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**Title:** *Palestinian Agribusiness Partnership Program (Papa)*

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**Problem Statement**

Since September 2000, the beginning of current intifada, the Palestinian economy has deteriorated sharply. The private sector has absorbed much of the intifada related shock to the economy. Unemployment has risen more than 25% in the West Bank and from 40% to 50% in Gaza. Private agricultural and commercial assets have suffered over half of all physical damage. Wells, fields, and orchards, particularly olive trees, have been damaged and destroyed in the wake of military incursions. Heightened security through internal West Bank and Gaza checkpoints and closely guarded border crossings increases transportation costs, disrupts supplies, and damages high value perishable agricultural shipments destined for EU markets.

**Objectives**

The objective of the Palestinian Agribusiness Partnership Activity (PAPA) is to stimulate commercial agriculture development and create employment opportunities in the private agricultural and agribusiness sector. It has three components:

- Palestinian Agricultural and Agribusiness Rehabilitation (PAAR);
- Gaza Disengagement Program (GDP);
- Palestinian Agricultural Training & Extension (PATE)

The first component of PAPA, a \$12 million, 3 year PAAR Program will co-share investments in private Palestinian agricultural sector value chain – agro-industrial, agribusiness, and agricultural enterprises – in the West Bank and Gaza to expand existing business development growth, trade, export, and employment. In the event of a Gaza supplemental and the availability of funds, USAID will complement PAAR with GDP and PATE components.

GDP will implement a program to facilitate the security, transfer and operation of commercial Israeli settlement greenhouses to a Palestinian management caretaker firm, which will operate and manage these greenhouses commercially

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until they can be privatized. The program will also develop additional land for greenhouse horticulture. The proposed budget is approximately \$59 million.<sup>1</sup>

PATÉ will provide training and extension services to Palestinian agricultural producers and processors to upgrade the quality and food safety as well as the hygienic and sanitary conditions of processing and post-harvest handling facilities. The proposed budget is approximately \$12 million.

### **Activity Description**

#### Palestinian Agricultural and Agribusiness Rehabilitation (PAAR)

Despite the intifada, Palestinian agribusinesses are producing and marketing their products, and some Palestinian firms and cooperatives are producing high value fresh fruits, vegetables and cut flowers and marketing them through Israeli agricultural export firms to the European Union (EU), the US, and Russia. Both Gaza and the Jordan Valley of the West Bank have very special microclimates that are especially suitable for greenhouse production of high value fruits, vegetables and cut flowers.

There is a very large gap in technology, know-how, and management systems between Israeli and Palestinian agriculture. Palestinian agricultural producers and agribusiness workers have worked on Israeli farms and in Israeli food processors for years and returned to Palestine to introduce what they have learned in their own businesses.

Israeli agribusinesses and trading firms appear very willing to work with Palestinian businesses to transfer technology and know-how and train Palestinians in production of high quality agricultural products for the EU and US markets. Israeli exporting firms are confident that they will be able to get these perishable agricultural products through all checkpoints and cross borders on a timely basis. Therefore, it is extremely important to explore collaborative relationships between the Israeli and Palestinian private sector to find long-term, sustainable solutions for the recovery and rehabilitation of the sector.

The PAAR will enhance the ability of Palestinian agribusiness owners, managers, workers, and producers to understand what Israeli agribusinesses have learned over the past two decades – learn what the market and the consumer want in terms of product quality, color, size, shape, taste, and timing.

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<sup>1</sup> This assumes that the \$40 million cost of newly established greenhouse construction will be shared at least 50 percent by Palestinian agribusinesses.

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PAAR will focus on greenhouse Production of high value crops (Cherry Tomatoes, flat French beans, strawberries, cut flowers and fresh herbs in Gaza, and production of Cherry Tomatoes, Sweet Peppers, Eggplants, Cucumbers, Zucchini, and flat French Beans and fresh herbs) in the Jordan Valley. It will also work on olive production and processing.

PAAR will work with existing Palestinian agribusiness and cooperatives in Gaza and the West Bank which are working now in some of these crops and have additional land and resources to expand production. It will provide Business based incentives for building alliances between Palestinian agribusinesses and Israeli firms for exporting either to Israel or to high value EU and US markets.

PAAR will leverage private sector capital to gain access to better technology, know-how, management systems, and markets to produce more economic growth and employment. The PAAR component will focus on business expansion, growth and export development in a way that accepts the Israel security controls as parameters and devises approaches to work around them to achieve profitable commercial activities.

PAAR will be investing up to 50 percent in private Palestinian business partnerships to foster the commercial development of the entire agribusiness cluster in Gaza and Jordan valley. Such investment should help develop businesses upstream and downstream in the cluster to develop a broader economic critical mass in the sector that will help other similar businesses develop and grow. In Gaza, where there are thriving cooperatives focusing on cherry tomatoes, strawberries and cut flowers, there are already active operational clusters that PAAR can serve to expand. In the West Bank, where greenhouse horticulture is less pronounced on the Palestinian side, clusters have yet to develop. PAAR investment in Palestinian agribusinesses should focus on connecting the value chain upstream and downstream together to ensure that high quality production is achieved, appropriate post-harvest handling and packaging occurs, quality processing occurs if applicable, and products are timely and safely transported to their market destinations without breaking the cold chain for preserving quality.

PAAR will also provide training and extension to producers, processors and exporters in: Processing, post-harvest handling, packaging and related plant, equipment and storage; Financing, accounting, legal, engineering, and other professional fees; Logistical support, marketing and export fees; and Technical assistance and expertise. It will also address policy issues related to grades, standards, inspections, and certifications; food safety, sanitary and phyto-sanitary regulations; certificates for use of all plant varieties in the West Bank and Gaza; commercial code issues; trade regime rules and regulations;

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environmental regulations; and border and security issues affecting the transit of agricultural products from the West Bank or Gaza to Israel or to other foreign markets.

Overall, PAAR will establish ten agribusiness partnerships, create 900 jobs and generate \$3 million annually in new agricultural exports.

### Gaza Disengagement Program (GDP)

The key components of the Gaza Disengagement Program (GDP) are: Transfer, upgrading and development of the existing 400 hectares of high technology greenhouses of the Israeli settlements in the Katif area; Development of another 2,000 Ha of existing but undeveloped Palestinian land in Gaza that has been part of the Israeli designated security zone; and creation of 10,000 to 15,000 new jobs during the period of the 3 year of the project.

The evolving nature of the Gaza Disengagement and the efforts of the donor community to respond to Palestinian needs require flexibility. The significant security issues related to a smooth transfer of assets require careful planning to assure that all issues, down to very fine details, are discussed, understood and incorporated into action plans. GDP will facilitate the planning for the Palestinian agribusiness firm selected to operate the transferred greenhouses. Thereafter, the project will engage additional firms for developing new lands with high technology greenhouses. Both facilities will be privatized and transferred at a later date. The Contractor will develop a privatization plan and work with Palestinian authorities on titling the land for both the Katif greenhouses and the additional 2,000 hectares of unused land currently in the Israeli designated security zone.

The GDP will provide training and extension program for agricultural producers in Gaza to cover the transferred Katif greenhouses, the newly established greenhouses and agricultural producers throughout Gaza needing training and extension to improve technology and management throughout the agricultural value chain. The activity will provide for a specific greenhouse floriculture training and extension program to help greenhouse operators and workers alike to understand production, post-harvest handling, packaging, and export requirements necessary to market high-quality fruits, vegetables and cut flowers to international markets. It is expected that GDP will transform Gaza into a modern, state of the art, horti -floriculture cluster.

The GDP will provide: Training to agricultural producers and workers in production, post-harvest handling, and packaging and producing for the market; Education on all cross-border security, transport, logistics, packaging, and


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marketing so that producers understand regulations, costs, logistical issues, security issues, and market destination issues, costs, and expectations; Education on how agricultural production, post-harvest handling, processing, and packaging can affect or improve facilitating the products through the security areas and on to the market destinations; Training on EuroGAP, HACCP, and other international standards that exporters must meet in order to export agricultural products to the EU and US markets

GDP will finance infrastructure such as Cold Chain and Cold Storage Systems, agribusiness plant, equipment & systems, including weighing, grading, labeling, and packaging equipment that would significantly increase firms' ability to expedite delivery of fresh strawberries, cherry tomatoes, cut flowers and other flori-horticultural products to exporting firms.

The GDP Component activities will also assist in: Successful transfer of 50% (200 hectares) of the Katif greenhouses to a Palestinian agribusiness firm for maintaining the greenhouse operations; Establishment of 200 hectares of greenhouses on approximately 2,000 hectares of unused land in the Israeli security zone in a combination of greenhouse flori-horticulture and open field agriculture; Creation of 10,000 agricultural jobs or an equivalent number of jobs and sharecropping leases of greenhouses to small and medium agricultural producers through their member associations for the 200 hectares of transferred greenhouses; Creation of 10,000 agricultural jobs for the newly established 200 hectares of greenhouses on the unused land in the Israeli security zone; Training of 10,000 greenhouse workers on appropriate production and handling of flori-horticultural products; Privatization of the transferred greenhouses and the newly established greenhouses to Palestinian agribusinesses; Transfer of the latest greenhouse technology and know-how to the Palestinian firm and its employees for the transferred operations and the newly established greenhouse operations; and 500% increase of Palestinian flori-horticultural exports.

### Palestinian Agricultural Training & Extension (PATE)

Recent studies based on a large national sampling of foods in Palestinian food processors, food retailers, and restaurants revealed an extraordinarily high percentage of contamination. Palestinian food processors need training and technical assistance on methods to improve processed food safety and  ability to prevent an outbreak of food related illnesses, build local consumer confidence and position Palestinian products for potential export markets.

PATE shall address consumer food safety concerns in two ways. First, it will support training food processors in international standards established by

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EuroGAP, HACCP and ISO. Second, it shall establish a laboratory testing, inspection and compliance program that all Palestinian food processors must meet. It will enable food processors to meet internationally recognized food standards necessary for export.

PATE shall devote to management training of producers, agribusinesses, and food processors through four levels of intervention: 1) Food Processing Technical Assistance and Training (especially meat, olives and olive oil, and dairy). Each technical assistance program shall be tailored to the food industry cluster; 2) Laboratory Testing, Food Inspection and Certification; 3) Producer Training & Extension in integrated pest management, efficient water use and environmentally safe production methods; and 4) Food Industry Infrastructure Improvement. Overall, PATE will contribute to improved food safety, higher quality standards and increased domestic and export markets for Palestinian products.