PALESTINIAN INVESTMENT PARTNERS

PROMOTING INVESTMENT FOR ECONOMIC GROWTH

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CONTENT

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A farmer examines plants grown in a greenhouse funded by the PIP project in Jenin. PIP assisted 130 farmers in 20 villages throughout Jenin governorate in installing greenhouses and growing a range of vegetables, including tomatoes, cucumbers, strawberries, and beans. The project has generated an estimated $10 million in revenues.

INTRODUCTION

Palestinians have an educated labor force, good communications links, a modern banking system, and a strong entrepreneurial tradition. Still, the market in the West Bank and Gaza Strip is not attracting its share of foreign direct investment.

The main problems lie in ongoing political uncertainty that makes investors wary, and obstacles to movement and access that prevent trade in information and goods. The combination of these factors produces economic stagnation, despite obvious growth potential.

Palestinian Investment Partners (PIP), an initiative under the USAID-funded Expanded and Sustained Access to Financial Services (ESAF) program, seeks to address these issues by opening doors for Palestinian businesses. PIP is a fixed capital financing mechanism designed to assist Palestinian small- and medium-sized enterprises (SMEs), primarily through the funding of new equipment and technology transfers, in order to accelerate their expansion, enhance economic activity in the West Bank, and create new employment opportunities.

Since its inception in 2008, PIP has assisted dozens of companies in accessing new export markets, pursuing successful import substitution strategies, adopting new technologies with a demonstration effect on their industries, creating good jobs in economically depressed regions, and accessing bank financing that otherwise would not have been available.

A Hebron company reached a new export market in Jordan for its custom built shelving and other metal products, after upgrading its equipment with state of the art technology. In Qalqiliya, a woman-owned garment company created over 60 new jobs by opening a new facility. A chocolate factory in Nablus leveraged PIP support to obtain bank financing for a major investment that enabled the company to diversify its product offering and reduce defects. These are only some of the success stories featured in this booklet, all of which show how a cost-sharing arrangement can provide incentives for growth.

ECONOMIC CHALLENGES

After the start of the second Palestinian intifada in 2000, the Palestinian economy went into a deep downward spiral as political violence brought on some of the highest unemployment rates in the world. Peaking at 30% in 2002, unemployment had only declined to 20% by 2009, according to the World Bank.

PIP AT A GLANCE

PIP is a fixed capital financing mechanism designed to assist Palestinian small- and medium-sized enterprises (SMEs), primarily through the funding of new equipment and technology transfers, in order to accelerate their expansion, enhance economic activity in the West Bank, and create new employment opportunities.

The project is supporting **40 companies** with grants ranging from **US $100,000-$350,000** and has leveraged over **$16 million** in partner investment.

Based on performance to date, these investments are projected to generate over **$50 million** in increased revenue and create **over 1,000 new jobs** within a year of grantees' installation of new equipment.

PIP supports a range of sectors—including stone and marble, food processing, textiles, dairy, home furnishing, and other manufacturing areas—in every governorate of the West Bank.

"The American support gave us the technology we needed. We had the ambition, but they gave us the push."—Muhammed Abdelrahim Nimer, General Director of Super Nimer, producer of security doors and products

A key contributor to this economic downturn has been Israeli restrictions on movement and access, which overshadow all other aspects of the investment climate. Checkpoints, a complex permit system and security measures prevent the free movement of people and goods. Restrictions close off markets, raise transaction costs, prevent producers from guaranteeing delivery dates, and severely hamper exports.

These obstacles, combined with insecurity, result in economic stagnation, which in turn causes high youth unemployment and broad public frustration with economic conditions, further exacerbating political instability. In 2009, reports the World Bank, the Palestinian youth labor force participation rate stood at only 33%.

Faced with this climate, Palestinian businesses are reluctant to make long-term investments in fixed assets and, as a result, rely heavily on Israeli markets, particularly for value-added processes. This dependence is another brake on entrepreneurship and economic growth.

ABOUT PIP

USAID's strategy for the West Bank and Gaza includes a focus on the development of a more productive, innovative, free-market economy. Essential for building a prosperous and democratic Palestinian state and society, a dynamic and diverse economy is one that leverages and expands available physical and social infrastructure, such as roads, markets, health and education, while providing employment to a growing population and tax resources to support the government.

In line with this USAID focus, PIP sought to jumpstart private investment in the Palestinian economy by providing $8.2 million in grant support to select SMEs in the West Bank that have the greatest potential for growth, innovation, and job creation.

PIP's primary objectives included:

- Offsetting the inherent political and institutional risks to investment in the West Bank and Gaza;
- Encouraging technology and knowledge transfers to Palestinian firms;
- Locating new areas/sectors in the Palestinian economy where significant growth potential exists; and
- Building a foundation for increased foreign direct investment by demonstrating the West Bank and Gaza's potential as a profitable and business-friendly place to invest.

"Our grants motivated these companies," says Suleiman Aref, PIP managing director. "Instead of postponing [their plans] for two or three years, it mobilized them to act now."

To be considered for selection, PIP recipients were required to be existing private sector Palestinian businesses seeking to expand and having:

- At least 51% ownership by Palestinian nationals
- A solid history of business operations and performance
- Appropriate management capacity and staffing
- Access to investment capital in addition to PIP funding for the remainder of the project's financing needs
- License to conduct business operations, if required by law or custom
- A market for its products and/or services with the potential for expansion into the broader export market
- High potential for employment generation

The program was managed by the Academy for Educational Development (AED) under the ESAF project. AED worked closely with USAID's Enterprise Development and Investment Promotion (EDIP) project to identify and support appropriate enterprises for investment. EDIP conducted the initial competition process and supported the businesses in preparing their proposals, which were then reviewed for funding by a joint committee made up of USAID and ESAF staff.

To ensure that all Palestinian businesses had fair and equal access to PIP assistance, the ESAF team utilized objective standards, oversight safeguards and targeted marketing, as well as broad-based marketing though partner EDIP.

PIP has been an important stepping stone in helping Palestinian companies to develop their products and technology, adding jobs and hope for the local economy. In the future, the initiative could be expanded to Gaza or refined in the West Bank to focus on leveraging local bank or private equity capital.

ESAF is a three-year, $36 million program funded by USAID and designed to build a more inclusive financial sector in the West Bank and Gaza for Palestinian households and enterprises.

The program is implemented by AED in partnership with The William Davidson Institute at the University of Michigan, ShoreBank International, CHF International, CARE and Save the Children. ESAF is an Associate Award under USAID's FIELD-Support Leader with Associates cooperative agreement, which is managed by AED.

An employee of PIP grantee Future Iron Pipes tests products for flaws prior to distribution.

PROFILES

HADDAD

DELIVERING WITH PRECISION IN A CHANGING MARKET

After winning a bid to make 300 water tanks in three months, Ibrahim Haddad Agricultural Equipment Factory worked tirelessly to fill the order. But using its obsolete and limited-capacity machinery, the factory could not meet the deadline.

"The order was 15 days late," explains Joseph Daher Haddad, deputy general manager.

The family-owned and managed business started in 1967 as a small workshop for repairing agricultural equipment and has become a major manufacturer of 25 types of agricultural equipment, including ploughs, farm trolleys, and irrigation water tanks. But Haddad has recently struggled to keep up in an increasingly competitive market.

New technology allows Haddad to meet bulk orders on time.

Although demand for the factory's products was growing, orders required higher and more accurate product specifications that Haddad could not meet. And, with the company's limited on-site storage space, orders need to be completed and delivered on time so as to not create a backlog. New higher-performance machinery became necessary for Haddad to continue to grow under new market conditions.

In 2009, Haddad approached PIP, which granted the company US$79,000, or about 40% of a total investment of US$196,468 in new machinery. Haddad used the grant to invest in a new plasma cutting machine that raises production capacity and precision while reducing costs and turnaround time.

As a result of installing the new machine, the number of requests for bids has risen and revenues are expected to increase 63% over the next three years. Haddad's profit margin has also gone up: with the old machines, precision cutting had to be outsourced to Israeli companies. Now it can now be done in-house.

The number of bids Haddad is winning is growing too. The factory, located in the town of Jenin, finished an order of 700 water tanks in the same three-month period with no delays, and expects to complete a current order of 1,200 water tanks in the same time frame.

Joseph says that without the new machine, the factory might not be able to win bids, and if it did, it would have to work 24 hours a day to make deadlines. Instead, the new machine gave Haddad the power to bid competitively and make short deadlines. It also allowed Haddad to hire 19 new employees, six of whom were trained to use the plasma cutting machine.

"We can now provide better bids than other competitors," he says, and have a strong presence in the market.

GBS

EXPONENTIAL GROWTH THROUGH TECHNOLOGICAL INNOVATION IN JENIN

"You will not believe it: revenues doubled within three months!" Saif Abu Al-Rob, general manager of GBS for Stone and Marble Company, does not hide his satisfaction with new equipment purchased with support from a PIP grant. Since installing the new equipment, monthly profits have more than doubled and the workforce is growing rapidly.

The company built its stone and marble factory in 1998 in Jenin, in the northern West Bank. Before PIP's intervention, GBS relied on traditional stone cutting machines that manufactured semi-finished construction stones of different sizes. Because of fluctuations in stone measurements by the older machines, GBS was unable to produce high-quality finished products itself. Instead, it sold raw stones to Israeli companies that modified them to match customer requirements and reaped the lion's share of the profits.

Today, as a result of GBS's investment in modern equipment that yields high-quality finished stones with precise measurements, the company produces ready-made, value-added stones and selling them directly to local and international markets. By selling high-quality finished products directly to customers, GBS earns an additional US$15 per square meter, compared to the revenue generated with the old equipment. As a result of operations expanding, GBS is expected to hire 34 new employees. The company also substantially widened its customer base both locally and abroad. GBS's US$505,000 investment was facilitated by a PIP grant of US$176,750.

Demonstrating increased strength and confidence following this step, the company independently procured reconditioned stone cutting equipment from an Israeli company that had closed its stone processing operations. Previously GBS would ship semi-finished stone to the Israeli company to be completed there. Now, GBS delivers to the buyer finished products that are ready for export.

Beyond the immediate impact on GBS, PIP's intervention shows promise for catalyzing growth throughout the Palestinian stone and marble industry cluster in the northern West Bank. The company's success has already inspired nearby firms to study the feasibility of upgrading their own facilities.

New equipment purchased by USAID grantee GBS immediately boosted its profitability and employment.

"This is the best place I have ever worked. Fatima is family, not just my boss," says Nasreen, an Al Hana'a employee.

AL HANA'A

CREATING HOPE FOR MARGINALIZED WORKERS

Nasreen used to travel from the village of Habla in the West Bank to Israel every day to work for a small flower business. Getting across the border was difficult, especially during times of political volatility, and her family's economic status hung in the balance.

For the last five years, however, Nasreen has been working as a seamstress at Al Hana'a Company at a facility that is in the same neighborhood as her house, and finds it hard to keep a smile off her face as she proclaims, "This is the best place I have ever worked."

Al Hana'a was established in 1988 by Fatima Al Jada, when its humble beginnings included one sewing machine in her home. Twenty-two years later, Al Hana'a—which in Arabic means "something that brings hope"—includes six sewing facilities situated across Qalqiliya that are employing more than 160 people.

What is most remarkable about Al Hana'a's unique business model is its social mission—almost all of these employees are women or the physically disabled, people who may otherwise have a difficult time finding stable employment.

In 2009, Al Hana'a was selected by PIP to receive a $150,000 grant, matching her existing commitment of nearly $200,000 to purchase another 75 machines and build a new facility so that another corps of 65 employees can work close to where they live in this conservative part of the West Bank.

"Our primary market is Israeli retailers," explains Fatima. "But transporting across the border is very difficult—there are always limits to movement and access, the shipments are damaged, and often the payments don't come for three or four months."

The additional fixed capital funding from USAID will enable Fatima to expand the market for Al Hana'a and therefore stabilize her demand. Her vision for Al Hana'a does not stop there; she plans to make more services available to her employees, such as an on-site nursery for their children and a dining hall for meals.

FLEIFEL

WEAVING THE FABRIC OF INDEPENDENCE

Zaid Othman, general manager of the Fleifel Company for Trading and Textiles Industry, has been dreaming for years of breaking his company's dependence on Israeli manufacturers and starting a new line of products for the Palestinian market.

"I started thinking about this project 10 years ago," he says, "but I couldn't find donors or investors to join me."

Fleifel was producing high-quality cotton sheets and pillowcases, but the Tulkarem-based company didn't have the equipment needed to manufacture the blankets that come in a box set of bedding. To meet market demand, Fleifel was forced to outsource the production of blankets to an Israeli company.

The way Othman does business was revolutionized in May 2011, when a Texas manufacturer delivered eight new machines, including two single-needle quilting machines, to the Fleifel factory, along with an expert who trained employees in working and maintaining the equipment. Now he can produce twin- and double-sized blankets in-house. The machinery was purchased with PIP support in the form of a $192,876 grant.

"I realized it would be tough," says Othman, "because I had to contribute 65% [of the capital]. But I saw that I would have to 'walk with a limp' for a while before I could stand on my own two feet."

To make the best use of USAID's support, Othman expanded his manufacturing area, developed a new production line, and invested in fabric and filling.

Prior to the expansion, Fleifel was selling $2 million in textiles annually, employing 18 workers, half of them women. Now, at top capacity, Othman can produce 400 blankets a day and expects to employ an additional 12 people to meet demand. He projects that his sales will increase 25-30% in the first year, helping him to fill orders from Palestine, Israel, Canada and Jordan.

Not one to sit on his laurels, however, Othman is already dreaming of purchasing additional equipment, a multi-needle quilting machine and a machine that can produce the filling that he currently imports.

"I am very optimistic," Othman says, demonstrating the new machinery for visitors.

A technician works Fleifel's new computerized quilting machine.

Al Hijaz produces specialty hand-wrapped chocolates for domestic and Israeli markets.

AL HIJAZ

SWEETENING THE PALESTINIAN ECONOMY

Al Hijaz for Chocolate's factory is bustling with activity, as several dozen employees pour the rich confection into molds and wrap candies into attractive foil bundles.

While Al Hijaz is the number one producer of chocolate candies in the Palestinian market, the five-year-old company wasn't sure how it could expand before meeting up with the implementers of the USAID-funded PIP program. Then they began to get excited.

"They came and visited," said general manager Hussein Hijaz. "We had a small workshop where most of the molding and wrapping was done by hand and there were a lot of defects. We brainstormed together about how we could expand in the market."

It took nearly two years for the Hijaz brothers to study potential sales and determine what kind of new machinery would help them grow. Targeting markets in Israel where it already sells to Palestinian residents, Al Hijaz seeks to attain the certification given to kosher products that will make them attractive to major Israeli buyers. In addition, Palestinian and Arab markets for quality chocolates, which are given to guests on special occasions, is expanding rapidly.

"Our goals are to expand capacity, decrease defects, and target other markets."—Hussein Hijaz, General Manager at Al Hijaz for Chocolate Ltd

The company decided to build a new manufacturing plant to accommodate customized equipment purchased from Switzerland through PIP that will allow them to offer new fillings for their chocolates and mechanize the production process. Al Hijaz contributed 66% of the investment, financing it in part with a bank loan that would have been difficult to secure in the absence of PIP's $240,000 grant.

Al Hijaz projects that, under the new production line, sales will double from the current 150 tons of chocolate annually, and the number of employees will increase from 50 to 80, most of them women. Located in the northern West Bank village of Anabta, the factory is an important employer in Tulkarem, the West Bank governorate with the highest unemployment rate in the second quarter of 2010, according to the Palestinian Central Bureau of Statistics.

One of the challenges Al Hijaz faces are unexpected taxes levied by Israeli authorities on imported milk powder, meaning an extra expense of $1-2 per kilogram. Sometimes chocolates melt or are damaged while being transferred from truck to truck, as they exit the West Bank though the "back-to-back" system required at Israeli-controlled commercial crossings. Those obstacles highlight the risks of international trade in an environment in which imports and exports are controlled by Israeli authorities.

"We would be reluctant to do this [expansion] without PIP," says Hussein. "There would be too much risk for us to move forward."

AL ARZ
FREEZING OUT ISRAELI RESTRICTIONS

Three years ago, Al Arz ice cream was effectively banned from sale in the Israeli market. Officials at commercial crossings from the West Bank into Israel simply stopped allowing the company's goods to pass.

Raed Anabtawi, deputy general manager of the Al Arz Ice Cream Factory Company, suspects that the step was taken because his Nablus-based company was competing with large Israeli ice cream manufacturers—companies that have free access to Palestinian markets.

"Why are Nestle, Strauss and Unilever allowed to come into our market, and we are not allowed in theirs?" Anabtawi asks. "It's not fair."

The ban is only one on a series of obstacles that affect Al Arz. As part of peace agreements, Palestinians are subject to import quotas on ingredients like milk powder and butter that cause delays and put them at a disadvantage with Israeli companies. To get around these problems, Al Arz is sometimes forced to buy from Israeli agents at greater cost.

Further, checkpoints and commercial crossings can delay the distribution of ice cream, which is easily damaged in transit. Until two years ago, the town of Nablus was almost completely severed from the rest of the West Bank by Israeli checkpoints.

These types of restrictions continue to plague Al Arz. Anabtawi relates how an Israeli agent sent him an order of white chocolate by mistake. Trying to reduce delays, the two agreed to exchange the white chocolate for milk chocolate at the commercial crossing. Despite having set out at eight am, however, the trucks had still not completely the required security measures at the crossing by mid-afternoon.

"All that we want is to have hope for the future and to live in dignity." —Raed Anabtawi, Deputy General Manager at Al Arz Ice Cream Factory Company

Despite such challenges, Al Arz has managed to survive for more than 50 years as a family business, with $10 million in annual sales and over 200 employees. The company manufactures more than 20 high-quality ice cream products, primarily serving the Palestinian market.

Al Arz is now focusing on marketing its goods to Palestinians, in light of its price advantage over Israeli products. The USAID-funded PIP project supported the company in that effort, assisting it in the purchase of $329,561 worth of display freezers with a grant of $112,000. The freezers have improved the company's visibility and market share.

"We have lots of dreams," says Anabtawi. "We would like to franchise, and there are people pushing to invest in us." The company's first priority in expansion is the construction of a new $2 million factory that would produce milk chocolate and biscuits in-house. That project is on hold for the time being due to regional instability, but the company is still seizing opportunities available to it today and exports are increasing from their current level of 10% of sales. For example, Al Arz recently began distributing in Iraq, selling 40 tons of ice cream in Baghdad in one month.


IMEX's owner Husam Atmeh discusses plans for further expanding his furniture business.

IMEX

BUILDING TO ORDER WITH IMPROVED TECHNOLOGY

Husam Atmeh has ambition. Fifteen years ago, he began as an apprentice and then rose to become a partner at a carpentry workshop producing furniture. Later he opened his own workshop, and hired his former partner to work for him.

Atmeh's latest move has been to expand his Imex Company for General Trading, Import and Export. Atmeh is building a new workshop to house the modern Computer Numerical Control (CNC) equipment he purchased with help from a PIP grant of $150,000, 35% of the total investment.

Nearly all of Imex's furniture is sold in Israel and, without advanced equipment, Imex was having trouble meeting demand.

"There are big companies in Israel whose orders I wasn't able to fill," Atmeh explains. "Hopefully, now we can. The machinery makes production faster and smoother."

Doing business with Israeli buyers carries unique risks, Atmeh explains. The Israeli court system is difficult to access and protects Israeli companies, leaving Palestinians with little recourse when those companies declare bankruptcy or renege on commitments.

"Working with them is a little like gambling," Atmeh says. Like many other Nablus furniture manufacturers, Atmeh lost nearly $300,000 this way during the second Palestinian uprising. Now, he says, he is very careful who he does business with. PIP support has helped Imex mitigate these and other risks.

Atmeh says he currently employs 12 workers, but plans to hire an additional 18. Imex sells approximately $600,000 in furniture annually, and he expects to double this to reach over $1 million with the new equipment.

He is competing with a wave of furniture imports from Turkey and Asian countries, but doesn't seem fazed. "Today people like to order the color they like and the specifications they want. This is my advantage—imports don't meet this need."

Nevertheless, Atmeh recognizes the value gained by further developing his product line. In the long term, he plans to introduce four styles of dining room sets as well as four bedroom sets to market to his customers.

NEIROUKH
NEW MACHINES, NEW MARKETS

During the years of the second Palestinian uprising, the city of Hebron—where Neiroukh Scales & Metallic Furniture Company is located—was under a near-complete closure, making the delivery of orders extremely difficult.

"There were days when we couldn't pay workers," recalls Nafiz Neiroukh, the company's executive director. "It was so bad, we started working half time." But the 55-year-old company weathered the difficult period and continued producing scales, balances (mechanical & electronic), shelving systems and home and office metallic furniture.

In recent years, international pressure from USAID and other actors helped open Hebron's commercial crossing point and times improved.

Then Neiroukh faced a new obstacle: its 12-year-old Computer Numerical Control (CNC) and Direct Numerical Control (DNC) equipment was old and unreliable.

The company needed to upgrade to new CNC equipment with the latest laser technology if it was to expand production, improve quality, and reach new markets, ultimately generating additional sales and employment. But Neiroukh was reluctant to make the $1 million-plus investment given the risky business environment of the West Bank.

Neiroukh approached PIP seeking a fixed capital investment in order to make the upgrade. ESAF/PIP assessed the company's prospects and saw high potential for growth.

The company complies with strict Quality Management Systems and was certified and approved for ISO 9001:2000 in 2010. It also currently exports six percent of its products to the Jordanian market, a figure that would be much greater if not for the company's limited production capacity and difficulties resulting from strict border controls by the Israeli government.

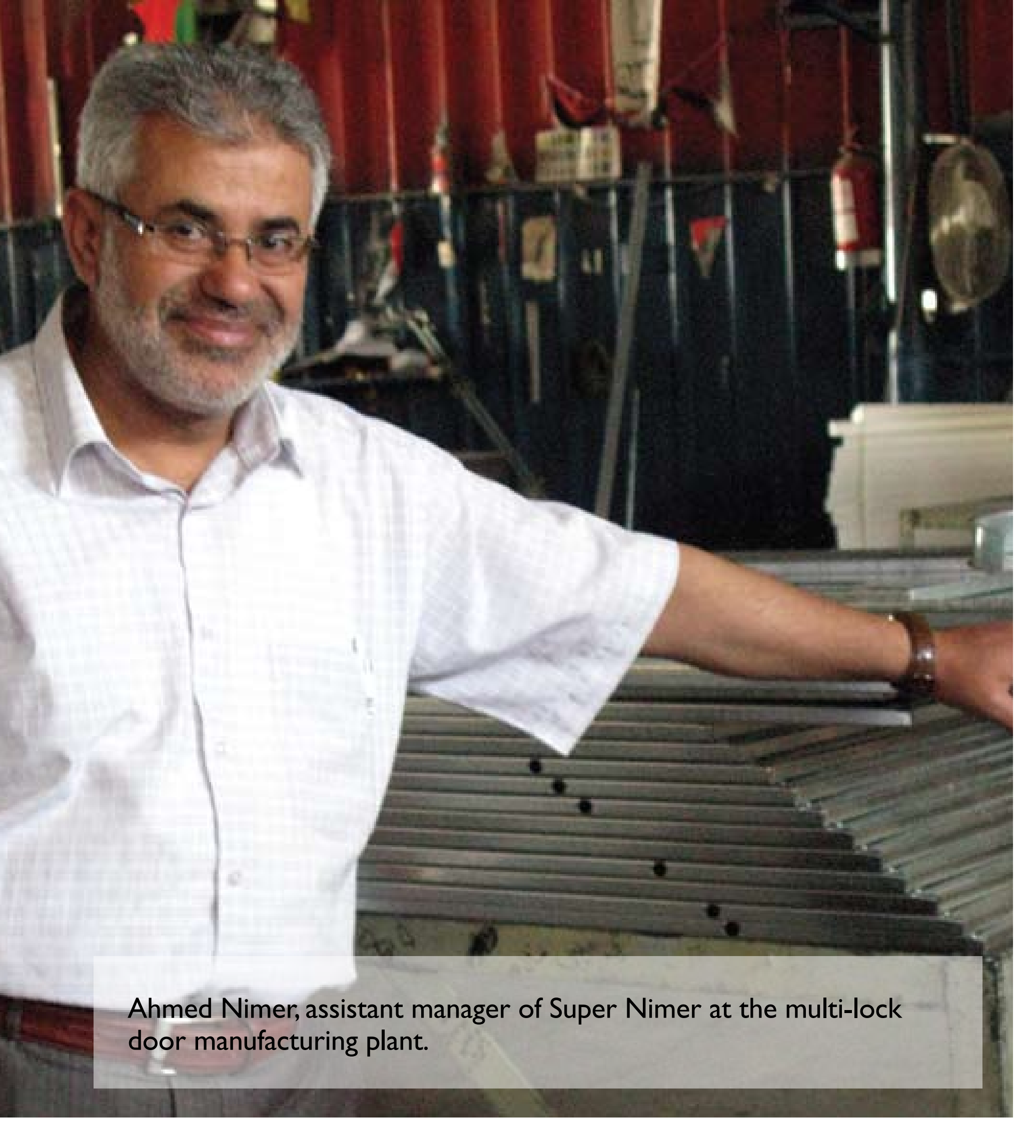
With $300,000 in grant assistance, Neiroukh invested nearly $1.5 million in a state-of-the-art CNC machine, delivered in August 2010. As a result, the company is now able to deliver a higher quality product, improve efficiency leading to greater market share, and eliminate production shortfalls on account of equipment breakdowns.

"The flexibility is greater," says Nafiz, clearly pleased with the new equipment. "If a customer comes with a design I've never seen, in two days I can turn around a model," he explains. Recently, a client in Jordan visited for three days to help develop custom-built display shelving for a regional chain of pharmacies. The new line will bring in at least $50,000 in new business.

Nafiz says that Neiroukh's sales have increased by 30% with the new equipment, far beyond initial projections of increased sales of 10%, and the company has already employed as many as 30 new employees.

A Neiroukh employee shows off the company's new laser CNC machine to guests.

The new equipment "has advanced our production not less than 30%. We have an engineering department that is coming up with new ideas all the time." —Nafiz Neiroukh, Executive Director, Neiroukh Scales & Metallic Furniture Company



Ahmed Nimer, assistant manager of Super Nimer at the multi-lock door manufacturing plant.

SUPER NIMER

OPENING DOORS TO PALESTINIAN MANUFACTURING

Super Nimer Industrial and Investment Company has seen exponential growth in recent years, as the market expands for the multi-lock doors it manufactures. After taking two years to purchase a Computer Numerical Control (CNC) machine in 2006, the company was producing four or five security doors a day. By 2008, Super Nimer had grown to manufacture 25-30 doors a day.

In 2009, the family-owned Hebron company identified new demand in acoustic, fire-retardant, armored, and x-ray doors, but was unable to respond due to limited production capacity.

"When we started, there were five Israeli companies in the market making multi-lock doors," says Super Nimer Executive Director Walid Rasheed. "After we began production, some of the companies closed and others lost interest in the Palestinian market. We are a threat to the Israeli companies because our labor is cheaper."

To meet the growing demand, Super Nimer sought the assistance of PIP. The company needed painting/coating and cutting equipment (a new electro-static coating powder line, turret punch, and a press brake) in order to improve its capacity.

PIP examined the market for Super Nimer products and found strong current and future demand, particularly in light of a number of large-scale real estate projects that are planned in the West Bank. New machinery equipment would allow the company to nearly double its current annual production, and respond to increasing demand from the local economy. Super Nimer made a total fixed capital investment of $439,650, aided by a $180,000 grant.

The grant support helped achieve the goal of improving the quality of products in the local market, resulting in production expansion and new employment opportunities in a community facing high levels of unemployment. The company's production capacity has more than tripled: it now builds 100 high-quality doors a day. Super Nimer also employs 70 workers, having added as many as 20 new employees to work on the new equipment. The next step for the company is obtaining the certifications needed to open doors to international markets.

"The American support gave us the technology we needed," says Muhammed Abdelrahim Nimer, general director of Super Nimer. "We had the ambition, but they gave us the push."

> **"Hopefully, there is peace. At the least, we need stability. To get more production, then we need more machines and we need to open the market to our products."— Muhammed Abdelrahim Nimer, general director of Super Nimer**

AL HARAM

BUILDING CAPACITY TO MEET LOCAL DEMAND

Three Palestinian companies in the Hebron area produce milk, yoghurt, cheeses and other dairy staples. Until now, these producers have had to import some of their packaging, at higher cost and with periodic delays.

Spying an opportunity, Al Haram Factory Company for Plastic Products plans to meet this demand locally, expanding its container manufacturing plant to produce yoghurt cups in addition to plastic milk jugs.

"Cows have to be milked several times every day," explains Ahmed Hassouna, general director of Al Haram. "We have one company that produces 50 tons of dairy products every day. If the containers [for those products] are delayed at the port for security checking, this is a problem. You can't tell the cow, 'we don't want more milk.' Sometimes producers have had to throw milk away. If we produce those containers locally, this solves the problem."

After reading about PIP in the newspaper, Hassouna and his partner Hatem Abu Dayeh were eager to participate. They studied the possibilities, then put up more than $2 million of their own cash to build a new factory and purchase raw materials.

They also contributed a 75% share of the cost of new machinery purchased from the Netherlands. PIP's grant helped the company buy the equipment and molds needed to manufacture high-quality plastic packaging and print six-color labels on its exterior.

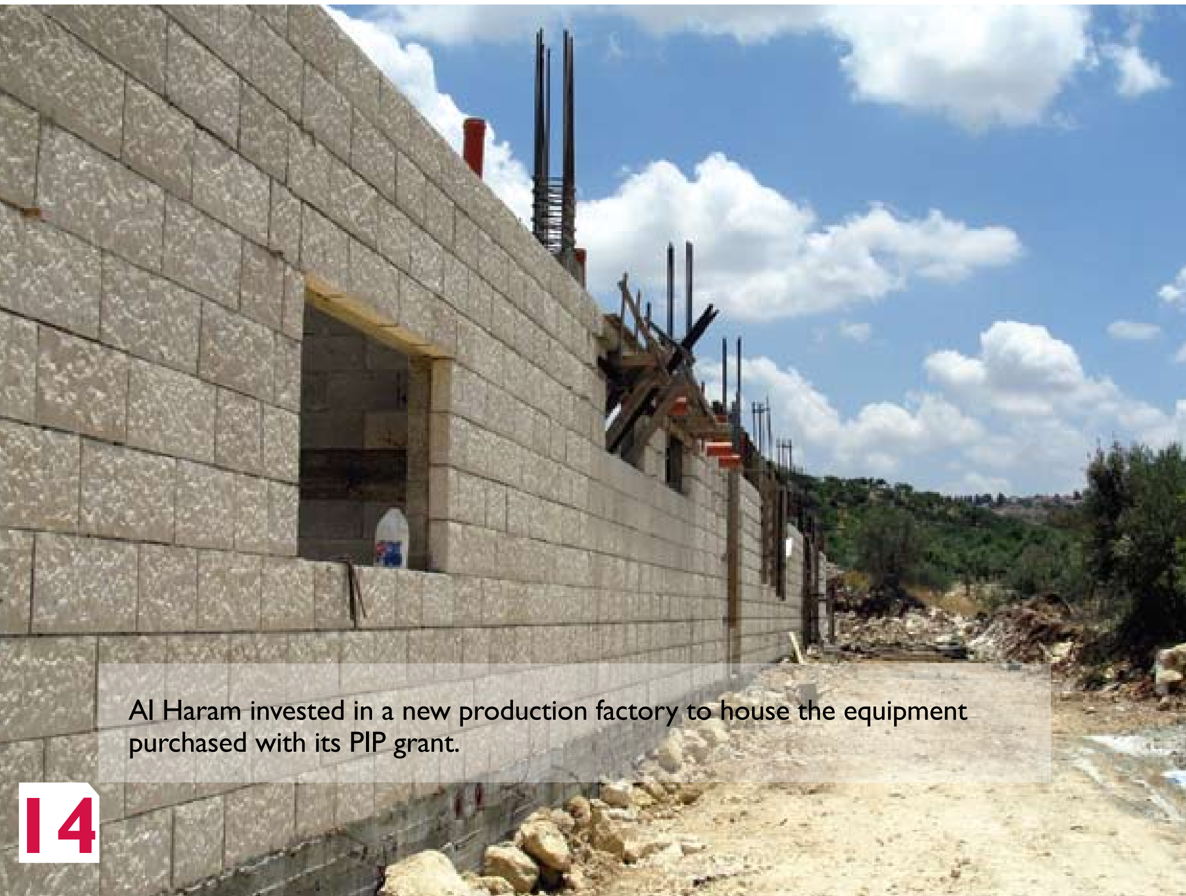
The new factory is expected to open in September 2011 and, already, Al Haram has signed five-year contracts with local dairy producers. The company employs 27 people, but expects to hire 13 more with the expansion.

"Every day, it seems, they call us, asking, 'When will you start production?'" says Abu Dayeh.

Abu Dayeh indicates that Al Haram seeks to be "green" and is exploring the possibility of producing biodegradable containers in the future. He notes with concern that the city of Jericho alone generates 300 tons of plastic waste in a year. "We are studying this carefully," he says.

Without the support of USAID through PIP, Hassouna emphasizes, Al Haram would have struggled to implement their vision. Now, the prospects are impressive.

Palestinian dairy manufacturers currently require 90 million containers annually. Initially, Al Haram will be able to fulfill 30% of this demand, with the possibility of expanding to produce 50 million containers a year in the future.



Al Haram invested in a new production factory to house the equipment purchased with its PIP grant.

"We sought to grow our company. Instead of importing products from outside, we want to make them ourselves."— Ahmed Hassouneh, General Director of Al Haram Factory Company for Plastic Products

PIP GRANTEE SUMMARIES

1. **AbuAlseba Animal Feeds Company** has been in business for over 20 years. Located in Jenin in the northern West Bank, the company is seeking to put four new feed products on the market. Using a PIP grant as part of a total investment of $536,429, AbuAlseba has developed a new production line that will help meet domestic demand. PIP assisted the company in overcoming risk aversion and successfully applying for a bank loan to cover costs. The company expects to hire 17 new people and increase its revenues by $1,080,000 through its expansion.

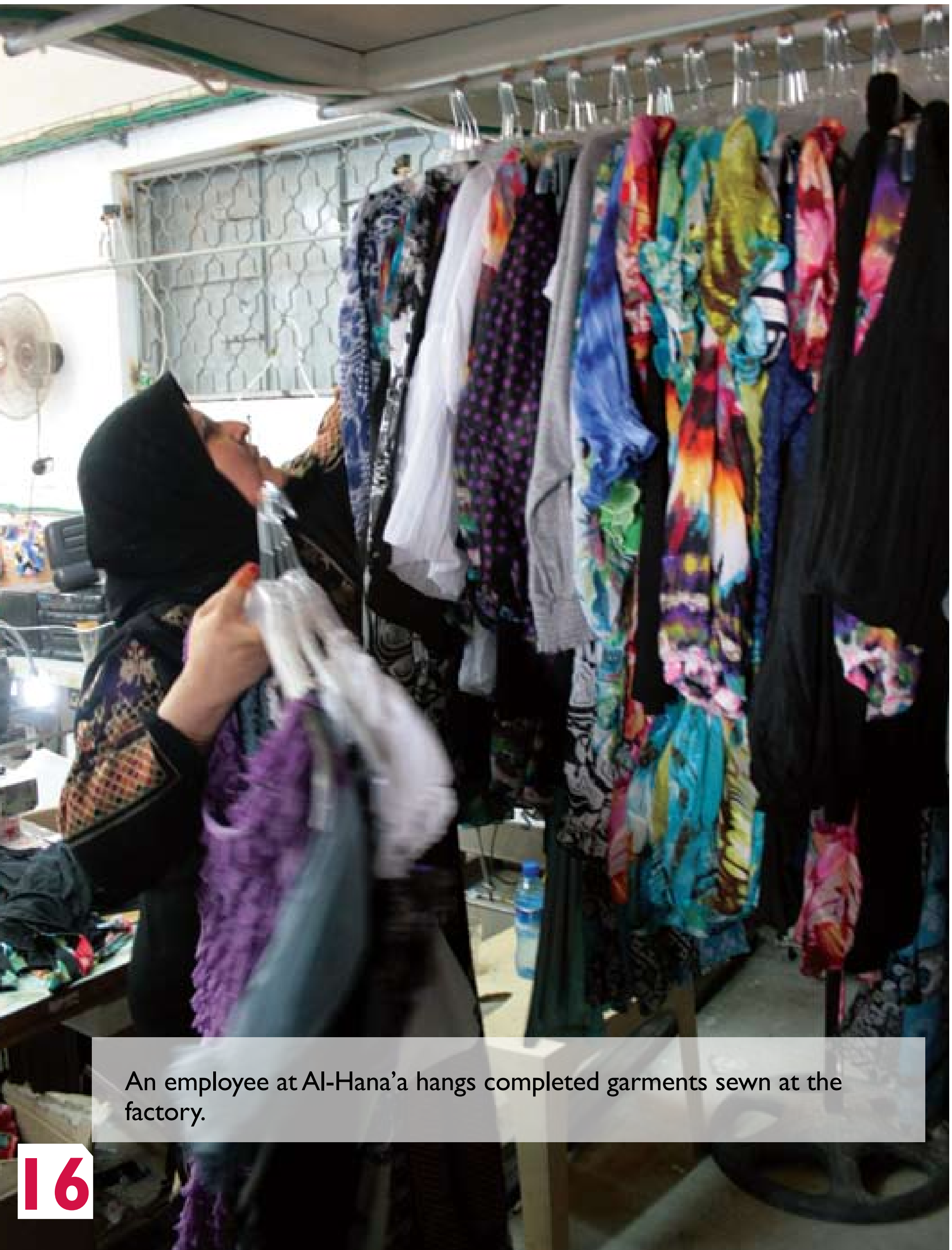
2. The Hebron-based **Al Anan Company for Marble and Stones** saw an opportunity through PIP to increase its access to technology and modern stone-cutting techniques. Using a PIP grant, the manufacturer invested a total of $625,954 in the purchase of a diamond gang saw, a chainsaw machine, a bridge-cutting machine and a single-blade frame saw. As a result of this expansion, Al Anan expects to create 15 new jobs and increase its revenues by $588,000 a year.

3. **Al Ahlam Company for Trading Marble and Stone** has access to a large quantity of raw material, but much of it has natural defects that need to be processed for market consumption. Using a PIP grant and a bank loan, the Bethlehem company invested a total of $508,100 in the purchase of marble polishing equipment. Al Ahlam expects total sales after expansion to increase from $870,000 to $3 million the first year, as it is newly able to attract international buyers. It expects to hire 37 new employees to work on the polishing line.

Verona will now be able to cut thin-cut tiles from these stone slabs through the support recieved from PIP.

4. Ali Brothers Agriculture Company, located in Deir Al Ghosson in the Tulkarem district of the West Bank, produces canned vegetables. Seeking to increase its market share of canned goods sold locally and abroad, the company attained a PIP grant as part of a total investment of $447,000. With the support, Ali Brothers invested in a blancher, a conveyor for the blancher, an autoclave and other machinery that will augment production. The company expects to hire 11 employees as part of its expansion, and increase revenues by $770,127.

5. Al Far'a Company for Trade Industry and Construction Products is part of the key Palestinian quarry industry. It seeks to diversify and meet market demand by also producing paving bricks, curbstones and precast concrete drain pipes. Al Far'a expects to increase its market share as a result, since contractors prefer to cut down on transportation and management costs by purchasing multiple products from the same source. PIP has assisted the three-year-old company in carrying out this expansion with a grant. Al Far'a is purchasing casting molds, a crane, a forklift and an electricity generator for a total investment of $520,220. The new equipment will be integrated into production lines that use the Al Far'a's raw materials. Paving bricks were not previously produced in the Palestinian market and their introduction will help replace Israeli imports. The company plans to add 19 jobs and expects increased revenues of $700,000.



An employee at Al-Hana'a hangs completed garments sewn at the factory.

6. Al Fawagra Company for Stone and Marble saw opportunities to sell its stone and marble in western markets. To do that, however, the Bethlehem-based manufacturer needed equipment that would polish and prepare the stone so it meets international standards and is suitable for different climates. With a total investment of $400,400 including a PIP grant, Al Fawagra purchased the required machines and prepared the new production line in its current plant. The company expects to hire 18 new employees to work the equipment, and increase its annual revenues by $100,000.

7. Al Mahareq Slaughterhouse currently provides 15-20% of the turkey meat consumed in the West Bank. With automation, however, its market share will grow and it will be possible to export its meat internationally. Using a PIP grant, the Hebron company invested a total of $771,290 in a fully-automated slaughter system. Upon installation, the company projects that its sales will increase by $200,000 the first year. It also plans to begin to export seven percent of its turkeys to Jordan in 2011. The expansion will create 30 new jobs.

8. Al Mansrah Development and Investment Company (MADICO) used PIP support to gain the technology and equipment it needed to begin exporting its dates to international markets. The Jericho-based agriculture producer invested $959,212, incorporating two bank loans and a PIP grant, to purchase the equipment required to expand its operations. As a result, MADICO has become the most advanced date sorting and packaging plant in the

West Bank, with freezing and refrigeration rooms that allow for export to western and Arab countries. The growth of this company located in the economically depressed Jordan valley area is especially important for the Palestinian economy. The expansion created 40 new jobs and increased MADICO revenues by $100,000.

9. Dairy-product manufacturer **Al Pinar Company for General Trading** wanted to increase its market share and introduce new yoghurts into the Palestinian market. Using a PIP grant as part of a total investment of $400,431, Al Pinar purchased filling tanks, a homogenizer, filling machines, a pasteurizer, a souring milk machine, a shrink-sleeve machine and a bottling machine, among other equipment. Al-Pinar recently reported that only three months into operation, its new production line of "Fresh-up" drinkable yoghurt has increased the company's market share by 300%. The production line is not yet fully operational, but Al Pinar expects it to create jobs for 33 employees and increase revenues by $400,000.

10. **Al Saad Carpets and Furniture Company** is seeking to compete with furniture imports by producing higher-quality furnishings at its Jenin-based factory. With an overall investment of $567,698 including a PIP grant, the company purchased a computer numerical control work (CNC) center, edge banding machine, beam saw, sliding table saw, wide belt sanding machine, four side planer, band saw, multi-boring machine, sliding table saw and other types of modern machinery. Using the new equipment, Al Saad will enhance its production lines and manufacture fresh designs. The company plans to hire 47 new employees and expects to increase its revenue by $1,202,000.

11. **Al Sadi Factory for Soft Drinks and Food Products** is a soft drink producer fighting to meet local demand. With a PIP grant, the Jenin-based company invested a total of $353,000 in a packing machine and juice-filling machine that would help it increase production and market share. The factory expects to add 12 employees as a result, and increase its revenues by $124,000 annually.

12. **Al Tal Al Akhdar Company for Meat, Fish and General Trading** sought to increase its production of frozen food products. With PIP support, the nearly-30-year-old company made a total investment of $393,561 to purchase meat processing, cooling and packaging equipment. Based in Nablus, Al Tal Al Akhdar is now able to produce and market its products at rate competitive with Israeli manufacturers marketing in the West Bank. The company expects to hire 30 new employees and increase its annual revenue by $1.4 million.

13. **Al Taneeb Company for Trading Contracting and Transportation** manufactures construction materials. Through PIP support, the Tulkarem-based company was able to develop a full production line for interlocking bricks. With an overall investment of $771,500, Al Taneeb expanded its production, introducing a new product into the Palestinian market and providing a local substitute for Israeli-imported sidewalk bricks. Fifteen new employees were hired to run the production line and annual revenues were expected to increase by $400,000.

14. **Al Taweel Crusher Company for General Contracting** is a seven-year-old manufacturer in the Palestinian quarry sector. Using a PIP grant, Al Taweel put up a total investment of $1,125,000 to install a stone crushing production line in its Bethlehem-area factory. The company expects to add 27 new employees and increase its annual revenues by $300,000 as a result.

15. **The Future Iron Pipe Company**, located in Hebron, benefitted from a PIP grant to develop a production line for coating imported iron pipes. The line, installed in December 2009 at a total cost of $428,000, has broken the Israeli monopoly on coated pipe production. Future Iron Pipe Company now supplies the water, wastewater, oil and natural gas sectors with a product that previously was only imported to the West Bank and Gaza Strip. The expansion has created 55 jobs and $2 million in revenues.

16. Stone and marble producer **GBS Company** previously sold semi-finished cut stone, marble and tiles because the equipment it used could not cut raw material to the sizes demanded by its buyers in Israel, United States and Europe. New technology attained through a PIP grant and a total investment of $377,905 will change that, however, giving GPS a competitive edge. The addition of a cross cutter machine, horizontal splitting machine, calibrating and polishing machine, motorized roller, trimming machine, belt conveyor, motorized roller, and selection table will assist GPS in meeting international standards. The Jenin-based company expects to add 34 new jobs and increase its revenues by $693,157.

17. **IMI Company for Equipment and Heavy Machinery Trading** used to import generators from Turkey for sale to Palestinians. Seeing an opportunity to increase revenues, the company

sought to assemble the generators itself. Using a PIP grant as part of an overall investment of $593,000, IMI purchased a host of machinery that would enable it to carry out assembly in-house. The Ramallah-based company expects to add 12 jobs as a result of the expansion and increase its revenues by $120,000 a year.

18. **Jala Food Company** is seeking to capitalize on the growth of the frozen vegetables market, as Palestinian families move from buying canned goods to healthier frozen foods. The company, located in Beit Jala in the southern West Bank, received a PIP grant for a total investment of $494,910. The investment will go to a new production line for packaging and marketing frozen vegetables, thereby reducing Jala's dependence on Israeli imports. As a result of the expansion, the one-year-old company expects to hire 27 new employees and increase its revenues by $600,000.

19. **Kanar Company for General Trading** is a producer of high-quality clothing for international companies like Nike. Still, the Qalqilya-based company has had difficulty meeting buyers' production needs. Using a PIP grant, Kanar invested a total of $259,800 in the purchase of eight different types of advanced sewing and cutting machines. PIP's grant helped incentivize Kanar to take a loan to complete the needed investment. The company expects the new equipment will increase its production by an additional 16,600 items a month. It also expects to add an additional 20 jobs and increase revenues by $250,000.

20. **Medas Company for Furniture and Home Furnishings**, located in Hebron in the southern West Bank, was in need of an equipment overhaul. Using a PIP grant as part of a total investment of $724,891, Medas purchased over a dozen new machines to modernize its production line for home furnishings. The move will increase production capacity, and allow the company to hire an expected 30 new employees, increasing revenues by $346,000 a year.

21. **Mhnna Brothers Company for Import and Export and General Trading**, a manufacturer of plastic toys, sought more independence on the kinds of toys it produced. With PIP support and an overall investment of $625,000, Mhnna purchased an automatic plastic injection molding machine. The Tulkarem-based manufacturer was able to diversify its product line and increase capacity as a result, producing its own toys without sub-contracting to an Israeli company. The modern equipment reduces waste by recycling the leftover plastic for use in later production. Mhnna expects to add ten new employees as a result of the expansion, and increase its revenues by $217,000 a year.

22. **Qaraman Office Automation Company** dreamed of becoming the first Palestinian manufacturer of envelopes. With a PIP grant, the company put a total investment of $818,374 into integrating an envelope production system into its current manufacturing line. In March 2011, the newly-purchased production machine and electrical cutter swung into action to make custom-sized envelopes for the Palestinian market. Meeting demand from government offices and local organizations, Qaraman has hired 10 new employees and increased its revenues by $300,000. Ultimately, it hopes to export its envelopes to Israel and the Gulf states.

23. The **Rabah Company for Plastic Manufacturing** is a producer of plastics located in Ramallah. Through PIP support, Rabah sought to gain the equipment needed to manufacture high-quality plastic bags with full-color printing, meeting growing market demand for customized packaging. Putting up a total investment of $390,000 including a PIP grant, Rabah purchased a central drum flexographic printing press and a plate mounting machine. It expects to add eight new employees as a result, and increase revenues by $321,800.

24. **Salwa Food Company,** a producer of lunch meat and other meat products, is adding an additional production line to its Ramallah factory. With PIP support, the company invested a total of more than $1,065,220 to purchase additional machinery. With a turning table, empty can washer, inline filler, vacuum seamer, full can washer, semi-automatic trolley loader, vacuum pump, skip elevator filler, packing, loading & transport line and an E. steriflow type 1300, the company will be able to increase production from 1.5 million units annually to 3.8 million units annually. The purchase of this machinery will not only satisfy existing demand but allow Salwa to target potential local and export markets. The company expects to add 22 jobs and increase revenues by $1 million.

25. For more than 15 years, the **Sami Al Amer Trading Company for General Trade, Import and Export** has been growing as a local manufacturer of sewing materials. Located in Qalqilya, the company seeks to produce in-house the plastic cones required to package thread, thereby reducing the need for expensive imported materials. With an overall investment

of $393,700 and a PIP grant contribution, Sami Al Amer purchased thread rolling machines, thread packaging machines, and a plastic cone production line. The expansion is expected to increase the company's sales coverage throughout the Palestinian areas. Sami Al Amer expects to add 21 new jobs and increase revenue by $431,631.

26. Thin-cut stone tiles are currently produced in very small quantities in the West Bank. At **Verona for Marble and Granite Company**, however, a new state-of-the-art production line will boost local availability. Using a PIP grant, the Bethlehem company invested a total of $1,661,477 with credit extended by a local bank. Equipment purchased by Verona includes saw equipment, a block cutting machine, a resin line, a crane, a polishing line and a cut-to-size tile line. The tiles that will be produced are in significant demand, as architects prefer their reduced weight and structural load. The expansion will add 35 new jobs and increase revenues by a projected $99,400. It will also open up opportunities for export from the West Bank to the port of Aqaba, Jordan. This plan could reduce contact with Israeli border patrols and lead to more reliable and cost-effective access to international markets.

27. **West Bank Salt Works Ltd** is a Palestinian salt producer established in February 2011. The Jericho plant received a PIP contribution to develop an additional salt processing line to meet the needs of increased production. The company has committed to a total investment of $420,000, without bank financing, in order to further its manufacturing strategy of exporting its product to Europe. The equipment is expected to be installed by September 2011 and is projected to create 13 jobs and $62,635 in additional revenue.

28. **White Palace Corners Company**, based in Nablus, seeks to compete with Chinese and other imports in the Palestinian market. To meet customer demand, the company made an overall investment of $450,000 with PIP support, purchasing 14 state-of-the art machines. The equipment includes several planers, a sander and a saw. With this new high-tech equipment, the company expects to hire16 new employees and increase its revenues by $135,000 a year.

PIP grantee Sami Al Amer's new thread rolling machine, installed in July 2010, has allowed the Qalqiliya-based family business to produce colored thread in-house instead of importing from China.