



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventy-Sixth Session**  
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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED FINANCIAL ASSISTANCE

FOR THE

**REHABILITATION AND DEVELOPMENT PROJECT IN**

**GAZA AND THE WEST BANK**





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## CURRENCY EQUIVALENTS

Currency Units	=	New shekel (ILS) Jordanian dinar (JOD)
USD 1.00	=	ILS 4.8
ILS 1.00	=	USD 0.208
USD 1.00	=	JOD 0.7
JOD 1.00	=	USD 1.4

## 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 <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

## ABBREVIATIONS AND ACRONYMS

AAID	Arab Authority for Agricultural Investment and Development
ANERA	American Near East Refugee Aid
AWP/B	Annual Work Plan and Budget
BSC	Business Service Centre
NGO	Non-Governmental Organization
PARC	Palestinian Agricultural Relief Committees
RDP-I	Gaza Strip and Jericho Relief and Development Programme
RDP-II	Rehabilitation and Development Project in Gaza and the West Bank
SCA	Savings and Credit Association
SME	Small and Medium Enterprise

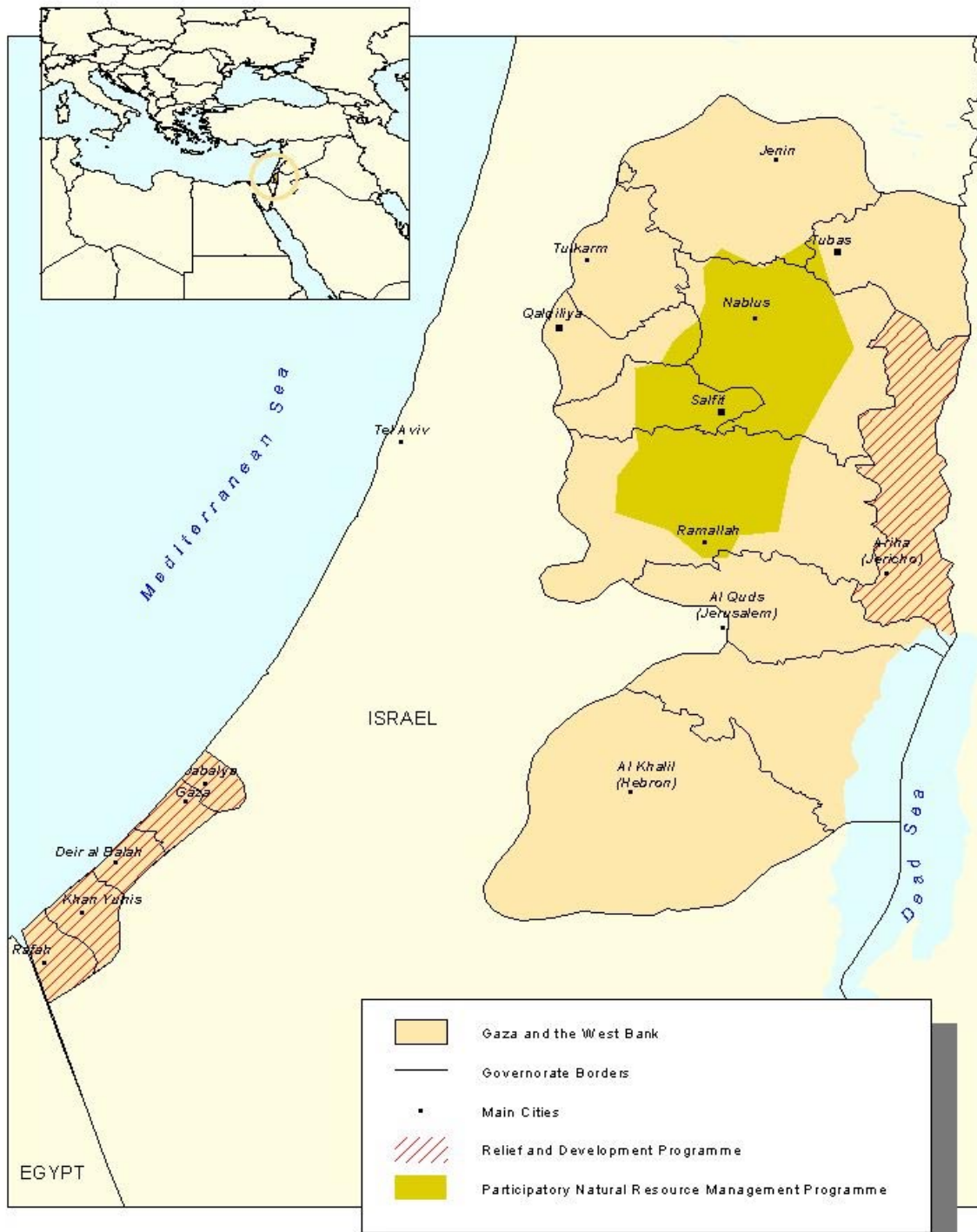
## GAZA AND THE WEST BANK

### Fiscal Year

1 April - 31 March



## MAP OF THE PROJECT 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.



**REHABILITATION AND DEVELOPMENT PROJECT  
IN GAZA AND THE WEST BANK**

**GRANT SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>EXECUTING AGENCY:</b>	American Near East Refugee Aid (ANERA)
<b>TOTAL PROJECT COST:</b>	USD 10.0 million
<b>AMOUNT OF IFAD GRANT:</b>	USD 3.0 million
<b>COFINANCIERS:</b>	Credit Risk Fund under the Gaza Strip and Jericho Relief and Development Programme (RDP I) Arab Authority for Agricultural Investment and Development (AAAID) Other cofinanciers (to be identified)
<b>AMOUNT OF COFINANCING:</b>	Credit Risk Fund under RDP-I: USD 400 000 AAAID: USD 500 000 USD 4.6 million (to be determined)
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 1.5 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	Supervised by IFAD



## PROJECT BRIEF

**Who are the beneficiaries?** The exact number of households that will benefit from the project is difficult to assess, due to overlap among households benefiting from more than one activity. However, some 5 000 households will benefit from the community infrastructure and 3 000 woman-headed households will benefit from the activities of savings and credit associations (SCAs). The development of small and medium enterprises (SMEs) will provide employment to around 200 people and benefit many smallholders who will be the suppliers of agricultural output and the receivers of inputs. Furthermore, the community infrastructure component will generate some 40 000 person-days of labour. Thus, the total number of households benefiting directly from this project will be about 8 200.

**Why are they poor?** Poverty in Gaza and the West Bank increased by more than 45-66% (according to various estimates), living conditions deteriorated and unemployment more than tripled in the 20 months following the beginning of the *intifada* in September 2000. Israel's closure policy has restricted mobility, curtailed access to jobs, services and markets, and isolated communities. The death, detention or unemployment of men breadwinners have required women to assume more responsibility for the provision of income to sustain the family. At the same time, women are affected by the closure because of reduced access to social infrastructure such as health and maternity services, and water supply. In the longer term, with the prospect of permanent loss of much of the daily wage labour employment in Israel, families have to rebuild alternative livelihoods within Gaza and the West Bank. In addition to the above, the Palestinians have little control over factors that are essential to production such as water, land and market access.

**What will the project do for them?** The overall goal of the project will be to improve the living conditions and livelihood opportunities of rural communities, and especially of women. To this end, the project will seek to meet the immediate needs of the target group while also contributing to their longer-term development. This will be achieved by: (a) restoring access to essential social and physical infrastructure and services through infrastructure rehabilitation and expansion; (b) providing immediate income through the provision of employment in infrastructure rehabilitation and expansion; and (c) promoting access of the target groups to the necessary resources to improve their income-earning opportunities.

**How will beneficiaries participate in the project?** As was the case with its predecessor, the Gaza Strip and Jericho Relief and Development Programme (RDP-I), and with the assistance of two contracted non-governmental organizations (NGOs) – American Near East Refugee Aid (ANERA) and the Palestinian Agriculture Relief Committees (PARC) – the project will be implemented through a flexible, participatory approach, particularly in view of the unpredictability of the situation in Gaza and the West Bank. The implementing partners and the selected communities will work out the details of the various proposed interventions, incorporating detailed proposals in annual workplans and budgets. Annual stakeholder workshops to review progress and performance will provide the mechanism for adjusting and improving project implementation and design.

**Size of the project and cofinancing.** The total cost of this three-year project is estimated at about USD 10.0 million, of which 38% in foreign exchange. IFAD's assistance will be in the form of a grant for approximately USD 3.0 million. Initial discussions have been held with the Arab Authority for Agricultural Investment and Development (AAAID), which has agreed to provide USD 500 000 for credit for SME development. Beneficiary contributions in cash and kind are equal to USD 1.5 million. An initial credit for the SCAs will be sourced through the transfer of USD 400 000 from the RDP-I Credit Risk Fund. Grant financing for the remaining USD 4.6 million will be sought through cofinancing from bilateral (and multilateral) donors.



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I submit the following Report and Recommendation on a proposed financial assistance for the Rehabilitation and Development Project in Gaza and the West Bank (RDP-II) comprising a grant of approximately USD 3.0 million, to be allocated over a period of three years with USD 500 000 for 2002 and USD 1.25 million for 2003 and 2004 respectively. The project will be supervised by IFAD.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy Poverty and Agricultural Sector**

**The Present Crisis**

1. The Palestinian people living in Gaza and the West Bank have experienced a rapid and devastating deterioration in economic conditions since the tightening of the closure policy, following the beginning of the *intifada*, or uprising, in September 2000. Living standards have fallen sharply and the incidence of poverty is rapidly increasing. Since September 2000, from 75 000 to 80 000 Palestinians have lost their jobs in Israel and the settlements, while a further 60 000 jobs have been lost inside Gaza and the West Bank as demand has collapsed. The frequent military incursions since the last quarter of 2000 significantly damaged public and private social and economic infrastructure. The internal closures have divided Gaza and the West Bank into 54 isolated areas, cutting farmers off from markets in neighbouring towns and disrupting the geographic scope of Palestinian businesses. This in turn has led to a scaling down of production or the complete closure of businesses with the consequent laying off of workers. With more than 100 000 joining the working-age population since the beginning of the *intifada*, unemployment increased from 10% of the Palestinian workforce in September 2000 to 25-35% in March 2002. Average per capita income is now 30% below what it was in 1994.

2. The share of the Palestinian population living below the poverty line (which was declining in the late 1990s) rose from 23% in 1998 to 45-66% (according to various estimates) in March 2002, and now accounts for 58% of the population in the West Bank and 85% in Gaza. About half of Palestinian households have lost more than 50% of their usual income in the last six months. Woman-headed households account for 11% of poor households. Some 30% of woman-headed households are below the poverty line as opposed to 22% of households headed by men. The present poverty-alleviation strategies have focused on employment creation and welfare assistance for the most vulnerable. Due to the lack of resources, the amount of assistance is inadequate to allow an exit from deep poverty. Social assistance programmes are operated by the Ministry of Social Affairs of the Palestinian Authority and by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) serving the refugee population. Family and kin networks remain the mainstay of social support for Palestinian households. The coping strategies adopted by the Palestinians, such as drawing down their savings, reducing expenditures to necessities, switching consumption to lower-priced and lower-quality food items, are not sustainable and are already reaching their limits. The reduction in food intake by a large part of the population is raising the spectre of impending malnutrition.

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<sup>1</sup> See Appendix I for additional information.



3. With Israel increasingly switching to foreign workers from Asia and Eastern Europe, employment opportunities for Palestinians within Israel have become remote if not non-existent. In the absence of any structural reforms, prospects for long-term poverty alleviation in Gaza and the West Bank are limited. As poverty is highly correlated to employment status and the nature of employment of the household head, the new poor in the present crisis are those who have lost wage employment. Moreover, there is considerable latent poverty in the agricultural sector, as the full consequences of the recent incursions have yet to become apparent. Much of the poverty is found in peri-urban areas where crops and livestock are raised in small pockets encircled by urban sprawl.

4. The decline in the **agricultural sector** has been exacerbated by the restrictions on the movement of people and goods. Due to Israeli restrictions, Palestinian farmers have been unable to develop agriculture for export despite their comparative advantage in labour-intensive sectors such as horticulture because of their low wage levels. Partly as a consequence of closures, the sector has suffered a 70% decline. In addition total losses resulting from the incursions, which destroyed crops, uprooted and burned fruit trees and ravaged agricultural lands, are estimated at USD 520 million. With farmers' access to markets severely constrained, agricultural development perspectives are presently focused on community self-sufficiency and import substitution with an emphasis on small-scale traditional production to meet community needs.

### **B. Lessons Learned from Previous IFAD Experience<sup>2</sup>**

5. IFAD's first assistance to Gaza and the West Bank was initiated immediately after the signing of the historic peace accord in 1993 and consisted in the Gaza Strip and Jericho Relief and Development Programme (RDP-I). The programme introduced a unique implementation structure, with each of its diverse components implemented by different local and international non-governmental organizations (NGOs), cooperatives and the private sector, including the Arab Bank, the leading commercial bank in the region, under the overall coordination of the American Near East Refugee Aid (ANERA), an international NGO. ANERA entered into cooperation agreements with the various implementing partner organizations.

6. With a USD 3.0 million grant from IFAD, an additional USD 7.0 million (excluding the beneficiaries' contribution and the interest earned) was mobilized during project implementation. The major cofinanciers of RDP-I were Belgium (USD 3.5 million), the Arab Fund for Economic and Social Development (AFESD) (USD 1.0 million), Italy (USD 1.0 million), the Arab Bank (USD 750 000) and Japan (USD 400 000). About 96% of the funds have been disbursed, with the major targets fully achieved.

7. RDP-I developed a number of key features that can be built upon for the implementation of this project, which is considered the second phase of RDP-I:

- (a) **Participatory planning.** The strength of RDP-I was that it was presented as a framework whose components were developed and implemented with the participation of beneficiaries. This generated genuine ownership of programme activities and ensured that they remained relevant to the needs of the rural communities;
- (b) **Flexibility.** The flexibility allowed for in the programme design proved to be a major strength of RDP-I and a prime factor in its success;
- (c) **Sound coordination.** The regular workshops involving all stakeholders, including the beneficiaries, to review and plan programme activities created strong ties and a sense of confidence among all participants and ensured good coordination among implementing partners;

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<sup>2</sup> See Appendixes II and III for additional information.



- (d) **Decentralization.** The decentralization of decision-making, with each implementing partner responsible for its own programme, contributed to the smooth implementation of programme activities; and
- (e) **Funds flow.** A simplified mechanism to regulate the flow of funds, backed up by regular reporting and strict auditing procedures, facilitated programme implementation while ensuring financial discipline and enhancing the credibility of the implementing partners.

8. This experience has provided a good foundation on which IFAD can renew its assistance to Gaza and the West Bank. Having built these partnerships and developed and tested these procedures under RDP-I, IFAD can now respond rapidly in providing further assistance to this area.

### **C. IFAD's Strategy in Gaza and the West Bank**

9. IFAD's strategy to assist the long-term development of Gaza and the West Bank focuses on addressing the key agricultural development challenges facing the area with emphasis on natural resource management and the equitable exploitation of common-property resources. The strategy focuses equally on the development of sustainable rural credit delivery systems for agriculture, the development of appropriate marketing and extension services, and improvements in gender parity. The present crisis and the uncertainties of the future, however, have clearly changed the development outlook. What is required now is a response that emphasizes meeting the immediate needs of the Palestinian people while keeping these overall development thrusts in mind. This approach requires a project design that can evolve with the political situation in Gaza and the West Bank. This can be achieved by building flexibility into the project design to enable the balance of components to shift during project implementation in response to the changing situation.

10. To this end, the proposed IFAD assistance builds on the development-oriented activities implemented under RDP-I but adds a component for the rehabilitation and improvement of physical and social community infrastructure to meet the population's immediate needs. Thus if borders remain closed, more emphasis will be placed on the provision of community infrastructure, which fulfils dual needs: restoring functioning social and physical infrastructure will have a positive impact on the lives of a large number of people while also providing employment and income. Conversely, if the borders open and the environment therefore becomes more conducive to development, greater emphasis will be given to credit and other services to support agricultural and business development. Thus, the project can provide a balance between short-term measures to respond to the present crisis while maintaining a continued commitment to the longer-term development agenda.

## **PART II - THE PROJECT**

### **A. Project Area and Target Group<sup>3</sup>**

11. Project activities will be implemented throughout the rural areas of Gaza and the West Bank in selected poor villages. With the gradual hand-over of land to the Palestinians since the 1993 Declaration of Principles on Interim Self-Governing Arrangements resulting from the Oslo peace process, Gaza and the West Bank now comprises some 684 scattered localities. In the West Bank, territory under the control of the Palestinian Authority is broken up by Israeli settlements and Israeli-controlled roads and land. Separation between Palestinian and Israeli localities is enforced by physical barriers, checkpoints and fences along roads and around communities. The area under autonomous Palestinian Authority control consists of around 18% of the West Bank with a further 23% under Palestinian civil control but Israeli security control. The remaining 59% is entirely under Israeli control. Around 60% of Gaza is under Palestinian self-rule.

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<sup>3</sup> See Appendix IV for additional information.



12. During the *intifada*, women have in many respects been disproportionately affected by the closures and the ensuing economic crisis. With husbands and sons killed, detained or unemployed, women have had to bear much of the responsibility for ensuring the survival of their families, which has meant engaging to a larger extent in income-generating activities. Hence, poor women will be the project's principal target group with a specific focus on woman-headed and woman-managed households. Other target groups will be small-farmer households, sharecroppers and unemployed heads of households. Targeting will commence with the identification of poor villages, taking into account various poverty criteria and whether or not they are covered by other programmes.

### B. Objectives and Scope<sup>4</sup>

13. The overall project goal is to improve the living conditions and livelihood opportunities of rural Palestinian communities by meeting their immediate needs while also contributing to their longer-term development. This goal will be achieved by: (a) restoring access to essential social and physical infrastructure and services through infrastructure rehabilitation and expansion; (b) providing immediate income through the provision of employment in infrastructure rehabilitation and expansion; and (c) promoting opportunities for the target group to access the necessary resources to improve their income-earning opportunities

### C. Components<sup>5</sup>

14. Project investments will be organized around five principal components

15. **Community infrastructure.** This component will be geared to providing employment while meeting urgent infrastructure needs identified by the community through a consultative process. Special emphasis will be given to social and physical infrastructure that is important to women and that primarily affects women's involvement in economic activities, such as water supply, kindergartens, and market-access roads. The project will finance, among others, the rehabilitation of damaged infrastructure and the expansion of facilities, restoring access to vital services that are now unavailable because of the closures by providing more localized, village-based facilities, e.g. the addition of maternity units to village clinics and the provision of additional classrooms for post-primary education, particularly for girls. Preference will be given to microprojects that can be implemented by the community and to labour-intensive methods in order to maximize the impact on employment-generation.

16. **Women's livelihood support.** Through this component, the project will assist in consolidating and expanding women's savings and credit associations (SCAs) in order to provide women with access to credit and other services to establish or expand businesses, which can, *inter alia*, help families to rebuild their livelihoods following the loss of employment of men breadwinners. To ensure that SCAs have adequate resources for on-lending to their members, they will have access to loans, first, on an interest-free basis from the project and, second, on commercial terms through linkage with a commercial bank for bulk loans. Other complementary services provided will include guidance on business development, and training in entrepreneurship and skills development provided through the women's business service centres (BSCs) established under RDP-I. To ensure their sustainability, the project will emphasize transforming the SCAs into an autonomous entity, such as a union or federation, capable of promoting and training new groups and providing audit services and other support to existing groups. It will also assist women's BSCs to expand the range of their activities in response to the needs of the present crisis, and in particular to women's concerns that their children will be drawn into the conflict if left unoccupied, unsupervised and out on the streets. In particular, the project will train women in planning and managing new activities and provide basic equipment.

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<sup>4</sup> See Appendix V for additional information.

<sup>5</sup> See Appendix VI for additional information.



17. **Agricultural development.** The project will provide access to credit and other support services to small farmers, fishermen and their women, and operators of non-farm enterprises. It will also promote the development of complementary small and medium enterprises (SMEs), particularly those related to improving handling, processing and marketing facilities, which can contribute to facilitating access to markets for the produce of small farmers. With the present difficulties of market access imposed by the closures, immediate demands for credit for agricultural development are likely to be for small-scale traditional activities, particularly livestock production, to meet basic needs in the limited market of the immediate community. Other support services will include support for upgrading technology related to crops, horticulture and livestock; training of farmers in new technology; and provision of business development advice and entrepreneurship development for potential investors in SMEs.

18. **Development initiatives fund.** This component will provide scope for the project to direct other donor funding either to the project's core components or to other activities (e.g. roof water-harvesting for domestic use) that could make a valuable contribution in the present context but could not be included in the project due to resource constraints.

19. **Project management** will be the responsibility of ANERA and PARC. ANERA will act as the overall coordinating agency for funds disbursement, reporting and monitoring, and will be the sole interface with IFAD and the other donors. ANERA and PARC will share responsibility for implementing project activities according to their relative strengths. Implementation will be harmonized through a joint management committee, which will meet once a month.

#### **D. Costs and Financing<sup>6</sup>**

20. The total cost of the three-year project is estimated to be a minimum of USD 10.0 million, but could increase if additional donor support is forthcoming. Foreign exchange amounts to approximately 40%. Total project base cost is USD 9.7 million, with physical and price contingencies valued at USD 37 600 and USD 268 200 respectively. Investment costs represent 85% of base costs. Of the USD 1.4 million recurrent expenditures, USD 72 000 represents incremental costs for communities to maintain the rehabilitated/expanded facilities.

21. The proposed IFAD grant of nearly USD 3.0 million will finance some 30% of total project costs. The beneficiaries will contribute USD 1.5 million in cash and kind. Initial credit allotment for the SCAs will be provided through transfer of USD 400 000 from the RDP-I Credit Risk Fund. Other bilateral or multilateral donors will finance the balance of USD 5.5 million. Of this amount, the Arab Authority for Agricultural Investment and Development (AAAID) has agreed to contribute USD 500 000 for the SME credit line.

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<sup>6</sup> See Appendix VII for additional information.

**TABLE 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Community infrastructure	1 575.0	1 467.0	3 042.0	48	31
Women's livelihood support	2 494.8	464.0	2 958.8	16	30
Agricultural development	846.0	1 564.0	2 410.0	65	25
Development initiatives fund	200.0	200.0	400.0		4
Project management	637.4	273.2	910.5	30	9
<b>Total base costs</b>	<b>5 753.2</b>	<b>3 968.1</b>	<b>9 721.3</b>	<b>39</b>	<b>99</b>
Physical contingencies	33.8	3.8	37.6	10	
Price contingencies	181.1	87.1	268.2	32	3
<b>Total project costs</b>	<b>5 968.1</b>	<b>4 058.9</b>	<b>10 027.1</b>	<b>38</b>	<b>103.0</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		AAAID		Other Donors		Beneficiaries		Credit Risk Fund		Total		Local (Excl. Taxes)	Duties and Taxes	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			For. Exch.
Community infrastructure	1 271.9	39.9	-	-	1 271.9	39.9	641.8	20.1	-	-	3 185.6	31.8	1 536.3	1 649.4	-
Women's livelihood support	1 055.4	34.0	-	-	762.2	24.5	887.2	28.6	400.0	12.9	3 104.8	31.0	479.0	2 625.7	-
Agricultural development	170.4	7.0	500.0	21.0	1 755.7	72.5	-	-	-	-	2 426.1	24.2	1 570.4	855.7	-
Development initiatives fund	-	-	-	-	400.0	100.0	-	-	-	-	400.0	4.0	200.0	200.0	-
Project management	455.3	50.0	-	-	455.3	50.0	-	-	-	-	910.5	9.1	273.2	637.4	-
<b>Total Disbursement</b>	<b>2 953.0</b>	<b>29.5</b>	<b>500.0</b>	<b>5.0</b>	<b>4 645.0</b>	<b>46.0</b>	<b>1 529.0</b>	<b>15.2</b>	<b>400.0</b>	<b>4.0</b>	<b>10 027.1</b>	<b>100.0</b>	<b>4 058.9</b>	<b>5 968.1</b>	<b>-</b>

<sup>a</sup> Discrepancies in totals are due to rounding.





### **E. Procurement, Disbursement, Accounts and Audit**

22. Procurement will be in accordance with IFAD guidelines for items financed through the IFAD grant. Procurement of equipment, materials and vehicles will be arranged directly by ANERA and will be bulked where possible to take advantage of price premiums. Implementing partners (for example, PARC and the Ministry of Agriculture) will procure goods and services on their own behalf in accordance with IFAD guidelines.

23. Civil works undertaken by the project will be small-scale with a value not exceeding USD 100 000. Only local contractors, procured through local competitive bidding, will be eligible to carry out contractor-implemented schemes. Procurement of materials for community-implemented schemes will be through local shopping procedures, based when possible on three quotations or documentation on prices from three sources. Hiring of equipment, transport and other services will be through a simple local competitive bidding process for contracts up to USD 5 000. Procurement of skilled labour will be through direct contracting. Contracts for services to be provided by local or international consultants will be on conditions satisfactory to IFAD.

24. The IFAD grant will be disbursed over a three-year period. To ensure rapid project implementation, all components will initially be fully funded from the IFAD grant, with financing ratios subsequently adjusted as other donor commitments are finalized. Part of the proceeds of the IFAD grant will be made available to ANERA through a special account to prefinance a share of eligible expenditures. The special account will be established in a qualified foreign exchange bank acceptable to IFAD. In view of the need to initially cover all project expenditures, the authorized allocation of the special account will be a maximum of USD 1.2 million (subject to availability of funds), equivalent to average anticipated disbursements over a six-month period over the life of the project. Disbursement from the special account for IFAD funds will be made against certified statements of expenditure.

25. ANERA will maintain separate double-entry accounts and financial statements for each funding source. Each implementing partner organization will maintain separate accounts for expenditures for their respective activities undertaken with project funding. Financial statements will be submitted to ANERA, which will be responsible for preparing quarterly consolidated statements of project accounts for forwarding to IFAD and the cofinanciers. Six-monthly audits of the accounts of implementing partners will be carried out by ANERA's independent auditors, and all project accounts will be audited annually by an external professional firm acceptable to IFAD. ANERA will submit annual financial statements for auditing within two months of the end of each financial year. Certified copies of the audited financial statements will be provided to IFAD as stipulated in the project cooperation agreement.

### **F. Organization and Management<sup>7</sup>**

26. Building on the procedures successfully established under RDP-I, implementation of the various components and activities will be undertaken by NGOs, principally ANERA and PARC, through a joint collaborative arrangement. Other implementing partners from the public, private or NGO sectors will be contracted by ANERA for specific tasks. ANERA will be contracted to oversee and coordinate overall project implementation; it will be responsible for funds management, monitoring and reporting; and it will be the sole interface with IFAD and other donors.

27. IFAD will conclude a cooperation agreement with ANERA and PARC. Assignment of responsibility for implementation of the components between ANERA and PARC will be specified at

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<sup>7</sup> See Appendix VIII for additional information.



the outset, based on the respective strengths of ANERA and PARC. The final allocation of tasks will be spelled out on an annual basis in relation to the agreed annual workplan and budget (AWP/B).

28. The project will be implemented under the guidance of a project steering committee comprising representatives of IFAD and other donors, the Palestinian Authority represented by the Ministry of Agriculture, and all the implementing partner organizations. The committee will give guidance on issues of policy and strategy and will facilitate project implementation. It will also formally approve (and subsequently receive reports on) the project's composite AWP/B. ANERA and PARC will establish a joint management committee comprised of senior representatives of their respective organizations. The committee will meet monthly to coordinate project activities. Both ANERA and PARC have established decentralized management structures by devolving responsibilities and building the capacity of their sub-offices in the Gaza and the West Bank. This will facilitate the smooth implementation of the project despite the restrictions imposed on travel within the area. Each implementing partner will be responsible for independently implementing the activities assigned to it. Annual review and planning workshops involving all of the project's implementing partners and beneficiaries – a procedure that has proved effective in the implementation of RDP-I – will continue. The workshops will review performance, incorporate improvements into project implementation and establish the work programme for the ensuing year. The details of the various project interventions will be developed through a participatory process between the implementing partner and the beneficiaries.

29. The community infrastructure component will be implemented in partnership with a local community partner from the public sector (e.g. village council) or civil-society organization, which will be responsible for the operation and maintenance of the facility and for mobilization of contributions from the community. The priority needs of the community will be established through a participatory needs assessment conducted with the entire community, with provision made for a separate committee or subcommittee for women community members to address the needs of women in the community if deemed appropriate. Implementation of the selected infrastructure scheme will, wherever feasible, be undertaken by the community, with local contractors only used for schemes that are beyond the capacity of the community itself to implement.

30. PARC will be responsible for the consolidation and expansion of the network of women's SCAs, which have already been established with the assistance of an IFAD/NGO Extended Cooperation Programme (ECP) grant. In the interests of sustainability, the project will encourage the SCAs to form a federation or association capable of promoting and establishing new SCAs and providing key services such as auditing of the SCAs. A twinning arrangement with an experienced international microfinance institution will be established to provide professional guidance on the development of the SCAs.

31. Credit to small farmers and SMEs will be provided through the Arab Bank and other interested financial institutions offering competitive terms. The rural credit unit established within the Arab Bank under RDP-I will be responsible for processing and managing loan requests from small farmers, fishermen and their wives, and potential entrepreneurs. Thorough loan appraisal processes will apply, and outside expertise will be used to appraise larger loans for more complex agro-processing enterprises, including a detailed examination of market potential and access, under the SME credit line.

32. Overall project monitoring will be based on the logical framework (Appendix V) and the AWP/Bs. The basic measurement period will be a semester. Monitoring will be action-oriented in order to facilitate decision-making. Performance and impact indicators will be established at the outset of project implementation through a collaborative process. Monitoring will take place at several levels including participatory monitoring of progress and performance by communities and beneficiary groups (e.g. SCAs), and reporting on physical and financial performance in relation to the





projected workplan and implementation constraints by the implementing partners. The annual review workshop will provide the mechanism for synthesising the implications for project design and implementation modalities. An independent social research organization will conduct impact assessment.

33. The project will be implemented through a flexible, participatory approach. The details of the various components will be worked out between the implementing partners and the selected communities. Annual stakeholder review workshops will review progress and performance and adjust project design to ensure that project activities respond to beneficiaries' needs and to the reality of the situation in Gaza and the West Bank.

### **G. Economic Justification<sup>8</sup>**

34. The project will principally benefit women in the remoter neglected rural communities, small-farm households and the unemployed in the rural areas. Village households will benefit from around 85% of project funding. Around 5 000 households will benefit from community infrastructure rehabilitation and expansion, and some 3 000 women will be members of the SCAs. The uptake of credit is difficult to predict, but around 500 households could take out loans under the small-farmer loan programme, while the development of SMEs could provide employment for around 200 people and benefit a large number of small farmers who would supply agricultural produce to the marketing and processing plants.

35. Improvements to community infrastructure will bring tangible benefits to and raise the living conditions of large numbers of people in the selected communities by restoring and expanding essential services. Restoring functioning water supply will reduce health risks and the burden imposed on women to collect water. Rehabilitation of health centres will make adequate health services readily accessible once again; while the addition of maternity units will help to reduce the risks of maternal and neonatal mortality, which have increased as a result of closure-related restrictions on travel to hospitals in neighbouring towns for delivery. Renovation and expansion of school facilities will help to reinstate education for many students whose education has been severely disrupted, help girl students and women teachers who have been most affected by the difficulties and dangers involved in travelling to schools outside of their home area, and enable more girls forced by cultural constraints to drop out of school at an early age by providing more advanced classes in the villages. Moreover, reinstatement or the addition of kindergartens will give women greater freedom to pursue income-generating activities. The rehabilitation of village roads and bridges will restore access to markets and other services. Implementation of infrastructure works will provide around 40 000 labour-days of employment.

36. The SCAs will provide women with greater access to credit and other business-development services enabling them to expand or launch new businesses to support the family economy. Access to agricultural credit will enable the unemployed to re-engage in agriculture, and small farmers to expand activities, adopt improved technology and increase incomes when open borders are restored and where clear market potential exists. The special credit line for SMEs will enable complementary developments in handling, processing and marketing facilities to improve market access and provide outlets for small-farmers' production. Benefits will also accrue from the testing and dissemination of technology improvements, increasing farmers' productivity and incomes. The provision of technology training for farmers and business-development advice to entrepreneurs seeks to enable producers to maximize their earning potential and minimize risks.

37. Membership in the SCAs has a significant impact on empowering women and improving their status in the household and community. Access to credit enables women to contribute to increasing family incomes, frequently allowing families to adopt new activities to replace the lost wage income

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<sup>8</sup> See Appendix IX for additional information.



of men breadwinners. This earns women respect and enhanced status within the household. Because of their increased management abilities, women have been able to take the lead in managing other activities in response to the crisis, thus also gaining wider recognition within the community.

### **H. Risks**

38. The major risk associated with the project is a delay in implementation, particularly for the community infrastructure component, occasioned by the present regime of severe restrictions imposed on the movement of people and goods. This risk is mitigated by implementing activities through NGOs, which have localized structures and local staff who can reach communities and have demonstrated their ability to cope with this situation. The deteriorating economic situation poses a risk of low uptake of credit and negative consequences on repayment performance. This will be mitigated by rigorously appraising loan applications, with a particular emphasis on market analysis. Efforts will also be made to ensure that credit is genuinely demand-driven and that farmers and entrepreneurs understand its consequences and are not pressured into taking out loans. The economic situation also impinges on women's ability to save, which risks causing the SCAs to suspend their operations. The project will assist the SCAs in finding a solution, for instance by reducing the regular savings contribution or facilitating SCA members' access to other income sources.

### **I. Environmental Impact**

39. Overall, the project is not expected to have a negative environmental impact on the project area or on the population. The community infrastructure component is rehabilitative involving existing buildings and structures. SCA activities are concentrated on financing of agricultural inputs. The participating NGOs have information on all expired and/or prohibited chemicals. This information will be made available to all beneficiaries, including beneficiaries from SMEs, through PARC's extensive information and extension system.

### **J. Innovative Features**

40. The two most important innovations of the project are the partnership with the private sector for poverty alleviation and the exclusive implementation of the project by NGOs and farmers groups. The formal introduction of women's SCAs in Gaza and the West Bank is also an innovative feature.

## **PART III - LEGAL INSTRUMENTS AND RECOMMENDATION**

41. In view of the above, I recommend that the Executive Board approve the proposed financial assistance in terms of the following resolution:

RESOLVED:

- (a) that the Fund shall provide a grant for the Rehabilitation and Development Project in Gaza and the West Bank in various currencies in an amount equivalent to three million United States dollars (USD 3 000 000), allocated over a period of three years with USD 500 000 in year 2002 and USD 1 250 000 in years 2003 and 2004 respectively, 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;
- (b) that the President of IFAD shall negotiate and conclude such cooperation agreements with ANERA/PARC, the Palestinian Authority and any other suitable entity as may be appropriate for the financing, execution and operation of the project.

Lennart Båge  
President

APPENDIX I

COUNTRY DATA

GAZA AND THE WEST BANK

<b>Land area (km<sup>2</sup> thousand) 2000 1/</b>	n.a.	<b>GNI per capita (USD) 2000 1/</b>	1 610
<b>Total population (million) 2000 1/</b>	2.9	<b>GNP per capita growth (annual %) 2000 1/</b>	2.6 a/
<b>Population density (people per km<sup>2</sup>) 2000 1/</b>	n.a.	<b>Inflation, consumer prices (annual %) 2000 1/</b>	n.a.
<b>Local currency</b>	Jordanian dinar (JOD)	<b>Exchange rate: USD 1 =</b>	JOD 0.7
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1980-99 2/	n.a.	GDP (USD million) 2000 1/	4 157
Crude birth rate (per thousand people) 2000 1/	41 a/	Average annual rate of growth of GDP 2/ 1980-90	n.a.
Crude death rate (per thousand people) 2000 1/	4 a/	1990-99	3.7 a/
Infant mortality rate (per thousand live births) 2000 1/	23 a/	Sectoral distribution of GDP 2000 1/	
Life expectancy at birth (years) 2000 1/	72 a/	% agriculture	9 a/
Number of rural poor (million) (approximate) 1/	n.a.	% industry	29 a/
Poor as % of total rural population 2/	n.a.	% manufacturing	16 a/
Total labour force (million) 2000 1/	n.a.	% services	62 a/
Female labour force as % of total 2000 1/	n.a.	Consumption 2000 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	26 a/
School enrolment, primary (% gross) 2000 1/	n.a.	Household final consumption expenditure, etc. (as % of GDP)	93 a/
Adult illiteracy rate (% age 15 and above) 2000 1/	n.a.	Gross domestic savings (as % of GDP)	-19 a/
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 1997 3/	n.a.	Merchandise exports 2000 1/	n.a.
Malnutrition prevalence, height for age (% of children under 5) 2000 1/	n.a.	Merchandise imports 2000 1/	n.a.
Malnutrition prevalence, weight for age (% of children under 5) 2000 1/	n.a.	Balance of merchandise trade	n.a.
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2000 1/	8.6 a/	before official transfers 1999 1/	n.a.
Physicians (per thousand people) 1999 1/	0.50 a/	after official transfers 1999 1/	n.a.
Population using improved water sources (%) 1999 4/	n.a.	Foreign direct investment, net 1999 1/	n.a.
Population with access to essential drugs (%) 1999 4/	n.a.	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 1999 4/	n.a.	Overall budget deficit (including grants) (as % of GDP) 1999 1/	n.a.
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 1999 1/	n.a.
Food imports (% of merchandise imports) 1999 1/	n.a.	Total external debt (USD million) 1999 1/	n.a.
Fertilizer consumption (hundreds of grams per ha of arable land) 1998 1/	n.a.	Present value of debt (as % of GNI) 1999 1/	n.a.
Food production index (1989-91=100) 2000 1/	n.a.	Total debt service (% of exports of goods and services) 1999 1/	n.a.
Cereal yield (kg per ha) 2000 1/	n.a.	Lending interest rate (%) 2000 1/	n.a.
<b>Land Use</b>		Deposit interest rate (%) 2000 1/	n.a.
Arable land as % of land area 1998 1/	n.a.		
Forest area (km <sup>2</sup> thousand) 2000 2/	n.a.		
Forest area as % of total land area 2000 2/	n.a.		
Irrigated land as % of cropland 1998 1/	n.a.		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database

2/ World Bank, *World Development Indicators*, 2001

3/ UNDP, *Human Development Report*, 2000

4/ UNDP, *Human Development Report*, 2001



## PREVIOUS IFAD FINANCING

Project Id	Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
1013	Gaza Strip and Jericho Relief and Development Programme	IFAD	IFAD	G	03 Dec 93	08 Jul 94	31 Dec 99	G - I - 265 - ANERA	USD	3000000	100
1079	Participatory Natural Resource Management Programme	IFAD	IFAD	HC	23 Apr 98	01 Feb 00	30 Sep 05	L - I - 476 - PS	SDR	5800000	6

## RDP-I PERFORMANCE AND IMPACT

### Background

1. The Gaza Strip and Jericho Relief and Development Programme (RDP-I) commenced implementation in 1994. The programme was designed to provide assistance to resource-poor households in the agricultural sector in order to help them to overcome pre-existing structural and environmental constraints to development. The multi-component programme encompassed the provision of credit, technical and institutional support, training, and research and extension services. RDP-I was implemented through a variety of different local and international NGOs and cooperatives, and the Arab Bank, under the overall coordination of ANERA.

### Programme Components

2. All components were developed with the participation of the communities. The components comprised: (i) an agricultural credit programme implemented in collaboration with a number of agricultural cooperatives under the guidance of ANERA; (ii) credit for fisheries development and fish-marketing infrastructure with a fishermen's cooperative supported by CARE and ANERA; (iii) women's savings and credit for microenterprises supported by CARE; (iv) income-generating activities for women with a credit component aimed at the creation of micro and small women's enterprises implemented by the Italian Association for Women in Development (*Associazione Italiana Donne per lo Sviluppo* – AIDOS) in close collaboration with PARC; (v) extension and training for women implemented by PARC; (vi) trials on improved varieties of crops with export-market potential implemented by the Ministry of Agriculture (MOA); (vii) biological control research implemented by the Al-Azhar University; and (viii) Ein-el-Sultan irrigation project to increase water-use efficiency by replacing open canals with piped water distribution system and the establishment of a water users' cooperative, supported by ANERA.

### Programme Financing

3. IFAD provided a grant of USD 3 million as partial financing of the USD 12.5 million project. Additional funding, equivalent to USD 6.8 million, was mobilized through grants from the Governments of Belgium, Italy and Japan and from the Arab Fund for Economic and Social Development (AFESD). IFAD's main contribution was to the credit programme through the establishment of a loan guarantee fund covering 75% of the risk, with the Arab Bank bearing the remaining 25%. The Governments of Italy and Japan provided support to the women's centres, while the Government of Belgium is supporting capacity-building for the newly created water users' cooperative and the establishment of a sustainable and participatory irrigation-management system. The IFAD, Italian and Japanese grants have been fully disbursed while the Belgian grant has been extended until 31 December 2003 to allow completion of the ongoing irrigation development activities, which, despite the current security situation in the country, are proceeding reasonably well. AFESD contributed USD 1 million to the loan guarantee account for the credit programmes.

### Programme Achievements

4. **Credit programmes.** Under the credit programmes, the Arab Bank provided a total of 1 270 loans (825 for agriculture, 116 for fisheries and 329 for women) for a total amount of USD 5.8 million. The average loan size was around USD 4 600 but women generally receive smaller loans than men (an average loan size of USD 2 800 compared with USD 5 000 for agricultural loans and USD 6 600 for fisheries loans). The vast majority of the medium-term loans for agriculture were for (i) improvement or construction of greenhouses for vegetables; (ii) sheep and goat raising; and (iii) the construction of plastic greenhouses for growing flowers for export. Most of the short-term



## APPENDIX III

loans were to provide working capital for planting strawberries under drip irrigation for export. Loans to fishermen were principally used for purchase of engines, fishing gear and maintenance of boats. Loans taken by women were primarily used for livestock rearing (around 70%), agriculture (20%), handicrafts and food processing. Despite the present economic difficulties, high repayment rates have been maintained, with the exception of agricultural loans through the Jericho cooperative, registering 95% for agricultural loans in Gaza (but only 70% in Jericho), 97% for fisheries loans and 92% for women's loans.

5. **Women's income-generating activities.** This activity focused on the provision of a business service centre (BSC) providing women's groups and individual entrepreneurs with counselling, orientation and support services, and training in management, technology and building their self-esteem as entrepreneurs. In addition, through the credit component, the programme supported the establishment of viable and self-sustaining small enterprises. The BSC represents for the Arab Bank the guarantee of women's reliability in terms of skills and abilities in establishing and running an enterprise. Initially one BSC was established in Gaza, but with additional funding provided by the Japanese Government, a second BSC was established in Jericho while additional funding from the Government of Italy enabled a second BSC phase to be supported in Gaza. More than 7 000 women have used the services of the BSCs in Jericho, of which around 3 700 have benefited from entrepreneurship orientation, 800 from skills training related to specific activities, 200 from marketing assistance and around 1 000 from demonstrations. Moreover, around 500 have participated in exchange visits. Some 329 women proceeded to take credit from the Arab Bank totalling USD 928 300.

6. **Women's solidarity group savings and lending programme.** CARE also established 18 women's savings and credit groups with 312 members. The groups saved ILS 140 000 and received funds from CARE totalling USD 45 855. A total of 325 loans were provided to the members for an aggregate loan amount of USD 130 000. Activities financed by the loans included small-livestock rearing (rabbits, pigeons, hens, ducks and goats), small shops, tailoring and hairdressing. The voluntary and continued contribution of each member to the group fund and the high grass-roots participatory element has made the programme sustainable.

7. **Women's extension programme.** PARC established five women's centres in rented premises in marginalized villages in the Jericho area to develop women's technical skills in food processing. The centres also provided courses in sewing, gardening, literacy, food hygiene and food security, environment, health and English for young women. Extension visits were also organized for women. In total 280 women attended these courses on a regular basis, while many other women attended periodically.

8. **Extension Trials.** A number of extension trials were undertaken with a view to reducing production costs, adopting agricultural practices that are environmentally friendly and encouraging farmers to diversify agricultural production with new and out-of-season crops that have better market potential. The crop-diversification programmes involved seedless grapes under plastic; the cultivation of thyme, dates, figs, cherry tomatoes and beans; solar sterilization of soil; and biological control of insects. The programmes were undertaken by the MOA and Al-Azhar University in collaboration with around 100 farmers in Gaza and Jericho, while several hundred farmers attended demonstrations and MOA staff were trained in the new techniques. A positive impact was seen in significant uptake of the technologies, particularly seedless grapes, with the planted area increasing by 40% in Jericho.

9. **Ein-El-Sultan irrigation project.** A major achievement of the project has been the establishment and registration of a water users' cooperative (WUC) to be responsible for the operation, maintenance and management of the irrigation scheme, thereby ensuring that the users take decisions that affect their access to water. The WUC, through a participatory process, has elected its board, appointed a manager and begun to draft its general policy and operational procedures. The

**APPENDIX III**

project has also changed the mode of allocation of water to the farmers, with the existing time-shared water rights system being replaced by a volumetric system, whereby each farmer has access to water according to actual crop water requirements and a prearranged irrigation schedule.

10. **The IFAD/NGO Extended Cooperation Programme (ECP) grant for women’s savings and credit groups.** The pilot initiative to introduce the concept of self-managed savings and credit groups to Gaza and the West Bank through the ECP grant to PARC has been welcomed by women. Around 70 groups have been formed since 1999. The pace of group formation and the robustness of the groups in maintaining savings and loan repayments during the crisis have demonstrated the relevance of this approach and the value that women place on access to these facilities to help them to cope with the present difficulties. The groups have accumulated savings of around USD 175 000, with an average saving of USD 10 per member per month. A total of USD 150 000 has been disbursed through 337 loans with an average loan size of USD 445. Around 75% of the loans have been for productive purposes covering livestock, crops and services, with the remainder provided to meet consumption and social needs. The repayment rate on loans has been close to 100%, although since the present crisis, a few of the loans have had to be re-scheduled. The interest of women in the concept is such that PARC has significant numbers of women waiting to form groups but lacks the resources to provide the necessary support and training.

**Project Beneficiaries**

	Number of Beneficiaries	Recovery Cost
<b>Credit Programmes</b>		
Agriculture	825	93%
Fisheries	116	96%
Women’s microenterprises	329	86%
Women’s solidarity group savings and lending programme	312	100%
<b>Subtotal</b>	<b>1 582</b>	
<b>Women’s Income-Generating Activities</b>		
BSC – training, demonstrations, exchange visits	7 000	
<b>Subtotal</b>	<b>7 000</b>	
<b>Agricultural Extension Programmes</b>		
Women's extension programmes	280	
Agricultural extension trials	100	
<b>Subtotal</b>	<b>380</b>	
<b>Ein-El-Sultan Irrigation Project</b>		
Women’s savings and credit groups	337	
<b>Grand total</b>	<b>9 819</b>	



## APPENDIX IV

## PROJECT TARGETING

Project Component/Target Group	Project Beneficiaries		
	Non Bankable (Very Poor)	Potentially Bankable (Poor)	Bankable (Relatively Poor)
<b>Savings and Credit Associations</b>	Landless, assetless and women-headed households will have access to working capital and eventually medium-term credit.	No access is foreseen.	No access is foreseen.
<b>Physical and Social Infrastructure</b>	All village communities will have access to physical and social infrastructure. Communities are expected to contribute cash, local materials, transport services or labour. Construction will be through labour-intensive techniques. Priority will be given to very poor villages and infrastructure that benefits women.	They are expected to contribute significantly more.	They are expected to contribute significantly more.
<b>Small and Medium Enterprises</b>	Landless and assetless could have access to employment opportunities through activities requiring new labour input	No access is envisaged unless training and technical assistance are provided.	Working capital and investment funds will be provided.
<b>Agricultural Credit</b>	Landless and assetless could have access to employment opportunities through activities requiring new labour input.	Medium-term lending for crop production and livestock.	Medium term lending for crop production and livestock.
<b>Capacity-Building</b>	Training and institutional development are envisaged for savings and credit associations and women's centres.	Business advice, training and support will be provided by the Arab Bank, the Ministry of Agriculture and other appropriate bodies or organizations.	Business advice, training and support will be provided by the Arab Bank, Ministry of Agriculture and other appropriate bodies or organizations.



## LOGICAL FRAMEWORK

<b>Narrative Summary</b>	<b>Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions/Risks</b>
<b>Development Goal</b>			
Living conditions and livelihood opportunities of rural communities are improved	<ul style="list-style-type: none"> <li>• Reduction in hardships faced by communities through lack of access to essential services</li> <li>• Household incomes increased and new income-earning opportunities taken up</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline data</li> <li>• Impact assessment survey</li> <li>• Participatory monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Political situation does not deteriorate further and ideally improves allowing for revival of economic opportunities for Palestinian communities</li> </ul>
<b>Project Objective</b>			
Contribute towards meeting the immediate needs of the rural people while contributing to longer-term development by: <ul style="list-style-type: none"> <li>• Restoring access to key essential services</li> <li>• Promoting opportunities for the target group to access resources to improve their income-earning opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• X 000 households benefit from access to better and more accessible social and physical infrastructure</li> <li>• X 000 households benefit from access to financial services and complementary capacity-building support</li> </ul>	<ul style="list-style-type: none"> <li>• Project management information system (MIS)</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictions on movements of goods and people and other bureaucratic processes do not impose insuperable barriers to the rehabilitation of infrastructure</li> <li>• Localized market opportunities provide sufficient economic momentum in the short term</li> <li>• Eventual easing of restrictions improves market access providing the base for stable economic-development opportunities in the long term</li> </ul>
<b>Outputs</b>			
<b>Community Infrastructure</b> <ul style="list-style-type: none"> <li>• Access to social and physical community-infrastructure facilities is restored through rehabilitation and expansion of village-based facilities</li> </ul>	<ul style="list-style-type: none"> <li>• No. of communities reached</li> <li>• No. and type of community infrastructure microprojects implemented</li> <li>• Extent and modality of community contribution</li> <li>• Performance and effectiveness of maintenance arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Implementing-partner progress reports</li> <li>• Project MIS</li> </ul>	<ul style="list-style-type: none"> <li>• Ways of coping with the closures can be found</li> <li>• Communities are able to mobilize required community contribution</li> </ul>

**LOGICAL FRAMEWORK - continued**

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<p><b>Women's Livelihood Support</b></p> <ul style="list-style-type: none"> <li>• Enhanced ability of women and their families to engage in income-generating activities through improved access of women to financial services</li> <li>• Enhanced managerial capacity of women and increased skills and abilities for management of daily life</li> </ul>	<ul style="list-style-type: none"> <li>• No. of SCAs strengthened and formed</li> <li>• No. of members</li> <li>• Amounts of savings</li> <li>• No. and amount of loans provided to members by size and purpose</li> <li>• No. of SCAs receiving equity grant and amount</li> <li>• No. of SCAs accessing bank credit and amount</li> <li>• Repayment rates on loans at SCA level and to bank</li> <li>• No. of women trained</li> <li>• No. of activities organized at women's centres</li> </ul>	<ul style="list-style-type: none"> <li>• SCA records</li> <li>• PARC MIS</li> </ul>	<ul style="list-style-type: none"> <li>• Economic conditions enable women to save</li> <li>• Economic conditions enable women to implement income-generating activities successfully and to repay loans</li> <li>• SCAs are able to create confidence and build solid reputation through track record to be able to access credit from banks</li> </ul>
<p><b>Agricultural Development</b></p> <ul style="list-style-type: none"> <li>• Increased incomes for small farmers through adoption of improved technology</li> <li>• Expansion in agribusiness enterprises that have strong linkages with small farmers</li> <li>• Increased availability of tested improved technologies to farmers for crops and livestock production</li> </ul>	<ul style="list-style-type: none"> <li>• No. and amount of loans disbursed under small agricultural loans programme, by purpose</li> <li>• Repayment rates, by purpose</li> <li>• No. and amount of loans provided to SMEs, by purpose</li> <li>• Repayment rates of SMEs, by purpose</li> <li>• No. of farmers receiving training</li> <li>• No. of entrepreneurs receiving business support</li> <li>• No. and type of technology-upgradation programmes implemented</li> </ul>	<ul style="list-style-type: none"> <li>• MIS of Arab Bank and other participating financial institutions</li> <li>• Project MIS</li> </ul>	<ul style="list-style-type: none"> <li>• Economic conditions enable debts assumed by borrowers to be effectively serviced</li> <li>• Economic prospects recover to restore bankers' confidence in lending for agriculture</li> <li>• Sound opportunities emerge to support the development of SMEs</li> <li>• Entrepreneurs and investors are available and willing to invest in SME development</li> </ul>



**LOGICAL FRAMEWORK - continued**

<b>Narrative Summary</b>	<b>Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions/Risks</b>
<p><b>Project Management</b></p> <ul style="list-style-type: none"> <li>• Effective management of implementation of project interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Effective partnerships developed with implementing partners</li> <li>• AWP/Bs are prepared on time</li> <li>• Annual review workshops are held</li> <li>• Monitoring and progress reports are prepared on time</li> </ul>	<ul style="list-style-type: none"> <li>• Project reports</li> <li>• Supervision mission reports</li> <li>• Mid-term review</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonious working relationships are established among the implementing partners</li> <li>• Committed and competent staff are found at the local level to support decentralized management of project activities</li> <li>• Probity and transparency of operations</li> </ul>
<b>Activities</b>			
<p><b>Community Infrastructure</b></p> <ul style="list-style-type: none"> <li>• NGO contracted to manage programme</li> <li>• Conduct of needs assessment with communities</li> <li>• Selection of contractors through competitive bidding for implementation of larger works</li> <li>• Community assisted to directly implement small works</li> </ul>	<ul style="list-style-type: none"> <li>• No. of contracts awarded to contractors</li> <li>• No. of schemes implemented by communities</li> </ul>	<ul style="list-style-type: none"> <li>• Project MIS</li> <li>• Semi-annual progress reports</li> </ul>	<ul style="list-style-type: none"> <li>• Community support forthcoming and communities willing to participate in implementation</li> </ul>
<p><b>Women's Livelihood Support</b></p> <ul style="list-style-type: none"> <li>• NGO contracted to manage programme</li> <li>• Establishment of new SCAs</li> <li>• Training of existing/new SCAs</li> <li>• Provision of interest-free loans to SCAs</li> <li>• Provision of loans to SCAs</li> <li>• Training for management of extra-curricular activities</li> </ul>	<ul style="list-style-type: none"> <li>• No. of existing and new SCAs</li> <li>• No. of training courses</li> <li>• No. of field workers and head office staff</li> <li>• Disbursement of interest-free loans</li> <li>• No. of loans to SCAs from banks</li> <li>• No. of training programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Project MIS</li> <li>• Semi-annual progress reports</li> </ul>	<ul style="list-style-type: none"> <li>• Women are able to mobilize resources for savings to support the establishment of new SCAs</li> <li>• Sound business opportunities emerge</li> <li>• Committed women with drive and initiative come forward to develop imaginative extra-curricular programmes for young people</li> </ul>





## QUANTITATIVE INPUTS, TARGETS AND KEY PROJECT FACTORS

Objectives			Instruments			Incremental Benefits					
<p>1. The project goal is to improve the living conditions and livelihood opportunities of rural communities by meeting their immediate needs and contributing to their longer-term development.</p> <p>2. Subsidiary objectives are to:</p> <p style="margin-left: 20px;">(a) restore access to key essential services;</p> <p style="margin-left: 20px;">(b) provide employment to meet immediate income needs; and</p> <p style="margin-left: 20px;">(c) assist the target group in accessing the necessary resources (financial, technical, managerial) to improve their income-earning opportunities.</p>			<p>The main instruments to be used in the implementation of the listed components are as follows:</p> <ul style="list-style-type: none"> <li>• restore and expand essential local social and economic infrastructure</li> <li>• provide women with access to credit and business-development services</li> <li>• build women's managerial capacity</li> <li>• expand the provision of credit to small farmers, fishermen and their wives, and other rural activities</li> <li>• support development of SMEs particularly in handling and processing of agricultural products through credit and business services</li> <li>• improve technology available to farmers for crops and livestock</li> </ul>			<p>Incremental benefits at full development</p> <p>Incremental return to labour <span style="float: right;">(USD/day)</span></p> <ul style="list-style-type: none"> <li>• Dairy cows <span style="float: right;">87</span></li> <li>• Beef fattening <span style="float: right;">99</span></li> <li>• Sheep fattening <span style="float: right;">26</span></li> <li>• Sheep/goats <span style="float: right;">52</span></li> <li>• Beekeeping <span style="float: right;">60</span></li> </ul> <p>Project beneficiaries</p> <ul style="list-style-type: none"> <li>• Community infrastructure <span style="float: right;">5 000</span></li> <li>• SCAs <span style="float: right;">3 000</span></li> <li>• Agricultural credit/SMEs <span style="float: right;">700</span></li> </ul>					
PROJECT COSTS			FINANCING			BENEFICIARIES			ECONOMIC/FINANCIAL ANALYSIS		
Components	USD million	% Base costs		USD million	%		Project cost per household (USD/household)				
A. Community infrastructure	3.04	31	IFAD	2.95	30	Project activities will be targeted to benefit around 8 700 households. Women will have access to credit, business-development services, training, and essential social and economic infrastructure	• Project as a whole	1 150			
B. Women's Livelihood Support	2.96	30	AAAID	0.50	5		• Community infrastructure	608			
C. Agricultural Development	2.41	25	Other donors	4.64	46		• SCAs	986			
D. Development Initiatives Fund	0.40	4	Beneficiaries	1.53	15		• Agricultural development	3 440			
E. Project Management	0.91	9	RDP-I Credit	0.40	4						
F. Contingencies	0.31	3	Risk Fund								
Total	10.03	103	Total	10.03	100						



## SUMMARY COST AND FINANCING TABLES

**Table 1: Expenditure Accounts by Financiers**

	IFAD		AAAIID		Other donors		Beneficiaries		RDP-I Credit Risk Fund		Total		For. Exch.	(Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>I. Investment Costs</b>															
A. Equipment and Materials	61.9	40.0	-	-	92.8	60.0	-	-	-	-	154.7	1.5	123.8	30.9	-
B. Community Infrastructure Fund	1 130.6	40.0	-	-	1 130.6	40.0	565.3	20.0	-	-	2 826.5	28.2	1 413.2	1 413.2	-
C. Contractual Services	224.1	40.0	-	-	336.2	60.0	-	-	-	-	560.3	5.6	224.1	336.2	-
<b>D. Training</b>															
Beneficiary training	220.4	40.0	-	-	330.6	60.0	-	-	-	-	551.1	5.5	55.1	495.9	-
Staff training	105.3	40.0	-	-	157.9	60.0	-	-	-	-	263.2	2.6	26.3	236.9	-
<b>E. Credit Funds/Loan Guarantee Fund</b>															
Small and Medium Enterprises	-	-	500.0	25.0	1 500.0	75.0	-	-	-	-	2 000.0	19.9	1 400.0	600.0	-
Savings and Credit Associations	-	-	-	-	-	-	-	-	400.0	100.0	400.0	4.0	160.0	240.0	-
<b>F. SCA's Equity</b>															
Members savings	-	-	-	-	-	-	887.2	100.0	-	-	887.2	8.8	-	887.2	-
Equity assistance	513.9	100.0	-	-	-	-	-	-	-	-	513.9	5.1	-	513.9	-
G. Development Initiatives Fund	-	-	-	-	400.0	100.0	-	-	-	-	400.0	4.0	200.0	200.0	-
<b>Total Investment Costs</b>	2 256.1	26.4	500.0	6.0	3 948.1	46.0	1 452.5	17.0	400.0	4.7	8 556.8	85.3	3 602.5	4 954.2	-
<b>II. Recurrent Costs</b>															
A. NGO management	696.9	50.0	-	-	696.9	50.0	-	-	-	-	1 393.8	13.9	418.1	975.6	-
B. Infrastructure O&M	-	-	-	-	-	-	76.5	100.0	-	-	76.5	0.8	38.3	38.3	-
<b>Total Recurrent Costs</b>	696.9	47.4	-	-	696.9	47.4	76.5	5.2	-	-	1 470.3	14.7	456.4	1 013.9	-
<b>Total Disbursement</b>	2 953.0	29.5	500.0	5.0	4 645.0	46.0	1 529.0	15.2	400.0	4.0	10 027.1	100.0	4 058.9	5 968.1	-

**Table 2: Project Cost Summary by Component**

	(ILS '000)			(USD '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
1. Community Infrastructure	7 560.0	7 041.6	14 601.6	1 575.0	1 467.0	3 042.0	48	31
2. Women's Livelihood Support	11 975.2	2 227.0	14 202.2	2 494.8	464.0	2 958.8	16	30
3. Agricultural Development	4 060.8	7 507.2	11 568.0	846.0	1 564.0	2 410.0	65	25
4. Development Initiatives Fund	960.0	960.0	1 920.0	200.0	200.0	400.0	50	4
5. Project Management	3 059.3	1 311.1	4 370.5	637.4	273.2	910.5	30	9
<b>Total baseline costs</b>	27 615.4	19 047.0	46 662.3	5 753.2	3 968.1	9 721.3	41	100
Physical Contingencies	162.2	18.0	180.2	33.8	3.8	37.6	10	-
Price Contingencies	2 741.2	1 318.1	4 059.4	181.1	87.1	268.2	32	3
<b>Total project costs</b>	30 518.8	20 383.1	50 901.9	5 968.1	4 058.9	10 027.1	40	103



## ORGANIZATION AND MANAGEMENT

### A. Proposed Organization Structure for RDP-II

1. The organization structure for RDP-II (see Figures 1 and 2) will build on the procedures successfully established under RDP-I. Implementation of the various components and activities will be undertaken by ANERA and PARC as the main implementing partners, in collaboration with the Arab Bank. ANERA will also be responsible for overseeing and coordinating overall project implementation. Payments to implementing partners will be on a percentage fee basis related to the cost of project activities being implemented. In drawing up the agreements, implementing partners will be required to provide supporting information on staff and other costs related to the implementation of project activities.

2. **American Near East Refugee Aid.** ANERA, established in 1968 as a non-profit, charitable organization concerned with reducing poverty in the Middle East, particularly in the Occupied Territories, has over three decades of experience in the implementation of development and humanitarian programmes in Gaza and the West Bank. Its core activities cover a wide range of sectors including income-generation, promotion of water-use efficiency and modern irrigation techniques, agricultural credit and marketing, provision of market infrastructure and slaughterhouses, light-industry development, provision of education and health infrastructure and sanitation; support for women's services; and establishment of revolving loan funds. It also has major programmes for developing community services through the provision of infrastructure. ANERA works in collaboration with a wide range of local partners including municipalities and village councils, cooperatives, community-based organizations and charitable organizations for the direct implementation of programmes with a strong complementary focus on capacity-building for partner organizations.

3. **Palestinian Agricultural Relief Committees.** PARC, established in 1983 as a non-profit organization, has for many years played a pioneering role in providing development services in the agricultural sector and rural areas. PARC's main areas of operation include carrying out agricultural extension activities to improve agricultural practices such as water-use practices, developing the skills of rural women to enhance their role in society, building the capacity of local civil-society organizations and fostering the spirit of volunteerism, and conducting training and research. Since the *intifada*, PARC has raised additional resources to implement emergency projects focusing on income-generation and job creation. Projects have concentrated on maintaining and developing agricultural resources (i.e. agricultural road construction, retaining-wall construction, rehabilitation of cisterns and wells), with a particular emphasis on water. Additionally, PARC is promoting the household economy by supporting backyard gardens to provide a sustainable food source and also to increase households' potential to earn extra income. PARC places a major emphasis on activities benefiting women, including the promotion of women's clubs, women's business centres and SCAs. PARC's decentralized management structure with ten regional field offices in Gaza and the West Bank has been a key factor in facilitating the implementation of its programmes during the closures. PARC has 130 staff members and 6 467 volunteers. It has worked in collaboration with a large number of international donors. PARC was one of the principal implementing partners for RDP-I and in addition received assistance under the ECP grant programme for the establishment of SCAs.

4. **Agreements.** A protocol agreement will be signed between IFAD and the Palestinian Authority outlining the project design and implementation arrangements agreed with the partner organizations. A cooperation agreement will be signed between IFAD and ANERA and PARC outlining their responsibilities with regard to the implementation of the various components. Under this agreement, ANERA will remain the single interface with IFAD and will be responsible for overall coordination of all project activities. ANERA will enter into agreements with other implementing partners such as the Arab Bank and potentially other financial institutions. However, in



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relation to the implementation of the components for which it has overall responsibility, PARC will be responsible for entering into subsidiary agreements with any organization required to assist it in implementation of its components.

5. A **project steering committee** (PSC) will be established specifically for RDP-II. The PSC will be composed of representatives of IFAD, the Ministry of Agriculture (representing the Palestinian Authority), ANERA, PARC, the Arab Bank and other partner implementing organizations that the PSC may decide to invite to enrich its performance. The PSC will be chaired by the Minister for Agriculture (or his or her delegate), who will be expected to convene a meeting of the full committee at least once a year.

6. The main responsibilities of the PSC will be to:

- (a) provide strategic and policy guidance for the design and implementation of project activities;
- (b) approve the proposed AWP/B for the implementation of each project component submitted by the implementing agency;
- (c) review project progress and performance;
- (d) ensure effective cooperation among the project's co-implementing partners; and
- (e) resolve any implementation issues that might arise.

7. **Joint management committee.** The PSC will delegate ongoing coordination of project activities to a joint management committee consisting of senior ANERA and PARC representatives, chaired by ANERA and scheduled to meet on a monthly basis.

## B. Project Coordination Arrangements

8. ANERA will be responsible for coordinating the overall implementation of the project and specifically for:

- (a) planning and coordinating through the preparation of a consolidated AWP/B in collaboration with all the implementing partners;
- (b) managing funds, including receipt of donor funds and disbursement to the various implementing partners;
- (c) maintaining consolidated accounts for all project funds and financial reporting;
- (d) ensuring that the accounts are audited by an independent auditor acceptable to IFAD;
- (e) monitoring project activities and submitting consolidated monitoring and progress reports to the PSC, IFAD and other donors;
- (f) arranging for periodic independent evaluation and impact assessment of project activities;
- (g) liaising with IFAD on all matters concerning the project.

9. ANERA will carry out these activities drawing on the resources of its existing staff in various disciplines on a part-time basis, with the exception of the appointment of a full-time project manager.





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**C. Component Implementation Arrangements**

10. The project will be implemented over a period of three years, from October 2002 through September 2005. Assignment of responsibility for implementation of the components between the principal implementing partners (ANERA and PARC) will be agreed upon at the outset based on the strengths of the respective organizations, as reflected in the cooperation agreement and decided on an annual basis in relation to the agreed AWP/B. The following indicative division of responsibilities is envisaged:

- (a) The community infrastructure component will be implemented by ANERA.
- (b) The women's livelihood support component will be implemented by PARC

11. Promotion of agricultural development will involve a number of partners including the Arab Bank (and other interested financial institutions) through its established agricultural credit unit, with additional inputs for technology upgrading and farmer training implemented by the Ministry of Agriculture. The provision of business development services such as assistance to entrepreneurs in the preparation of feasibility studies, the development of business plans, and training in entrepreneurship development will be contracted to a specialist private-sector organization.

**D. Monitoring, Evaluation, Reporting and Supervision**

**Monitoring**

12. Monitoring of the physical and financial progress of the project will be one of the major roles of the project manager. The ANERA planning, monitoring and evaluation system thus incorporates three interrelated segments: a planning phase; a monitoring phase; and an evaluation phase. ANERA has developed an internal management information system (MIS) to follow up on the implementation of various activities in respect to input and output both quantitatively and qualitatively.

13. The monitoring/tracking phase involves several components: field trips for gathering data on ongoing activities, checking their compliance with procedures, and assuring that the expected impact is likely to be realized; and submission of regular progress reports by the implementing partners. The MIS will document achievements against targeted outputs, and analyse and report on implementation issues and procedures. This will enable ANERA to identify implementation problems that need to be addressed and to take appropriate action.

**Evaluation**

14. The evaluation phase will focus on assessing project outcomes in terms of the socio-economic impact on the beneficiaries. A set of impact indicators to be used will be selected through a collaborative process with the implementing partners and beneficiaries in the early stages of project implementation. Indicative impact indicators are listed in each component annex.

15. In order to establish the baseline scenario, the implementing partners, through their participatory assessment processes with communities, will be responsible for documenting the situation of benefiting households and communities prior to project implementation on a sample basis. The implementing partners will also establish participatory monitoring and evaluation methodologies to be undertaken by the beneficiaries, e.g. community advisory committees for community infrastructure, and SCAs to encourage them to assess their own progress and performance and the impact of project interventions on their lives and livelihoods. This information will provide useful feedback for the project's review and planning processes.



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16. To strengthen its methodology for evaluation further, ANERA will engage specialized independent agencies to evaluate the impact on beneficiaries at the end of the project and to measure the achievements of both specific components and the overall project.

**Reporting**

17. ANERA will provide the PSC, IFAD, other donors and the Palestinian Authority with semi-annual progress reports on project implementation. These will be submitted within one month of the end of the period to which they relate. ANERA will also prepare and submit other project-related reports and information that IFAD may reasonably request. Reporting formats at all levels will be compiled specifically for the project.

18. A **mid-term review** will be carried out jointly by IFAD and other donors at the end of the first project year (PY). The main focus will be to evaluate progress, assess the appropriateness of project activities to the needs of the people and consider any necessary modifications in project design or implementation modalities.

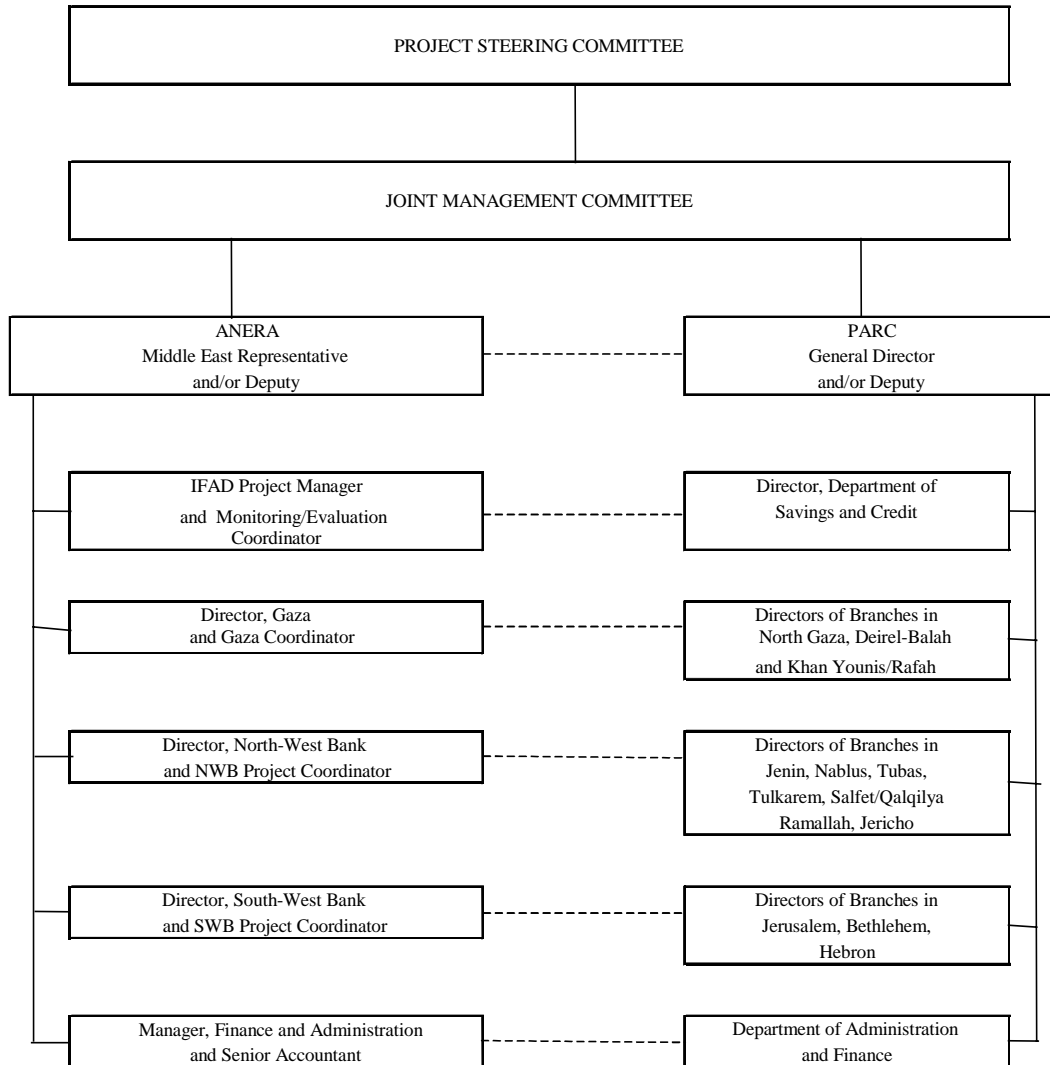
**Supervision**

19. The project will be directly supervised by IFAD. Missions will be made at six-monthly intervals. Mission responsibilities will include examination of the operation of the special account and the overall implementation status of the project in relation to its stated objectives from technical, financial and administrative perspectives. Supervision missions will attempt to resolve any problems that might arise during the course of implementation. Supervision reports will be made available to cofinanciers and ANERA within three weeks of supervision missions so that any follow-up actions can be promptly taken.



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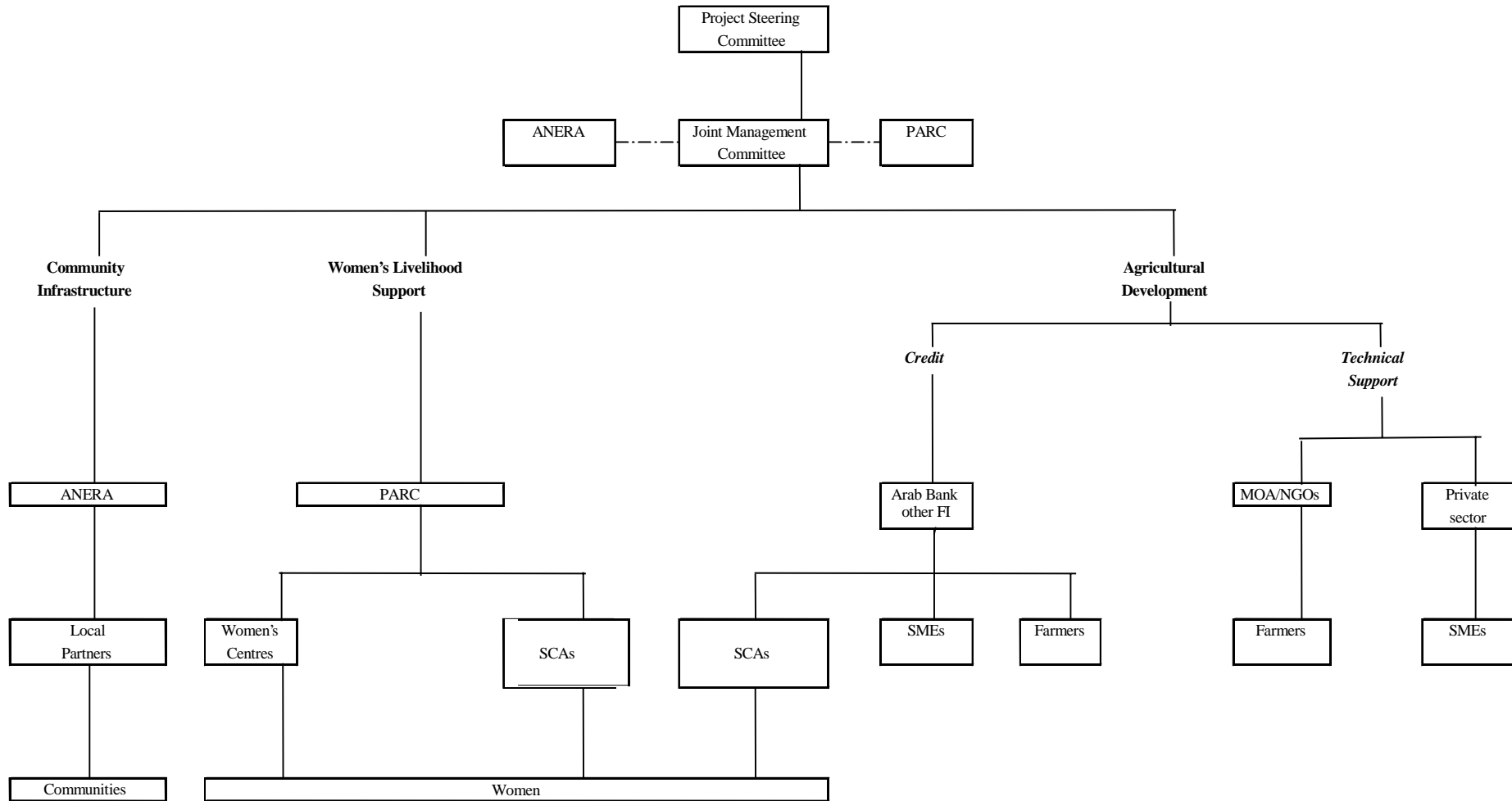
Figure 1: Project Management Structure



- Notes:
- (a) The Project Steering Committee includes representatives of the Ministry of Agriculture (as Chair), ANERA, PARC, the Arab Bank and IFAD. It will meet at least once a year, generally when an IFAD representative can be present.
  - (b) The joint management committee consisting of senior PARC and ANERA representatives will meet monthly, generally in Jerusalem.
  - (c) The designated ANERA and PARC staff will be in touch frequently in order to coordinate preparation of meetings, reports and visits to the project area.
  - (d) Designated project personnel of both ANERA and PARC will meet frequently in accessible locations bearing in mind the obstacles to travel between Gaza and the West Bank and Jerusalem

Key: — Control  
 - - - - - Coordination

**Figure 2: Project Organization**



Note: FI= Financial Institutions

## FINANCIAL AND ECONOMIC ANALYSIS

### I. FINANCIAL ANALYSIS

1. The objective of the financial analysis is to assess the financial viability and attractiveness of the project's investment activities. Since credit will be demand-driven and the present uncertain investment climate makes it difficult to predict the nature and pace of credit uptake, the financial analysis has been limited to evaluating the viability of individual household-level activities for which it is anticipated that credit will be requested under the agriculture for small farmers and the small and medium enterprises (SME) credit lines.
2. It is anticipated that in the present circumstances of tight closures, the demand for credit from small farmers will focus on small-scale traditional activities that meet the immediate food needs of the local community, with a heavy emphasis on livestock production activities. Financial models have accordingly been prepared for a small unit of dairy cows, for beef and sheep fattening and for rearing of a small flock of sheep or goats. This reflects the fact that Gaza and the West Bank are in deficit for most livestock products, with significant imports from Israel, so that even the confines of the local market can provide an opportunity for import substitution. This opportunity is enhanced by the desire of many Palestinians to boycott Israeli products and buy local products if they can.
3. The crop budgets presented for the cultivation of vegetables, using tomatoes as the representative crop, reflect the improvements in technology involving more-intensive production systems in greenhouses and plastic tunnels, which represent the comparative advantage for Palestinian agriculture when better access to markets can be achieved.
4. The focus of SME development is expected to be on filling critical gaps in the marketing chain, which further reduce the ability of Palestinian products to reach internal and external markets. The needed activities will include: milk-collection centres to allow local milk producers to supply local milk-processing plants, thereby enabling them to source their supplies from Gaza and the West Bank instead of from Israel; olive oil processing; and fruits and vegetables grading, packing and processing (e.g. drying). The establishment of small village processing plants could help reduce crop wastage and loss of income to households due to the inability under present circumstances to get the produce to market in neighbouring towns as a result of the closures.
5. Information on the farming systems in the project area is reflected in the key parameters used to develop the illustrative crop budgets and livestock enterprise models. These reflect the production characteristics and potentials in the project area. The main indicators for assessing the financial results are the incremental income after completion of debt servicing and returns to family labour. The opportunity cost of labour as a reference point is taken to be the prevailing wage rate for unskilled labour, which is USD 18-20 per day. The financial results are summarized in Table 1.

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Table 1: Financial Results

	Investment cost (USD)	Net income (USD)	Return per labour day (USD)
Tomatoes			
- greenhouse	10 260	2 248	
- plastic tunnel	7 000	814	
- open field	1 000	316	
Dairy cows (3 cows)	7 319	6 275	87
Beef fattening (10 heads)	6 441	3 965	99
Sheep fattening	2 500	660	26
Sheep/goat rearing (15 head)	5 650	2 580	52
Beekeeping (20 hives)	5 750	5 300	60
Milk-collection centre	200 000	64 000	

6. These results show that net incomes are attractive and that the return per labour day is in most cases far higher than the average daily wage.

## II. IMPACT ASSESSMENT

7. Given the uncertainty of the future facing Gaza and the West Bank, the project design incorporates the flexibility to move funds between components in response to the situation on the ground, so that the activities supported are those that can contribute most to the prevailing situation, be it relief to meet immediate needs or development activities to serve longer-term needs. In this context, it is not appropriate to attempt a conventional economic analysis. Thus the overall analysis of project benefits is based on an assessment of the impact of the various activities at the household level and to the overall development of Gaza and the West Bank.

### A. Community Infrastructure

8. Investment in community infrastructure will bring tangible benefits that, although difficult to quantify, will make life more tolerable and improve access to services that are fundamental for a decent life. Investment in essential services such as water supply ensures that the most basic need for access to clean water is met and thereby contributes to maintaining health and reducing the increased risk of disease resulting from inadequate supplies of unsafe water. It also reduces the additional burden placed on women by having to collect water from distant sources.

9. The rehabilitation of health clinics makes improved levels of health services readily accessible to the population with positive benefits for the general health of the population; avoids difficult and dangerous journeys to reach alternative health facilities in nearby towns; and in particular assists the chronic sick who otherwise face great difficulties in obtaining the regular treatments that they require. The addition of maternity units at village health clinics providing facilities for safe delivery close at hand reduces the difficulties that women are presently facing, which have increased the risk of maternal mortality. Women are, for example, giving birth or aborting at checkpoints as they attempt to move from villages to the nearest hospitals in the cities or towns, or they are resorting increasingly to home deliveries without expert attention.

10. Renovation of schools and expansion of school facilities to accommodate higher-level classes within the local situation will help to reinstate education for many students whose education has been severely disrupted by the present crisis with potential long-term consequences for their future employment opportunities. Improvements in school facilities will bring particular benefits to girl



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students and woman teachers who have been most affected by the tight closures and dangers involved in travelling to schools outside of their home villages, resulting in a high percentage of dropouts among girl students. The focus of the project on the provision of additional facilities for girls' education also addresses the underlying cultural issues that are responsible for girls' dropping out of the education process when they have to travel to a different village for higher-level education. This could be expected to have an impact on delaying the age of marriage and reducing fertility rates as there is an established correlation between the education levels of mothers and their fertility rate.

11. Rehabilitation of village access roads and bridges will help to restore access to markets and to other services in the nearby towns. Since in the current crisis marketing of produce is increasingly being undertaken by women, the restoration of improved linkages will reduce the difficulties that they face in reaching markets.

12. Provision of kindergartens will assist women who have become increasingly involved in income-generation, giving them greater freedom to pursue their activities while knowing that their children are safe and cared for. In addition, the children will benefit from educational stimulation and companionship to help counteract the trauma and psychological disturbance caused by the present crisis.

13. Implementation of the community infrastructure component will generate some 40 000 person days of labour and will pump around USD 1 million into the local economy over three years through the payment of wages.

### **B. Women's Livelihood Support**

14. **Savings and credit associations.** Based on the experience to date, the establishment of SCAs makes a significant contribution towards stabilizing and strengthening the financial situation of women in the rural areas. Women generally have little access to financial resources due to lack of mobility, cultural inhibitions and lack of assets in their hands to serve as collateral. They therefore find it difficult to start or expand new businesses. The SCAs play an important role in overcoming these constraints. As households, in response to the present economic circumstances, have sought to find new or increasing sources of income, society has accepted an increased role of women, and the SCAs have had a marked impact in providing women with access to credit to help them to launch new activities to support the household economy. Through involvement in the SCAs, the management capacity of women has increased, and this has enhanced their ability to manage other activities in response to the crisis. The SCAs have also contributed significantly to women's empowerment and, in particular, have achieved some change in the status of women within the family, with husbands allowing their wives greater freedom and mobility. Through their membership in the SCAs, women have also played a leading role in defusing potential conflict situations and, in particular, in taking an active part in trying to prevent children from being drawn into the conflict by supporting activities to occupy children and keep them off the streets.

### **C. Agricultural Development**

15. **Credit for small farmers and non-farm enterprises.** Where clear linkage with market potential can be achieved, access to credit will enable small farmers to adopt improved technology, which will increase household incomes. The adoption of more-efficient technologies with regard to water use, such as drip irrigation, will bring wider economic benefits by making additional water available for agricultural development. This is particularly significant as population pressures on the limited water supply made available to Gaza and the West Bank threaten to reduce the water available for agriculture, which is by far the largest user at present.



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16. **Small and medium enterprise development.** Access to credit for the development of SMEs can contribute to providing handling, processing and storage facilities, which currently represent a critical gap in the agricultural chain and a further constraint on access to markets. By expanding marketing horizons, this investment offers opportunities to small farmers to initiate or expand viable primary production activities.

17. **Support to farmers and entrepreneurs.** Providing sound business advice to entrepreneurs in their initial decision-making and in the subsequent management of their businesses, provides greater assurance of the soundness of the activity and reduces the risk of failure and the implications for the wider group of suppliers. Similarly, ensuring that farmers fully understand the new technologies that they are taking up with the support of access to credit increases the potential for a successful outcome.

18. **Support for technology upgradation.** Testing and dissemination of technology improvements related to crop and livestock production will increase the productivity and incomes of farmers. The provision of improved Awassi rams on a larger scale will bring significant benefits to farmers as milk production from improved breeds is four to five litres/day compared with one litre per day from a local Awassi sheep.



