



USAID | **WEST BANK/GAZA**
FROM THE AMERICAN PEOPLE

TRADE FACILITATION PROJECT

FINAL REPORT

August 2013

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ACRONYMS

ASYCUDA	Automated System for Customs Data
COGAT	Coordinator of Government Activities in the Territories
CPA	Crossing Point Authority
DCL	District Coordination Liaison
DTI	Direct Trader Input
FY	fiscal year
MONE	Ministry of National Economy
PA	Palestinian Authority
PalTrade	Palestine Trade Center
PITA	Palestinian Integrated Trade Arrangement
PPRI	Palestinian Political Risk Insurance
TFP	Trade Facilitation Project
TIC	trade information center
VAT	value-added tax
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

Through the Trade Facilitation Project (TFP), Chemonics International Inc. assisted USAID's West Bank/Gaza mission to support economic stability in the West Bank and Gaza through interventions with the public and private sectors. The project focused on three areas:

- *Improving border management efficiency to reduce trade costs for business and increase the capacity of the Palestinian Authority (PA) to effectively manage trade and enhance customs revenue.* TFP worked extensively with the PA Customs Department to increase revenue while reducing business compliance costs. Additionally, the project focused on advancing programs for infrastructure improvements on the Palestinian side of crossings.
- *Supporting private sector entities to advocate for improved trade facilitation measures with the Israeli border and crossings authorities.* TFP worked with the private sector to formalize and prioritize its needs for trade facilitation measures and facilitated cooperation between the Israeli Crossing Point Authority (CPA) and the Civil Administration to increase trade.
- *Research and information-sharing to provide cohesive information to the business community on trade regulations and procedures.* Through a range of methods, including development of a trade portal and detailed trade studies, TFP increased the level of information available to the PA public and private sectors on trade procedures and constraints. Furthermore, TFP sought to monitor and publicize changes to movement and access restrictions into and out of the West Bank and within the West Bank.

Highlights of the project's achievements include:

- More than 16,300 person-hours of training delivered to support capacity at PA Customs. In addition to direct technical assistance, TFP's support of PA Customs has been among TFP's strongest components, resulting in \$32.4 million in increased revenue and reductions in business compliance costs in fiscal years (FYs) 2012 and 2013 alone.
- Developed units and trained Customs personnel on risk management, post-clearance audits, and commercial compliance. These units have established capacity in PA Customs to provide services to the trade community and increase revenue to PA Customs. Because risk management and post-clearance audit activities are refined and increase when the data interface is operational, revenue implications will be substantial.
- Facilitated establishment of a data link between PA and Israeli Customs, which when fully operational in September 2013, has the potential to yield \$4.2 million to \$6.4

million each month in extra revenue and will cut business compliance costs 30 percent.

- Assisted PA Customs in managing the transition of post-clearance valuation and revenue collection for used car imports from Israel, the first transfer of valuation authority to the PA. As a result of a combination of training and direct technical support in 2010-2011, total revenue collections from vehicle imports rose more than 200 percent as a result of applying proper customs valuation and effective revenue collections. By 2012, revenue from adjustments to vehicle valuations had increased to nearly \$3 million, up 33 percent from 2009.
- In conjunction with USAID's Palestinian Integrated Trade Arrangement (PITA), TFP supported opening of the Jalameh vehicle crossing. By reconnecting Jenin with the large Arab-Israeli communities in Northern Israel, TFP estimates direct benefits to the Jenin economy at \$120 million from 2009 through early 2012.
- Established the Known Trader Program at the Tarqumia crossing. By providing participating firms with a range of benefits, including extended operating hours, expedited registration, container drop-off, and circulating trailers, the program is generating an estimated \$33.2 million to \$45.3 million annually in benefits to the private sector in the West Bank and Israel.
- TFP served as a source for evidence-based analysis of trade constraints on a range of issues, including movement and access, standards compliance, and dual use. By bringing economic rigor to these issues, TFP and USAID were able to effectively engage Israeli trade and border authorities to improve trade facilitation.

TFP was implemented in a challenging environment. The project's achievements were reached despite major challenges, including two Israeli/Gaza conflicts, Israeli elections, severe PA financial constraints, and public sector strikes in the PA. TFP navigated these crises and responded quickly to new opportunities. Throughout, TFP focused on building relationships with and between Israeli and Palestinian counterparts and the public and private sectors. Additionally, TFP coordinated with other projects and served as a resource for U.S. government agencies and the broader donor community. As a result, TFP achieved quantifiable results across all its indicators.

BACKGROUND

From June 2008 to August 2013, the principal objective of the USAID West Bank/Gaza Trade Facilitation Project was to facilitate the flow of goods and people in a manner that satisfied the principles and benchmarks of the 2005 Agreement on Movement and Access. The goal was to address the USAID mission's strategic objective of supporting economic stability in the West Bank and Gaza through interventions with the public and private sectors.

TFP Contract

Duration: June 2008 - August 2013
Implementer: Chemonics International
Budget: \$17,646,934
Funding: Global Business, Trade and Investment II indefinite quantity contract

TFP was implemented in a difficult and fluid political, economic, and security environment. The private sector, hence the Palestinian economy, was severely constrained by movement and access restrictions. Issues included numerous checkpoints and routing restrictions, causing delays and extra distance traveled; a requirement for back-to-back transfer of cargo; sudden closures; unpredictable waiting times and procedures; and poor treatment of traders and cargo. The Palestinian Authority struggled and continues to struggle under severe financial constraints; the ability to increase revenues was critical to maintaining government services and enhancing private sector competitiveness.

At the start of the project, TFP focused on three key components:

- *Improve border management efficiency.* A primary objective was to improve border management efficiency to reduce trade costs for business and increase the capacity of the PA to effectively manage trade and enhance customs revenue. TFP ran concurrently with USAID's PITA, which had made significant investments in upgrading and securing crossings and borders with Israel. TFP's work to improve border management and logistics efficiency was viewed as a necessary complement to those investments. As part of this work, TFP established a strong partnership with PA Customs to develop its capacity to increase revenue and reduce business compliance costs. Although not all initiatives were successful under this component, TFP responded quickly to opportunities and shifted the focus of the work toward PA Customs as some initial objectives — such as establishment of a PA presence at the border/crossings — stalled.
- *Support private sector entities.* TFP aimed to work with the private sector to mobilize incentives and energies among commercial interests in a manner that would respond to constraints on movement and access. Initially, TFP worked to increase dialogue among the Israeli CPA, Civil Administration, and Palestinian private sector to develop solutions to efficient movement of goods through the crossings. By addressing specific — often firm-level — issues, TFP targeted interventions that could benefit the broader trade community in the West Bank and Gaza.

- *Conduct research and information-sharing.* At the start of the project, many trade facilitation information sources existed in the West Bank and Gaza, but the information was largely fragmented, not widely available, quickly outdated, and in some cases sensitive or vague. The project aimed to provide cohesive information to the business community on trade regulations and procedures. TFP also monitored and publicized changes to movement and access restrictions into and out of the West Bank and within the West Bank, providing solid analysis to proactively advocate for removal of restrictions and demonstrate success. In addition to its movement and access work, TFP brought cost-based economic analysis to a wide range of issues facing West Bank and Gaza traders. Through evidence-based analysis, TFP quantified issues that had only been examined anecdotally.

TFP adopted an adaptable approach to TFP implementation, integrating the public and private sectors on both sides of the crossings combined with high-quality collection, analysis, management, and dissemination of information. Clear, careful communications were essential, given the visibility of TFP and movement and access issues in the U.S. mission and the international community. Two pillars underpinned the project’s approach:

- *Building relationships.* TFP began by building on relationships established under PITA to achieve results, starting with the USAID Private Enterprise Office, and through that office to other U.S. players — embassy, Consulate General, Special Envoy for Middle East Peace, United States Security Coordinator for Israel — and the PA, Israeli government, and Palestinian and Israeli private sectors. TFP served as a reliable resource on a range of trade issues within the U.S. government and across the donor community working with other projects and donors, including the Office of the Quartet Representative.
- *Working as an honest broker.* TFP recognized Palestinian objectives and negotiating positions and Israeli limits and requirements. TFP built on PITA’s experience and established itself as a trusted mediator with the private and public sectors in the West Bank/Gaza and Israel.

Throughout the project, TFP maintained flexibility and strong communications with stakeholders and strengthened their relationships as well as relationships between PA and Israeli counterparts. The project’s achievements occurred despite major challenges, including two Israeli/Gaza conflicts, two Israeli elections, and severe financial constraints and public sector strikes in the PA. TFP navigated these crises and responded quickly to new opportunities. This report provides a summary of TFP’s main achievements, challenges, and lessons learned.

COMPONENT 1. IMPROVE BORDER MANAGEMENT EFFICIENCY

A major goal for TFP was to improve border management efficiency, thereby reducing trade costs for business and increasing the capacity of the PA to effectively manage trade and enhance customs revenue. In the first years of the project, TFP ran concurrently with PITA, which had made significant investments into upgrading and securing crossings and borders with Israel. TFP's work to improve border management and logistics efficiency was viewed as a necessary complement to those investments. The project focused on three initial activities:

Establishment of a Palestinian crossings and borders authority. In 2008, the PA was working to establish a new crossings and borders authority, which was intended to have overall control of all matters associated with imports and exports. This authority was envisioned to encompass and expand authorities and activities of the existing General Authority on Crossings and Borders. In the project's first two years, it supported the PA in establishing the authority and a PA presence at borders/crossings. The main target was the Allenby Bridge crossing with Jordan, where such a presence had existed before 2001. Ultimately, the initiative did not proceed due to a variety of factors, including disagreement within the PA about roles and responsibilities of trade-related agencies at the borders/crossings, a lack of willingness by Israeli authorities to accept a PA presence at the borders/crossings, and differing views in the donor community on the scope of a PA presence. Faced with this challenge, TFP quickly shifted resources to other initiatives, particularly support to PA Customs.

Improving Capacity at Commercial Crossings

TFP tracked the change in capacity at commercial crossings through December 2011. Based on changes in turnaround times and volumes monitored by TFP, capacity improved dramatically, with a 50 percent improvement in FY 2010 and 15 percent increases in FY 2011 and FY 2012.

Facility upgrades. USAID, through PITA, made substantial capital investments on the Israeli side of major crossing points, including infrastructure, mobile scanners, and container transfer areas. However, there were virtually no facilities on the Palestinian side of the crossing, which added to congestion, slowed movement through the crossing, and raised trade costs. TFP sought to upgrade facilities on the Palestinian side to complement the PITA investments. In addition to concept designs for improvements at the Sha'ar Ephraim and Jalameh crossings, TFP took advantage of opportunities to advance the opening of the vehicle crossing and import container transfer area at Jalameh.

Support to PA Customs. In the absence of a PA presence at the crossings/borders, TFP shifted its focus toward direct capacity support for PA Customs as it probably would play the strongest PA role in an eventual border setting. Additionally, our capacity building activities sought to achieve the aims of increasing revenue, decreasing compliance costs, and improving the PA's capacity to manage trade. Institutional capacity support for PA Customs was among TFP's strongest components, resulting in \$32.4 million in increased revenue and reductions in business compliance costs in FY 2012 and FY 2013 alone.

A. Support to PA Customs

Under the terms of the Paris Protocol, the PA and Israel form a single customs envelope. Goods imported to the West Bank/Gaza enter through Israeli international borders, ports, and airports. Duties and fees are collected by Israeli Customs and transferred to the PA as part of a monthly clearance process. During this monthly clearance, limited information on import declarations is provided to the PA as part of the process. PA importers are required to submit a separate PA import declaration that can be checked against the Israeli declaration to some degree, but there is a substantial time lag.

At the start of the project, a lack of capacity in the PA on customs, as well as excise and value-added tax (VAT), was a strong concern. Building on relationships with PA Customs established under PITA, TFP's focus throughout its work for PA Customs was to increase revenue while decreasing business compliance costs.

Additionally, this support was intended to improve the working relationship between PA and Israel Customs. Increased capacity enhanced trust between the two agencies. This increased the confidence of Israeli authorities to engage in joint activities, including the data interface, and to transfer responsibility as with the valuation of vehicles.

TFP's interventions contributed to value-added from increases in customs revenue and reductions in business compliance costs in excess of \$32.4 million during FY 2012 and 2013. Among two of the critical components of this success were:

- *Use of regional expertise for training and capacity building activities.* In TFP's programs, the project built relationships with and among Israeli Customs, Jordanian Customs, and PA Customs for training and direct technical assistance. In the case of Israeli Customs, this not only established enhanced relationships between the Israeli and PA customs organizations, but also established transparency in the application of customs regulations for imports into the West Bank. The use of experts from Jordanian Customs allowed for Arabic-language training and provided insights into the application of Jordanian Customs regulations on which many regulations in the PA are based.
- *Focus on improved information flow.* The lack of timely information on imports into the West Bank and Gaza significantly hampers the ability of the PA to engage in effective risk management and post-clearance audits to address fraudulent declarations and undervaluation. Throughout its work with PA Customs, the project focused on improving the quality of information available, including developing a data link with Israeli Customs to provide nearly real-time data on imports and improving the capacity of PA Customs to process import data to enhance revenue and reduce compliance costs.

A1. Training

TFP-sponsored training programs with PA Customs and other trade-related ministries have established strong capacity in the PA to manage and enhance customs and VAT

collections and provide services to the business and public sectors on trade-related information and customs procedures. TFP provided more than 16,300 person-hours of training on a range of customs issues. Additionally, through focused, in-country training using regional expertise, TFP established functional Post-Clearance Audit, Risk Management, and Commercial Compliance units in PA Customs. To support the private sector, TFP's landmark customs broker training has provided nearly 9,000 hours of training to 66 participants, which included private customs brokers and PA Customs officers, upgrading the skills of local customs brokers to support PA businesses and reduce compliance costs.

The project relied almost exclusively on in-country training provided by regional (Israeli and Jordanian) and international experts. Its training programs were a mix of on-the-job training, informal workshops, and extended training on topics ranging from basic customs principles to advanced techniques.

In many areas, our training programs focused on multiple levels: broad-based training for a wide range of staff, advanced training for specific practitioners, and follow-up training focused on a specific objective. As one example, in March-May 2013, TFP planned training with the goal of developing a National Risk Plan for the Post-Clearance Audit Unit. The initial four-day training event was on modern post-clearance audit techniques and participants and included staff from the Post-Clearance Audit Unit and senior staff from PA Customs and regional offices. The second phase of the training was for five participants and included advanced training with Jordan Customs. In the final phase, held in conjunction with our advanced General Agreement on Tariffs and Trade training, participants from training in Jordan worked with senior staff to develop a timeline for formation of the National Risk Plan. For substantial initiatives, such as the transfer of car valuation, TFP training followed this same plan: broad-based training for a wide range of staff and hands-on training for specific staff in Jordan (October 2012) finalized with PA-based training to disseminate the knowledge received in the Jordan-based training. Additionally, throughout, TFP provided a range of training on general customs practices as staffing changed and the responsibilities for customs was transferred between departments. The exhibit below provides a selection of the range of programs provided that supported the primary initiatives described below.

Exhibit 1. Selected Training Programs

Training Subject	Date	Description
Classification and Tariffs	March 1-25, 2009	TFP joint training program with Israeli Customs for 27 PA Customs employees on classification and tariffs. The program covered all aspects of classification of merchandise and application of the Harmonized Commodity Description and Coding System of tariff nomenclature.
Customs Clearance Process	October 18-29, 2009	10-day training program for 25 Palestinian Customs officers on customs clearance in cooperation with Israeli Customs. Training included lectures from Israeli and Palestinian experts and a field trip to Ashdod Port. The objective of the course was to acquire knowledge of export and import procedures, preparation of import/export documents, standards requirements, labeling, marking, and packaging and clearance procedures.
Food Classification	January 25, 2010	Half-day session with Israeli Customs for eight members of PA Customs and the Automated System for Customs Data (ASYCUDA) to learn about changes to European Union import and export quotas for agricultural and food products (Chapters 1-24 of the Harmonized System Code). This gave participants an opportunity to understand the new quotas, exemption rules, and time limits and, in turn, make these available to Palestinian traders, who often are unaware of the availability and limitations of quotas.
Explanatory Reading of the Declaration Form	April 8, 2010	One-day workshop for 10 PA Customs officers on customs clearance and the customs declaration form. The session built on an earlier two-week course on customs clearance, but focused on proper calculation of customs duties and taxes for select regional department heads.
Evaluation of Imported Used Vehicles and Vehicles Imported for Display and Exhibitions	April 22, 2010	Full-day session for eight PA Customs officers at Ashdod Port on valuation methods and customs duty/tax calculation on imported used cars. Function was transferred from Israeli Customs to PA Customs, which is now responsible for applying proper value, calculating customs duties and taxes, and collecting any difference from the declared value. An important step in building capacity to take more responsibility for imports and revenue collection.
Customs Control in a Border Setting	July 5-22, 2010	Two one-week courses conducted by Jordan Customs for 12 PA customs officers to learn first-hand customs control procedures in a border setting that included passenger, baggage, and cargo processing (imports and exports), examination procedures, risk management, anti-smuggling, transit, and ethics and professionalism.
Advanced VAT	March 6-17, 2011	With TFP support, 24 senior officers from PA VAT received specialized training from Israeli experts on VAT treatment of services. This intense two-week program was customized to address VAT treatment in new high-growth sectors like financial services, TV and radio, Internet services, and non-profits. The material provided will be used to train other VAT personnel and the private sector and was expected to lead to improvements in the VAT law and additional revenue.
VAT Procedures Manual	March-April 2011	TFP conducted four training sessions in Jerusalem, Ramallah, Northern West Bank, and Southern West Bank on the VAT Procedures Manual that was produced by TFP.
Customs Procedures Manual	March 2011	TFP conducted two training sessions in Jerusalem, Ramallah, Northern West Bank, and Southern West Bank on the Customs Procedures Manual produced by TFP.
Risk Management	July 2011	Two individual programmers from PA's ASYCUDA team have the capacity to develop criteria for a comprehensive risk management plan.

Training Subject	Date	Description
Classification and Tariffs	February 26-29, 2012	A major tariff and classification training provided to 16 PA Customs staff working at regional offices, in particular, staff at post-clearance audit centers. The course lasted four days and focused on the classification according to the Harmonized System for Products and Goods. Practical applications and cases were illustrated.
Post-audits - Jordan	June 30-July 3, 2012	The introduction of the post-clearance audit techniques benefits Customs and the trading community. For customs, post-clearance audits can help protect revenue, improve traders' compliance, detect and prevent fraud, and increase the efficiency of customs control. For the trading community, post-clearance audits can expedite clearance of goods.
Risk Management - Jordan	July 14-18, 2012	Applying knowledge and learned techniques in post-clearance audits and compliance audits at PA Customs' Post-Clearance Audit Unit and Risk Management Unit.
Hebrew Language	June 26-September 26, 2012	Hebrew-language training for PA Customs officials. Focused on technical language skills necessary to translate updates to the Israeli Customs Code.
Risk Management	October/November 2012	Applying knowledge and learned techniques in post-clearance audits and compliance audits at PA Customs' Post-Clearance Audit Unit and Risk Management Unit at Ramallah and regional Customs offices.
Car Valuation - Jordan	October 21-24, 2012	Applying knowledge and learned techniques in vehicle examinations/inspections and valuation at the new vehicle valuation system at PA Customs.
Car Valuation	December 17, 2012	Follow-up on Jordan training.
Regional Workshop	December 5, 2012	Development of workshop for regional customs and VAT directors.
Post-clearance Audits - I	March 24-28, 2013	The focus was on modern post-clearance audit techniques to educate PA Customs staff on how to organize and conduct a post-clearance audit by enabling them to describe the audit process (risk assessment and planning, conducting, and reporting on an audit), understand the concepts on which it is based, and ensure that the audits are conducted in a uniform, efficient, business-friendly, and comprehensive manner while adhering to stipulated principles, policies, and processes.
Post-clearance Audits - II	April 21-25, 2013	Focused on improving skills and knowledge of PA senior customs officers, enhancing staff capacity in this field. Participants explored channels and tools of data flow between the Post-Clearance Audit Unit and the Risk Management Unit and the link between the units
General Agreement on Tariffs and Trade	May 19-21, 2013	Trainees gained an up-to-date understanding of recent developments at the World Trade Organization (WTO) and World Customs Organization (WCO), which will be applied to increase the efficiency of customs control and trade facilitation in the PA. Where appropriate, they developed simplified materials for the trading community and other customs staff. Trainees developed knowledge and skills that can be applied to advise traders and officers on complex matters concerning post-clearance audit activity, design ASYCUDA reports, and advise traders (importers and exporters) on complex questions and disputes over valuation, origin (free trade area eligibility), and other customs-relevant areas of trade.
Advanced Technical Hebrew Language	June 2, July 3, 2013	Advanced technical Hebrew-language training as a follow-up to the 2012 program.
Ministry of National Economy (MONE)	June 23-26, 2013	Four-day training on classifications and origin for 22 MONE employees to provide them with an understanding of the structure and limitations of WTO and WCO agreements and treaties.

A2. Data Interface

From the start of the project, TFP recognized the importance of a data link between PA and Israeli Customs as essential to the ability of the PA to accurately track imports and exports and to increase revenues. Currently, as part of the revenue transfer process, PA Customs receives data on a monthly basis from Israeli Customs. For each declaration, the data transferred contain only four fields of information, and given that the data are often received weeks after the shipment has been imported into the West Bank, it is impractical for the PA to check the declaration because the goods are typically already in the marketplace.

Throughout the project, TFP worked with PA and Israeli Customs to advance the data interface. The parties eventually agreed to a data transfer that will provide more than 40 fields of data for each declaration on goods being imported daily by the West Bank. The implications for PA Customs and revenue are substantial. The data can be used by the Risk Management Unit to construct models to profile and identify suspect declarations. This information can then be used by the Post-Clearance Audit Unit to investigate problematic declarations and, given the daily receipt of data, it will be able to follow-up in a timely manner. As a result, TFP estimates that when fully operational, the interface can yield \$4.2 million to \$6.4 million a month in extra revenue and will reduce business compliance costs by 30 percent.

In later phases of implementation, the data interface can be used to automatically transform Israeli Customs declarations into PA Customs declarations, saving significantly on business compliance costs, reducing errors, and preserving government resources. Combined with upgrades to a Direct Trader Input (DTI) Program described below, TFP estimates that implementation of the data interface system can save \$3.2 million to \$4.3 million a year in compliance costs, even if no more than 35 percent of businesses adopt the facilitated system.

Another aspect of the data interface is that it provides PA Customs with the same information on Palestinian imports as Israel Customs. This information exchange helps to build a partnership between the two in jointly managing trade, reducing fraud and smuggling, and addressing other areas of joint concern. Accordingly, this activity is an important first step in building a more equal partnership in trade management.

After several years of discussion, in September 2012, PA Customs and the Malam Company signed a contract with the input of Israeli Customs to develop the data interface. TFP's Jordanian Customs advisors worked with the ASYCUDA, Risk Management, and Post-Clearance Audit units at PA Customs to prepare the system and design reporting mechanisms to use the data from an operational system. Work proceeded well throughout the development phase from September 2012 to late January 2013. At that time, the data interface was successfully tested, with PA Customs processing the initial test data. Following completion of the data interface, Israeli Customs had initially agreed to send five years of historical data — invaluable in setting up a database for risk management — in addition to beginning regular data transmissions. However, political developments in autumn 2012, including an upgrade of the PA status at the United Nations and the November 2012 Gaza conflict, placed a hold on the data interface and other PA/Israeli initiatives, and Israeli Customs did not begin the transmissions. The interface remained on hold from the end of January 2012 through mid-July 2013.

In July 2013, at a meeting of the joint PA/Israeli finance committee, which includes representatives of PA and Israeli Customs, it was agreed that an initial two-week test of the initiative would begin immediately, followed by regular transmission of data beginning September 1, 2013. Test transmissions began July 15, 2013 and are expected to continue without interruption. Although TFP worked with PA Customs teams to prepare for the database throughout 2012-2013, substantial development remains to be completed once the system is operational if it is to bring about the forecast reduced compliance costs and increased revenue.

A3. Car Valuation

Used vehicles account for 35 percent of imports by value by the PA. In 2009, more than 15,000 used vehicles were imported into the PA, generating more than \$108 million in revenue. Accurate and timely valuation of these imports is a critical component of PA Customs revenue. In early 2009, Israeli Customs agreed to transfer to the PA the functions of post-clearance valuation and revenue collection for used car imports. This represented the first such transfer of valuation responsibility to the PA.

To effectively manage the valuation, PA Customs needed to be able to properly apply value, calculate customs duties and taxes, and collect any difference between the determined value and the declared value. Additionally, it needed to be able to exercise full authority in relation to authorizing Palestinian bank guarantees when importing new vehicles for exhibition. From 2009 to 2013, TFP worked with PA Customs to effectively manage this process, establish lasting capacity, and generate increased revenue with low compliance costs.

Initially, TFP supported training for PA Customs officers on valuation and duty calculations delivered by Israeli experts and incorporated valuation procedures into the TFP-supported PA Customs Procedures Manual. Combined with additional technical support, in FY 2010 and FY 2011, TFP calculated the percentage change in total revenue collections from vehicle imports as a result of applying proper customs valuation and effective revenue collections at more than 200 percent. By 2012, revenue from adjustments to vehicle valuation had risen to nearly \$3 million, a 33 percent increase from 2009.

Following the initial period of operation, TFP fielded a Jordanian valuation expert to assess the system. Despite strong revenue increases, significant deficiencies were identified and in 2011, TFP estimated that these issues resulted in \$3 million to \$4 million of revenue losses annually.

During the subsequent two years, TFP advisors worked directly with the valuation team to introduce a new approach to valuation that would use a database and automated valuation system to reduce losses due to undervaluation. In conjunction with development of the database, TFP funded and installed hardware and software for the system at PA Customs, which provided a direct source of data. TFP structured and provided extensive training to staff on application of the system. To further enhance revenue, TFP advisors worked with staff on entering vehicle price data in conjunction with local car dealers. Staff were trained on the valuation of car accessories in the West Bank and through off-site training at Jordanian Customs. (Accessories refer to features beyond those offered on base models that tend to increase the value of the car, e.g., leather seats, sun roof, sport wheels, and top-of-the-line stereo.) The full car valuation database became operational in January 2013.

From the combination of increased capacity for assessment and the automated database, TFP estimates that the car valuation information technology system adjustment revenues should rise another 20 percent, resulting in an additional \$2.5 million annually in revenue for the PA. The automation of the valuation process also provides for substantial decreases — estimated at nearly \$1 million per year — in business compliance costs.

A4. Direct Trader Input Program

The success of risk management depends largely on the availability of timely import declaration data. In the absence of the data interface, it is essential that import declaration data are received and entered into the ASYCUDA system as soon as possible. For this reason, TFP promoted the development and expansion of the DTI features of ASYCUDA. This feature allows select importers and their agents to enter declaration data into ASYCUDA from their premises and to receive electronic acceptance of the declaration if deemed compliant by the risk management system.

To develop the system, TFP worked with PA Customs to put in place the necessary regulations and procedures. Following approval of the system by the prime minister in 2012, TFP advisors worked with the ASYCUDA and risk management teams to implement the system.

Companies are identified as potential candidates for the DTI Program based on the number of declarations made and the amount of customs revenue collected. To join the program, compliance audits are conducted to assess the quality of internal systems and controls and ensure they promote accuracy and compliance. TFP advisors worked directly with the ASYCUDA and risk management teams to develop and train personnel on completion of the audits.

Most importantly, the DTI Program allowed development of the risk management red/yellow/green risk rating system in the ASYCUDA system. With the system coming online in 2012, this allowed a major increase in trader facilitation.

- *Yellow Lane* is applied to all declarations not identified as Red Lane or Green Lane. These traders must still lodge paper declarations, but processes have been extensively streamlined, with post-clearance audits for most verifications. This process saves the business community \$1.2 million annually.
- *Green Lane* allows DTI for declarations from low-risk businesses to be completed electronically and cleared without Customs intervention, saving these traders \$1.7 million \$2.7 million annually.
- *Red Lane* is for high-risk goods targeted for immediate examination. This process will become operational with the data interface.

After information becomes available through the data interface, Phase Two of the Green Lane DTI Program will make it possible for traders to convert their Israeli Customs declarations automatically into PA Customs declarations, further reducing costs for businesses and PA Customs.

As of July 2013, 41 companies were participating in the DTI Program; an additional 28 companies are expected to join by the end of August 2013. In July 2013, faced with an obstacle to adding companies to the system due to a constraint on the number of users for the ASYCUDA system, TFP purchased additional user licenses, which would triple the number of simultaneous users, to 300. Combined with a time-out mechanism for idle users, with this USAID-funded purchase, the current system should be able to support up to 600 users and be sufficient to support PA Customs activities for at least the next five years.

Exhibit 2. DTI Program Status as of August 2013

Total compliance audits performed	86
Companies approved and using DTI	41 (69)
Companies approved for DTI, awaiting training	28 (0)
Companies recommended for DTI privilege, awaiting application forms	10
Companies requiring additional assistance/compliance	5
Companies recommended but refusing DTI	2

A5. Financial VAT Training

Following discussions with the Israeli Tax Authority, the Director General of PA Customs, Excise, and VAT requested training for its staff on advanced collection procedures that had been implemented in Israel. These changes moved the local VAT from a tax mainly on goods to a tax on goods and services, as originally intended. Because Israel and the West Bank share common VAT legislation and collect VAT on behalf of one another, the new laws and regulations in Israel were also applicable in the West Bank.

TFP coordinated with the Israeli Tax Authority to facilitate a 10-day training course in March 2011 that focused on areas where the Israeli Tax Authority had developed new VAT collection techniques for financial and service institutions, including banks and insurance and telephone companies. The course also resulted in creation of information on VAT changes that were disseminated to taxpayers throughout the West Bank and in an update of the PA Customs VAT Procedures Manual.

As a result of the course, VAT collections rose from \$16.5 million in 2009 to \$102.6 million in 2012. Collections in the financial sector rose fourfold from \$1.1 million/month to \$4.3 million/month. It is estimated that this training, which cost \$80,000, has generated \$6 million to \$7 million in annual VAT collections. The initial training also led to subsequent VAT training by the USAID Investment Climate Improvement Project, which led to additional VAT revenue of \$99.7 million in 2012. The



A Palestinian VAT official trainee listens as training material, conducted by the Israeli Tax Authority, is translated into Arabic in March 2011. TFP fostered a successful partnership with Israeli Customs, resulting in several training sessions for PA VAT officials to help increase revenue, improve compliance, and foster a collaborative relationship between the two entities.

VAT training considerably enhanced the PA's source of revenue, as well as the communication and relationships of technical staffs of the Israeli Tax Authority and PA Customs.

A6. Risk Management

False declaration and undervaluation of imports into the West Bank cannot be fully addressed by the Israeli government at the ports of entry or by the PA internally without development of a national risk plan that guides cost-effective audits and examination and enforcement strategies. An operational risk management unit is essential to efficiently target interventions by Customs Post-Clearance Audit and Enforcement units. It also enables implementation of facilitation programs like DTI for low-risk businesses and customs brokers. Through extensive training and the provision of direct technical support by Jordanian advisors, TFP developed a Risk Management Unit at PA Customs, which became fully operational in January 2012 with three full-time staff. Staff at the unit were extensively trained in modern risk management procedures. Milestones in this process included:

- Development of the first National Risk Plan, which enabled the introduction of an automated red/yellow/green risk system in ASYCUDA. This allowed for implementation of the DTI Program, institution of compliance audits designed to reduce costs for low-risk businesses, and development of targeted audits by post-clearance audits that reduce disruptions to compliant traders.
- *The automation of risk management procedures by updating the ASYCUDA system with current pricing data on primary imports.* These data were gathered through a combination of pricing data provided from Jordan and working directly with West Bank firms to receive current pricing information.
- *Extensive internal and off-site training for staff at the Customs head office in Ramallah and in regional offices.*
- *Development of standard operating procedures for risk management that were incorporated into a revised Customs Procedures Manual developed by TFP with PA Customs.* When VAT was added to Customs' responsibilities in late 2012, the principles were extended to VAT activities.
- *Use of updated pricing information, TFP and PA Customs reactivated the automated selectivity criteria in January 2013.* This decentralized system allows for input from regional Customs offices to enhance the ability of risk management to flag suspect declarations.

Based on these improvements, TFP estimates the annual benefit from risk management at \$4.5 million annually in increased revenues. In addition to the benefits from Green Lane/DTI described above, effects include:

- *Increased revenue* through identification of high-risk companies, commodities, origins, values, etc. Based on performance to date, the current Yellow Line program will yield \$0.7

million to \$1.2 million in 2013, with collections doubling in each of the three subsequent years.

- *Reduced business costs.* For businesses dealing with Customs, costs are reduced by at least 10 percent with the implementation of the Yellow Lane. This step reduced business compliance costs \$1.4 million to \$3.2 million in 2012-2013.
- *Extension of risk management concept.* Following its early success in Customs, from January 2013, risk management's role was extended to support VAT audits and in July 2013, it was announced that the procedure would be gradually adopted for all tax lines, creating a single risk management unit.

The next critical step for risk management will be to incorporate the information received from the data interface so that declaration data can be filtered and automatically sent to other stakeholders attached to the ASYCUDA system. In the interim, risk management will continue to use data received from Jordan and West Bank traders to enhance their capacity. The data interface combined with risk management activities is estimated to be able to generate \$27 million annually in additional revenue and reduce business compliance costs by \$3 million.

A7. Post-clearance Audit

The post-clearance audit is an essential part of the customs compliance system, because it carries out formal audit and compliance work identified by the Risk Management Unit. It deals with businesses on a day-to-day basis to ensure adequate levels of compliance in all customs activities. In late 2012, TFP expanded its support for post-clearance audit activities following a request by PA Customs to establish WCO-compliant systems. After an assessment of systems and training needs, TFP fielded an expert from Jordanian Customs to conduct capacity building activities. Key activities included:

- Establishment of a systematic link between the Risk Management and Post-Clearance Audit units to replace the previous manual system. TFP put in place formal procedures and established the link so Risk Management can feed information to the Post-Clearance Audit Unit and collaboration between the units is automatic.
- Extensive training and capacity upgrading of Post-Clearance Audit Unit staff through on-site training by a Jordanian Customs expert.
- Beyond the car valuation database, TFP established a secure risk management/audit case management system that automates the National Risk Plan, automatically collects intervention reports, updates the Risk Plan, and provides management information to Customs managers and field teams. This work will be enhanced once the data interface is operational. A fully functional system could increase revenue \$4 million to \$5 million per year by better targeting and reducing business compliance costs by up to \$1 million per year by allowing more transactional/Yellow Line activity to be moved into the business-friendly Post-Clearance Audit/Green Lane area.

Based on existing work, these activities are generating \$0.5 million in additional revenue annually. This impact will be substantially increased with the advent of the data interface, which will allow Post-Clearance Audit to conduct activities before the goods are in the marketplace.

A8. Commercial Compliance Unit

A substantial problem faced by Palestinian traders is the necessity of working at arm's length with Israeli Customs and trade-related agencies to clear and ship their goods. Having identified a lack of capacity in PA Customs on a variety of trade-related issues, TFP worked to put in place and develop the capacity of the Commercial Compliance Unit.

Located in the PA Customs Head Office in Ramallah, the Commercial Compliance Unit is responsible for professional operational matters related to the WTO agreements. It provides a center of technical excellence that will offer binding advice and technical training on a wide range of customs commercial matters to Customs staff, other government agencies, and the trading public on Customs tariff classification, valuation, and origin, including free trade areas and preferential arrangements; intellectual property rights; and WTO agreements on technical barriers to trade, dumping, subsidies, and countervailing duties if these issues arise. The unit will also maintain, update, and distribute the Customs Procedures Manual, tariff information, and other reference materials.

TFP worked with the Commercial Compliance Unit to consolidate relevant documentation from Israel, Jordan, and PA Customs and, where appropriate, has translated the information into Arabic, making it widely available to PA Customs staff and the trade community. TFP has developed a system to provide formal written advice to importers so they can confirm and guarantee duties and other requirements for prospective imports before conducting commercial activities. In September 2012, TFP completed translation of the Israeli Tariff Book into Arabic, the first such translation since 2004. Combined with the two TFP-sponsored Hebrew-language courses, Commercial Compliance Unit officers will be able to maintain an up-to-date Arabic version of the Tariff Book for the public sector and the private business community.

Although still in its initial phases, the Commercial Compliance Unit is expected to have a substantial impact by reducing business compliance costs by allowing traders to seek expert, binding advice in the West Bank rather than relying on intermediaries in Israel.

A9. Bonded Warehouse

In August 2012, the ministers of finance for the PA and Israel signed an agreement on a variety of customs and revenue issues. The transfer of greater customs control, including establishment of customs/bonded warehouses in the West Bank, formed part of the agreement.

Customs warehouses are essential to an efficient trading system. They provide importers with an effective way to harmonize supply and demand for their products by allowing goods to be imported and held in a bonded warehouse prior to payment of duty. Customs duties are only paid when the goods are ready to enter the market. Additionally, warehouses allow traders to store goods without paying Customs duties while standards testing or manufacture in bond is completed. Under the 2012 agreement, customs warehouses would enable goods destined for the West Bank/Gaza to be delivered to warehouses in the West Bank before customs duties are paid. This step has been supported by USAID for several years, building on the successful transfer of post-clearance used car valuation in 2010. PA Customs would have an opportunity to assume full responsibility for the clearance and collection of

revenues for imported vehicles and other goods by establishing bonded warehouses. The savings for the business community would be substantial. Although still in the discussion phase, TFP support for this initiative included:

- In 2010, a cost-benefit analysis prepared by TFP established that a commercial opportunity existed, probably for car importers.

TFP Capacity Building – PA Customs

- Developed manuals in Arabic and English on customs, VAT, and enforcement procedures. This allowed staff for the first time to operate according to uniform guidelines, increasing transparency and reducing compliance costs
- Assisted with development of a Customs code of conduct based on requirements of the WCO Arusha Declaration and PA Civil Service Law.
- Developed a framework for operating a large taxpayer unit in the Ministry of Finance, reflecting best practices used in similar small economies.
- Translated the Israeli tariff into Arabic. To ensure updates are subsequently translated, TFP arranged with a local customs broker and trainer to provide technical Hebrew-language training to tariff staff.

- In 2011, TFP assisted in developing a warehousing regulation covering the roles and responsibilities of Customs, warehouse operators, and importers using the prospective warehouse.
- In 2012, TFP developed an action plan and outlined requirements for bonded warehouses for review by the Head of the Revenue Council for the Ministry of Finance Yousef Zamer.
- In February 2013, TFP sponsored a bonded warehouse study tour to Jordan for senior Customs and Ministry of Finance officials to learn about the private sector approach to bonded warehouses operating in Jordan.
- Throughout 2013, TFP's senior customs advisor provided direct technical support to the head of the Revenue Council on this issue.

In autumn 2012, a joint Israeli/PA subcommittee on bonded warehouses was established, and two meetings were held, but after the upgrade to the PA's status at the United Nations and the November 2012 Gaza conflict, this initiative was halted. The last meeting of the joint subcommittee on bonded warehouses was in October 2012. However, a meeting of the PA and Israeli Joint finance committee in July 2013, indicates that discussions will re-start soon. In mid-July, it was announced that the first meeting of the joint subcommittee was scheduled for late July 2013.

Although substantial preparatory work has been completed under TFP, the PA subcommittee participants lack experience with development and implementation of bonded warehouses. Additional technical support to subcommittee members will significantly enhance the quality and pace of the discussions. Bonded warehouses and the data interface represent the two most critical initiatives under discussion in terms of their ability to increase PA control over revenues, increase revenue, and decrease the cost of trade for the private sector.

A10. Direct Technical Support

Outside of its central work plan with PA Customs, the project responded quickly to a range of opportunities and changes at the Ministry of Finance and PA Customs through provision of direct technical support by local, regional, and international advisors. Key initiatives included:

- *Support to the MONE.* In the first two years of the project before implementation of the Investment Climate Improvement Project, the MONE was a key stakeholder for TFP, beginning with its work on establishment an overall border authority. When the border authority initiative failed to move forward, TFP shifted its focus to support to the trade initiatives of the MONE, including providing direct support to the WTO Task Force at the ministry and extensive training on trade and customs initiatives.
- *Support for WCO compliance.* TFP quickly established a strong working relationship with the WCO in its efforts to build the capacity of PA Customs as part of its capacity building Columbus Program offered to developing countries. This allowed TFP to leverage the expertise of the WCO with the project's ongoing capacity building activities. In its first year,

TFP helped PA Customs prepare a new program for trade, revenue, and security designed to modernize PA Customs with initiatives including single window, single file, and ongoing business support.

- *Organizational support.* Throughout the life of the project, PA Customs underwent several substantial changes and restructuring. TFP supported the organizational changes and put in place standards and procedures, including an updated Customs Procedures Manual, a code of ethics, and targeted training to support these changes.

A11. Customs Brokers

Customs brokers and freight-forwarders provide an essential service to the trade community. They prepare trade documentation and facilitate clearance and movement of goods in the Israeli-Palestinian customs envelope and within the rules of the Paris Protocol. Their services are particularly important for smaller firms and traders without the resources to process clearance individually. TFP's objectives for customs brokers included:

- Increasing the reach of existing customs brokers through support to the Palestinian Federation of Freight-Forwarders and Customs Brokers
- Increasing the capacity of the PA to appropriately regulate and certify customs brokers through development of appropriate legislation and regulation
- Expanding the pool of customs brokers and upgrading the skills of existing brokers through extensive training programs with Israeli and Jordanian counterparts

Customs broker training programs. In 2012, the most important new TFP capacity building activity involved training 26 local customs brokers and officers of PA Customs in advanced international trade concepts. This training ran for more than six months and was supported by Jordan and Israel Customs and the Tel Aviv Chamber of Commerce. This program increased informed compliance by business; as a result, the number of importers with access to DTI will increase 10 to 20 percent.

Based on the success of the initial training, TFP facilitated a second training program in 2013. More than 100 applications were received for the program despite a substantial cost-share component of \$2,000 per participant. Forty participants were selected out of existing and aspiring customs brokers, PA Customs officials, and representatives from private firms. Based on the success of the program, there is a demand for future training in addition to development of advanced logistics training for existing customs brokers.

Through customs brokers, smaller firms will be able to access the DTI Program and Green Lane processing. Once implemented, TFP estimates that such access will reduce compliance costs among Palestinian customs brokers by \$2,280 to \$2,640 a year per company, less brokerage processing charges.

Regulating customs brokers. To ensure the integrity of the customs broker system, the role of PA Customs is to develop and implement appropriate regulatory and certification for brokers. In 2012, TFP drafted regulations for the PA based on relevant Jordanian legislation. The regulations are with the Ministry of Finance for approval, which is expected just after the end of the project.

A12. Challenges and Lessons

Although successful, TFP's work with PA Customs experienced many challenges. In addition to the overarching challenges in the West Bank/Gaza environment, the work with PA Customs was hindered — particularly in the project's early years — by multiple changes in priorities in the PA brought about by shifts in senior personnel at the ministry. Additionally, PA Customs itself underwent a number of substantial restructurings, including reallocation of staff and the addition of excise taxes and VAT to the department. Throughout these changes, TFP maintained its flexible approach, supporting the department as it adapted to changing circumstances. This support included direct technical assistance on drafting priorities, training for new staff, and development of new organizational structures.

Implementation of the data interface and the bonded warehouse initiative offer huge opportunities to PA Customs to increase revenue and support business. At the same time, in June 2013, a new organizational structure for the Ministry of Finance was approved by the PA prime minister and Cabinet. By reorganizing the ministry along functional lines, the change in ministry structure offers enormous potential for streamlining procedures and operations across all revenue departments. However, it also presents a challenge for the sustainability of TFP's work, in that the line departments developed by the project — specifically risk management and post-clearance audit — will be realigned and placed under new direction. Continuing support for Customs in the new structure will be crucial for maintaining gains made by the department during the project's life.

B. Facility Upgrades

Through PITA, USAID made substantial capital investments on the Israeli side of the major West Bank crossing points, including infrastructure, mobile scanners, and container transfer areas. To complement these investments, TFP focused on upgrading the facilities on the Palestinian sides of the crossing. Key initiatives included:

Truck staging areas. TFP's focus on upgrades to the crossing point facilities recognized that certain technologies and equipment could improve crossing point management and facilitate the movement of cargo and people. Initial infrastructure upgrade suggestions included paving parking lots, installing storm water networks, installing illumination, building covered areas for parked trucks, and constructing appropriately equipped waiting areas for drivers. Following a survey of existing crossing facilities during the first quarter of the project, TFP selected Sha'ar Ephraim and Jalameh as the focus crossings.

Advocacy for Staging Areas - Tarqumia Crossing

As with Sha'ar Ephraim and Jalameh, TFP advocated for improved facilities for drivers on the Palestinian side of the Tarqumia crossing. The land near the crossing is in Area C and under control of the crossing and the Civil Administration. In December 2012, the Civil Administration and the CPA opened a renovated facility for drivers and dispatchers on the West Bank side of the crossing, which included improved parking, shelter, and facilities for drivers.

TFP worked to promote development of truck staging areas at both locations. Although both advanced, challenges surrounding these sites, as well as overarching political issues, prevented development of the areas beyond the concept design phase. In the case of Sha'ar Ephraim, the crossing straddles the Green Line. As a result, the PA and local authorities were reluctant to proceed with improvements at a site whose status would have to be determined as part of final negotiations. The concept design is in place, but the initiative is unlikely to move forward in the medium term.



Because of inefficiencies, delays, congestion, and other factors, cargo was often damaged or ruined. This was especially a concern for produce and other fresh goods, which would often sit in the sun and spoil as trucks waited to pass through checkpoints, resulting in lost profits and increased costs to Palestinian businesses.

At Jalameh, plans for the truck staging area progressed further. A concept design was submitted to the Civil Administration and initial approvals were received. At present, the obstacle is the unwillingness of private sector landholders of the site to agree to sell. However, the PA Office of the Prime Minister formed a committee in spring 2013 to begin active negotiations with the landholders for acquisition. TFP has passed on this initiative to the Infrastructure Office at USAID in anticipation of the project moving forward during the next year.

Jalameh vehicle crossing. The opening of the Jalameh vehicle crossing in 2009 is one of TFP's most visible success stories. A joint initiative with PITA, the crossing is used by more than 9,000 vehicles per week and in three years has provided more than \$120 million in direct benefits to the Jenin economy, a more than 60-fold return on USAID's \$1.75 million investment in the project.

Jalameh import container transfer area. Throughout the final year of the project, TFP and USAID actively promoted the opening of the import container transfer area at the Jalameh crossing. Constructed under PITA, the facility is not operational due to a lack of equipment — specifically a transtainer — at the crossing. TFP estimates that the potential value of the opening of the facility is \$17.3 million to \$21.2 million per year in time and transportation cost savings. After extensive consultations, the CPA and the Civil Administration indicated their willingness to open the facility for a pilot period in late 2013.

B1. Sha'ar Ephraim Truck Staging Area

Following a survey of facilities at all commercial crossings, the Sha'ar Ephraim crossing was selected as an initial pilot site. As the crossing straddled the Green Line, it was thought that this would simplify the process of obtaining approvals from the Civil Administration. Additionally, the Tulkarm Truckers Union was already actively involved at the crossing, and USAID had commissioned a road project that would widen and improve roads leading to the crossing.

TFP selected a local engineering firm, Arabtech-Jardaneh, to conduct the survey and design work. Throughout the process, TFP coordinated with all stakeholders, including the CPA, Civil Administration, PA, and the Tulkarm municipality. On the basis of stakeholder meetings, Arabtech completed an options analysis for improving the Palestinian side of the crossing that identified several locations adjacent to the existing terminal that could serve as a staging/parking area for trucks and be easily linked to existing road networks and the entry gate. TFP presented the options analysis to PA and Israeli stakeholders for comments.

At this stage, the MONE expressed reservations about the location of the Sha'ar Ephraim crossing in relation to the Green Line and the recommended site locations. As a result, the PA was reluctant to make improvements in an area whose status would have to be determined as part of final negotiations. Additionally, the proposed location of the site on privately owned land, at least partly in Area C, added complications for acquisition of land by the PA.

Despite these difficulties, TFP presented the final plan for the project to the PA Council of Ministers in December 2010. The council reviewed the submission positively. It approved acquisition of the land through a short-term lease and agreed that the location of the crossing across the Green Line could be resolved if USAID obtained a letter from the Israeli government stating that any work on the Palestinian side of the crossing would not prejudice the final status of negotiations on borders.

However, notable challenges remained. In particular, the Tulkarm municipality opposed the location of the staging area because it encroached on land designated for an industrial zone, the development of plans for a fuel depot at Sha'ar Ephraim complicated the potential site, and the acquisition of land under PA regulations is a lengthy process. Although TFP continued to push the initiative, the project stalled.

In late 2012, Arabtech again revisited the options at Sha'ar Ephraim. Although some of the initial obstacles have been resolved — specifically, the fuel depot will not conflict with the staging area — the issue of the location of the site and location of the crossing on the Green Line remains. As a result, there is little support for the initiative in the PA or by the Tulkarm municipality. As the traffic at Sha'ar Ephraim continues to expand — it now matches the volume at Tarqumia — pressure for improvements on the Palestinian side of the crossing will increase. Although not feasible in the short term to medium term, the truck staging area is an important and necessary improvement for trade facilitation at Sha'ar Ephraim. The plans and concept designs are in place and can be used for site development by future projects.

B2. Jalameh Truck Staging Area

Following the initial developments at Sha'ar Ephraim, TFP began a study with Arabtech-Jardaneh on the Jalameh commercial crossing serving the Northern West Bank. The study examined existing site conditions, land ownership and classification, and site selection ranking criteria and developed concept designs for needed support infrastructure. As with the Sha'ar Ephraim crossing, TFP and Arabtech-Jardaneh consulted widely with public and private sector stakeholders on options for the staging area. An initial options analysis was presented to stakeholders and TFP worked with the governor of Jenin as its primary partner to advance the project.

A final concept design, including parking areas, a cement transfer area, and facilities for drivers, was approved by stakeholders and submitted to the Civil Administration in 2011. Security and traffic approvals for the selected site were received. At this stage, the Civil Administration requested that the PA receive letters from private sector landholders of the site signaling their intention to sell before proceeding with the permitting process. However, the governor of Jenin was unable to obtain the documentation. One obstacle is a large landholding on the site by Palestine Development and Investment Company Ltd., which purchased the land before establishment of the crossing in anticipation of the increasing value of the property.

In 2012-2013, as part of the initiative to open an import container transfer facility at Jalameh — which would significantly increase traffic at the crossing — the issue of the truck staging area was again prioritized by Palestinian traders, the governor of Jenin, the PA, and the CPA. In the final months of the project, there was substantial movement on this initiative. After meetings with the General Authority on Crossings and Borders and the Israeli Civil Administration, a high-level committee under the auspices of the Office of the PA Prime Minister was formed to enter into negotiations with the landowners. Due to the location of the site in Area C, it is expected that the PA will negotiate a long-term lease on the property. Once the committee has negotiated the land acquisition, the permit process with the Civil Administration can be resumed and USAID has affirmed its willingness to proceed with construction. The proposed facilities have an estimated construction cost of \$1.5 million, and once the permit process is complete, will take roughly a year for completion.

TFP has developed a detailed action plan for next steps and passed the portfolio on the truck staging area with the concept designs to the USAID Infrastructure Office for follow-up in anticipation of the project moving forward in the next year.

B3. Jalameh Vehicle Crossing

Before 2009, the economy of Jenin in the Northern West Bank was depressed by a number of factors, including its economic isolation from a large Arab-Israeli population in northern Israel, which was the historical lifeblood of the Jenin economy before 2000. Although a checkpoint for passenger vehicles had existed at Jalameh, it was closed in 2000, and only pedestrians dropped off at one side of the crossing area and picked up on the other could travel to Jenin. To stimulate the economy in Jenin, the U.S. government, with support of others in the international community, made the design and opening of the Jalameh vehicle crossing a top priority.

Although PITA provided the infrastructure investment, TFP supported the initiative through extensive analysis of expected benefits and coordinated with stakeholders in Jenin, the CPA, and the Civil Administration. TFP conducted an extensive study of shopping patterns in Jenin to develop a cost-benefit analysis on expected returns to the crossing, which was widely shared in the U.S. government and among the international community.

With a \$1.75 million investment by USAID, the Jalameh vehicle crossing was opened in January 2009. The crossing operates seven days a week with great success, seeing the highest traffic volumes on Saturday and Sunday. As of 2012, on average of 9,000 vehicles per week travel to Jenin through the crossing, more than quadruple the forecast.

As a result of this investment, estimates place the direct benefit to the Jenin economy from 2009 through early 2012 at \$120 million. This was confirmed in the growth in annual VAT collected, which has increased by more than a third in the region. Excluding the indirect impact on the economy, which probably is substantial, this represents more than a 60-fold return to the Palestinian economy on USAID's investment.

As traffic volumes through the crossing continue to grow, the Israeli government is undertaking short-term and long-term measures, including additional lanes to handle the traffic flow. The business community in Jenin hopes for further improvements to the crossing, including extending operating hours into the evening to allow visitors to dine in the city.



An Arab Israeli family travels directly to Jenin through the recently opened Jalameh vehicle crossing. The crossing is used by more than 9,000 vehicles per week, and in three years, has provided more than \$120 million in direct benefits to the Jenin economy.

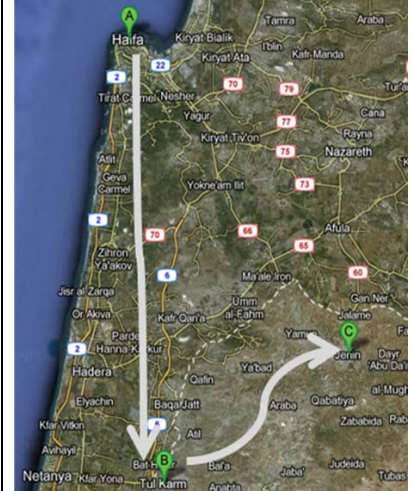

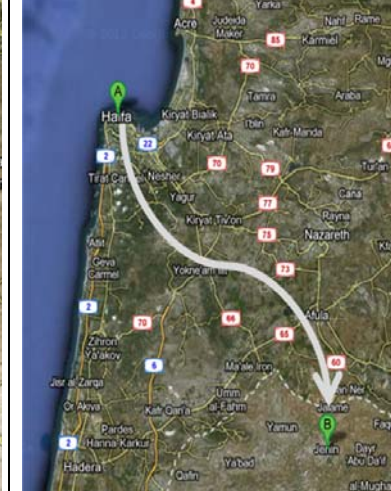
B4. Jalameh Import Container Transfer Area

The commercial potential of Jenin in the Northern West Bank has been demonstrated by the results of the opening of the vehicle crossing at Jalameh. To complement this initiative, USAID additionally supported development of a container transfer area at Jalameh. This facility is not operational, in part due to a lack of a transtainer at the crossing. The opening of this import container transfer area is a crucial link in developing the Haifa-Jenin logistics corridor. Currently, Jenin-based importers must import containers through the Sha'ar Ephraim crossing and then transport them to Jenin. Not only does this raise the cost and time associated with importing, it also adds to congestion at the Ashdod Port and the Sha'ar Ephraim crossing.

In late 2012, this opening of the container transfer facility became a priority when the Haifa Port offered to donate a used transtainer to the crossing to open the facility. TFP and USAID reacted quickly to promote this initiative. Steps taken included:

- Extensive consultations with stakeholders, including the CPA, Civil Administration, Israeli and Palestinian private sectors, and the ports.
- Based on a survey of firms representing about 40 percent of existing container traffic to Jenin and Nablus, TFP prepared an economic analysis of the potential benefits of the container transfer facility. For 2012, TFP analysis concluded that if an import container transfer facility had been available at Jalameh, the potential savings to Jenin and Nablus would have been \$17.3 million to \$21.2 million per year.
- In January 2013, TFP facilitated a stakeholder workshop at the Haifa Port to discuss the possibility. At the workshop, all sides viewed the potential for the initiative positively.

Exhibit 3. Haifa-Jenin Logistics Corridor

<p>50 percent of Jenin importers use this commercial corridor: Haifa to Sha'ar Ephraim to Jenin.</p>	<p>50 percent of Jenin importers use this commercial corridor: Ashdod to Sha'ar Ephraim to Jenin.</p>	<p>No Jenin importer can use this commercial corridor because the Jalameh commercial crossing does not offer container transfer services. Yet, this is the most direct route.</p>
		

Two primary obstacles remain. First, the donation of the transtainer from the Haifa Port to the CPA is problematic because it is administratively difficult/impossible for a private sector organization to donate to the public sector. Additionally, the transtainer is expensive to operate and maintain, at \$1,350/day. Future work on this initiative should take this into account and consider whether a donated transtainer would save money when accounting for the cost of maintenance and operation; Tarqumia and Sha'ar Ephraim lease the transtainer under a maintenance and operation contract. Second, the expected volume of traffic is not agreed. The CPA has expressed skepticism on whether the volume of traffic will justify the cost of the transtainer. However, TFP's analysis indicated that Jenin-bound import containers have nearly doubled in the past two years from 4,000 annually to 8,000, based on estimates from the Jenin Chamber of Commerce.

Despite these challenges, the CPA and the Civil Administration have worked to resolve these issues. At the conclusion of TFP, a pilot program is expected to begin in fall 2013. For the pilot to be successful, an active awareness campaign among Jenin/Nablus importers will be necessary to make certain they are able to take advantage of the area during the pilot phase. Additionally, monitoring and impact analysis during the pilot period will be critical to confirm the benefits of the import container transfer facility to the CPA.

COMPONENT 2. SUPPORT PRIVATE SECTOR ENTITIES

By working directly with private sector entities, the project aimed to identify, analyze, validate, and prioritize clear constraints to trade to address these issues through its advocacy efforts with Israeli, Palestinian, and U.S. government partners. Additionally, TFP worked to align its activities with other private sector goals of USAID West Bank/Gaza. Of the three primary components, this component evolved the most. As TFP encountered constraints in moving forward some initiatives, opportunities in new areas arose and the project worked to respond rapidly to a variety of challenges, particularly in Gaza. Key activities were focused in three areas:

- *Known Trader Program.* This is one of TFP's most visible initiatives. Twenty firms representing more than 40 percent of cargo at the Tarqumia crossing participate in the Known Trader Program and benefit from extended operating hours, expedited registration, circulating trailers, and container drop-off areas, among other things. TFP estimates that participating firms are receiving benefits of \$33.2 million to \$45.4 million in annual benefits through increased sales and expanded employment.
- *Collaboration with private sector interests to facilitate trade.* This area covered a wide range of interventions to facilitate trade at the crossings for individual firms and sectors and the broader trade community. Although initially, this component included a number of initiatives, a lack of political will meant that many of the more formal activities did not move forward rapidly. Instead, TFP focused on working with the Palestinian private sector, the CPA, and the Civil Administration to bring about specific improvements to trade facilitation that could address firm-/sector-specific constraints, and based on demonstrated success, be spread to the broader trade community. These activities were successful across a range of measures, with TFP interventions contributing to an estimated \$68.3 million in transport cost reductions in FY 2010 and FY 2011 and an 80 percent increase in capacity at commercial crossings from FY 2010 to FY 2012.
- *Support for the private sector – Gaza.* Support for the private sector in Gaza, which was already under blockade at the start of the project, was not initially a component of project activities. However, throughout the life of the project, TFP was able to respond quickly to crises and opportunities in Gaza due to its extensive network of contacts there. The project provided detailed information on trade and the private sector in Gaza and responded to longer-term opportunities to promote exports.

Additionally, TFP supported initial phases of development for the Palestinian Political Risk Insurance (PPRI) initiative launched in March 2013.

A. Known Trader Program

The Known Trader Program stands as one of the project's most visible initiatives. A result of TFP technical assistance, coordination between Palestinian firms and the CPA, along with critical high-level interventions by USAID and the Office of the U.S. Special Envoy for Middle East Peace with the Coordinator of Government Activities in the Territories (COGAT), the

Known Trader Program — operating with 20 firms at the Tarqumia crossing — is generating estimated annual benefits of \$33.2 million to \$45.4 million to the private sector in the West Bank and Israel.

Discussions on the Known Trader concept began under PITA and became one of TFP’s major initiatives. The initial concept was to put in place a program with large, compliant, and secure firms that would benefit from expedited procedures at the crossing, which would include reduced security procedures.

The Tarqumia crossing and its importance for the large industrial base in Hebron was chosen for the pilot. TFP worked intensively with West Bank firms to select candidates appropriate for a pilot program. Selection of the candidate firms was based on trade volume; management capacity, including customs compliance; the business record of the firms with the PA; managerial experience; and crucially, supply chain security. TFP contracted internationally recognized supply chain security firm BSI to perform detailed assessments of each candidate. Using assessment techniques based on international best practices, BSI reviewed the security of the firm’s premises, including perimeter walls, monitoring, loading facilities and practices, and facility access, as well as carefully screening each candidate firm’s employee vetting and security screening procedures. Finally, each candidate firm was approved through USAID’s vetting procedures. Based on these criteria, 12 Hebron-based exporters, representing nearly 40 percent of the traffic through the Tarqumia crossing, were selected for the pilot, and TFP developed detailed fact sheets for each firm. Following selection, TFP worked with the CPA and the firms to identify and support appropriate packaging techniques for firms to take advantage of the new trade facilitation measures.

Circulating Trailers – Shaheen Appliances

In early 2011, while the forklift at the Tarqumia crossing was transferring 18 washing machines on pallets, the load was dropped, with an estimated \$13,500 in damages. When this occurred a second time, the CPA and Shaheen Appliances worked together on a solution. The company invested in a semi-trailer Turkish-style box with heavy-duty leather curtains on the sides at a cost of \$14,800, which the CPA allows to circulate between Hebron and suppliers in Israel. At little more than the cost of a single damaged shipment, the trailer generates an estimated \$25,540 in savings annually for the firm.

— Source: Firm Interview

Based on the profiles of the candidate firms, USAID and the Special Envoy for Middle East Peace worked with the CPA and COGAT to approve the initial pilot. The benefits of the pilot included expedited registration, extended operating hours, circulating trailers, and container drop-off areas. The pilot program began in August 2010 with the first candidates. From the outset, results were strong. Examples include:

Herbawi Co. mattresses. Herbawi was provided drop-off areas for containers at the crossing. The Palestinian trucks are able to enter the crossing and drop off full containers that can be picked up by Israeli trucks when they arrive, eliminating the need for the trucks to coordinate arrivals. This substantially reduced costs for the firm, cutting shipment time by at least three hours and allowing Herbawi to more than double its shipments, from 11 to 23 truckloads per day. The estimated annual savings to the firm is \$90,000.

Al Juneidi Dairy and Food Products Ltd. Al Juneidi delivers dairy and juice products to the Gaza market. The expedited registration provided under the program has allowed Al Juneidi to double its deliveries to Gaza, and it forecasts continued growth at about 15 percent annually. Increased production has meant that the company has expanded its herd and is buying extra cattle feed and supplements from Israel. This provides significant benefits to adjacent Israeli farms.



The Known Trader program helps businesses pass through security measures more quickly and increase their ability to move cargo, resulting in more revenue. One way to identify selected Known Trader companies is by labeling truck beds with a "P" to mark its participation in the pilot initiative.

Estimating economic impact. In 2012, TFP surveyed firms receiving benefits from the Known Trader Program and estimated that participating firms were receiving annual benefits of \$33.2 million to \$45.4 million through increased sales and expanded employment. The program has also been successful from the standpoint of the CPA because the facilitation measures increase the ease of cargo crossing as shown by the fact that after the pilot, the CPA independently added eight firms to the program.

Conclusions. Although the program is generating substantial benefits, it has not been without its drawbacks. First, although the facilitation measures have lowered transportation and trade costs, security measures have not been reduced and the program did not achieve its goal of a risk-managed approach to cargo at the crossing. Second, the program has not advanced beyond the pilot phase. Although the CPA has added firms, there is no path to becoming a Known Trader, and the program has not taken on a formal status. This has created at times some friction with non-Known Trader firms that have complained about expedited registration because selection of firms for the process is not transparent but rather driven by the CPA's operational needs. Finally, efforts to expand the program to the north of the West Bank have been unsuccessful. In late 2012, TFP again worked with BSI to identify candidate firms for a Known Trader Program at Sha'ar Ephraim. Candidates were selected based on the screening and complete documentation developed. However, at this point, the CPA is unwilling to consider further expansion of the program.

Although the program has not yet taken on the self-sustaining, formal status originally envisioned, it has had several ancillary benefits. Some facilitation measures adopted for Known Traders — drop-off areas for containers and circulating trailers — were new measures for the crossings. As discussed above in the case of Herbawi, the drop-off areas offer significant cost reductions for firms. Similarly, circulating trailers eliminate the need for laborious and costly back-to-back transfer processes. The CPA, having gained confidence and experience with these measures, indicated in recent discussions that it is willing to extend these benefits to all traders, rather than just Known Trader firms. The container drop-offs and circulating trailers will initially appeal only to large firms that can make investments in the containers and trailers necessary. In the long run, should these facilitation measures become permanently available, logistics companies in Israel and the West Bank can respond to the opportunity by providing equipment for hire to allow smaller firms to take advantage of these measures.

B. Collaborate with Private Sector Interests to Facilitate trade

From the start, TFP worked to increase dialogue between the Israeli Civil Administration and CPA and the Palestinian private sector. One of TFP's strongest assets was the confidence of stakeholders as a trusted broker. Early in the project, TFP looked to establish a formal dialogue mechanism between Israeli authorities and the Palestinian private sector. Although this did not take place due to objections from the Civil Administration, throughout the project, both sides approached TFP to assist with resolution of specific issues. Often, these issues involved problems experienced by specific firms. TFP's approach was to address firm- or group of firms-level issues, demonstrate success, and work to expand facilitation measures to the broader trade community. When possible, TFP worked with private firms and organizations to increase their capacity for advocacy, assisting in formulating coherent positions and providing economic analysis to support their positions. At this stage, TFP played the role of a facilitator rather than a direct participant, strengthening the capacity of the private sector organizations and the relationships between the two sides.

Selected examples of TFP's success in this regard include:

- *Sinokrot Food Company.* A producer of fresh herbs, Sinokrot Food Company sought to ensure expedited shipments of its herbs to international markets and shipments originating from its packing houses. TFP worked with Sinokrot to assess its supply chain security and with the Civil Administration to help facilitate door-to-door treatment of Sinokrot's herbs. TFP also sought to get the same treatment for others after what the Civil Administration saw as a pilot for Sinokrot.
- *Opening of the Bisan-Bardala crossing.* As the only commercial crossing between the Jordan Valley and Israel for Palestinian agricultural exports, this crossing was an important outlet for farmers and traders and was usually open from September to June, the main agricultural export season. In October 2008, local agricultural traders informed TFP that the crossing had not yet opened. TFP liaised with the CPA and learned that the authority determined operating this crossing was not cost-effective and was instead routing traders through Jalameh. TFP conducted an independent assessment and determined that the additional distance, wait time, and other factors would result in \$290,000 in additional costs for all traders. TFP presented this information to the CPA, USAID, and the U.S. consulate. Following a high-level meeting between the USAID mission director and CPA, the Bisan crossing reopened for commercial shipments.

Expanding Trade in Aggregates

In 2011, after TFP advocacy, the CPA opened the main gate at the Sha'ar Ephraim crossing with a substantial impact on aggregates (such as cement, sand, and gravel). As a result of the opening, trucks carrying cement, sand, and gravel no longer had to mix with commercial traffic and gain direct access to the aggregate area with a substantial time saving.

Daily truckloads of aggregates more than doubled for imports and exports. For exports specifically, after the gate opening, the CPA started allowing Palestinian companies to export gravel. The benefit from this development is estimated at \$1.4 million in annual gross profit increases for the firms. Source: TFP Survey of Beneficiary Firms

- *Special arrangements for Bethlehem textile exporters.* TFP worked with the Bethlehem Textile Exporters Association to assist it in negotiating a special arrangement with the Civil Administration to use the Jaba' crossing southwest of Bethlehem for door-to-door shipments. Under the arrangement, five loaded trucks are allowed to pass each day with only manual inspection. The trucks consolidate shipments of more than 40 local firms, mostly small workshops producing for the Israeli market. Today, four to six trucks pass through the Jaba' checkpoint daily.

Stuffing Containers

Starting in August 2011, the Alfa Electronics & Computers Co. in Nablus began benefiting from new trade facilitation measures at the Sha'ar Ephraim crossing when it was permitted to stuff returned empty containers bound for Israel. The direct cost benefit is saving the cost of a full trailer truck (\$515/truck). Second, the company's products (sponge, fiber polyester, mattresses, quilts, etc.) are more secure against damage inside a container than on a flatbed truck. The annual benefit to the company is estimated at \$100,000.

- *Imports of fertilizer into the Jordan Valley.* Responding to a request of Jordan Valley farmers for a steady and reliable source of fertilizer (manure) for the growing season, TFP helped broker an agreement between an Israeli supplier, local farmers, and the Civil Administration to allow trucks from Israel to travel through the Bisan-Bardala crossing and deliver shipments to a designated collection point. The arrangement involved private Israeli security officers approved by the Civil Administration who accompany the trucks into the Jordan Valley where they dump their loads at designated areas that can be accessed by local farmers. Before this arrangement, farmers brought fertilizer through alternative routes, which led to higher costs and unreliable supplies. The new arrangement was put in place in May 2009 and allowed farmers throughout the northern Jordan Valley to prepare for the growing season while lowering their costs more than 30 percent. This arrangement carried through to subsequent growing seasons with cooperation between the Civil Administration and the farmers on an appropriate long-term site for the fertilizer dump.
- *Access to quarries on Route 35.* On behalf of a number of stone and marble companies, TFP advocated with the Civil Administration for removal of a roadblock in Area C that led to stone quarries on Route 25 in Area B west of Hebron. The Civil Administration agreed to clear the roadblock as long as the owners installed a gate and hired a guard to limit access. As a result, the number of stone and marble trucks leaving the quarries through Tarqumia to Ashdod has risen significantly.

- *Support to stone and marble companies.* In early 2010, TFP learned that Israeli Customs had refused to clear a shipment of stone-cutting blades because it was classifying the blades as dual-use goods that would require a transfer license. TFP met with affected companies and helped formulate their position. Eventually, the Civil Administration informed Israeli Customs that the blades were not considered dual-use goods. Throughout the project, TFP worked with the stone and marble industry and the Civil Administration to increase the number of allowable door-to-door stone

Al-Halaiqa Stone Company – Facilitating Container Exports

With support from TFP, Al-Halaiqa Stone Company now ships a monthly average of 40 containers destined for China and the rest of the world through the Tarqumia crossing, reflecting positively on the impact of the latest security arrangements at the crossing. In terms of shipping, the company loads the container with a 28-ton capacity as opposed to a maximum of 20 tons before the new security arrangements. The estimated benefit from this facilitation is \$327,000 annually in reduced transport costs.

and marble shipments from Bethlehem. In May 2010, the number of trucks allowed through the tunnels was doubled, to 150/day. TFP analysis promoted the change, calculating the savings at \$5 million in annual shipping costs.

- *Container exports through Sha'ar Ephraim.* Containerization for exports is a key issue for Palestinian traders. Not only does it increase the security of shipments, it also eliminates the need for back-to-back transfers and reduces damage, particularly for agricultural products. However, at the start of the project, a small number of containers with advance approval were allowed through the crossing. TFP worked directly with firms and the Civil Administration to expand containerized exports through the crossing. Through a series of trial shipments, some of which were unsuccessful, TFP monitored the progress of Palestinian businesses' use of full containers through crossing points to help increase trade volume. Previously, the CPA indicated the full containers could not be properly scanned for security screenings and therefore were not allowed to leave the West Bank. After trial full containers with vegetables and couscous had test scans that satisfied Israeli security concerns, TFP explored expanding this option. Although these shipments still required scanning and the back-to-back movement of the container to an Israeli truck, the volume of goods shipped could be significantly increased (2.3-meter packing height, up from 1.6 meters) in less time and with less damage. Although the CA and CPA continued to conduct tests of full containers, the process remained cumbersome and unpredictable, which prompted TFP, along with a local broker and freight-forwarder, to encourage the CA and CPA to agree to a standard set of procedures to reduce uncertainty and to allow containers to be considered as a cost-effective alternative to companies with international markets. This has substantially expanded container exports at all West Bank crossings.



Palestinian traders face many logistical hurdles in transporting their cargo through crossing points, including the ability for Israeli security to properly, effectively, and efficiently scan cargo. Here, TFP monitors the success of using full containers to increase trade volume while maintaining CPA's ability to properly scan cargo.

- *Expanding livestock imports into Meitar.* TFP carried out an analysis on livestock imports in the Southern West Bank to make a strong case for adding Meitar as an alternative crossing for Israeli livestock entering the West Bank. Meitar is the southernmost commercial crossing in the West Bank and had served only aggregate imports and minimal stone and marble exports. Based on discussions and surveys with local Palestinian and Israeli traders, as well as PA officials, TFP's report demonstrated the importance of the sector and the benefits for Palestinian and Israeli traders, as well as the Israeli crossing authorities of allowing livestock through Meitar in addition to the current crossing point of Tarqumia. For many Israeli traders, the use of Meitar could reduce travel by 70 kilometers. After preparation of the analysis, TFP stepped back to allow local organizations to advocate with the CPA directly.

C. Support for the Private Sector – Gaza

Already under blockade at the start of the project, support for the private sector in Gaza was not initially a component of project activities. However, throughout the project, TFP was able to respond quickly to crises and opportunities in Gaza due to its extensive network of contacts there. The project provided detailed information on trade and the private sector in Gaza and responded to longer-term opportunities. Key dates in the project's support in this area include:

January 2009. Following the end of the Israeli-Gaza conflict in January 2009, TFP took quick action to begin monitoring the situation through its contact in Gaza and reported regularly to USAID on the movement of supplies through the crossings, identifying bottlenecks and proposing alternative solutions to meet immediate needs of the population. Activities included relocation of the project's senior trade advisor to Gaza, working with the Palestinian Federation of Industries to undertake a detailed assessment of private sector needs and engaging a Gaza-based consulting company to provide ongoing analysis. Key deliverables were widely circulated within the U.S. government and the broader donor community, including:

- With support from TFP, the Palestinian Federation of Industries completed a study that focused on trade activities between West Bank and Gaza establishments, reconstruction and reactivation of Gaza's industrial sector, and capacities versus needs of Gaza crossings. The findings included the need to re-establish economic ties between Gaza and West Bank businesses and inability of the Gaza crossings to handle the volume needed for reconstruction.
- TFP advisors developed reports and recommendations on bottlenecks at Kerem Shalom, as well as reports on a variety of firm-level issues.

May 2010. After the Gaza flotilla incident, the Israeli government made significant changes to the status of goods able to pass through crossings to and from Gaza, particularly allowing for limited exports to international markets. TFP monitored the situation and provided critical information on the flow of goods into Gaza, Israeli government policy changes on the kinds of goods that could enter Gaza, etc. TFP determined that this further increase in the flow of goods into Gaza significantly strained the capacity of the crossing points. Soon after the flotilla incident, TFP held high-level meetings with NGOs, academics, international organizations, and donors about Israeli policy, the effect of tunnels on the economy, Hamas-PA relations, etc. TFP also organized a meeting between USAID and Gaza business owners to identify possible USAID interventions. As the aftermath of the crisis unfolded, TFP continued to report on policy changes and status updates. TFP also provided technical and policy support to improve tax revenue collection for imports into Gaza. Without a presence at the Kerem Shalom crossing, the PA is unable to obtain information on imports from Israel and is therefore unable to properly collect VAT. TFP presented several scenarios for positioning PA officials or their representatives at various locations at the crossing and the political implications of each. TFP also continued to monitor truck movements into Gaza and compare it to the number of trucks per day agreed to by the COGAT and PA.

2011-2013. In response to changes in Israeli government policy on exports, TFP worked through its subcontractor, Tatweer Business Services, to develop a survey of potential Gaza exporters and

a business guide for exporting to international markets from Gaza. In addition, TFP used the services of the Economic Cooperation Foundation to assess potential benefits/limitations for Gaza exports. Deliverables included:

- TFP evaluated and promoted the export-readiness of select Gaza firms as part of an export pilot prepared for USAID. TFP determined that several identified firms were prepared to export within days of receiving approval. TFP also prepared short profiles on each company to help maintain up-to-date information on their exporting capabilities.
- TFP studied the possibility of exporting fresh agricultural produce from Gaza to the West Bank and identified a list of products with ready markets, as well as potential buyers in the West Bank.
- In collaboration with the Palestinian Shippers Council, TFP funded and participated in a roundtable discussion on facilitating trade in Gaza attended by the ministries of Finance, National Economy, and Transportation, as well as 16 businesses from the West Bank and Gaza. Topics included operations at Kerem Shalom, dual-use and banned items, participation of Gaza companies in PA tenders, and arrangements needed to allow exports out of Gaza.
- TFP and the Economic Cooperation Foundation prepared information on the export of goods from Gaza and how to make deliveries to the West Bank in the political climate.
- USAID’s Tatweer program developed an export guide and a study on import restrictions relative to the Gaza Strip, focusing on agricultural products, textiles, and furniture, which were sectors deemed to be export-ready. The export guide was presented and distributed to Gaza business owners in March 2013 by Tatweer.

Facilitating Trade in a Post-conflict Setting

In early 2011, TFP organized a unique business-to-business roundtable that reunited four major Gaza textile companies with their traditional Israeli suppliers to explore opportunities for re-establishing commercial operations. All parties confirmed their commitment to working with each other, but agreed Israel's closure policy presented a major challenge for creating a stable flow of goods and buyer confidence. By facilitating these meetings, TFP helped bring relevant stakeholders together to identify challenges and agree on how to overcome them.

Although exports from Gaza remain insignificant, TFP’s ability to respond quickly to opportunities in the post-conflict environment enabled the project to serve as a key resource for the U.S. government and the broader donor community in a limited information environment. TFP studies and analysis have informed the donor and Gaza business communities about constraints to export and action plans for addressing these obstacles. As further opportunities arise for exports from Gaza, these documents will form the basis for private sector support.

D. Palestinian Political Risk Insurance

To address trade disruptions and economic losses at the crossings, TFP supported a team of experts working on the PPRI initiative. The Overseas Private Investment Corporation and the Middle East Investment Initiative took the lead on this project in collaboration with local insurance providers.

This initiative had a natural link to the Known Trader Program because participants were perceived as strong initial candidates for political risk insurance. Information collected was used to determine the structure and pricing of an eventual risk insurance product, although subcontractor Marsh Insurance Ltd. estimated that the product would have to be priced low to attract initial interest. As part of the PPRI initiative, TFP engaged a leading expert in international supply chain and transport security to perform an assessment of selected Known Traders and companies facing import restrictions on dual-use items to help develop strategies to engage the Israeli government on further trade facilitation measures. Marsh Insurance completed a draft of a political risk insurance policy and a reinsurance agreement between the Overseas Private Investment Corporation, its U.S. partner Middle East Investment Initiative, and its Palestinian partner the National Insurance Company. Following on from TFP's initial support, the PPRI initiative was launched in March 2013.

E. Challenges and Lessons

As with all the components, TFP's work with the private sector encountered many challenges. A primary lesson learned was to remain adaptable in a dynamic environment. As described above, TFP was able to rapidly respond to opportunities and address crises that arose, as in the case of initiatives in Gaza, and in seizing the opportunity to launch the PPRI.

A central challenge was political will to implement trade facilitation measures, particularly in light of Israeli government security and political and budgetary concerns. At the start of the project, key result areas included:

Developing an alliance among Israeli and Palestinian firms. Initially, the project envisioned creation of a formal alliance among Israeli and Palestinian firms to advocate for trade facilitation. TFP undertook extensive surveys and consultations with stakeholders to analyze existing Israeli-Palestinian cooperative trade associations, their activities, and potential avenues for collaboration or cooperation with TFP. The report was based on interviews with private sector actors and involved NGOs from Palestine, Israel, and the international community, as well as field and textual research. The report determined that in 2008, bilateral business associations had traditionally not been effective channels for producing improved trade relations and increased investment, and were likely not to be central partners for TFP cooperation/collaboration. Local actors did not view public joint associations as the operative mechanism for maintaining and/or building cross-border trade relations. Aside from a few key associations including the Israeli Palestinian Chamber of Commerce, TFP chose to concentrate on direct contacts with key actors, and only secondarily with the associations themselves.

Across many of our initiatives, trade facilitation measures for West Bank/Gaza traders also benefitted the Israeli private sector. As one example, as Known Trader participants experienced growth and expanded production, the demand for inputs from Israeli businesses also expanded. Of the \$33.2 million to \$45.4 million in total annual benefits as a result of the the Known Trader Program, \$13.1 million to \$17.4 million is estimated to have accrued to Israeli firms.

- *Dialogue between Israeli borders and crossings authorities and the Palestinian private sector.* A key result area of the project in the first year, TFP planned to develop a formal dialogue mechanism between the CPA, the Civil Administration, and the Palestinian private

sector. However, the Civil Administration declined to participate, preferring direct interactions with firms. Despite this, throughout the project's life, one of TFP's strongest assets was the ability to facilitate discussions between these groups. TFP achieved this through working with the private sector to formalize and quantify its priorities and facilitating direct discussions between the Palestinian private sector and Israeli authorities.

Through these experiences and other activities, TFP's main lessons were flexibility, responsiveness, and the value of building strong relationships with stakeholders in moving initiatives forward given the lack of a formal dialogue mechanism.

COMPONENT 3. RESEARCH AND INFORMATION SHARING

In 2008, many trade facilitation information sources existed in the West Bank and Gaza, but the information was largely fragmented, not widely available, quickly outdated, and in some cases sensitive or vague. A central objective of the project was to provide cohesive information to the business community on trade regulations and procedures. Additionally, TFP monitored and publicized changes to movement and access restrictions into and out of the West Bank and within the West Bank. The project's initial focus was three-fold: establishing a physical trade information center (TIC), establishing an online portal for trade information and tracking, and documenting and estimating the impact of changes to movement and access.

TIC/web portal. Although ultimately, the physical TIC proved infeasible, working with local partners, TFP developed and implemented an online trade portal providing traders in the West Bank and Gaza with a valuable source of information on procedures, documents, and regulations and crossing procedures. Following the end of TFP support for the portal in September 2012, *TFP transferred ownership of the portal to its local partner Palestine Trade Center (PalTrade) which will update, maintain, and expand this important resource for the trade community.*

Movement and access. In 2008, movement and access restrictions within the West Bank placed enormous constraints on the private sector and personal travelers. At the time, simple counts and descriptions of barriers formed the majority of reporting on these issues. TFP provided substantial value-added to the process of advocacy for the removal of barriers by developing cohesive and consistent economic analysis on their impact. This analysis was used to demonstrate the impact of removals and effectively prioritize and advocate for removal of additional constraints. Although numerous barriers remain, by the end of the project, many major barriers have been removed or reduced, and focus in the international community has shifted to specific constraints, such as the movement of tourism operators and security personnel.

Trade analysis. Throughout the project, TFP maintained a reputation for producing high-quality, evidence-based analysis of critical trade issues. TFP was a resource for the U.S. government and the donor community in quantifying the impact of trade restrictions, in addition to movement and access issues overall. These studies were used as a basis for advocacy on issues, including a broad range of trade facilitation measures, standards, and dual-use restrictions.

A. Palestinian Trade Facilitation Portal

At start-up, the project engaged Palestinian businesses and the public sector to understand challenges in transporting their goods and how a trade information center and online trade portal could meet their business needs without duplicating existing services. This initial feedback helped define the goal of the TIC and identify priorities and determine who would be potential users of the TIC. Although TFP identified development of a trade information web portal as a focus, building consensus for a physical information center was more challenging. Ultimately, the TIC did not move forward due to constraints in addressing the concerns of a wide range of stakeholders and difficulties in selecting an appropriate, sustainable hosting mechanism. Instead, the project focused on development of the portal.

The goals of the web portal (www.ptfp.ps) were to improve the availability, reliability, and timeliness of trade information by consolidating existing information into a single location through links and other connections. Initial content ideas included downloadable Palestinian and Israeli trade information, tariff schedules, trade procedures and documentation requirements. TFP quickly identified three local organizations — PalTrade, the Palestinian Shippers Council, and the Palestinian Federation of Industries — to develop content for the site that targeted:

- Downloadable forms and applications
- Regulatory/legal environment
- Customs and tax regulations
- Standards issues
- Crossing point procedures
- Crossing performance trends
- Investment climate and procedures in other countries
- Statistics and economic studies
- Time-sensitive alerts
- Harmonized system nomenclature and tariff schedule
- Shipment tracking tool

TFP partnered with the Palestinian Shippers Council, Palestinian Exporters and Importers Council, and PalTrade to develop website content. It selected PalTrade to host the site, which Intertech Co. developed. Despite initial difficulties in developing high-quality content, the portal was launched in May 2011.

Exhibit 4. Portal Statistics

Indicator	May 2011-September 2012
Total visits	9,631
Absolute unique visitors	7,626
Page views	18,056

TFP supported the portal from 2011 until September 2012, with the web site receiving more than 10,000 visitors and providing valuable support to the business community. After the end of TFP support for the portal, the project transferred ownership to its local partner PalTrade, which will update, maintain, and expand the information available.

B. Improving Data on Crossing Efficiency

Having accurate and timely information on the situation at crossing points was critical for TFP to properly program activities and credibly engage the Israeli government. At first, TFP largely relied on anecdotal information and quickly sought to collect and use high-quality data. PalTrade, with World Bank funding, provided the main existing source of information at the crossings. Because data from the Israeli authorities were not publically available, PalTrade data were fundamental for those organizations wishing to analyze the situation at the crossings. However, the data diverged substantially from that produced by the CPA. As a result, discussions based on PalTrade data lacked credibility with the CPA. In addition to deploying its own team of monitors, TFP worked from 2008 to 2010 with PalTrade to improve data quality.

The PalTrade data initially suffered from inaccuracies and an inability to verify information. TFP provided support to PalTrade to improve the methodology, data quality, accuracy of monitor

reports, and informational value of reports based on the data. This initiative assisted PalTrade in producing reliable data on turnaround time, queue lengths, back-haul shipments, and vehicles registered at the crossing but not processed. This formed the basis for TFP's monitoring and evaluation program and tracking of crossing point efficiency and for advocacy efforts with the CPA and the Civil Administration.

C. Trade Studies

TFP produced several trade studies to assess the status of prominent trade issues, focus the attention of policy-makers on key issues and obstacles and their impact on the economy of the West Bank and Gaza, and propose solutions. Through these studies, TFP served as a resource for the donor community on the status of major issues, proposed solutions, and potential economic impact. Throughout the project, TFP maintained a reputation for producing high-quality, evidence-based analysis of critical trade issues. Although the topics were often controversial and it was difficult in some instances to circulate the reports widely, the reports assisted in clarifying issues within USAID and the donor community. Finalized studies included:

Survey of Arab-Israeli shoppers. In preparation for opening of the Jalameh crossing in early 2009, TFP surveyed 235 Arab-Israeli visitors to Hebron about their shopping habits and the average amount they spent per visit. The survey found that most visited monthly and spent nearly \$300 per visit, overwhelmingly for personal rather than business use. When TFP surveyed Arab-Israelis visiting Jenin, the project learned that Arab-Israeli shoppers spent more than \$65,000 per weekend or more than \$3.4 million annually in Jenin, and almost 90 percent would visit Jenin more frequently if access were improved. The information from this baseline survey helped determine the impact of opening the Jalameh crossing.

Israeli restrictions on the import of dual-use goods into the West Bank. This study assessed the magnitude of economic impact that the Israeli restrictions have on the Palestinian economy through restrictions on importing dangerous and dual-use goods and technologies into the West Bank. These measures — applicable to chemicals, telecommunication, infrastructure, and industrial equipment — severely restricted companies' abilities to compete, innovate, and grow, and approval processes were lengthy and non-transparent. The definitions of dual-use goods tend to be broad and, although driven by security concerns, have the effect of keeping out technologies essential for growth of a modern economy. The study conservatively estimated the loss to the West Bank economy to be at least \$160 million per year. It concluded that without reform, the West Bank would struggle to modernize its industry and infrastructure, attract and retain investment, and reduce dependence on donors. Recommendations balanced this with Israeli security concerns. Although never formally released, the report was presented to the donor and policy communities.

Exports from the West Bank to Gaza. The process of exporting from the West Bank to Gaza is cumbersome and non-transparent. The study reviewed the whole process and provides the first comprehensive overview of the steps, documents, parties, and costs involved. Restrictions and coordination processes with the PA and Israeli government are hindering normal commercial transactions, resulting in costly arrangements, and further limit the ability of West Bank businesses to help rebuild Gaza and reestablish their traditional economic ties. Although

coordination between the PA and COGAT improved, the process could strain PA capacities if the number of allowable products increases.

Trade and transport restrictions in the stone and marble industry. Stone and marble are major export commodities, and the industry is one of the largest employers in the West Bank. This study investigated trade, transport, and logistics in the industry to better understand the business and properly target interventions and understand how internal closures, the West Bank security barrier, and limited number of commercial terminals through which Palestinian stone can be moved constrain access to markets, and increase the cost, time, risk, and uncertainty of doing business in this lucrative sector. The most compelling recommendations recognize the need for special arrangements because of the unique nature of stone shipments.

Future demand and capacity constraints on West Bank commercial crossing points. There is a joint vested interest by the CPA and PA to accurately forecast the demand and volume of goods moving through the West Bank crossings. Ultimately, TFP concluded that two-thirds of Palestinian cargo moving from the West Bank and Israel is avoiding official commercial crossings, and that official cargo data are incomplete, limiting effective planning and decision-making. The study suggests that Palestinian freight will increase from 3,200 truckloads per day to 5,000 to 9,200 truckloads per day in the next four to five years.

Allenby bridge passenger crossing study. This study developed a detailed map of the entire passenger crossing process to identify the major problems and inefficiencies and recommend possible solutions. The study found the process lengthy, cumbersome, and physically trying on passengers, and identified minor and systemic modifications to improve efficiency, reduce time and cost, and improve the crossing experience while maintaining security.

Palestinian workers in Israel. Although often overlooked as an issue, there are significant economic implications to having Palestinians work in Israel. TFP conducted a study to learn more about this issue and discovered mutual short-term benefits. TFP shared its study with the World Bank and the Bank of Israel. The latter had recommendations on enforcement improvements similar to TFP's.

Impact of Israeli standards on West Bank importers. The aim of this paper was to develop a strategy for developing a Palestinian technical standards administration to reduce costs, risks, and delays when importing goods. The need for this arises because, when compared to their Israeli counterparts, extra standards compliance costs an estimated \$55.5 million to \$67.9 million per year, which affects 15 percent to 45 percent of import transactions paid by West Bank importers. Although Palestinian importers are subject to the same import standards as their Israeli counterparts, the Israeli standards system was designed to serve the Israeli economy, so differences arise in the way that import policies and procedures are applied and the level of service that importers enjoy in the system. These variations create delays that result in additional costs in the areas investigated. Although individually each cost may be minor, their cumulative impact can be substantial.

To identify critical choke points in the trade process, TFP and the Palestinian Exporters and Importers Council, with the cooperation of Israeli trade authorities and traders in the West Bank

and Israel, developed flowcharts that comprehensively identify and document current standards and procedures administered by trade authorities. This allows for a consolidated understanding of procedures, stakeholders, and legislation in this area.

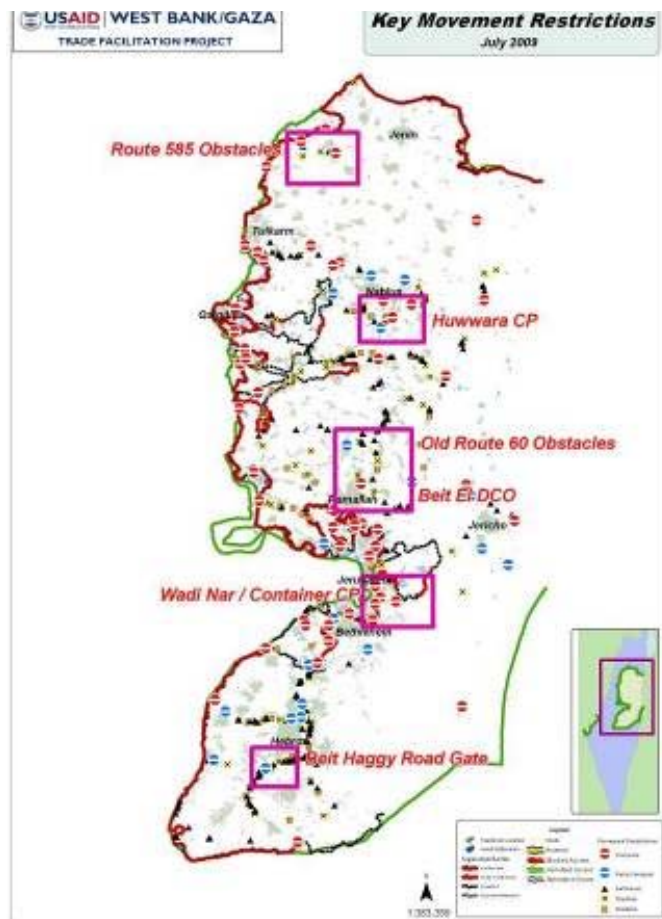
Although initially difficult to release, the report was presented to high-level stakeholders in July 2013. It is expected that further work with all stakeholders will clarify an action plan for addressing these issues and implement key recommendations in the paper.

Biannual review of PA revenues. TFP produced an extensive biannual document on PA revenues covering all sources of revenue, examining trends in trade and customs revenue, and estimating the impact of TFP interventions. These reports were circulated in the PA and the U.S. government and with related USAID projects.

D. Movement and Access

When TFP started, much of the work related to movement and access was generated by the Office for the Coordination of Humanitarian Affairs, which generated thorough, comprehensive lists of restrictions and closures that were routinely updated. However, there were little, if any, economic analyses or impact assessments to determine the effects of the restrictions or what the results would be if restrictions were changed. Without this hard data, there was no understanding of which restrictions were most harmful or which should be prioritized to have the most meaningful impact. TFP was the first to take on this additional layer of economic assessment to better inform policy decisions and play a key advocacy role. TFP made movement and access a robust initiative and dedicated significant resources through subcontracts and by establishing a full-time movement and access position.

Exhibit 5. Six U.S. Government Priority Obstacles



Through subcontracts with the Economic Cooperation Foundation and TFP's monitoring team, TFP funded studies on movement and access to identify and evaluate key movement restrictions in the West Bank. These assessments were presented to USAID and the international community to help identify the U.S. government's priority removals. TFP routinely tracked changes in movement and access on the ground, economic impact evaluations of movement restrictions, and

reported that information to the U.S. government for policy decision purposes. Key efforts included:

Publicizing accounts of progress and setbacks to movement and access. TFP liaised with the public and private sectors to provide USAID with updates on the status of certain Israeli restrictions on movement and access. After verifying an update, TFP reported on the removal of certain barriers, checkpoints, and roadblocks previously imposed on residents and commercial traffic, eased/altere inspection procedures, and increased operating hours. The project also provided updates on Israeli government expansions to checkpoints, new Israeli government checkpoints, the imposition of alternate routes on truck drivers, and other business/trade effects on the Palestinian private sector.

Informing the U.S. government on policy and priorities on movement and access.

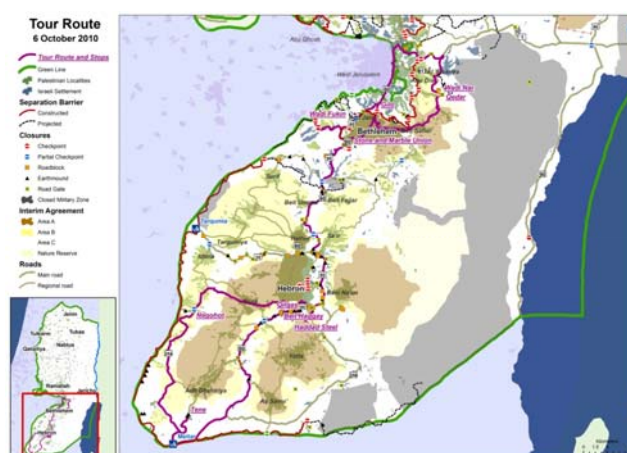
TFP routinely provided information, expert analysis, and recommendations to USAID and other U.S. government stakeholders (including the Special Envoy for Middle East Peace) to help inform policy decisions, priorities, and approaches for improving internal movement and access. These initiatives often included TFP-led tours of restrictions, preparation of briefing documents, infographics including maps, meetings with visiting analysts, provision of current status reports, and provision of economic impact estimates on current situations and the economic impact of any changes.

As the only U.S. government activity situated in the West Bank and devoted to monitoring and evaluating movement and access, TFP was in a unique position to provide knowledgeable, up-to-date, and well-researched insights into key obstacles, their rationale, their impact, and opportunities for their removal or easing. TFP also helped coordinate inter-agency priorities and efforts related to movement and access with stakeholders such as USAID, the U.S. Consulate General, Office of the Quartet Representative, and ECF to discuss strategies for addressing the restrictions, such as packaging them around a single issue like tourism or access for Arab-Israelis, addressing them on a regional basis, and focusing on individual restrictions.

Advocating the removal of key movement restrictions through economic impact evaluations. To facilitate dialogue and cooperation, help inform the U.S. government, and provide compelling evidence in the advocacy of removing critical barriers to movement of people and cargo, TFP routinely conducted targeted assessments, calculating the economic impact of high-profile movement restrictions. Key examples include:

- *Closure of Route 585 between Jenin and Tulkarm.* TFP gathered critical data to estimate possible effects of the road closure and found that it was raising shipping costs for local

Exhibit 6. Itinerary of Special Envoy for Middle East Peace Site Visit Informing the U.S. Government about Movement and Access Priorities



traders because of alternate and inefficient routes. The report also concluded that the security rationale for the closure was no longer valid, while the closure resulted in \$800,000 per year in extra costs for a small subset of affected businesses. This report was instrumental in securing its removal in December 2009.

- *Ramallah restrictions.* Restrictions around Ramallah affected 91,000 daily travelers and cost Palestinians \$26 million per year in increased movement and shipping costs. Removing these restrictions will reinvigorate the al-Bireh industrial zone, which was losing \$2.4 million annually through loss of its two main trade routes.
- *Southern Route 60 obstacles.* Two roadblocks along Route 60 forced the use of alternate routes through local villages that more than doubled travel time and distance for more than 13,000 daily travelers, significantly constrained regional trade, and cost businesses more than \$4.5 million per year in increased shipping costs and reduced productivity. They also restricted access to health care, education, and public PA services (water, electricity, etc.). Ultimately, the Civil Administration agreed to open the road, which the Palestinian Civil Affairs Department considered a major priority to improve access between Ramallah and the entire Northern West Bank.
- *Jordan Valley.* Movement restrictions to and from the Jordan Valley are negatively affecting families, traders, businesses, and tourists in the Northern West Bank by fragmenting social and economic ties and increasing the cost and difficulty of reaching the Allenby crossing, the West Bank's only international gateway. Restrictions have also stymied Palestinian agricultural development, with only about two-thirds of the valley's arable land under cultivation, 70 percent of that by Israeli-owned farms. TFP's study found that complications and delays at checkpoints impose \$1.9 million in extra costs per year.
- *Route 443.* TFP's report on the impact of opening Route 443 revealed that the Israeli Defense Forces plans to maintain that the closure of certain access points would severely undermine any benefits from opening the road. In fact, only half of an estimated 85,000 Palestinians living in nine of the 13 area villages would see a limited improvement in inter-village access.
- *Jaba checkpoint.* Unlike other checkpoints, this one is primarily intended to prevent the entrance of Israeli Jews into Area A. However, this creates a significant bottleneck for 27,000 Palestinians traveling to Ramallah daily, as well as for Israelis and Palestinians traveling along Route 60. TFP concluded this was a disproportionate response to a concern that could be addressed through signage or stronger Israeli Defense Forces and Palestinian Security Forces cooperation.
- *Old Qadar Road.* The closure of this road has forced all north-south West Bank movement into a deep and narrow valley that is difficult to navigate, especially for large commercial trucks. This road was previously used to protect a nearby settlement that now has its own protected entrance, making the road closure obsolete. The road was opened in 2011, which significantly improved access along the only route available to Palestinians traveling between Northern and Southern West Bank. Nearly 1 million vehicles use it each year. By opening this second access route, delays and congestion will decrease.

- Improving access of Arab-Israeli shoppers to Tulkarm.* After 2005, Israeli access to Tulkarm was severely restricted, which economically depressed the city that relied heavily on these shoppers. TFP surveyed Arab-Israeli vehicles, businesses, and more than 250 Arab-Israeli shoppers in Tulkarm and found that the average shopping group spent \$162 to \$270; 90 percent said they would visit more often if they were provided direct access to the city instead of having to travel an additional 20 kilometers due to movement restrictions. Ultimately, hours of operation at the Farun Gate separation barrier were extended to allow more Arab-Israelis to travel and shop. TFP coordinated with the business community, city officials, and Israeli District Coordination Liaison (DCL) to improve access. After sharing TFP's data that Arab-Israeli shoppers on Saturdays rose 32 percent just two months later, adding \$135,000 to the local economy, additional extended operating hours were considered.
- Old Tulkarm DCL Road.* This 1.2-kilometer road between Tulkarm city and the Sh'ar Ephraim commercial crossing was closed during 2001, due to its proximity to the Israeli DCL, Green Line, and an Israeli industrial zone. Opening the road would improve commercial transport for about 400 commercial vehicles moving to and from Sha'ar Ephraim each day. Building on the success of the Farun Gate opening, TFP worked with the commander of the Ephraim DCL to discuss the impact of opening the road while maintaining security; eventually the Civil Administration opened this road to commercial truck traffic.

CONCLUSIONS

Throughout the project, TFP has achieved substantial, lasting results in building capacity in the PA, improving trade through the crossings and addressing constraints to private sector development. Several lessons emerge from the project's experiences.

- *Importance of buy-in* from Palestinian and Israeli stakeholders. In cases where both sides benefited from a trade facilitation improvement, the project's initiatives had great success. As an example, the initial pilot for Known Trader was expanded by the CPA at Tarqumia after demonstrated benefits on both sides. In other cases, activities stalled due to disagreements within or among stakeholders. Examples are the establishment of a PA presence at the crossings and the advance shipment information.
- *Finding mutual wins*. In working to expedite crossings for Palestinian goods, TFP sought to identify areas that would not only benefit traders but also address the interests of Israeli authorities. The Known Trader Program is the best example. The benefits provided generated substantial gains for participants. However, it also simplified crossing procedures for the CPA as shown by the fact that the CPA independently added and continues to add firms to the program. By reducing the length of queues and processing times overall, the program was also able to provide benefits to non-program participants. The data interface not only will provide substantial benefits to PA Customs but also will increase their capacity to cooperate with Israeli Customs in reducing smuggling and undervaluation, which is in the interests of both agencies. Finding areas of mutual benefit to Palestinian and Israeli stakeholders was a theme throughout TFP's work.
- *Scaling-up successes*. Particularly in working with the private sector, TFP looked to develop consensus among the stakeholders and establish smaller-scale experiments for improved facilitation. Following an initial pilot period, a quantifiable demonstration of success will allow the pilot to expand to a broader range of businesses. Although not a small-scale project, Known Trader again provides a strong example. The CPA, having gained experience with facilitation measures under the Known Trader Program, is now willing to extend these benefits to all traders at all commercial crossings, specifically circulating trailers and container drop-off areas.
- *Quantifying costs/benefits*. Throughout its lifetime, TFP solidified a reputation for quantifying the costs/benefits of restrictions to trade and movement and access. Evidence-based analysis provides a strong foundation for advocacy. TFP analysis was used by TFP, USAID, and the broader donor community to inform and advocate for change on a wide range of trade and movement issues. This is particularly important in an environment with many strong vested interests and few trusted, non-politically biased sources of information.

ANNEX. PROJECT PERFORMANCE INDICATORS

	FY 2010 Targets	FY 2010 Achieved	Percent Achieved	FY 2011 Targets	FY 2011 Actual	Percent Achieved	FY 2012 Targets	FY 2012 Actual	Percent Achieved	FY 2013 Targets	FY 2013 Actual	Percent Achieved
Value added from increased trade and reductions in logistics costs as a result of TFP assistance							10	9.6	96%	\$20 million	\$13 million	65%
Value added from increased customs revenue and reductions in business compliance costs as a result of TFP assistance							7	17.25	246%	\$15 million	\$15.2 million	105%
Cumulative number of Palestinian firms/businesses in Known Trader or related Risk-Management Program	4	3	75%	5	7	140%				75	31	29.3%*
Person-hours of training completed in trade and investment capacity building supported by U.S. government assistance							800	5,522	690%	4,000	7,119	178%

	FY 2010 Targets	FY 2010 Achieved	Percent Achieved	FY 2011 Targets	FY 2011 Actual	Percent Achieved	FY 2012 Targets	FY 2012 Actual	Percent Achieved	FY 2013 Targets	FY 2013 Actual	Percent Achieved
Percentage change in capacity at commercial crossings	10%	50%	500%	10%	15%	150%	10%	15%	150%			
Percentage change in revenue collection from vehicle imports as a result of applying proper customs valuation and effective revenue collections	0%	174%	N/A	10%	26%	260%						
Change in perception of the functionality and usefulness of the TIC web portal	N/A	N/A	N/A	20%	N/A	N/A						
Percentage of firms indicating improvements in customs administration	50%	75%	150%	25%	100%	400%						
Percentage of declarations subjected to revenue adjustments under streamlined procedures introduced	50%	60%	120%	40%	52%	130%						

	FY 2010 Targets	FY 2010 Achieved	Percent Achieved	FY 2011 Targets	FY 2011 Actual	Percent Achieved	FY 2012 Targets	FY 2012 Actual	Percent Achieved	FY 2013 Targets	FY 2013 Actual	Percent Achieved
Number of participants in TFP-supported trade and investment capacity building training (women)	N/A	N/A	N/A	2	24	1,200%						
Reduction in transportation costs as a result of USAID assistance (million \$)	5	57.8	1,156%	10	10.5	105%						
Number of news items disseminated	30	34	113%	20	22	110%						
Number of firms receiving capacity building assistance to export	50	30	60%	40	21	53%						
Number of participants in TFP-supported trade and investment capacity building training (men)	N/A	N/A	N/A	48	106	221%						
Number of participants in TFP-supported trade and investment capacity building training	50	69	138%	50	130	260%						

	FY 2010 Targets	FY 2010 Achieved	Percent Achieved	FY 2011 Targets	FY 2011 Actual	Percent Achieved	FY 2012 Targets	FY 2012 Actual	Percent Achieved	FY 2013 Targets	FY 2013 Actual	Percent Achieved
Number of average daily visits to the TIC web portal	30	N/A		300	4	1%						
Person-days of workshops and seminars about customs	600	335	56%	400	278	70%						
Effectiveness of capacity building activities within Palestinian Customs	N/A	N/A	N/A									

* The final number on firms in DTI won't be determined until after submission of the final report. The FY 2013 target of 75 users included 20 participants for Known Trader and 55 users for DTI. Of the targeted 20 participants for Know Trader north, TFP prepared the necessary documentation for 19 potential participants and submitted this to USAID for further action. Of the 55 participants for DTI, TFP brought 31 users on board and completed their necessary training. At this point, PA customs could not add more firms to DTI due to a shortage of ASYCUDA licenses. TFP purchased an additional 300 licenses in early August 2013; however, because the contract ended on August 30, there was insufficient time to train additional users.