



Cooperazione Italiana  
allo Sviluppo  
Ministero Affari Esteri  
Cooperazione Internazionale



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**Financial vehicles and technical assistance to boost employment and income  
generation in Palestine**

**(AID n. 10114)**

**SECOND YEAR**

## **OPERATIONAL PLAN**

**Budget support – First Installment**

**October 27, 2014**

1. FICHE OF THE PROGRAMME

<b>Country</b>	Palestine
<b>Title of the initiative</b>	Start Up Palestine: Financial vehicles to boost employment and income generation in Palestine
<b>Budget</b>	EUR 21,800,000, out of which - EUR 700,000 budget support (ex Art. 15 L. 49.87) - EUR 850,000 local fund (managed by MAE-DGCS) - EUR 250,000 expert fund (managed by MAE-DGCS) - EUR 20,000,000 soft loan
<b>Untied aid percentage</b>	95%
<b>Millennium goals</b>	O1 - T1 O1 - T2
<b>Sectors OCSE/DAC</b>	Government and civil society Other social infrastructure and services Banking and financial services
<b>Theme OCSE/DAC</b>	Trade Development
<b>Code</b>	150: 15110; 15150; 15164 160: 16020 240: 24020; 24040
<b>Gender Marker</b>	G1
<b>Rio Markers</b>	N/A
<b>OCSE/DAC Policies Objectives</b>	Significant
<b>OCSE/DAC Aid for Trade</b>	N/A
<b>Climate change adaption</b>	N/A
<b>Description</b>	The Programme aims to access to affordable finance for marginalized groups in Palestine: young graduates, women and farmers (including farmers' cooperatives). Through a set of financial vehicles and dedicated technical assistance modules, the initiative shall build a sustainable overall scheme for identified beneficiaries
<b>Sector</b>	Economic Development
<b>Duration</b>	36 months
<b>Recipient</b>	Palestinian National Authority
<b>Channel</b>	Bilateral
<b>Instrument (mean)</b>	Grant and soft loan
<b>Implementng partners</b>	Budget support: - Palestinian Fund for Employment and Social Protection Local fund: - MAE-DGCS

## 2. ALLOCATION OF THE PROJECT'S BUDGET BY CHANNEL AND YEAR

	Year I	Year II	Year III	TOTAL
<b>SOFT LOAN</b>				€ 20,000,000
Credit line				€ 14,000,000
CASC capitalization fund				€ 3,000,000
Credit Guarantee scheme				€ 3,000,000
<b>GRANT</b>				€ 1,800,000
Local fund (MAE-DGCS)	€ 400,000	€ 230,000	€ 220,000	€ 850,000
Budget support (PFESP)		€ 350,000	€ 350,000	€ 700,000
Expert fund (MAE-DGCS)		€ 120,000	€ 130,000	€ 250,000
<b>TOTAL</b>	<b>€ 400,000</b>	<b>€ 700,000</b>	<b>€ 700,000</b>	<b>€ 21,800,000</b>

## 3. BACKGROUND INFORMATION

Considering access to finance for small businesses as a key instrument to foster a substantial growth in employment rate and thus income generation in Palestine, the new Programme "Start Up Palestine" will be aimed to tackle the need of credit of vulnerable categories (women, young graduates, small and medium farmers, etc.) and financing micro and small entrepreneurship initiatives, through existing financial institutions (Palestinian Funds for Employment and Social Protection - PFESP, Cooperatives Associations for Saving and Credit - UCASC and other financial non banking institutions), as well as expanding the operational capacity of Small and Medium Enterprises (SME) in order to stimulate employment opportunities.

Specific objectives of the Programme are:

- Improving the capacity of the Palestinian Fund for Employment and Social Protection to provide financial instruments and technical assistance (advisory and coaching services) to marginalized and vulnerable categories and primarily to young graduates and women, as well as the unemployed workers in general, thus implementing guidelines and policies of Palestine and strategies stemmed from the Ministry of Labor's mandate.

- Increase the capitalization of Cooperative Associations for saving and Credit and their ability to provide their members as well as agriculture cooperatives and farmers in Palestine with structured financial products and advisory services.

Key beneficiaries are primarily Palestinian micro and small enterprises (MSME) as single units or cooperatives of workers/farmers etc., as well as partnerships businesses based on gender equality. A specific attention will be paid to start up companies especially those set up by young entrepreneurs and women entrepreneurs and also existing MSMEs will be targeted by the programme activities.

Farmers' cooperatives operating in Palestine, especially those residing and working in Area C and beside the separation wall, will be addressed as well as they share the same difficulties in accessing affordable finance as other beneficiaries. Specific attention will be paid to the Cooperative Associations for Saving and Credit (CASC) system that along the years have assisted Palestinian farmers' cooperatives in intended locations. As CASC are often undercapitalized, with the consequence that often they are not able to provide members with the needed financial services, a specific instrument to support the capitalization of such entities will be designed as well.

As far as access to finance is concerned, it will be envisaged to set up several financial instruments (within the provision of the soft loan), in order to respond to different demands coming from identified beneficiaries. Provided facilities will include:

- Credit Line (EUR 14M) for the provision of:
  - Micro/Small grant scheme including the set up of an Internship Programme for unemployed women and young people;
  - Small/medium term maturity loans at low interest rate;
  - Small/medium term maturity loans at low interest rate for the agriculture sector;
  - Mixed low interest loan and grant funds.
- CASC Capitalization Facility Scheme (EUR 3M);
- Credit Guarantee Scheme (EUR 3M).

All the mentioned schemes shall be accompanied by technical assistance and business advisory services for beneficiaries, in order to guarantee their ability to access the most appropriate facility according to their specific needs.

#### **4. ACTIVITIES PLANNED FOR THE BUDGET SUPPORT COMPONENT OF THE PROJECT'S SECOND YEAR**

This Operational Plan deals exclusively with the activities that will be performed by the PFESP, with the first year of budget support component (second year of project implementation).

It is currently underway the assessment study on the operational and financial capacities of the PFESP, conducted by the Center for Continuing Education – Berzeit University (CCE) and financed through the



first year of the Programme local fund. The goal of the study is to identify the main gaps which may hinder the implementation of the programme "Start Up Palestine" – and more generally, the weaknesses which narrow the PFESP capacity to deliver financial and non financial services, as a national provider of employment opportunities to marginalized people.

Before carrying out this analysis, however, the service provision mechanism that will ensure the services' effectiveness, efficiency, and transparency, as well as the organizational structure to fit that particular service provision mechanism, needed to be clearly chosen, among a set of different options (or scenarios) which need to be identified and assessed separately. In late September 2014, the CCE has submitted a report assessing pros and cons of five different scenarios, and recommending the an organizational model where financial services (i.e. the loans/grants to be provided through the EUR 14M credit line) are outsourced to local micro-finance institutions, while non-financial services (i.e. coaching and business advisory services to be financed through the grant component, both with the local fund and the earmarked budget support) are directly offered by the PFESP staff (in the assessment study, referred to as "Model 3").

Based on the budget allocation defined in the present Operational Plan, by mid-November 2014 the CCE is expected to prepare an action plan and capacity-building plan for "Model 3", which will set out the specific activities, by budget line. The action plan and capacity building plan will be then submitted to the Programme Advisory Committee for approval.

The budget allocation for the first year of budget support is reported hereby:

COD.	DESCRIPTION	Year II
A.	PFESP Human Resources Development	
A.1	<i>Financial Experts and Consultants</i>	€ 90,000
B.	Business Advisory Services	€ 90,000
C.	Promotional Activities	€ 30,000
D.	PFESP Running Costs	€ 140,000
	<b>TOTAL</b>	<b>€ 350,000</b>

**A. PFESP Human Resources Development**

*A.1 Financial Experts and Consultants (EUR 90,000)* – New economic and financial experts, as well as other members of the staff, in order to increase and improve skills and expertise of the PFESP, will be hired on a permanent or temporary basis.

**B. Business Advisory Services**

A mechanism to deliver coaching and business advisory services (i.e. non-financial services) will be implemented (EUR 90,000). Advisory services will be also provided through local and international consultants, as well as consulting firms, providing training, coaching and consultancy services for single or groups of beneficiaries.

### C. Promotional Activities

A media and communication campaign to promote the Programme facilities will be organized and conducted, covering Governorates and Municipalities all over the Palestinian Territory (EUR 30,000).

### D. PFESP Running Costs

In order to ensure the economic sustainability of the institution in the short/medium term, part of the PFESP running costs will be covered (EUR 140,000). Funds will be allocated to pay for salaries and administrative expenses of the PFESP. Adequate measures and initiatives to leverage possible contributions from other donors will be also implemented in order to set up a feasibility plan to guarantee the economic sustainability for the PFESP in the medium/long term.

## 5. OPERATIONAL REMARKS

As for the Memorandum of Understanding, the PFESP will prepare a quarterly detailed work plan for the proposed quarterly expenditures in accordance with the Operational Plan for the current year. Expenditures will be performed upon request from the PFESP of the quarterly work plan approval from the Italian Development Cooperation Office in Jerusalem.

For other issues (such as disbursement procedures, budget reallocation, obligations of the MAE-DCGS and Ministry of Finance, reporting, impediments and *force majeure*, suspension of disbursement by MAE-DCGS), this Operation Plan refers to the Memorandum of Understanding.

### APPROVED BY THE MEMBERS OF THE PROGRAMME ADVISORY COMMITTEE:

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H.E. Mamoun A. Abushahla  
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