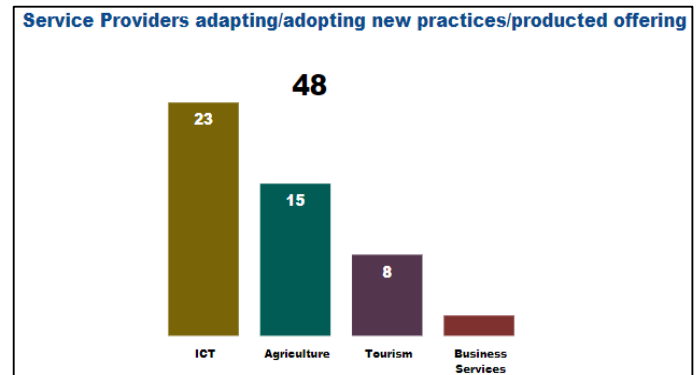
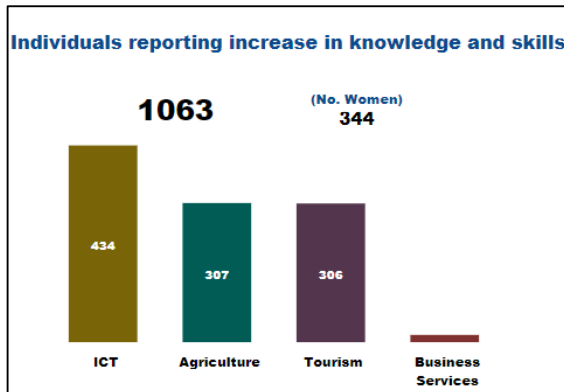
During the Logframe revision process finalized in December 2017, additional indicators were added to support output two measurement and reporting structure.

Intervention Results Chain and measurement plans are the main tool used to structure the monitoring and evaluation process of output two. Each intervention under Output II has its individual measurement plan. These measurement plans utilised data gathered through a mixture of both qualitative and quantitative tools such as focus groups, interviews and mini surveys. Since the performance result of this Output, which is “resources efficiently allocated by Palestinian private sector within targeted market systems”, is not easy to be measured, PMDP focused on measuring the KAP result which is: positive change shown in the analyzed market system.

All indicators for this Output were either met or significantly exceeded; with 6 indicators significantly exceeded while one only indicator met.

The power BI tool was also used to analyze data for this output which was critical to get a better understanding and interpretation of the variety of results achieved under this output. Main output II highlights of results: *Please refer to Annex 14- H for the full Output two analysis report*





It is important to note that the additional sales accruing to the firms supported by Output II interventions and the additional impact on the participants in the value chains, exceeded £12 million, which is not captured elsewhere in the reporting framework.

Output III

Output three aimed to strengthen trade and investment linkages with international markets. During the Logframe revision process in December 2017, additional indicators were added and some indicators were revised to support output three measurements and reporting structure.

Monitoring sheets are used to record, monitor, and follow up data obtained for this output. These sheets summarize the activity conducted along with relevant supporting information that can include, for example, the date, expected results, main partners, gender of participants, name of diaspora country, etc. These monitoring sheets utilized and recorded data gathered through a mixture of both qualitative and quantitative tools such as focus groups, interviews and mini surveys. These tool were designed based on the nature of each activity; so for example PIPA results as assessed through a PIPA capacity assessment tool, while the CTRs functioning is assessed by a CTR performance assessment tool.

The M&E team produced a case study on PIPA to reflect the change that the organization has undergone due to the interventions of PMDP (Please refer to annex 14-I for the PIPA case study).

Three CTRs' evaluation took place this year for all active CTRs completing their first year of placement. The results of the three evaluations were utilized to feed into the cumulative value for the performance of CTRs indicators. The results of the three evaluations are available in in the attached annex (*Please refer to annex 14- J for the full CTRs Evaluation*).

The M&E team worked closely with the CCU at PIPA to adapt the methodology and monitoring tools of CTRs. The CCU has participated in the CTRs evaluation of this year, and has confirmed that it is planning to utilize the performance evaluation sheet based on methodology used by PMDP after the conclusion of the programme.

In general, some of the main highlights of results for output three are:

- The value of deals that were announced to PMDP (as some deal values are kept confidential) from CTRs has reached a total of £913,422.

- PIPA performance has maintained its high scoring at 4 in both 2017 and 2018.
- PIPA has been able to facilitate a total of 81 investments.

Management Information System (TAMIS)

TAMIS constitutes an extensive data set of grantee firms from which the M&E team draw for reporting and conducting in-depth analyses of Programme performance to supplement the routine reporting of Logframe results combined with PMDP cost accounting data, to conduct annual value for money analysis.

In coordination with the grants team and building on the M&E view from TAMIS, the M&E team developed a master sheet for all PMDP grantees that includes all information related to the company, PMDP grants support, and results per company achieved cumulatively throughout the years. This master sheet was the main sheet that is used in the Power BI software to analyze cumulative results. It should be highlighted that for the sake of accuracy and compliance between the M&E and grants, each month the M&E team reviews the grants tracker and the applications tracker with the grants team and ensures that all data are reflected accurately on other programme documents including the fact sheet, the master sheet and TAMIS.

Value for Money (VfM)

In 2017, Building on PMDP's lessons learned and recommendations received from GDSI, DFID and the EU, a revision process for Value for money guidelines took place in parallel to the Logframe revision process. The VfM revision process aim was mainly to strengthen both Outputs II and III's representation in the Programme VfM. The adjusted VfM guideline was approved in December 2017 with a total of 36 indicators that include effectiveness indicators to assess all Programme outputs, and was used for the first time in the 2017 and 2018 annual VfM analysis..

The overall trend of the VfM indicators remained positive relative to the 2014 baseline. There were few indicators that worsened in 2018 relative to their 2017 values. PMDP continued using the color coding to indicate the status of VfM indicators, results of the coding indicated that all indicators have shown positive improvements over the life time of the Programme.

Below is a list of highlights from the VfM analysis:

- The continuous decrease of the share of salaries paid to management and administrative staff salaries relative to total salaries paid and to the total programme costs, which is a very positive VfM economy dimension.
- The continuous decrease of share of administrative costs relative to technical delivery costs, which is a very positive VfM efficiency dimension.
- The continuous decrease of the cost needed to create one new net job under the programme, which is a very positive VfM effectiveness dimension.

(Please refer to annex 14-K for the Final VfM analysis report).

Progress Against the targets of PMDP Logframe

OUTCOME RESULT (Output 1): R1.1: Palestinian private sector (grantees) competitiveness improved			
Outcome Indicator-1.1a		Cumulative	Indicator Status
Number of enterprises reporting improved annual performance	Planned	340 (119)	Target Exceeded
	Achieved	534 (186)	
Outcome Indicator-1.1b		Cumulative	Indicator Status
Number of enterprises reporting either increased exports or exporting for a first time	Planned	120	Target Exceeded
	Achieved	210*	
Outcome Indicator-1.1c		Cumulative	Indicator Status
Number of jobs created (net) (All windows but B2B-B2M)	Planned	1250	Target Exceeded
	Achieved	1777	
Number of Jobs created (net) B2B-B2M only	Planned	1300	The last target required for this indicator was 1300 in 2016 and was exceeded as it reached 1617. However, the last results of 2018 shows a decline to 1201 net jobs.
	Achieved	1617	
Jobs for Youth (male and Female) target is 50% of the 2019 all jobs target	Planned	600	Target Exceeded
	Achieved	993	
Jobs for Women (of all ages including youth) target is 35% of the 2019 target	Planned	415	Target Exceeded
	Achieved	823	
Outcome Indicator-1.1d		Cumulative	Indicator Status
Value of additional sales attributable to (PMDP) (£m) (All windows but B2B-B2M)	Planned	75	Target Exceeded
	Achieved	74.16	
Value of additional sales attributable to the Palestinian Market Development Programme (PMDP) (£m) (B2B-B2M Only)	Planned	55	The last target required for this indicator was 55 in 2017 and was exceeded as it reached 56.9. However, the last results of 2018 shows total additional sales reaching 57.1.
	Achieved	56.9	
R 1.1.1: Grantees market penetration ability increased			
Outcome Indicator-1.1.1a		Cumulative	Indicator Status
Total number of new domestic and foreign markets entered (All windows but B2B-B2M)	Planned	321	Target Exceeded
	Achieved	403	
Total number of new domestic and foreign markets entered (Back to Market window)	Planned	75	The last target required for this indicator was 75 in 2016 and was exceeded as it reached 140. However, the last results of 2018 shows total markets reaching 150.
	Achieved	140	
Number of new domestic & foreign markets entered by women owned/managed firms	Planned	96	Target Exceeded
	Achieved	169	
R 1.1.2: Grantees capacity in product development improved			
Outcome Indicator-1.1.2a		Cumulative	Indicator Status
Total number of new or improved products or services developed	Planned	470	Target Exceeded
	Achieved	637	
Total number of new or improved products or services developed (Back to Market window)	Planned	200	The last target required for this indicator was 200 in 2016 and was not met as it reached 136 in the same year. However, the last results of 2018 shows exceeding target as it reached 201.
	Achieved	136	
Number of new or improved products or services developed by women owned/managed firms	Planned	165	Target Exceeded
	Achieved	247	
R 1.1.3: Grantees attitude towards the value of BSP enhanced			
Outcome Indicator-1.1.3		Cumulative	Indicator Status
Number of enterprises using own funds to pay for Business Development Services (BDS)	Planned	115	Target Exceeded
	Achieved	171 (58)	
OUTCOME RESULT (Output 2):			

R 1.2.1: Positive behavioural change shown among the targeted group in analysed market systems			
Outcome Indicator-1.2.1a		Cumulative	Indicator Status
Percentage of initiated interventions accepted and action taken by the targeted accepted and action taken by the targeted group	Planned	50%	Target Exceeded
	Achieved	93%	
Outcome Indicator-1.2.1b		Cumulative	Indicator Status
# of beneficiaries/ customers using the new or improved services/products. (Disaggregated by women).	Planned	483	Target Exceeded
	Achieved	1305 (57)	
Outcome Indicator-1.2.1c		Cumulative	Indicator Status
Number of service providers adapting /adopting new practices/products offering.	Planned	19	Target Exceeded
	Achieved	48	
OUTCOME RESULT (Output 3)			
R 1.3.1: PIPA capacity improved			
Outcome Indicator-1.3.1a		Cumulative	Indicator Status
Extent of improving PIPA's capacity	Planned	3	Target Exceeded
	Achieved	4	
Outcome Indicator-1.3.1b		Cumulative	Indicator Status
Number of Investments facilitated by PIPA *	Planned	40	Target Exceeded
	Achieved	81	
R 1.3.2: Well-functioning CTRs placed			
Outcome Indicator-1.3.2a		Cumulative	
Performance level of CTRs	Planned	4	Target not met
	Achieved	3	
Outcome Indicator-1.3.2b		Cumulative	
Number of trade and investment deals facilitated by CTRs *	Planned	14	Target Exceeded
	Achieved	15	
R 1.3.3: Diaspora Attitude towards trade, investment and know-how enhanced			
Outcome Indicator-1.3.3a		Cumulative	Indicator Status
Number of initiatives designed and launched by partner organizations as a result of PMDP’s support *	Planned	13	Target Exceeded
	Achieved	13	
R 1.3.4: Increase in private sector investment due to positive change in business environment			
Outcome Indicator-1.3.4a		Cumulative	Indicator Status
Incorporating new enhancements to improve governmental and non-governmental bodies’ delivery of services. (WAY)	Planned	2 (1)	Target Exceeded
	Achieved	5 (2)	
R 1.3.5: Synergy between trade and investment organizations improved			
Outcome Indicator-1.3.5a		Cumulative	Indicator Status
Partnership activities between trade and investment organizations held (without PMDP support)	Planned	2	Target not met
	Achieved	1	
OUTPUT RESULT (Output 1): R 1.1.1.1: Grantees assisted through grants programme			
Output Indicator-1.1.1.1a		Cumulative	Indicator Status
Total number of enterprises assisted (All windows but B2B-B2M)	Planned	494	Target Exceeded
	Achieved	620	
Total number of enterprises assisted (B2B-B2M)	Planned	256	Target Exceeded
	Achieved	264	
Total number of women enterprises assisted	Planned	173	Target Exceeded
	Achieved	219	
OUTPUT RESULT (Output 2): R 1.2.1.1: Market system failure in specific sectors identified and addressed			
Output Indicator-1.2.1.1a		Cumulative	Indicator Status
Number of market system studies completed	Planned	15	Met the target
	Achieved	15	

Output Indicator-1.2.1.2b		Cumulative	Indicator Status
Number of interventions based on completed market system studies conducted	Planned	34	Target Exceeded
	Achieved	43	
Output Indicator-1.2.1.2c		Cumulative	Indicator Status
Number of products/ services improved/developed to address market failure.	Planned	25	Target Exceeded
	Achieved	51	
Output Indicator-1.2.1.2d		Cumulative	Indicator Status
# of individuals reporting an increase in knowledge and skills from services/ activities implemented as part of market interventions.	Planned	377	Target Exceeded
	Achieved	1063 (344)	
OUTPUT RESULT (Output 3): R 1.3.1.1: Supporting activities of PIPA conducted			
Output Indicator-1.3.1.1		Cumulative	Indicator Status
Number of activities completed by PMDP within the framework of support provided to PIPA and key market institutions	Planned	32	Target Exceeded
	Achieved	36	
R 1.3.2.1: Potential CTRs trained on trade and investment facilitation			
Output Indicator-1.3.2.1a		Cumulative	Indicator Status
Total number of people trained on trade and investment promotion	Planned	30 (6)	Met the target (Overachieved for women)
	Achieved	30 (14)	
Output Indicator-1.3.2.b		Cumulative	Indicator Status
Number of CTRs placed	Planned	6	Met the target
	Achieved	6	
Output Indicator-1.3.2.1c		Cumulative	Indicator Status
Number of trade and investment leads facilitated by CTRs	Planned	120	Target Exceeded
	Achieved	381	
R 1.3.3.1: Diaspora engaging activities conducted			
Output Indicator-1.3.3.1a		Cumulative	Indicator Status
Number of diaspora engaging activities conducted	Planned	30	Target Exceeded
	Achieved	34	
R 1.3.4.1: Enabling environment for investment and trade conducted			
Output Indicator-1.3.4.1a		Cumulative	Indicator Status
Number of gaps and impediments identified based on (NES, Investor Needs Assessment, OII analysis) Disaggregated by WAY)	Planned	10 (4)	Met the target
	Achieved	10 (4)	
Output Indicator-1.3.4.1b		Cumulative	Indicator Status
Number of gaps and impediments shortlisted for further engagements. (Disaggregated by WAY)	Planned	6 (3)	Target Exceeded
	Achieved	8 (3)	
Output Indicator-1.3.4.1c		Cumulative	Indicator Status
Number of interventions implemented to address identified gaps (Disaggregated by WAY)	Planned	4 (2)	Target Exceeded
	Achieved	7 (2)	
Output Indicator-1.3.4.1d		Cumulative	Indicator Status
Number of laws or Bylaws facilitated and TA provided to improve the regulatory environment	Planned	3	Target Exceeded
	Achieved	4	
Output Indicator-1.3.4.1e		Cumulative	Indicator Status
Building the action plan and Activation of the Doing Business Committees (Yes\No)	Planned	Yes	Target met in 2016
	Achieved	Yes	
Output Indicator-1.3.4.1f		Cumulative	Indicator Status
Number of TA provided to MoNE and other institutions to tackle doing business report related issues	Planned	4	Target met
	Achieved	4	
R 1.3.5.1: Contribute to implementing recommendations of the NES			
Output Indicator-1.3.5.1a		Cumulative	Indicator Status
Agree with Palestinian Export Committee (PEC) on action plan	Planned	Yes	Target met in 2016

activities(Yes\No)	Achieved	Yes	
Output Indicator-1.3.5.1b		Cumulative	Indicator Status
Strategy harmonization and integration of 2017 work plans conducted during 2016.	Planned	Yes	Target met
	Achieved	Yes	
Output Indicator-1.3.5.1c		Cumulative	Indicator Status
Number of policy recommendations of the Palestinian Export Committee (PEC) plan implemented / in process	Planned	3	Target met
	Achieved	3	
Output Indicator-1.3.5.1d		Cumulative	Indicator Status
Branding pilot strategy developed (Yes/No)	Planned	Yes	Target met
	Achieved	Yes	

V. PROJECT SUSTAINABILITY

The end of PMDP represents the culmination of 10 years of DFID programming for private sector development in the oPt. It is important to reflect on the sustainability of the changes that have been implemented through PMDP as it exits from implementation. How have the systems changed in the country so that initiatives started by PMDP to build an environment for sustainable growth will continue on into the future? The sustainability of the work from the three outputs can be measured in different ways, but the three of them have integrated to creating a more competitive Palestinian private sectors, supported by stronger institutions and supporting services. The section below highlights some of the elements of long-term sustainability coming out of the three outputs within PMDP.

Output I was designed to share the risk with private sector companies by providing grants to acquire business development services to make them stronger businesses, to improve products and to enter new markets. The sustainability of the output is expected to be in two different areas:

First, the change in firms' behavior towards the value of business development services and the potential impact of those services on the business. The change of behavior is expected to lead firms to buy more services in the future. To verify the change PMDP had a logframe indicator that measures the number of firms using own funds to pay for business development services with a target of 115 companies by 2018. The output exceeded that target (171) which is a good evidence that the companies now are more willing to pay for service, providing them with regular and sustainable access to the services promoted by PMDP.

Second, the sustainability of the results on companies. The very nature of the services provided to enterprises was expected to improve products and or help in enter new markets which would lead to increase in sales and the creation of jobs. The measure of sustainability in business relations is the number of repeat contracts into markets and a firm's longevity in the new markets, leading to continuously growing sales. PMDP beneficiaries continued to increase sales from the developed product and new market entries. The cumulative increase of sales of around GBP 74 million over the four and half years is evidence of sustainability of results on company. *(for more details on the sustainability of sales refer to Annex 14-G- Quality and Sustainability of Jobs created Report).*

The use of co-facilitators under the WAYE component also added a source of sustainability and continued presence of local capacity to deliver similar services into the future.

Sustainability is a key lens in the market systems framework, so it was in the core of Output II operations and a key factor in intervention design and execution. Unlike traditional economic development programmes in the oPt, PMDP has adopted the market systems approach, that examines the full realm of constraints blocking the growth of a sector, from the relationships between the core buyers and sellers, to the existence of supporting services and a conducive

enabling environment around that sector. PMDP's interventions were based on building a deep understanding of the problems and creating real partnerships to solve them, rather than over support partners by loading on subsidies, that would create an unnatural incentive for partners in which they would not be in a position to carry forward. All efforts were made to introduce innovative business models that were based on the actual need of the market to attract the partners' interest and to maximize co investment.

Moreover, partner selection was one of the main considerations. Driving widespread adoption of innovative business solutions requires strategically positioned leading partners. So that they are able to sustain the business or the supporting environment, and to incentivize other market actors to crowd-in, validation workshops and communications were usually conducted to disseminate the knowledge and the results among key market actors.

The sustainability of Output II interventions emerged from its deep understanding of the whole market system. It built innovative business models based on the right aligned incentives between partners, be they private firms, universities, associations, or government bodies. The private sector focused interventions were designed based on strong commercial logic, with enterprise led solutions that naturally have a commercial motive to continue the delivery of services and sales of products. Starting with a business model pilot with one partner to validate the sustainability of the intervention, if the model proved its viability, PMDP facilitated replication of the model with other enterprises for expansion purposes and encouraged others to crowd-in. For example, a pilot partnership was conducted with Al Yasin Company. The introduced idea of converting crops byproducts to feasible alternative feeds has led to the availability of affordable alternative feed for herders helping them to increase profit, while creating a new profit stream for the firm. Publicising this success encouraged others to adopt this model, crowding in firms using their own investment. The mutual benefit for both actors will guarantee the suitability of both the demand and the supply sides, thus guarantee the continuity of this business model.

To ensure sustainability, the partners were involved in the intervention identification and design, to ensure that their real needs are being addressed and that the interventions are in line with their goals and future vision, rather than imposed on them. For example, at Bethlehem University, the new degree in software engineering emerged as a priority for the university, responding to one of the underlying systemic constraints, which Output II then helped to the university to shape. Finally, Output II has focused on building partner capacity, working through service providers, and equipping both service providers, enabling actors (government) and beneficiaries with knowledge and skills which will last beyond the project's life.

All of Output III activities were designed with a focus on institutional sustainability, which would guarantee continued support to the enabling environment into the future. A vivid example would be the design and launch of the CTR programme. Early on in the design, PMDP secured the Ministry of economy to contribute to the cost of the CTRs and to gradually increase the contribution and to finally be able to provide the needed financing as part of the government budget. Additionally, PMDP assisted PIPA draft a law that would institutionalize the CTR service and provide for different option of contracting in a way that would increase the chances of continuing the CTR service well beyond PMDP. The result is the creation of a system that will continue to support the private sector into the future, not simply disappear at the end of the project.

The changes made at PIPA were designed to create a stronger and more responsive institution. We made sure that the new shift in direction and the new strategy is one that had the buy-in from the Board of Directors and the leadership and management of the organization. We ensured that we have the formal approval and adoption of the changes. The new structure was also approved by the government personnel council making the changes permanent at least until another planned change for further improvements takes place. The changes at PIPA will survive and will continue to build the investment profile of Palestine into the future.

In the Diaspora component, PMDP sought to sustain the collaborative efforts by local trade and investment organizations through the working group. During the project lifetime, PMDP assisted the group members to recognize the value of working together leading to the decision by the working group to continue the journey beyond PMDP.

Similarly, the engagement with successful Diaspora organizations targeted shifting the strategies of those organizations towards more focus on economic related activities, including the change in the Bi-Laws of the organizations, in one case, and the change in the content of their annual gatherings in other instances. The members of the working group have also built much stronger relationships based on mutual interest with the diaspora organizations. Meanwhile the diaspora database has been institutionalized within PIPA, making it available to all in the future.

The BEE work was highly focused on sustainability as we addressed issues where there were good possibilities of making a reform and where there were active stakeholders who were committed to making the reform. This meant that most of the actions resulted in reforms that became part and parcel of the laws and regulations affecting doing business in Palestine.

The fact that PMDP assisted all stakeholders achieve reforms on the ground and that the advisors, who PMDP recruited and assisted PMDP to achieve the reforms and improvements, have become part of the world bank team that will continue to tackle BEE issues is also a factor that will keep the momentum going for further reforms.

The momentum created in the area of implementation of the NES will certainly continue as today activities are being implemented with a brand that was approved and announced by the highest levels of the government.

In conclusion, PMDP through the implementation of its three outputs has delivered significant changes to the Palestinian private sector's overall competitiveness. The stronger companies supported by better business services will be able to compete more effectively in the future. The government's strengthened institutional support and regulatory framework will create a steadily improving enabling environment. And the systemic problems addressed by Output II and the coalitions of willing partners working on them bodes well for continued, sustainable growth into the future.

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