Distribution: Restricted **EB 98/63/R.21/Rev.1** 23 April 1998
Original: English **Agenda Item 7(f)(i)** English

IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board - Sixty-Third Session

Rome, 22-23 April 1998

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN

from the IFAD Fund for Gaza and the West Bank to

THE PALESTINE LIBERATION ORGANIZATION

FOR

THE PARTICIPATORY NATURAL RESOURCE MANAGEMENT PROGRAMME

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CURRENCY EQUIVALENTS

Currency Unit	=	New Israeli Shekels (NIS)
USD 1.00	=	NIS 3.52
NIS 1.00	=	USD 0.284

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m^2)	=	10.76 square feet (ft^2)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres
1.0 dunum (dn)	=	1/10 hectare (1 000 m^2)

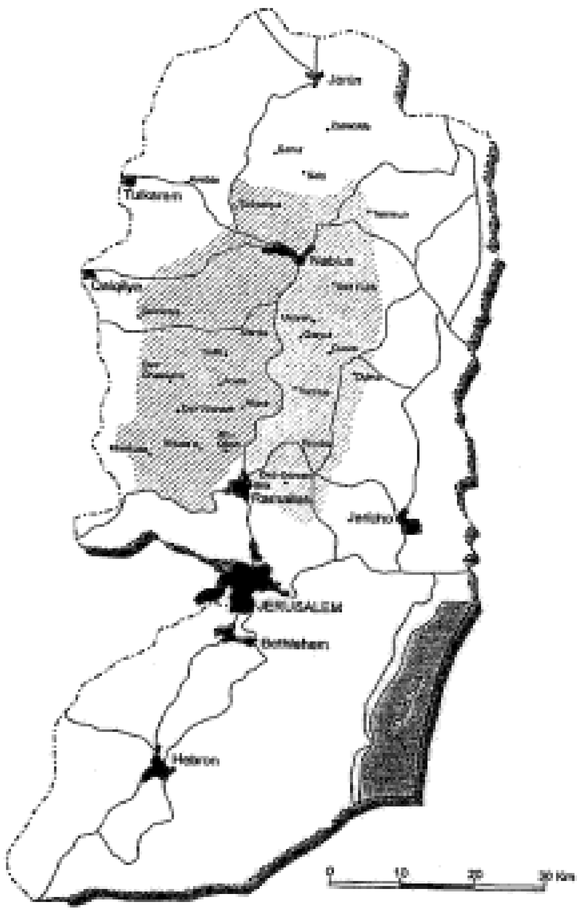
ABBREVIATIONS AND ACRONYMS

AECI	Spanish International Cooperation Agency
AFESD	Arab Fund for Economic and Social Development
AusAID	Australian Agency for International Development
AWPB	Annual Work Plan and Budget
EIRR	Economic Internal Rate of Return
FGWB	IFAD Fund for Gaza and the West Bank
JICA	Japanese International Cooperation Agency
LCB	Local Competitive Bidding
M&E	Monitoring and Evaluation
MOA	Ministry of Agriculture
NGO	Non-Governmental Organization
OPEC Fund	Organization of Petroleum Exporting Countries Fund for International Development
PA	Palestinian Authority
PFU	Programme Financial Unit
PLO/PA	Palestine Liberation Organization/Palestinian Authority
PMU	Programme Management Unit
PNRMP	Participatory Natural Resource Management Programme
RDP	Relief and Development Programme
SOF	Special Operations Facility
TA	Technical Assistance
UNDP	United Nations Development Programme
WBGS	West Bank Gaza Strip

Fiscal Year

1 January - 31 December

MAP OF THE PROGRAMME AREA



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

THE PALESTINE LIBERATION ORGANIZATION

PARTICIPATORY NATURAL RESOURCE MANAGEMENT PROGRAMME

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Palestine Liberation Organization (for the benefit of the Palestinian Authority)
EXECUTING AGENCY:	Ministry of Agriculture
TOTAL PROGRAMME COST:	USD 24.9 million
AMOUNT OF IFAD LOAN:	SDR 5.8 million (equivalent to approximately USD 7.81 million) from the IFAD Fund for Gaza and the West Bank
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	Arab Fund for Economic and Social Development (AFESD)
AMOUNT OF COFINANCING:	USD 7.86 million
CONTRIBUTION OF BORROWER:	USD 2.98 million
CONTRIBUTION OF BENEFICIARIES:	USD 5.40 million
GRANT FINANCING (TO BE DETERMINED):	USD 0.68 million
COMMERCIAL BANK:	USD 0.16 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	IFAD supervised

PROGRAMME BRIEF

Programme objectives. The objectives of the programme are to increase the incomes and living standards of small-scale farmers, in areas where there are few alternative income-generating possibilities, by developing and managing the land and water resources to conserve and enhance their productivity. As the peace process returns control of natural resources to Palestinians, they are eager to develop the land for agriculture and improve the efficiency of surface water-use. The Palestine Liberation Organization/Palestinian Authority (PLO/PA) is keen to accelerate agricultural land development but it is proceeding very slowly throughout the West Bank and will take decades to complete. In the meantime, unemployment in rural areas remains very high and potentially productive natural resources are made scarce use of.

Profile of programme beneficiaries. The target group is defined as rural households which cannot afford to develop their own land without financial assistance, technical support and training; have per capita incomes of less than USD 680 per annum, large families of eight or more, and a minimum of five people depending on one wage earner (usually the father or a son). Rural households with limited resources and low off-farm incomes usually show genuine interest in redeveloping their land and improving production. Programme activities will be targeted at farmers with less than 20 dunums in low-rainfall areas and 10 dunums in high-rainfall areas.

Targeting mechanism. Beneficiaries will be targeted through the use of programme planning and facilitation services which have been tested and successfully applied by non-governmental organizations (NGOs) operating in the West Bank Gaza Strip (WBGS). NGOs will be selected on the basis of their presence in the programme area and experience in participatory techniques. They will assist in identifying potential villages and in the development of programme committees, especially village organizations; assist the programme to select the participants and sites; and ensure that programme activities are undertaken as cost-effectively as possible.

Beneficiary participation. The beneficiaries' involvement in the programme will depend on their willingness to invest time and money in land and crop development, and their ownership or control of land that is worth developing. The programme will operate in the more remote rural villages and lower-rainfall areas and establish operational procedures which ensure that the disadvantaged are not excluded provided they meet the agreed eligibility criteria. Relatively better-off households will be allowed to participate although care will be taken to ensure that the benefits to the poor are maximized. IFAD will ensure that: (a) women-headed households are targeted as a matter of first priority; and (b) women participate to the greatest possible extent in programme committees and workshops.

Programme risks. The major risk relates to programme start-up delays. Long delays may result in beneficiary communities losing interest in the programme. It is imperative, therefore, that the programme should get rapidly under way and start delivering results. In some ways, this risk is minimized by the programme approach to management as it allows for immediate implementation and for refining the process on a continuous basis. A number of important start-up activities are to be launched immediately following Executive Board approval, and a Special Operations Facility (SOF) grant of USD 90 000 has been earmarked for this purpose.

REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD FROM THE IFAD FUND FOR GAZA AND THE WEST BANK TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE PALESTINE LIBERATION ORGANIZATION FOR THE PARTICIPATORY NATURAL RESOURCE MANAGEMENT PROGRAMME

In accordance with Resolution 107/XXI of the Governing Council establishing an IFAD Fund for Gaza and the West Bank (FGWB), I submit the following Report and Recommendation on a proposed loan to the Palestine Liberation Organization for SDR 5.8 million (equivalent to approximately USD 7.81 million) from the FGWB on highly concessional terms to help finance the Participatory Natural Resource Management Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. Based on IFAD's experience in the Gaza Strip and Jericho and on lessons learned during the implementation of its Relief and Development Programme, following a decentralized, proactive management approach involving the beneficiaries, local non-governmental organizations (NGOs), the private sector and the Palestinian Authority (PA), every effort will be made to ensure that participatory mechanisms are strengthened under the present programme. It is therefore proposed that this IFAD-initiated programme should be supervised directly by the Fund. I also request a transfer from IFAD resources of an amount equivalent to SDR 5.8 million to the FGWB, being the amount of the proposed loan, and an amount of USD 90 000 to the FGWB, being the amount of the proposed Special Operations Facility (SOF) grant.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY[1]

A. The Economy and Agricultural Sector

1. From 1968 until the mid 1980s, the Palestinian economy made strong growth as the occupied territories became integrated into Israel's economy. However, from 1987, when the Intifada began, economic conditions have deteriorated. The decline was exacerbated by the Gulf War which forced the repatriation of many Palestinian workers, and more recently by restrictions on trade with Israel and border closures. A combination of high birth rate and worker repatriation has caused very rapid population growth. The average per capita gross national product (GNP) in WBGS ranged between USD 2 327 in 1992 and USD 1 323 in 1996, corresponding to a 42% drop over the four-year period. Although per capita income in the West Bank remains substantially higher than in the Gaza Strip, the fall in both real aggregate GNP and real per capita GNP was sharper in West Bank than in Gaza Strip during the same period. According to unofficial estimates, per capita GNP for 1998 is expected to fall below the equivalent of USD 1 000.

2. The agricultural sector is dominated by large numbers of fragmented, small-scale family-owned farming units. Production methods are predominantly labour-intensive and the sector acts as a buffer against fluctuating employment opportunities in Israel and the Gulf States. During the 1970s and 1980s, much agricultural land was abandoned as rural people took advantage of the more lucrative earning opportunities in Israel and the Gulf. Now that these opportunities are much more limited, people are returning to agriculture. Large investments are needed, however, to rehabilitate

[1] See Appendix I for additional information.

run-down enterprises and reclaim idle land. Most rural families without access to irrigation combine agriculture with other forms of income-generation. About 5% of all cultivated land is irrigated and heavily concentrated in the lower-elevation areas of the West Bank to the west and northwest along the Israeli border. In the interior, the upland districts of Nablus and Ramallah have less than 1% of the cultivated area under irrigation.

B. Lessons Learned from Previous IFAD Experience[2]

3. The scope and duration of IFAD's ongoing Relief and Development Programme (RDP) is somewhat limited and thus the lessons summarized below are consolidated with those of other donors.

4. The engagement of the target group in self-help activities is an essential element in securing a vested interest throughout programme implementation and ensuring success. The decentralized model of management instituted by RDP has increased the confidence of all partners and beneficiaries and led to accelerated programme implementation. The establishment of an effective model of communication between implementing partners has facilitated coordination, clarified roles and responsibilities and improved programme monitoring. The pursuance of a dynamic approach to staff and beneficiary training in technical and participatory skills has fostered trust and built up confidence among the partners; and the participation of commercial banks in mobilizing funds and risk-sharing in agricultural lending has put rural finance on the sustainability track.

5. NGOs played a very important role in Gaza and the West Bank prior to the Oslo Peace Agreement, when they were the only vehicles for programme implementation. Since the establishment of the Palestinian Authority (PA), official institutions, including the Ministry of Agriculture (MOA), have become more closely involved, but the NGOs remain important because of their experience in the rural areas and demonstrated ability to implement rural development projects. As the MOA increasingly asserts its responsibility for overall agricultural development and general support for the sector, some tension with the NGOs is to be expected. All agricultural development projects have been financed with grants, and NGOs were usually appointed as implementing agencies by the donors of the grants.

6. The approach of the present programme is to assign overall responsibility for implementation to MOA, on behalf of PA without developing parallel or overlapping programme implementation capacity in all fields of activity, but rather to work in cooperation with NGOs. MOA maintains responsibility for overall policy matters, technical support, supervision, monitoring, cost accounting and overall coordination, and the NGOs continue to undertake grass-roots participatory development activities under contract arrangements.

The Poverty Eradication Activities of other Major Donors

7. **Multilateral agencies.** The programme of assistance of the United Nations Development Programme (UNDP) to the Palestinian people includes capacity-building in agricultural policy analysis and planning; limited land reclamation in Hebron district, and pesticide and brucellosis control. Many of the projects are funded by bilateral donors and executed by UNDP.

8. The ongoing World Bank Community Development Project is the first large project (about USD 30 million) to be implemented in WBGS. The implementing agency is the Palestinian Economic Council for Development and Reconstruction, and the relevant line ministries and agencies have little direct involvement. This project has the sole objective of improving physical infrastructure in WBGS

[2] See Appendix II for additional information.

villages and has no agricultural focus. A World Bank agricultural sector rehabilitation project is programmed for 1998/1999.

9. **Bilateral agencies.** Most of the European bilateral aid agencies are active in the WBGS, with a proliferation of generally small projects and programmes too numerous to detail in this document. These projects cover a wide range of activities, including water, health, education, women's projects, infrastructure, training and agriculture. The United States Agency for International Development (USAID) and the Japanese International Cooperation Agency (JICA) are also active in the area, and the Australian Agency for International Development (AusAID) is in the process of preparing a technical assistance (TA) project for MOA. Until recently, most bilateral projects have been implemented through NGOs but are now being increasingly channelled through PA institutions. Agriculture is a relatively small part of most bilateral programmes. The Spanish International Cooperation Agency (AECI) is the lead bilateral donor in the agricultural sector and has been designated as "shepherd" in the aid coordination system and the lead agency of the sector working group for agriculture. AECI and French Cooperation have proposed a number of village-based rural support projects in the Participatory Natural Resource Management Programme (PNRMP) area, covering a total of 20 villages. AusAID proposes to provide institutional-strengthening support to the MOA (approximately USD 2 million), which, among other things, will seek to improve the ministry's capacity for project planning and analysis.

10. **IFAD's strategy in West Bank and Gaza.** Based on the analyses of the macroeconomic settings and the structural and institutional constraints on agricultural development — given the immediate needs of the rural poor, the political constraints facing the majority of Palestinians and the lessons learned by IFAD and other donors in implementing activities — IFAD's strategy options should be seen as a series of sequential activities hased on careful monitoring of politico-economic developments in WBGS. Some features of this strategy may be viewed as an integral part of IFAD's strategy in the rest of the Near East and North Africa region, particularly with regard to water resources, land tenure, livestock, human resources and local capacity-building. Clearly, IFAD's long-term strategy for irrigation, land tenure, management, development of common property issues and, to a certain extent, livestock, can be elaborated only once the peace process has advanced to a final stage. The most important strategic options for WBGS in the short and possibly medium term include conservation and protection of natural resources, rural finance, marketing and extension services, gender parity, and human resources development.

C. Programme Rationale

11. Land reclamation, agricultural roads and the rehabilitation of wells, cisterns and springs are of high priority, particularly when grouped together into an area-based development programme with the village as focal point. Together, these activities comprise an integrated approach to natural resource management by rural people who are the owners and custodians of the resources. Support for a programme focusing on these activities is in full accordance with the general priorities of the MOA and PA.

12. There are some well-established, proven and financially-viable models of land reclamation in the West Bank. Having been active in this field for many years, MOA and a number of NGOs have developed practical procedures for implementing small-scale projects for agricultural roads, terracing and hillside replanting, construction of water-harvesting systems, rehabilitation of small natural springs, and installation of improved water-storage and distribution systems. There is also potential for significant improvements in the productivity of existing olive plantations and increasing the quality and price of olive oil. None of the proposed interventions will involve the introduction of unproven or potentially risky technologies, but the present rate of development is constrained by difficulties relating to the availability of finance, programme implementation capacity, and access to

support services. The PNRMP will address these constraints through a five-year work programme for assisting groups of Palestinian villagers to plan and implement natural resource development schemes for the land and water they control. It will also provide the rural credit required to enable farmers to take full advantage of improved land conditions and undertake other village-based income-generating enterprises.

PART II - THE PROGRAMME

A. Programme Area and Target Group

13. With annual rainfalls in excess of 400 mm, most parts of the West Bank have substantial areas of land suitable for reclamation and that would benefit from improved farm access roads and tracks. Small springs, wells and water-harvesting cisterns are scattered throughout the region, but many are in need of investments to improve water-use efficiency, expand the irrigated areas and establish perennial orchards. In view of other initiatives being undertaken in the southern districts of Hebron and Bethlehem, the programme will focus on the West Bank area north of Jerusalem in the districts of Ramallah, Nablus, Jenin and Tulkarm, including an area of with good agricultural potential to the west of the main north-south road and a lower-potential area to the east. The western area has average annual rainfalls in the range of 600-700 mm and is suitable for high-value rainfed crops such as grapes, apples, plums, peaches, apricots, figs and vegetable crops, whereas rainfall drops to 200-225 mm on the eastern slopes of the Jordan Valley. The programme area's eastern boundary will be determined by the 400 mm rainfall isohyet (generally parallel to the 350-400 m contour lines, below which there are no villages until the bottom of the Jordan Valley). Agriculture on the eastern slopes of the programme area is limited mainly to almonds, olives and hardy winter field crops. Existing land-use in both areas is dominated by olives, with small areas of spring-fed irrigation in the valleys and foothills. The broader valley floors are used for rainfed field crops, including wheat, barley, beans and peas.

14. The programme will be implemented over an area of about 2 400 km², constituting 35% of the West Bank. The area contains some 260 villages, with a population of about 593 000 (1996) or 70 000 households.[3] Approximately 24 000 dunums will be selected for land development and associated improvements. The number of small springs or wells requiring rehabilitation is uncertain but is estimated to be at least 50. Large areas of land are lying fallow or are used only for grazing due to the lack of access roads and financing for land improvement.

15. The target group is broadly defined as farmers who cannot afford to develop their land without external assistance. These farmers can be described as having:

(a) a genuine interest to invest in the land and provide labour to improve production;
(b) an average per capita income of no more than USD 680 per annum;
(c) a family of eight or more;
(d) a minimum of five people depending on one wage earner;
(e) no external remittance income; and
(f) farm sizes of less than 20 dunums in low-rainfall areas and of less than 10 dunums in high-rainfall areas.

16. Programme staff will be selected on the basis of their commitment to and expertise in participatory approaches to rural poverty alleviation and will include a significant proportion of women. Women-headed households, including widows, deserted wives, divorcees and the wives of detainees

[3] Area and population figures would be verified from the 1997 census results which should be available by April 1998.

and prisoners, will be especially encouraged to participate through the involvement of village women's committees, where these exist. Women will also participate in the programme by means of the financial benefits accruing to the family unit and the greater sharing of family responsibilities by men who no longer need to seek employment in Israel or abroad. IFAD will ensure that women-headed households are targeted by the programme as a matter of first priority.

B. Objectives and Scope

17. The objectives of the programme are to increase the incomes and living standards of small farmers in areas where there are few alternative income-generating possibilities by developing and managing the land and water resources to conserve and enhance their productivity. As the peace process returns the control of natural resources to them, the Palestinians are eager to develop the land for agriculture, and improve the efficiency of water use. The PA wishes to accelerate land development as a way of contributing to the peace process but this is proceeding so slowly throughout the West Bank that it will take decades to complete. Unemployment is still very high in the rural areas and potentially productive natural resources are under-used.

C. Components

18. The PNRMP will seek to fulfil its objectives through four components: (a) land reclamation and improvement; (b) crop production; (c) a credit fund; and (d) programme management and institutional support.

19. **Land reclamation and improvement** includes: (a) construction of access rural roads; (b) rehabilitation and/or construction of rainwater collection cisterns; (c) rehabilitation of small natural springs to provide supplementary irrigation and drinking water for livestock; (d) construction of fencing to protect against wild animals, mainly deer; (e) de-rocking of unused areas to bring them into productive use; and (f) terrace rehabilitation or construction for lands currently under production.

20. **Improved crop productivity**. Although linked to land development, this component's activities will also apply to crop lands not improved under the programme. The major focus will be on olives, but all crops will benefit. The main programme initiatives to support increased crop productivity and production will be: (a) access to institutional credit at reasonable terms for seasonal crop inputs; (b) access to credit for longer-term farm investments, such as the establishment of perennials; (c) more effective interface between the farmers and the technical service agencies thanks to well-organized farmer groups; and (d) a pilot programme to increase the quality of olive oil.

21. Within this component the programme will support an olive oil quality improvement pilot programme, covering about 20 villages, to support the production, processing and export of good quality olive oil. A local NGO has been supporting a simular activity in the WBGS since 1991/92 and has achieved promising results. The pilot area will consist of villages with relatively extensive olive plantings; where olives play an important role in their economies; where the options for crop diversification are limited; and where full beneficiary participation can be assured. Programme support at the farm level will consist of training, technical support, assistance in forming an effective producer organization and extension of the programme's credit line to cover the procurement of harvesting and storage equipment. The programme will provide part of the costs for the services of one or more NGO, acting on behalf of MOA, to supervise and manage the pilot programme (IFAD will seek to identify bilateral donors interested in providing grant funding for this activity).

22. A **credit fund** will be established with one or more commercial bank selected by means of competitive bidding. The programme will provide funds to finance a wide range of income-generating enterprises in the participating villages; and contribute to a credit risk fund, the cost to be

shared with the participating bank(s) and the borrowers. It is anticipated that these funds will be used mainly for: establishment of perennial crops, including olives, on newly reclaimed lands and of perennial crops on other land within the villages; inputs and services for seasonal crops; and other village-based income-generating enterprises, mainly for women.

23. The programme will provide **programme management and institutional support** through the establishment of a programme management unit (PMU) in the MOA for the five-year implementation period. It will also provide support for the establishment of a programme financial unit (PFU) in the Ministry of Finance.

— Support for the PMU will consist of:

(a) basic office equipment and furnishings, including two complete computer units for the office;
(b) three vehicles for the use of PMU staff in their official programme duties;
(c) technical assistance: programme management adviser (24 months); monitoring and evaluation (M&E) specialist (five months); support for MOA's soil and water department (three months); and water harvesting specialist (three months);
(d) funding for PMU office activities and vehicle operations and maintenance (O&M); and
(e) training for MOA staff.

— Support for the PFU will consist of:

(a) office equipment: two computer units and peripherals;
(b) funding for office operations; and
(c) technical assistance: programme accounts and reporting specialist (three months).

D. Costs and Financing[4]

24. The estimated cost of the programme amounts to USD 24.9 million equivalent, including physical contingencies of 15% on civil works and price contingencies amounting to 8% of total base costs. An import duty of 20% has been assumed on vehicles and imported equipment and a value-added tax of 17% is included for local goods and contracted services. A summary of programme costs is given in Table 1.

25. PLO/PA will be the recipient of all programme funding, through the FGWB, of which IFAD will finance approximately USD 7.81 million on highly concessional terms. Additional loan financing of USD 7.86 million will be provided by the Arab Fund for Economic and Social Development (AFESD), and grant financing is currently being sought for about USD 0.68 million to cover the cost of technical assistance and training. The Organization of Petroleum Exporting Countries Fund for International Development (OPEC Fund) has expressed interest in providing funds for this purpose, and other bilateral and multilateral donors are being approached. The PA’s contribution of about USD 2.98 million equivalent will cover the cost of incremental salaries and allowances for PA staff and all taxes, duties, license fees and statutory levies. The beneficiaries will provide labour equivalent to about USD 5.4 million as an in-kind contribution. One or more commercial bank will contribute towards the establishment of the Credit Risk Fund in an amount to be negotiated with the bank(s). The programme’s financing plan is given in Table 2.

[4] See Appendix V for additional information.

TABLE 1: SUMMARY OF PROGRAMME COSTS*
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Land reclamation and improvement	11 885	215	12 100	2	57
Crop production	266	77	340	23	2
Credit fund	696	3 545	4 241	84	20
Programme management and institutional support	3 345	1 358	4 702	28	22
Total base costs	**16 192**	**5 195**	**21 383**	**24**	**100**
Physical contingencies	1 757	2	1 760	-	8
Price contingencies	1 693	58	1 751	3	8
Total programme costs	**19 642**	**5 255**	**24 894**	**21**	**116**

* Discrepancies in totals are due to rounding-up of figures.

E. Procurement, Disbursement, Accounts and Audit

26. The PFU will be responsible for all procurement, on behalf of MOF, to be carried out in accordance with IFAD's procurement guidelines. For the procurement of vehicles and for any major orders, e.g., computers, procurement will be handled through appropriate arrangements acceptable to IFAD.

TABLE 2: FINANCING PLAN*
(USD million)

Components	AFESD		IFAD/FGWB		Grant Co-Financier		Commercial Bank		Beneficiaries		PLO/PA		Total		Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Land reclamation and improvement	7.86	51.4	0.37	2.4	-	-	-	-	5.39	35.2	1.67	10.9	15.29	61.4	1.67
Crop production	-	-	0.34	86.7	-	-	-	-	-	3.4	0.04	9.9	0.39	1.6	0.04
Credit fund	-	-	3.94	95.3	0.01	0.7	0.16	4.0	-	-	0.00	-	4.14	16.6	0.00
Programme management and institutional support	-	-	3.15	62.1	0.65	12.8	-	-	-	-	1.27	25.1	5.07	20.4	0.63
TOTAL DISBURSEMENT	**7.86**	**31.6**	**7.81**	**31.4**	**0.68**	**2.7**	**0.16**	**0.7**	**5.39**	**21.7**	**2.98**	**12.0**	**24.89**	**100.0**	**2.34**

* Discrepancies in totals are due to rounding-up of figures.

27. The allocation of responsibility for arranging recruitment and contracting for TA will depend on the source of grant financing. IFAD will assist PA with the recruitment of TA to ensure timely programme start-up, including the establishment of programme accounts and reporting systems. Major TA will be arranged as soon as possible after loan effectiveness.

28. The PMU/MOA will be authorized to procure locally-available goods and services with individual order values not exceeding USD 5 000, in accordance with the annual work plan and budgets (AWPBs) and with the concurrence of PFU. The PMU will be responsible for finalizing the terms of reference for NGO services and the tender documents, but the final selection of NGOs will be the responsibility of the contracts committee. Payments to NGOs will be made by PFU based on certification of satisfactory performance from PMU, the latter to be responsible also for operations and maintenance (O&M) costs for the vehicles and equipment assigned to it. Service contracts for all vehicles and equipment (mainly computers) will be arranged at the time of procurement.

29. As civil works contracts are unlikely to exceed USD 200 000 per contract, they will be awarded through local competitive bidding (LCB). It is the general practice of international agencies operating in the WBGS to procure vehicles from local or Israeli dealers through either LCB or local shopping. Computers and similar items of equipment are procured by the same methods.

30. **Disbursement.** The loan will be disbursed over a period of five years through a parallel disbursement arrangement between IFAD and AFESD, the major cofinancier of this programme. Disbursements are expected to accelerate as of the second year and thus speed up implementation. A number of start-up activities are expected to be completed before the programme gets under way by means of an SOF grant of USD 90 000. To facilitate smooth implementation and ensure that funds for the programme are readily available, the PA will open a Special Account in United State dollars, into which IFAD will make an initial deposit of USD 500 000 once the loan becomes effective. The Special Account will be used to finance IFAD's share of eligible expenditures. The closing date of the loan is 30 June 2004.

31. **Accounts and audit.** The maintenance of consolidated programme accounts and financial reporting in accordance with IFAD requirements will be the responsibility of PFU/MOF and internal auditing will be undertaken by the PA's audit board. External audits will be undertaken by an acceptable firm of international auditors, several of which have offices in the WBGS. The external audit report will be submitted to IFAD no later than six months after the end of the Borrower's fiscal year.

F. Organization and Management[5]

32. The programme is the largest intervention in which MOA/PA, during its brief history, will play a major role, and the first agricultural programme to be implemented in WBGS under loan financing. Furthermore, the programme's large credit component will be the largest single programme for rural credit ever undertaken in the WBGS, and there are no precedents for an organizational structure to implement a large loan-financed programme. The MOF and MOA will play key roles in programme implementation together with the NGOs and commercial bank(s).

33. The major responsibilities of MOF, through the PFU, are to ensure the smooth flow of funds in accordance with the AWPB, perform programme accounting and financial control, and ensure that internal/external audit reports are prepared on time. The MOA will be entrusted with overall

[5] See Appendix VI for additional information.

responsibility for programme implementation, through the PMU. The specific responsibilities of PMU will include preparation and execution of the AWPB; and coordination with farmers' organizations, NGOs, commercial banks and PFU/MOF.

34. In order to ensure proper technical and managerial coordination of the programme and maintain continuous contacts with the beneficiaries, four committees will be established: programme steering committee (PSC) to handle policy issues and resolve conflicts; village selection committee (VSC) to ensure that participating villages are selected in accordance with established criteria; contract review committee (CRC), responsible for the selection of the NGOs; and a technical review committee (TRC) to deal with the technical aspects of land improvement and agricultural production. Beneficiary involvement in programme implementation will be ensured through various workshops, in particular the beneficiary planning and orientation workshop and the programme performance review workshop. Every effort will be made to ensure that women are adequately represented in all committees and workshops. Details of programme organization and management, including the credit delivery system, are given in Appendix VI.

35. The selected commercial bank(s) will be responsible for onlending and recovery of programme funds. It/They will be expected to share the lending risks of the Credit Risk Fund set up within the credit programme. The bank(s) will be selected on the basis of its/their experience and solid financial standing, branch network(s), and the extent of risk-sharing assumed for the credit programme.

36. The NGO(s) will be engaged to provide comprehensive services in the selection, organization, motivation and training of the beneficiaries in addition to technical assessment and site supervision of areas selected for land development. This will involve: (a) a participatory planning specialist to assist the programme in the selection and organization of the beneficiaries; and (b) technical site supervisors to assist farmers on a day-to-day basis with land improvements in the selected areas. The technical site supervisors will be supervised by senior site engineers provided by one of the NGOs, which will be represented on the various programme committees. Another NGO will support the implementation of the pilot activity, which aims at improving the quality of olive production and processing to promote exports of high-quality olive oil.

37. **Monitoring and evaluation.** Programme performance will be monitored regularly through a participatory monitoring system, the management of which will be ensured by means of regular programme performance review workshops and surveys. In addition, a computerized Programme Management Information System (ProMIS) will be introduced to collect and process programme data to facilitate the financial and technical monitoring of the programme. A monitoring and evaluation (M&E) specialist will be recruited to operate ProMIS and assist in its testing. The M&E specialist will validate a tentative list of key M&E indicators; and assist MOA/PMU in the design and implementation of surveys, to be carried out over a five-year period, covering villages entering the programme each year.

G. Economic Justification[6]

38. The primary justification for the programme is that it will provide increased incomes and employment opportunities to some 3 600 rural families in the programme area. The special procedures for selection of programme sites and individual participants, which are embodied in the programme's design, will ensure that the beneficiaries are mainly within the poorest one third of the rural population.

[6] See Appendix VII for additional information.

39. Women will share fully in the benefits generated by the programme through increased income and greater economic security for the family. Improved agricultural roads and spring development will also benefit women, who supply a significant proportion of agricultural labour. Women will play an active role in the decision-making process through their participation in programme committees responsible for designing and overseeing programme implementation at the village level.

40. The Economic Internal Rate of Return (EIRR) for the programme is about 19%. The calculation of switching values shows that, for the EIRR to fall to 10%, either the costs would have to increase by 122% or the benefits would have to fall by 55%.

41. The programme will generate substantial secondary benefits that have not been quantified for inclusion in the EIRR analysis. These include capacity building of the PA, installation of a rural finance system in collaboration with the private sector, strengthening farmer capacity at the village level and enhancing the work of the NGOs.

H. Risks

42. There are no particular risks associated with the proposed technologies for crop production and land improvement and reclamation. The core technologies have been successfully used in the implementation of a large number of small programmes in the programme area over the past decade.

43. The main risk is that implementation will be delayed due to lack of experience among the executing agencies in implementing sizeable projects, especially loan-financed projects. Potential obstacles to effective implementation are as follows:

(a) **Programme bottlenecks**. MOA has an ever-increasing load of relatively small projects which it is expected to coordinate, if not implement. These projects are supported by a number of donors, each with their own requirements (usually statutory) for accounting and reporting and there are already signs of excessive workloads within MOA. Programme management will require the full-time services of three or four MOA staff members, including a senior officer to be designated as programme manager. Failure to appoint capable, full-time PMU staff at an early stage could cause serious delays in implementation.

(b) **Flows of funds**. The PFU/MOF must be established and competently staffed at an early stage to ensure the prompt and steady flow of programme funds from the lending institutions to the implementing agencies. It will be equally important to recruit TA for the accounts and reporting system at an early stage, given the lack of experience within MOF in administering external development loan funds.

44. Another risk relates to over-rigid implementation of the programme, and thus a flexible approach must be followed. Selection of villages and beneficiaries will be made on an annual basis. The area specified for land development/reclamation for each village is an indicative average used to obtain an overall component cost estimate. Good professional judgement will be required, in consultation with the beneficiaries, in the selection of development areas for each village. Programme costs for the component must be carefully monitored to ensure that funds are not over-expended in the early years, which would reduce the funding available for villages entering the programme in later years.

45. Finally, poor repayment performance could threaten the sustainability of the credit fund in the latter years of the programme. This risk will be addressed by:

(a) orientation of potential borrowers and basic training in financial management and the benefits/obligations of credit;
(b) peer pressure among borrowers;
(c) training of the field credit officers (FCOs);
(d) establishment of a management information system (MIS) for credit fund operations to provide early warnings of debt-servicing problems;
(e) close coordination of the credit programme in providing technical and village development initiatives for each village;
(f) technical/financial appraisal of the proposed end-uses; and
(g) risk-sharing by the participating bank, thereby ensuring its active participation in loan recovery.

I. Environmental Impact

46. The programme has been designed to make better use of WBGS's limited natural resource base, with emphasis on soil and water resources. This will result in:

(a) construction and rehabilitation of terraces, improved standards of farm access roads and construction of water-collection cisterns to reduce rain run-off and soil erosion;
(b) protection of the soil surface by replanting barren or overgrazed hillsides;
(c) improved water-use efficiency in spring irrigation schemes; and
(d) improved awareness of, and ability to deal with, environmental problems by technical staff and beneficiaries.

47. Improper use of agricultural chemicals, especially herbicides and pesticides, in WBGS is being addressed by other externally-supported programmes and projects. MOA's soil and water directorate, to be strengthened under the programme, will be responsible for monitoring residue levels and soil or water contamination. The directorate's laboratory will be upgraded for this purpose. The participatory planning specialists (PPSs) and technical advisers will be responsible for training beneficiaries in the use of agricultural chemicals. No significant increase in chemical fertilizers is envisaged but greater use of organic fertilizers will be encouraged.

48. Badly-designed field access roads can have an adverse impact on the environment. Care will be taken to ensure that rain run-off from roads does not cause erosion, and that sufficient numbers of culverts are installed. The advantage of good road design is that water can be collected for channelling into ponds or cisterns.

49. The use of heavy earth-moving equipment for land reclamation and road construction will need to be carefully supervised to ensure that the contractors do not damage land, crops or existing infrastructures. Any unavoidable damage must be repaired as a condition of payment to the contractor.

J. Innovative Features

50. The fact that IFAD has joined the international community in contributing to the development of the WBGS's agricultural sector through direct lending to the PA is an innovation in itself. The programme evolves around the following innovations:

(a) a flexible programme approach which defines the major boundaries in terms of area, activities and implementation arrangements. The exact details will be worked out in full collaboration with beneficiaries via their organizations;

(b) heavy reliance on the contract approach, involving the beneficiaries, the PA, NGOs and the private sector;
(c) establishment of various participatory platforms at the planning level, during implementation and for evaluation purposes; and
(d) the private sector playing a major role in the programme and sharing its risks, particularly with regard to rural finance.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

51. A loan agreement between the Palestine Liberation Organization and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

52. The Palestine Liberation Organization is empowered under the Israeli/Palestinian Interim Accord of 28 September 1995 to "conduct negotiations and sign agreements" with international organizations and is empowered under its laws to borrow from IFAD.

53. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD and Resolution 107/XXI of the Governing Council.

PART IV - RECOMMENDATION

54. I recommend that the Executive Board approve the proposed loan and the transfers in terms of the following resolution:

RESOLVED: that the Fund shall transfer an amount in various currencies equivalent to five million eight hundred thousand Special Drawing Rights (SDR 5 800 000) and an amount equivalent to ninety thousand United States dollars (USD 90 000) to the IFAD Fund for Gaza and the West Bank, to be administered by the Fund in accordance with Resolution 107/XXI of the Governing Council.

FURTHER RESOLVED: that the Fund shall make a loan to the Palestine Liberation Organization in various currencies in an amount equivalent to five million eight hundred thousand Special Drawing Rights (SDR 5 800 000) from the IFAD Fund for Gaza and the West Bank to mature on and prior to 15 April 2038 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

ANNEX

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 13 March 1998)

1. For the purposes of the Loan Agreement, the General Conditions Applicable to Loan and Guarantee Agreements of IFAD will be modified as follows:

(i) Article V will be deleted in its entirety;

(ii) all references in the General Conditions to "the Cooperating Institution" will be deemed to refer to "IFAD"; and

(iii) Section 9.03 (Cancellation by IFAD) will be modified to add a new clause, to read as follows:

"If... (c) at any time, IFAD determines, with respect to any contract to be financed out of the proceeds of the Loan or the Grant, that corrupt or fraudulent practices were engaged in during the procurement or the execution of such contract, without the PLO having taken timely and appropriate action satisfactory IFAD to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan or the Grant, or".

2. The PLO will make the proceeds of the loan available to the Palestinian Authority under a subsidiary agreement to be entered into between the PLO and the Palestinian Authority (hereinafter called "the PA subsidiary agreement"), under terms and conditions acceptable to IFAD.

3. The PLO will cause the Palestinian Authority to make available to the Participating Commercial Bank(s) (PCB(s)) from the loan an amount, equivalent to the amount allocated to incremental credit, under a subsidiary loan agreement acceptable to IFAD (hereinafter called "the PCB subsidiary loan agreement(s)"), for carrying out the credit component of the programme. Pursuant to the PCB subsidiary loan agreement(s), the PCB(s) will, *inter alia*:

(i) repay the amount of the PCB subsidiary loan(s) on-lent to the PCB(s) in no more than ten (10) equal or approximately equal semi-annual instalments after a grace period of not less than three (3) years and not more than five (5) years; and

(ii) pay interest at a rate of no more than four per cent (4 %) per annum on the principal amount of the PCB subsidiary loan(s) withdrawn and outstanding from time to time.

4. The PLO will cause the Palestinian Authority to open and thereafter maintain in a bank, satisfactory to IFAD, a programme account, held in United States dollars, into which the PLO will deposit an initial amount of USD 125 000 from its own resources and will thereafter annually in advance replenish the programme account by depositing the required local counterpart funds to be provided by the PLO as estimated in the Annual Work Programme and Budget (AWPB). The Palestinian Authority will be fully authorized to operate the programme account.

5. The PLO will take or will cause the Palestinian Authority to take reasonable measures to ensure that the programme is carried out with due diligence in regard to environmental factors and in conformity with environmental legislation applicable in the programme area and any applicable international environmental treaties, including the maintenance of appropriate agricultural pest management practices, where applicable. To that end, the PLO will ensure or will cause the Palestinian Authority to ensure that the pesticides procured under the programme do not include any pesticide, either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) or 2 (Highly Hazardous) of the WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1996-97, as amended from time to time.

6. During the execution of the programme, the PLO and IFAD will periodically review the interest rates to be applied to the credits to be made out of the proceeds of the loan. The PLO, if necessary, will take appropriate measures, consistent with the policies of the borrower in order to harmonize the interest rates on credit with IFAD's policy on re-lending rates. In the implementation of the above, the PLO will ensure that the PCB(s) minimize its (their) costs in executing the credit component of the programme, as it affects its (their) margin of the interest spread.

7. No withdrawals from the loan account will be made for the purpose of any payment to persons or entities, or for any import, of goods, if such payment or import, to the knowledge of IFAD, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

8. The PLO will cause the MOF to establish a Programme Financial Unit (PFU), within MOF, with responsibility for the maintenance of programme accounts and the overall management and flow of programme funds to ensure the effective and timely implementation of the programme. The core staff of the PFU will be released from their present duties and will assume full-time responsibility for matters related to the programme.

9. The PLO will cause the MOA to establish a Programme Management Unit (PMU) within MOA with the minimum number of full-time staff necessary to ensure smooth implementation. The PMU will be headed by a programme director. The PMU will be vested with the necessary statutory authority to undertake the responsibilities assigned to it. The PMU will receive technical back-stopping from the staff skills available in MOA.

10. The PLO will cause the Palestinian Authority to establish the PSC under the authority of its President and to provide it with the necessary legal authority to fulfil its responsibilities. The PSC will provide high-level supervision and monitoring of the programme to: (i) ensure consistency with the policies and priorities of the Palestinian Authority that may be in force from time-to-time; (ii) review the budgetary implications of the programme; (iii) ensure effective coordination among the agencies and institutions involved in the implementation of the programme; and (iv) provide guidance and assistance towards the resolution of problems requiring high-level or inter-ministerial intervention.

11. The PLO will cause the Palestinian Authority to establish an inter-agency Village Selection Committee (VSC) to undertake the official selection of villages entering the programme. The VSC will meet once each year to consider the recommended shortlist of candidate villages prepared by the PMU, on behalf of the MOA.

12. The PLO will cause the Palestinian Authority to establish a Contracts Review Committee (CRC) with primary responsibility for recommending the selection of the participating NGO(s) to the MOA. The composition of the CRC will be satisfactory to IFAD.

13. The PLO will cause the Palestinian Authority to establish a Technical Review Committee (TRC) with composition satisfactory to IFAD, to review, on an annual basis, the technical implementation experiences of the programme over the previous 12 months focusing on the technical aspects of the land reclamation and improvement component of the programme. The TRC will report to the MOA through the PMU.

14. The PLO will cause the Palestinian Authority to engage one or more NGOs, acceptable to IFAD, under contract to provide services, in collaboration with MOA, in: (i) the selection, organization, motivation and training of beneficiaries; and (ii) technical assessment and site experience of blocks selected for land development.

15. The PLO will cause the Palestinian Authority to submit to IFAD for its review and comments, the draft AWPB, based on the work programmes and budgets prepared by each of the implementing agencies for the programme, no later than 31 January of each fiscal year of the PLO. The borrower will cause the Palestinian Authority to consider the comments of IFAD on the said AWPB prior to its finalization.

16. A Mid-Term Review (MTR) of the programme will be carried out jointly by the Palestinian Authority, IFAD and AFESD no later than the third year of the implementation of the programme. The MTR will, *inter alia*, be used to evaluate the achievement of the objectives of the programme and its constraints, as well as such design reorientation as may be required to achieve the said objectives and remove the said constraints. The findings of the MTR will be communicated promptly by IFAD to the PLO for discussion jointly with IFAD and AFESD. The PLO will ensure that the recommendations of IFAD resulting from the MTR are implemented within a reasonable time thereafter and to the satisfaction of IFAD.

17. The PLO will cause the PMU to submit progress reports, in a format acceptable to IFAD, no later than 30 days after the end of each quarter and no later than 45 days after the end of each financial year. The PLO will cause the PMU to submit a programme completion report in a format acceptable to IFAD no later than six months after the closing date.

18. The PLO will cause the PCB(s) to apply the following terms, conditions and procedures to the credit component of the programme.

(a) Eligibility criteria:

(i) all households selected through the beneficiary selection process for agricultural and land development activities;

(ii) other households and individuals, especially women, interested in undertaking credit-financed small, income-generating enterprises; and

(iii) other non-wealthy farm households needing credit financing for seasonal crop production inputs.

(b) Equity contribution:

(i) for land and water development: pro rata unpaid household labour contribution for all manual labour requirements; from less-poor households with land in the development blocks, a cash contribution (in addition to labour) ranging from 20% to 50% of cash development costs;

(ii) for perennial crop establishment loans (investment): all labour requirements and 10% to 25% share of cash costs, depending on the economic circumstances of the household;

(iii) for short-term seasonal crop production loans: minimum of 10% of cash costs; and

(iv) for non-crop enterprise loans: all labour plus a minimum of 10% of cash costs.

(c) Loan sizes:

(i) perennial crop establishment: a maximum of USD 200 per dunum and a maximum of 20 dunum per household;

(ii) short-term seasonal crop production loans; a maximum of USD 75 per dunum and a maximum of 20 dunum per household; and

(iii) non-crop enterprise loans: an indicative maximum of USD 2 000 per enterprise.

(d) Considerable flexibility will be permitted in determining loan sizes, given the variability of conditions from village-to-village and among beneficiaries. The loan size criteria will be reviewed on an annual basis.

(e) It is anticipated that the interest rate to borrowers will be in the range of 6.5% - 7.0%, but the final determination will depend on the rate at which funds are provided to the PCB(s) by the MOF under PCB subsidiary loan agreement(s).

(f) A penalty interest rate of 12% will be charged on overdue accounts, but this will be determined on a case-by-case basis.

(g) Repayment terms:

(i) short-term loans: a single payment, principal plus interest, within 12 months;

(ii) medium-term loans: some flexibility, but generally one-year grace period on interest and principal payments with interest capitalized for one year; repayment over the following three years for a total loan term of four years. Shorter (but not longer) terms will be possible; and

(iii) long-term loans: two-year grace period and repayment over five years thereafter. Shorter repayment terms will be possible, depending on circumstances.

19. The PLO will cause the PCB(s) to establish a credit risk fund with contributions from the proceeds of the Loan allocated thereto and the PCB(s). The credit risk fund will cover 100% of loans outstanding as they become due. Balances held in the credit risk fund will be adjusted from time to time, in light of repayment performance.

20. No withdrawals from the loan account will be made in respect of payments made for expenditures until:

(a) the PLO shall have caused the Palestinian Authority to establish an initial accounting system for the transfer of funds from MOF/PFU to the PMU and the PCB(s);

(b) the PLO shall have caused the Palestinian Authority to establish the PA refundable tax fund, acceptable to IFAD; and

(c) the PLO shall have caused the Palestinian Authority to select the PCB, acceptable to IFAD, and shall have executed the PCB subsidiary loan agreement(s), acceptable to IFAD.

21. The following is specified as an additional condition precedent to the effectiveness of the Loan Agreement:

The PLO shall have caused the Palestinian Authority to establish the PFU and the PMU and to appoint the programme director in PMU and the programme financial manager in PFU, with qualifications and expertise acceptable to IFAD, and shall have granted appropriate administrative status to both of the said officers.

COUNTRY DATA - WEST BANK AND GAZA

Land area (km^2 thousand) 1994 1/	**n.a.**	**GNP per capita (USD) 1995 2/**	**n.a.**
Population (million) 1996 4/	**2.24**	**Average annual real rate of growth of GNP per capita, 1985-95 2/**	**n.a.**
Population density (population per km^2) 1995 1/	**n.a.**	**Average annual rate of inflation, 1985-95 2/**	**n.a.**
Local currency	**n.a.**	**Exchange rate: USD 1 =**	**3.52 NIS**

Social Indicators		**Economic Indicators**	
Population (average annual rate of growth) 1980-95 1/	3.9	GDP (USD million) 1996 4/	n.a.
Crude birth rate (per thousand people) 1996 4/	45	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1996 4/	6.7	1980-90	n.a.
Infant mortality rate (per thousand live births) 1996 4/	37	1990-95	n.a.
Life expectancy at birth (years) 1996 4/	70		
		Sectoral distribution of GDP, 1995 1/	
Number of rural poor (million) 1/	n.a.	% agriculture	n.a.
Poor as % of total rural population 1/	n.a.	% industry	n.a.
Total labour force (million) 1996 4/	0.5	% manufacturing	n.a.
Female labour force as % of total, 1997 4/	12.1	% services	n.a.
Education		Consumption, 1995 1/	
Primary school enrolment (% of age group total) 1993 1/	n.a.	Government consumption (as % of GDP)	n.a.
Adult literacy rate (% of total population) 1996 4/	83.9	Private consumption (as % of GDP)	n.a.
		Gross domestic savings (as % of GDP)	n.a.
Nutrition			
Daily calorie supply per capita, 1992 3/	n.a.	**Balance of Payments (USD million)**	
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	n.a.	Merchandise exports, 1995 1/	n.a.
Prevalence of child malnutrition (% of children under 5) 1989-95 1/	n.a.	Merchandise imports, 1995 1/	n.a.
		Balance of trade	n.a.
Health			
People per physician, 1993 1/	n.a.	Current account balances (USD million)	
People per nurse, 1993 1/	n.a.	before official transfers, 1995 1/	n.a.
Access to safe water (% of population) 1990-96 3/	n.a.	after official transfers, 1995 1/	n.a.
Access to health service (% of population) 1990-95 3/	n.a.	Foreign direct investment, 1995 1/	n.a.
Access to sanitation (% of population) 1990-96 3/	n.a.	Net workers' remittances, 1995 1/	n.a.
		Income terms of trade (1987=100) 1995 1/	n.a.
Agriculture and Food			
Cereal imports (thousands of metric tonnes) 1994 1/	n.a.	**Government Finance**	
Food imports as percentage of total merchandise imports 1993 1/	n.a.	Overall budget surplus/deficit (as % of GDP) 1994 1/	n.a.
Fertilizer consumption (hundred grams of plant nutrient per arable ha) 1994/95 1/	n.a.	Total expenditure (% of GDP) 1994 1/	n.a.
Food production index (1989-91=100) 1995 1/	141	Total external debt (USD million) 1995 1/	n.a.
Food aid in cereals (thousands of metric tonnes) 1994-95 1/	n.a.	Total external debt (as % of GNP) 1995 1/	n.a.
		Total debt service (% of exports of goods and services) 1995 1/	n.a.
Land Use			
Agricultural land as % of total land area, 1994 1/	n.a.	Nominal lending rate of banks, 1995 1/	n.a.
Forest and woodland area (km^2 thousand) 1990 1/	n.a.	Nominal deposit rate of banks, 1995 1/	n.a.
Forest and woodland area as % of total land area, 1990 1/	n.a.		
Irrigated land as % of arable land, 1994 1/	n.a.		

n.a.: not available.
Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1997
2/ World Bank, *Atlas*, 1997
3/ UNDP, *Human Development Report*, 1997
4/ World Bank, *Development Under Adversity? The Palestinian Economy in Transition Report, 1997*

PREVIOUS IFAD GRANT

		Gaza Strip and Jericho Relief and Development Programme	
Total Project Cost (USD million)		12.50	
Amount of IFAD Grant (USD million)		3.00	Disbursed 86.03%
Date Approved	5-Dec-93		
Original Closing Date	31-Dec-97		
New Closing Date	31-Dec-99		
Co-financiers (USD million)	Belgium	3.00	Disbursed 36.42%
	Italy	0.80	Disbursed 58.13%
	Arab Fund	1.00	Pledged
	Japan	0.40	Recently approved

LOGICAL FRAMEWORK

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
GOAL Make full and efficient use of available natural agricultural resources.	The land area under productive cultivation is increased and natural resources are used more efficiently.	National statistics, site records and reports.	The peace process continues. Resources remain under Palestinian control.
OBJECTIVE Increase the incomes and assets of small farmers.	Incomes of the target group are increased.	National statistics and monitoring and evaluation reports	Project pipeline log remains open and participants interest maintained.
OUTPUTS Enhanced productivity through better developed and managed land and water resources.	Productivity levels are increased; additional land under cultivation.	Programme reports, MOA documents, Agricultural statistics.	Effective management and collaboration between government bodies, PMU and beneficiaries.
ACTIVITIES **Land reclamation and rehabilitation**: About 24 000 dunums of land developed / reclaimed and planted with field and / or tree crops.	Increased intensity of land-use in programme areas. Increased employment in agriculture. Increased production of fruit, olives and field crops.	Land use statistics and maps. Employment / unemployment statistics. Production statistics, programme reports.	Sufficient areas of suitable land are available. Sufficient rainfall for seedlings to develop for two years after planting. Individuals are willing and able to invest in land reclamation and / or rehabilitation. No interference with reclamation or rehabilitation work.
Field access road construction as an integral part of land development.	Four meter wide tracks opened along valleys / hillsides.	Aerial photos, land-use maps, observation, programme reports.	Suitable land is identified, beneficiaries agree on the location of the road and are willing to invest in its construction.
Water management: springs, wells and cisterns developed and / or rehabilitated for domestic and agricultural use	Rehabilitation of existing springs and wells, old cisterns rehabilitated and new cisterns constructed.	Water discharge rate records, water analysis results, programme reports of amount of water stored and used by beneficiaries.	No obstacles to continued spring and well rehabilitation. Potential family disputes over water sharing and use are resolved.
Olive management. Activities include replanting or interplanting of trees and other crops, supplementary irrigation, pruning, improved harvest practices, and prompt processing.	Increased average yields; reduced biennial yielding tendency; and increased production of good quality olive oil.	Price of olive oil, agricultural statistics, programme reports, baseline and follow-up surveys.	Modern olive production and processing facilities are available; oil press owners will cooperate; appropriate technology is explained to farmers and adopted; marketing channels remain open.

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
Credit available to both men and women beneficiaries who would otherwise have no access to institutional credit.	Number, sex and socio-economic status of borrowers; type of enterprises financed and financial returns; net asset creation resulting from borrowing.	Loan documents, credit agreements, programme monitoring and evaluation reports.	A qualified commercial bank is identified; a mutually satisfactory secondary loan agreement is concluded between the bank and MOF; an adequate number of financially-feasible enterprises identified; credit terms and conditions for borrowers acceptable and fair.
Project planning and facilitation services provided through project committees at the village level comprising men and women whit access to land and willing and able to develop it.	Project committees formed and operational with a president, secretary and treasurer supported initially by a team of two PPS.	Minutes of meetings, participatory monitoring reports, programme monitoring and evaluation reports.	Appropriate staff identified and available for the PPS positions. Share-croppers and women are given permission by landowners to develop land and reap a long-term benefit from it. Project committee meetings are held regularly.
Technical support services in soil and water management improved.	MOA's soil and water directorate strengthened, equipment upgraded, four vehicles purchased, laboratory accredited by Food Analysis Performance Assessment Scheme (FAPAS), staff trained and specialised consultant engaged.	Project reports, laboratory records, equipment operational, consultant's contract finalized, staff training course notes, FAPAS accreditation certificate.	Suitable consultant is identified and available, necessary laboratory equipment is obtainable, staff are receptive to training, documentation needed for accreditation is available.
PMU formed as part of the policy and planning directorate of MOA. Responsibilities include day-to-day programme management, supervision of contract service providers, direct implementation, monitoring, programme reporting.	PMU staffed with programme director, assistant director, financial manager, a secretary and driver. Offices rented, 2 vehicles, office equipment and computers purchased, and facilities operational.	PMU staff contracts finalized, receipts of purchases and workplans.	Roles of individuals and institutions are clearly defined, appropriate staff are identified and available, appropriate office equipment and vehicles obtainable.
Ministry of Finance: responsible for establishing a special account for disbursement of programme funds to implementing agencies.	Implementation funds are disbursed; secondary loan agreement in place.	Financial accounts, programme reports, secondary loan agreement document.	There are no delays in the release of funds; the secondary loan agreement is not delayed; with assistance of short-term TA, the MOF will be able to effectively discharge its responsibilities.

QUANTITATIVE INPUTS, TARGETS AND KEY PROGRAMME FACTORS

OBJECTIVES

To increase the incomes and living standard of small farmers in areas where there are few alternative income-generating possibilities by developing and managing land and water resources to conserve and enhance their productivity.

PROGRAMME EXPENDITURES

	PY1	PY2	PY3	PY4	PY5	Total
Civil works	807	1 817	2 266	2 461	2 061	9 412
Vehicles & equipment	644	219	277	233	207	1 570
Technical assistance	675	781	812	738	437	3 437
Beneficiary labour	371	954	1 225	1 392	1 239	5 181
Credit investment funds	66	479	938	1 251	1 320	4 054
Total Investment Costs	**2 563**	**4 250**	**5 518**	**6 075**	**5 264**	**23 654**
Recurrent Costs	**164**	**227**	**247**	**288**	**318**	**1 243**
Total Project Costs	**2 727**	**4 475**	**5 765**	**6 347**	**5 582**	**24 897**

INSTRUMENTS

The main instruments used in the implementation of the components are as follows:

Credit

1. The programme's on-lending scheme is based on a participatory credit union approach.
2. Credit-worthiness will be based on criteria agreed with the commercial bank.
3. The commercial bank will sign a management agreement with the Ministry of Finance.
4. The commercial bank will contribute to the risk guarantee fund.
5. Medium- and long-term loan sizes will be USD 200/dunum with maximum of USD 4 000 per household.
6. Short-term credit will be USD 75/dunum and maximum of USD 1 500/household.
7. Income-generation will be USD 2 000/enterprise.
8. Interest rate will be pegged to the LIBOR/US dollar plus allowance for administrative cost (2%).
9. Commercial bank will contribute 10-25% of outstanding loans in case of default as participation in risk/guarantee fund.

Land Development

1. Rehabilitation of about 18 050 dunums.
2. Establishment of about 19 800 new terraces.
3. Construction and rehabilitation of about 1804 cisterns for collection of rainwater.
4. Construction of 81 km of farm roads.
5. Rehabilitation of 50 springs.
6. Provision of 293 700 person-days of beneficiary labour.

Incremental

Incremental production at full development

	tonnes
Grapes	5 000
Plums	8 200
Cereals	3 800
Olives	2 385
Almonds	340
Vegetables	2 970

Net operating crop incomes at full development

	Gross Margin USD/dunum
Grapes	257
Plums	541
Olives	70
Almonds	100
Vegetables	50-500

Other Project Characteristics

1. Participatory approach will be initiated at the village level in collaboration with local/international NGO.
2. Credit will be targeted and supervised and group lending encouraged.

PROJECT COSTS

COMPONENTS	USD million	% Base Costs
Land improvement	12.099	57
Crop production	0.343	2
Credit funds	4.241	20
Project management	4.703	22
Total including contingencies	24.897	116

FINANCING

	USD million	%
IFAD/FGWB	7.8	31.4
AFESD	7.9	31.6
PLO/PA	3.0	12.0
Beneficiaries	5.4	21.7
Grant (co-financier)	0.7	2.8
Total	**24.9**	**100**

BENEFICIARIES

Estimated rural households benefiting directly and indirectly from programme interventions	70 000
Total programme area (ha)	120 000

ECONOMIC ANALYSIS

Financial IRR	minimum 11% maximum 92%
Economic IRR	19%
Average loan size/member	1 447
Interest on subloan	US dollar LIBOR + 2%

SUMMARY COST AND FINANCING TABLES

West Bank and Gaza Strip
Participatory Natural Resource Management Programme
Table 1: Components Programme Cost Summary

	(NIS)				(USD)				
	Foreign	**Total**	**% Foreign Exchange**	**% Total Base Costs**	**Local**	**Foreign**	**Total**	**% Foreign Exchange**	**% Total Base Costs**
Land improvement and reclamation	761 937	42 9	2	57	11 884	214 630	12 099	2	57
Crop production	275 076	1 2	23	2	265 537	77 486	343 023	23	2
Credit funds	12 583	15 0	84	20	696 405	3 544	4 241	84	20
Project management and implementation	4 819	16 6	29	22	3 345	1 357	4 702	29	22
Total BASELINE COSTS	18 439	75 9	24	100	16 192	5 194	21 386	24	100
Physical contingencies	8 257	6 2	-	8	1 757	2 326	1 759	-	8
Price contingencies	2 844	19 4	15	26	1 692	58 214	1 751	3	8
TOTAL PROJECT COSTS	21 291	101 6	21	134	19 642	5 254	24 897	21	116

West Bank and Gaza Strip
Participatory Natural Resource Management Programme
Table 2: Expenditure Accounts by Component - Base Costs
(USD)

	Land Improvement and Reclamation	Crop Production	Credit Funds	Project Management and Implementation	Total	Physical Contingencies %	Physical Contingencies Amount
I. Investment Costs							
Civil works	7 410 079	-	-	-	7 410 079	15.0	1 111 5
Vehicles and equipment	20 000.0	-	-	557 200.0	577 200.0	-	-
Technical assistance	-	-	-	588 000.0	588 000.0	-	-
NGO contracts	-	29 522.2	-	2 318 632	2 348 155	-	-
Community grants	-	-	-	42 478.0	42 478.0	-	-
Materials and supplies	388 952.0	309 374.6	2 022.8	189 012.3	889 361.6	1.9	16 683.8
Training	-	-	75 853.5	42 484.2	118 337.7	-	-
Beneficiary labour	4 071 655	-	-	-	4 071 655	15.0	610 748.3
Credit investment funds	-	-	3 544 600	-	3 544 600	-	-
Credit risk fund	-	-	618 528.5	-	618 528.5	-	-
Surveys and studies	-	-	-	68 875.0	68 875.0	-	-
Total investment costs	11 890 687	338 896.7	4 241 004	3 806 682	20 277 270	8.6	1 738 9
II. Recurrent Costs							
Salaries and allowances	-	-	-	468 587.0	468 587.0	-	-
Civil works O&M	206 827.3	-	-	-	206 827.3	10.0	20 682.7
Vehicle and equipment O&M	-	4 126.4	-	89 016.0	93 142.4	-	-
Office operations	2 069.3	-	-	338 488.8	340 558.1	-	-
Total recurrent costs	208 896.6	4 126.4	-	896 091.7	1 109 114	1.9	20 682.7
Total BASELINE COSTS	12 099 583	343 023.2	4 241 004	4 702 774	21 386 385	8.2	1 759 6
Physical contingencies	1 742 943	16 683.8	-	-	1 759 626	-	-
Price contingencies							
Inflation							
Local	3 757 965	66 037.8	14 913.5	837 113.2	4 676 029	-	-
Foreign	15 358.9	5 827.5	-	37 027.7	58 214.1	-	-
Subtotal inflation	3 773 324	71 865.3	14 913.5	874 140.9	4 734 243	-	-
Devaluation	-2 321 388	-39 041.2	-117 374.1	-505 251.7	-2 983 055	-	-
Subtotal price contingencies	1 451 935	32 824.1	-102 460.6	368 889.1	1 751 188	10.6	185 078.7
TOTAL PROJECT COSTS	15 294 462	392 531.1	4 138 544	5 071 663	24 897 200	7.8	1 944 7
Taxes	1 672 230	38 702.2	359.7	630 975.2	2 342 267	8.9	209 453.2
Foreign exchange	229 988.9	85 639.7	3 544 600	1 394 542	5 254 771	-	2 449.0

ORGANIZATION AND MANAGEMENT

Background

1. This programme is the largest intervention to be implemented by the MOA during the course of its brief history, and the first agricultural programme to be implemented in the WBGS under loan financing. The credit component will be the largest single programme for rural credit ever undertaken in the WBGS. There are no precedents in the WBGS for an organizational structure to implement a large loan-financed programme. Two government institutions will have major roles in programme implementation - MOF and MOA - together with two NGOs and a commercial bank. The project management organizational chart and the implementation schedule are given in Figures 1 and 2 respectively.

2. A number of considerations have been taken into account in proposing the organizational structure for programme coordination and implementation, of which the main ones are:

(a) the system should be as straightforward, uncomplicated and undemanding of scarce staff resources as possible;

(b) lines of authority and responsibility should be clearly and unambiguously specified;

(c) the system should not be designed as a "one-off" set-up for this programme alone but provide a sound basis for the organization of government institutions for future programmes; and

(d) provision of specialized TA to assist the implementing agencies in the processes of planning, budgeting, monitoring and control.

Agency Responsibilities

Ministry of Finance

3. The MOF will be the executing agency of the programme, on behalf of the PLO/PA. As such, it will be responsible for the receipt, disbursement (to the implementing agencies) and accounting of external loan funds. MOF will establish a PFU within the Ministry, the main function of which will to maintain programme accounts and overall management of programme funds to ensure effective and timely implementation.

4. The core staff of the PFU will be released from their present duties and will assume full-time responsibility for matters related to the programme. The PFU will be staffed with a financial manager, an accountant or senior acounts officer, an account clerk and a secretary.

5. To assist the PFU, the programme will provide two high-capacity computers, complete with the necessary word processing and accounting software and two high-quality laser printers. As may be required, the programme will provide training in the use of the accounting software. Short-term TA and appropriate advisory services will also be provided.

Ministry of Agriculture

6. The MOA will be the main implementing agency for the programme and will be charged with responsibility for ensuring that all aspects of implementation relating to farm and land development are carried out in accordance with the agreed programme plan.

7. A PMU will be established within MOA, attached to the department of policies and planning. Given the staff constraints faced by MOA, the PMU will have a minimum of full-time staff to ensure smooth implementation. In general, full-time PMU staff will consist of personnel required to administer the implementation responsibilities of MOA, including but not restricted to programme accounts and reporting. The core staff of the monitoring and evaluation (M&E) cell of the PMU will also be required on a full-time basis. The PMU will be headed by a project director, a director-level MOA staff member released from his other duties to act as project director for the duration of the programme. The PMU will have no other functions than the implementation of the PNRMP, on behalf of the MOA and under the authority of the Minister. It will be adequately staffed to carry out its management functions and will receive technical back-stopping from the staff skills available in MOA. Each technical directorate of MOA will appoint a liaison officer for the coordination and provision of technical inputs to the PMU, as may be required from time to time.

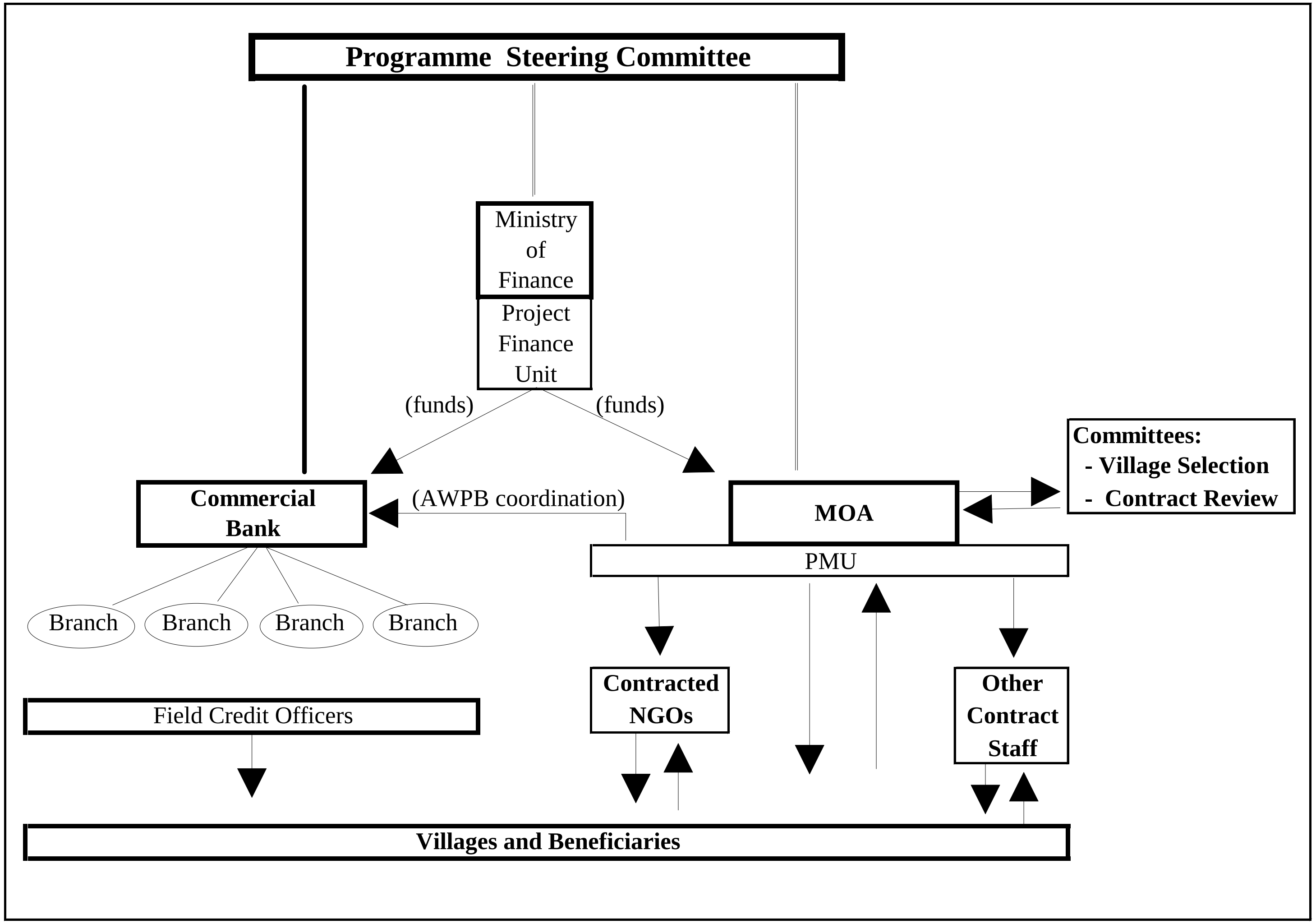
Committees and Boards

8. Programme Steering Committee. The major role of the PSC will be to perform high-level supervision and monitoring of the programme. It will be chaired by the Minister of Agriculture with secretariat services provided by the PMU. Membership will include representatives from MOF, Ministry of Local Government, Ministry of Planning and International Cooperation, Heads of District Administration for Ramallah, Nablus, Jenin and Tulkarem, Higher Commission for Investment and Finance and the Palestine Monetary Authority. Representatives from other agencies, both public and private, may be requested to attend PSC meetings on an *ad hoc* basis. The PSC will meet twice in PY 1 and once annually thereafter, or as often as required to address important issues affecting implementation.

9. Village Selection Committee. An inter-agency committee will be formed to supervise the official selection of villages entering the programme. The VSC will meet once a year to consider the recommended shortlist of candidate villages prepared by the PMU on behalf of the MOA. VSC membership will include the programme manager and representatives from the commercial bank(s), participating NGOs, and the district administrations in which the villages are located. The Chairperson will be encouraged to invite, on an *ad hoc* basis, representatives/resource persons from any organization with special knowledge of the general area or of the specific villages under consideretion.

10. Contracts Review Committee. The CRC will have primary responsibility for recommending the selection of the participating NGO(s) to the MOA, which will be ultimately responsibility for ensuring the satisfactory performance of those selected. The main purpose of establishing the CRC is to ensure maximum transparency in the selection process and elicit assessments from organizations that have had extensive experience in dealing with NGOs in the Palestinian Territories. The CRC will meet once in PY 1, following the official inception of the programme, once in PY 2 and possibly once in PY 3. Membership of the committee will be drawn from MOF, MOA, NGOs, possibly IFAD, and other agencies.

Programme Organizational Chart



Part A	**Pre-Inception**	**------ PY 1 ------**				**------ PY 2 ------**				**------ PY 3 ------**				**------ PY 4 ------**				**------ PY 5 ------**			
		1	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**
Appoint Project Manager	XX																				
Appoint PMU staff	XXX																				
Designate and prepare TOR for other seconded staff	XXXXXX																				
Establish PFU in MOF	XX																				
Begin preparation of draft AWPB for PY1	XXXXXXX																				
Finalize selection of participating commercial bank	XXX																				
Finalise subsidiary loan agreement	XXXXXX																				
Open Special Account(s)	XXX																				
Begin preparation of procurement tenders	XXXXX																				
Form the VSC	XXX																				
Initiate screening/selection process for PY1 villages	XXXXX																				
Preparations for inception workshop	XXXX																				
Identify and begin recruitment process for PY1 TA	XXXX	XX																			
Inception workshop		X																			
Complete and approve PY1 AWPB		XX	XX																		
Complete AWPB							XX				XX				XX				XX		
Final selection: PY1 villages		XX																			
Annual implementation review workshop							X			X				X				X			
Village selection for annual programme						XX				XX				XX				XX			
PSC meets	X		X				X				X		X		X				X		X

Schedule and Phasing of Key Events
By Quarter

Part B

	Pre-Inception	PY 1				PY 2				PY 3				PY 4				PY 5			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Select beneficiaries																					
Village baseline surveys																					
Physical implementation																					
Final arangements for olive oil pilot project; select villages				**XX**	**XX**	**XX**															
Implement oil pilot project																					
Prepare mid-term review evaluation/progress reports																					
Project mid-term review																					
Short-term TA inputs		XX	XX	XX				XX				XX									
Long-term TA inputs																					
Quarterly progress reports																					
Procurement of vehicles and equip.	**XXX**																				
Mintenance of field works and structures																					
Final selection of participating NGO(s)	**XXXX**																				
Beneficiary credit programme operational																					
Complete and approve PY1 AWPB		**XX**	**XX**																		
Complete AWPB							**XX**				**XX**				XX				XX		
Final selection: PY1 villages		**XX**																			
Annual implementation review workshop							**X**			**X**				X				X			
Village selection for annual programme						XX				**XX**				XX				XX			
Beneficiary credit programme operational																					

ECONOMIC AND FINANCIAL ANALYSIS

1. The farm models indicate that investments in land reclamation in the high-potential zone (Model 1) and in spring development (Model 3) will yield attractive financial returns, consistent with farmers' keen interest in these investments. The main constraint is lack of access to long-term finance, which the programme will overcome through the credit component. Model 1 will require a ten-year loan, to be paid off in equal instalments. Cash flow after debt service will be about break-even in year 3 and positive thereafter. Model 3 could be financed by a five-year loan and cash flow after debt service will be positive from year 2 onwards.

2. Investment in olive improvement (Model 4) is a new concept in the WBGS. Olives are regarded as a virtually zero input enterprise which provides useful income from time to time. Acceptance of the concept of investing time and money to boost production will take time, but the financial results should be attractive enough to ensure participation once successful results have been demonstrated.

3. Land reclamation in the low-potential zone (Model 2) represents a less attractive, although still viable investment, in view of the lack of alternative investment and employment opportunities in this region.

4. **Economic Analysis**. A conventional economic analysis has been undertaken for the land development and crop production components. Benefits are taken from the net incremental values of production, in economic values, resulting from, or made possible by, the programme's initiatives. These values are off-set by the economic costs of the programme. Economic costs are derived by eliminating all taxes and other transfer payments, all non-incremental costs and the cost of credit funds. Economic costs of beneficiary labour are taken at 70% of the going rural wage rates for ordinary labour. Costs for institutional strengthening, net of taxes and transfers, are included fully, although these initiatives will produce unquantified benefits that will extend in time and scope well beyond the programme

5. The economic benefit stream has been evaluated over a period of 40 years. This time stream is longer than usual because:

(a) the main crop from which benefits are derived (olives) have a long gestation period, but a very long productive life; and

(b) the land rehabilitation and reclamation initiatives financed by the programme can generate benefits over a very long period with low annual maintenance costs (which are included).

6. Modest incremental benefits are taken from the increased productivity of existing annual crop areas and incremental production from new areas of annuals intercropped with perennials for an assumed period of four years on the reclaimed lands. For this sub-analysis, wheat has been taken as a proxy for all annuals. Benefits are also taken from an incremental area of about 6 000 dunums (600 ha) of other perennials which might be established on the improved land base. This amounts to an incremental area of 5 ha per village. No direct benefits are taken from the spring and well improvement sub-component.

7. The Economic Internal Rate of Return (EIRR) for the programme is about 19%. Calculation of switching values shows that for the EIRR to fall to 10%, the costs would have to increase by 122% or the benefits fall by 55%.

8. **Unquantified benefits**. The programme will generate substantial secondary benefits that have not been quantified for inclusion in the EIRR analysis. Some of the most important of these include:

(a) enhanced capability to manage loan-financed programmes on the part of MOA and MOF;
(b) enhanced capabilities at the village level to effectively planning for a range of activities, thereby improving the demand-driven process for obtaining services and other assistance;
(c) provision of credit access to women and others who previously either had no access or did not come forward;
(d) permanent extension of rural financial services for the financing of a broad range of income-generating activities; and
(e) improved technical capabilities of MOA staff, with special reference to beneficiary involvement through a participatory process.

	Unit	Farm Model 1 a/	Farm Model 2 b/	Farm Model 3 c/	Farm Model 4 d/
Area	dunum	10	15	5	15
Crop mix					
grapes	dunum	2	-	-	-
plums	dunum	3	-	-	-
olives	dunum	5	10	-	15
almonds	dunum	-	5	-	-
cauliflower	dunum	-	-	1.5	-
cucumber	dunum	-	-	1.5	-
potatoes	dunum	-	-	2	-
Gross margin at full development (USD)		10 516	4 888	8 979	5 858
IRR		28%	12%	92%	23%
Net present value (USD)		41 279	4 441	38 157	14 547
Payback Period		6 years	10 years	3 years	7 years

a/ High potential zone (500-650mm rainfall, West Bank).
b/ Low potential zone (300-500mm rainfall, West Bank).
c/ Irrigated vegetables from spring development (300-500mm rainfall, West Bank).
d/ Olives with improved management.